

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 17 FEBRUARY 2015**

REPORT BY: **CORPORATE FINANCE MANAGER**

SUBJECT: **TREASURY MANAGEMENT STRATEGY 2015/16**

1.00 PURPOSE OF REPORT

- 1.01 To present to Members the draft Treasury Management Strategy for 2015/16 for recommendation to Council.

2.00 BACKGROUND

- 2.01 The Local Government Act 2003 requires all local authorities to have due regard to both the Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice (The CIPFA Code of Practice) and Welsh Government guidance on Local Authority Investments.

- 2.02 The Council has adopted The CIPFA Code of Practice which requires:-

- The Council to create and maintain a Treasury Management Policy Statement which states the Council's policies, objectives and approach to risk management of its treasury management activities.
- The Council to create and maintain suitable Treasury Management Practices (TMPs) and accompanying schedules, stating how those policies and objectives will be achieved and prescribing how those activities will be managed and controlled.
- The Council to receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- Responsibility for Treasury Management to be clearly defined. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Corporate Finance Manager, who will act in accordance with the organisation's policy

statement and TMPs and, CIPFA's *Standard of Professional Practice on Treasury Management*.

- A body to be responsible for the scrutiny of Treasury Management Policy, Strategy and Practices. The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management function. The Audit Committee has previously agreed to include treasury management as a standing item on each quarterly agenda to receive an update.
- 2.03 A training session open to all Members on treasury management was run by Arlingclose, the Council's Treasury Management advisors on the morning of 21st January. The aim of the workshop was to aid Members' understanding of the Treasury Management Strategy.

3.00 CONSIDERATIONS

- 3.01 The 2015/16 Treasury Management Strategy is attached in Appendix 1 for review and discussion. The Strategy is updated and reported annually to Members in accordance with the CIPFA Code of Practice and the Welsh Government guidance.
- 3.02 The Treasury Management Strategy details the approach that the Council will take for investing and borrowing over the next year, including the budgetary implications of the planned investment and borrowing strategy and a number of treasury management indicators that the CIPFA Code requires.
- 3.03 The contents and layout of the 2015/16 Strategy have not materially changed from that of the 2014/15 Strategy.

Changes made and matters needing to be brought to Members attention are summarised below along with the supporting rationale:-

- 3.04
- Section 4 – Local context.
- This section summarises the anticipated treasury position in 2015/16. A new graph called the liability benchmark has been included (Table 4) which shows the net requirement for borrowing after considering resources available from reserves and working capital over the next 50 years. Treasury Management activity in 2015/16 will change and will focus more on borrowing and less on investments than in recent years.
- 3.05
- Section 5 – Housing Revenue Account; Subsidy Reform and introduction of self financing.
- Preparations continue to be made for the abolition of the Housing Revenue Account Subsidy (HRAS) system in Wales and the introduction of 'Self Financing' for the Housing Revenue

Account on 31st March 2015. The treasury impact will be to increase the Council's debt position. Section 5 of the report provides further information.

3.06 • Section 6 – Investment Strategy.

Changes have been made to the format of the Investment criteria and limits detailed in table 5. The changes are necessary to ensure that the Council's exposure to credit risk is minimised. This is as a consequence of the recently introduced legislation (commonly referred to as 'bail-in') to reform procedures should financial institutions fail in the future. The reforms end potential support available from the government and require investors / creditors classed as unsecured bondholders (such as Councils) to be bailed-in to secure the future financial stability in the event of a default.

3.07 • Section 7 – Borrowing Strategy.

Changes have been made to the planned borrowing strategy in 2015/16 from that of 2014/15 which can be seen in Section 7 – Borrowing Strategy. In 2014/15 the strategy was to create short term revenue savings by not undertaking any new borrowing. In 2015/16 the Council will need to borrow to fund the capital programme.

3.08 At a meeting of the Audit Committee on 28th January 2015 Members reviewed the draft Treasury Management Strategy for 2015/16.

3.09 Investments and borrowing requirements were discussed at length during the meeting, with no amendments made to the draft report.

3.10 On 1st March 2013 the Council approved the current Treasury Management Policy and Treasury Management Practices with both documents covering 3 financial years, 2013 to 2016. It was agreed that these documents would not require annual approval by Members, unless any significant changes was required. No changes need to be made to the Policy, and only minor changes need to be made to the Practices simply to bring them in line with changes approved to the Strategy.

4.00 RECOMMENDATION

4.01 That the Cabinet approves and recommends to the Council the Treasury Management Strategy 2015/16.

5.00 FINANCIAL IMPLICATIONS

5.01 As set out in the report.

6.00 ANTI POVERTY IMPACT

6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 Arlingclose Ltd as Treasury Management Advisers.

11.00 CONSULTATION UNDERTAKEN

11.01 Arlingclose Ltd as Treasury Management Advisers.

12.00 APPENDICES

12.01 Appendix 1 – Draft Treasury Management Strategy 2015/16

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS

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