



## Cabinet 11 February 2014

### Recommendation of the Performance and Audit Scrutiny Committee: Annual Treasury Management and Investment Strategy Statements 2014/2015 (Feb14/06)

#### 1. Summary and reasons for recommendation

- 1.1 On 29 January 2014 the Performance and Audit Scrutiny Committee considered Report **E225**, which had been scrutinised by the Treasury Management Sub-Committee on 20 January 2014.
- 1.2 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management requires that, prior to the start of the financial year, the Council formally approves an Annual Treasury Management and Investment Strategy which sets out its treasury management policy and strategy statements for the forthcoming year.
- 1.3 Report **E225** provided information on the proposed Treasury Management and Investment Strategy Statements 2014/2015 (including treasury related prudential indicators, which met the requirements of the CIPFA Code, together with the Department of Communities and Local Government's Guidance on Local Government Investments in England.

#### 2. Recommendation

- 2.1 It is **RECOMMENDED** that subject to the approval of full Council, the Annual Treasury Management and Investment Strategy Statements 2014/2015, as contained in Appendix 1 to Report E225, be adopted subject to the following minor amendment:

Paragraph 42: the wording set out in the table be amended to read '*Investment Date*', instead of '*Date Loaned*'.

## Contact details

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### 3. Corporate priorities

3.1 The recommendation meets the following, as contained within the Corporate Plan:

(a) Corporate priority 3: *'Working together for an efficient Council'*.

### 4. Key issues

- 4.1 Following the Treasury Management Sub-Committee's consideration of Report **E225** on 20 January 2014, the Head of Resources and Performance verbally reported to the Performance and Audit Scrutiny Committee on the Sub-Committee's consideration of the report and recommendation.
- 4.2 Following the recent move to a West Suffolk shared finance service, including a shared treasury management function, between St Edmundsbury Borough Council (SEBC) and Forest Heath District Council (FHDC) the opportunity has been taken to align, where possible, the two Councils' Annual Treasury Management and Investment Strategy Statements (Strategy) and Treasury Management Code of Practice (recommendations relating to the Code is subject to a separate report (Report E271 refers) on this Cabinet agenda). The new Strategy and Code still recognise that the two Councils continue to have different investment criteria and limits due to the different size investment portfolios and different external advisors/fund managers.
- 4.3 The alignment of the Strategies has resulted in changes to the wording and format within the documents but the meaning behind the words remains the same. The new Strategy is in line with the CIPFA Code of Practice on Treasury Management and the guidance issued from the Department for Communities and Local Government (CLG).

#### Main changes between the 2013/2014 and the new 2014/2015 Strategy

- 4.4 Following the recent recommendation of the Treasury Management Sub-Committee (subsequently endorsed by Cabinet and full Council), the new Strategy for 2014/2015 includes the ability for the Council to utilise the services of an External Fund Manager.

- 4.5 Consequently, the following additional limit has been included stipulating that the total value of funds controlled by any individual advisor to the Council shall not exceed £30m.
- 4.6 All other investment limits and criteria remain the same, except for the upper limit for fixed rate investments has been increased from 95% to 100% (due to the current economic climate the majority of the most advantageous rates from institutions on the Council's approved list related to call accounts or notice accounts both of which are fixed rate investments).
- 4.7 Interest rate projections have been updated together with reflecting that the Council will be changing its bank from 1 April 2014 to Lloyds Bank Plc.
- 4.8 The Strategy also highlighted that the Council is allowed to borrow funds if required (in accordance with the Council's Prudential Code).
- 4.9 The Treasury Management Sub-Committee had examined the report in detail. In particular, discussions were held on the current interest rates being achieved against the projected interest rates for 2014/2015 to 2017/2018; whether the 1.5% interest rate projected up until 2015/2016 was too optimistic in the current financial climate and the Interest Equalisation Earmarked Reserve.
- 4.10 The Performance and Audit Scrutiny Committee was advised that following the publication and the Sub-Committee's subsequent consideration of Report E225, the internal budget process has been finalised ready for consideration by Cabinet and then full Council on 25 February 2014 and due to revised assumptions in the investment balances which is linked to projections around the capital programme, business rates retention cash flows etc. the updated total interest receipts assumed in the 2014/2015 budgets is now showing at £558,000, and not £629,000. Members were asked to note that the average interest rate of 1.50% still applied. It was merely the average investment balance that had changed to reflect the work from the budget process, and did not affect the approval of the Annual Treasury Management and Investment Strategy Statements 2014/2015.
- 4.11 The Committee then considered the report and suggested that the wording set out in the table at paragraph 42 in Appendix 1 be amended to read '*Investment Date*', instead of '*Date Loaned*', which the Head of Resources and Performance agreed to amend.
- 4.12 The Performance and Audit Scrutiny Committee has put forward recommendations as provided in Section 2 above.

## **5. Other options considered**

- 5.1 See Report E225 to Treasury Management Sub-Committee.

## **6. Community impact**

- 6.1 See Report E225 to Treasury Management Sub-Committee.

## **7. Consultation**

- 7.1 See Report E225 to Treasury Management Sub-Committee.

**8. Financial and resource implications** (*including asset management implications*)

8.1 See Report E225 to Treasury Management Sub-Committee.

**9. Risk/opportunity assessment** (*potential hazards or opportunities affecting corporate, service or project objectives*)

9.1 See Report E225 to Treasury Management Sub-Committee.

**10. Legal and policy implications**

10.1 See Report E225 to Treasury Management Sub-Committee.

**11. Wards affected**

11.1 All Wards.

**12. Background papers**

12.1 Report E225 to Treasury Management Sub-Committee: Annual Treasury Management and Investment Strategy Statements 2014/2015

**13. Documents attached**

None.