

# CABINET

31 January 2012

## TREASURY MANAGEMENT STRATEGY 2012/13

Report of the Strategic Director for Resources

STRATEGIC AIM:	<b>To be a well managed organisation</b>		
KEY DECISION	YES	DATE ITEM FIRST APPEARED ON FORWARD PLAN	January 2012

### 1. PURPOSE OF THE REPORT

- 1.1 This report outlines the Council's prudential indicators for 2012/13 to 2014/15 and sets out the expected treasury operations for this period. It fulfils four key legislative requirements which are detailed in the background information.

### 2. RECOMMENDATIONS

That the Cabinet recommend the Council approve:

- 2.1 **The Prudential indicators and Limits for 2012/13 to 2014/15 contained within Appendix A of the report, including the Authorised Limit Prudential Indicator.**
- 2.2 **The Minimum Revenue Provision (MRP) Statement contained within Appendix A which sets out the Council's policy on MRP.**
- 2.3 **The Treasury Management Strategy 2012/13 to 2014/15, and the treasury Prudential Indicators contained within Appendix B.**
- 2.4 **The Investment Strategy 2012/13 contained in the Treasury Management Strategy (Appendix B), and the detailed criteria included in Annex B1.**

### 3. REASONS FOR THE RECOMMENDATIONS

- 3.1 To comply with the regulations set out in 4.1.
- 3.2 The Council often receives income in advance of making relevant expenditure. Although this income is committed, the timing of receipt often leads to surplus cash balances. Therefore a further reason for the recommendations is to ensure that these surplus balances are managed in a way to maximise the income potential whilst having regard for security and counterparty risk management.

## 4 BACKGROUND

4.1 The Authority is required to comply with the following legislative requirements:

- The reporting of the prudential indicators setting out the expected capital activities (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities – **Appendix A**). The treasury management prudential indicators are now included as treasury indicators in the CIPFA Treasury Management Code of Practice;
- The Council's Minimum Revenue Provision (MRP) Policy, which sets out how the Council will pay for capital assets through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007 – Also **Appendix A**);
- The treasury management strategy statement which sets out how the Council's treasury service will support the capital decisions taken above, the day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the Authorised Limit, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by s3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code and shown at **Appendix B**;
- The investment strategy which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the CLG investment guidance. And also shown in **Appendix B**.

The above policies and parameters provide an approved framework within which the officers undertake the day to day capital and treasury activities.

4.2 The Capital Financing Requirement (CFR) is expected to be reduced during 2012/13 as a result of the anticipated disposal of capital assets during the year. Cabinet have previously agreed that the resulting Capital Receipts would be utilised to reduce the overall CFR.

4.3 There are currently no plans to restructure the Gross Debt portfolio. The Section 151 Officer keeps the situation under constant review to identify favourable opportunities to do so.

4.4 The data used in determining the Capital Prudential Indicators (**Appendix A**) is based on the Approved Capital Programme only and does not take into account assumptions about decisions which have not yet been taken. The Medium Term Financial Plan includes an assumption that capital investment of £2m will be required in 2012/13, however these figures are excluded from the prudential indicators in this report. Any changes to the Prudential Indicators resulting from updates to the Capital Programme will be reported to Cabinet.

## 5. RISK MANAGEMENT

<b>RISK</b>	<b>IMPACT</b>	<b>COMMENTS</b>
<b>Time</b>	Low	There are no major changes to the Strategy for 2012/13. Compliance with the Strategy is achievable.
<b>Viability</b>	Medium	The Council must approve an annual Treasury Management Strategy prior to each financial year.
<b>Finance</b>	Medium	There is some uncertainty around interest rate forecasts.
<b>Profile</b>	High	Management of the Council's resources is key to achieving targets set out in the budget. Security of the Council's money in a volatile banking market is essential.
<b>Equality and Diversity</b>	Low	EIA screening indicates no issues arising therefore full Impact Assessment has not been carried out.

## 5. CONCLUSIONS

- 5.1 The Treasury Management Strategy complies with both the requirements of the Prudential Code for Capital Finance in Local Authorities and the CIPFA Code of Practice for Treasury Management in the Public Services. This report is intended to assist the Council in managing its borrowing and lending in accordance with best professional practice, and having regard to its responsibilities for stewardship of public funds.

### **Background Papers**

Capital Programme 2012/13 to 2014/15  
Budget working papers 2012/13

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