Cabinet - 6 February 2014

Report of the County Treasurer

Electoral Division affected:
All

Treasury Management Policy and Strategy 2014/15
(Appendices 'A', 'B' and 'C' refer)

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Executive Summary

This report outlines the proposed Treasury Management Policy and Strategy for 2014/15 as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice (2011). It includes the County Council's borrowing and investment strategies and the proposed Minimum Revenue Provision policy, together with the treasury management prudential indicators which seek to ensure that the Council's borrowing levels remain both sustainable and affordable.

Approval of the Treasury Management Policy and Strategy is a matter reserved to the Full Council.

Recommendation

Cabinet is asked to:

(i) Recommend the Treasury Management Policy as set out at Appendix 'A' to the Full Council for approval;

(ii) Recommend the Treasury Management Strategy for 2014/15 as set out at Appendix 'B' to the Full Council for approval;

(iii) In respect of the Minimum Revenue Provision Statement for 2014/15, set out at Appendix 'C', recommend that Full Council:

   a. Approves the Capital Financing Requirement method and the Asset Life method (Equal Charge approach) for expenditure funded from borrowing incurred in 2013/14 and future years.
   b. Charges to revenue a sum equal to the repayment of any credit liability.
   c. Approves the proposed treatment of assets constructed under the Preston, South Ribble and Lancashire City Deal and the Homes and Communities Agency Local Infrastructure Fund, subject to annual review.

Background and Advice

Treasury management is the management of the Council's investments and cash flows, its banking, money market and capital market transactions; it also includes the effective control and management of the risks associated with these activities, ensuring that the Council gets the best performance for the least risk.

The Treasury Management Strategy sets out the Council's policies for ensuring the security and liquidity of its investments, whilst having regard to investment returns in order to protect the value of the funds. It also outlines the Council's strategy for financing existing borrowing and future capital borrowing requirements, with the aim of securing the required funds at the lowest possible rate.

The Minimum Revenue Provision (MRP) is a prudent charge Local Authorities are required to make to the revenue account to provide for the repayment of debt and other credit liabilities (mainly finance leases or PFI contracts).

Consultations

Arlingclose, the County Council's external Treasury Management advisers.

Implications:

This item has the following implications, as indicated:

Risk management

The Council, having adopted the "Prudential Code", is required to prudently manage the investments of the Council. The current situation exposes the Council to heightened counterparty concentration risk inconsistent with its duty. As the process of managing the Council's investments is intrinsic to its continuing operations a prudent yet workable policy is necessary.

List of Background Papers

Paper	Date	Contact/Directorate/Tel
Arlingclose Ltd. Credit Risk Report	December 2013	Andrew Ormerod, County Treasurer's Directorate, (01772) 534740
CIPFA Treasury Management Code of Practice	2011	Andrew Ormerod, County Treasurer's Directorate, (01772) 534740

Reason for inclusion in Part II, if appropriate

N/A