Open Decision Item

One Corby Policy Committee *16th March 2010*

Treasury Management Strategy 2010/11

SYNOPSIS

The Council will continue to borrow in order to fund existing and future capital commitments. The attached strategy reflects this shift in emphasis.

1. Relevant Background Details

The Treasury Management policy adopted by the Council requires the Head of Financial Services to provide details of the annual Treasury Management Strategy in advance of the new financial year. This strategy also forms part of the key recommendations of CIPFA's Treasury Management in Public Services Code of Practice which the Council has previously adopted.

The main focus of the Treasury Strategy for 2010/11 is in relation to borrowing of £46.873m, based on the current capital programme and timing of capital receipts as outlined in Appendix C of this report.

2. Treasury Management Strategy

This Treasury strategy is based on Head of Financial Services view on interest rates and financial / economic environment, supplemented with forecasts provided by the Council's Treasury Advisory service. The policy of this Council is the prudent investment of its balances. The Council will aim to achieve the optimum return on its investments in line with proper levels of security and liquidity. Details of this strategy are set out in Appendix A of this report.

As part of reviewing the proper level of security, Appendix B provides an updated Counterparty list for approval.

The Council does not invest money in foreign institutions or banks in order to minimise risks and protect taxpayers money.

Investment and Borrowing strategies seek to minimise interest paid and maximise interest income to the Council.

3. Prudential Indicators

Under section 3 of the Local Government Act 2003, the Council is required to determine its own affordable borrowing limits in line with the CIPFA Prudential Code. The approved authorised limit for external borrowing in 2009/10 was £16.741m which has now been exceeded by £859k due to costs arising from the litigation case. The borrowing requirements and Prudential Indicators for 2009/10 and 2010/11 have been revised and are set out for approval in the prescribed format in Appendix C.

These reflect the proposals included within the Medium Term Financial Strategy for 2010/11 -2014/15:

- The Housing Capital Programme being fully financed by HRA resources, resulting in some long-term borrowing financed from the HRA.

- The temporary borrowing required to fund the General Fund Capital Programme due to delays in securing capital receipts. This borrowing will be repaid once these receipts are received.

In addition to the temporary borrowing, there is a potential for future borrowing for Kickstart, Litigation costs and overspend on the Cube which will not be funded by any future capital receipts and will remain a long term cost to the general fund.

4. Annual Minimum Revenue Provision Statement

Capital expenditure is expenditure incurred on assets which have a life expectancy of more than one year e.g. buildings. It would not be practical to charge all the expenditure incurred during the year to revenue, therefore such expenditure is spread over several years in order to match the years over which the assets benefit the local community. This is applied through an annual Minimum Revenue Provision.

Guidance produced by the Department for Communities and Local Government in February 2008 recommends that before the start of each financial year a local authority prepares a statement of its policy on making MRP in respect of that financial year and submits it to the full Council. The statement should indicate which of the four options set out in the Guidance are to be followed in the financial year.

The MRP policy statement for 2010/11 is in Appendix D.

Issues to be taken into account:-

Policy Priorities

The Treasury Management Strategy is an integral part of Financial Strategy for the Council

Financial Implications

These are discussed within the report and Appendix A.

Legal Implications

Ensure compliance with CLG guidance on investments & Prudential Code as set in Local Government Act 2003.

Compliance with CIPFA’s Treasury Management in the Public Services Code of Practice 2002.

Money Laundering Regulations 2007

Human Rights, Equalities, Community Safety

No specific issues to highlight.

Best Value Implications

The Treasury Management Strategy aims to maximise investment returns while minimising risk to the authority by borrowing at the most advantageous rate.

5. Conclusion

Current economic conditions have resulted in the Council moving from a net investor to a net borrower, at least in the short-term. This will require close monitoring of cash flow forecasts and trends in interest rates in order to protect and maximise the Council's financial position, whilst continuing to adopt a low-risk strategy.

6. Recommendations

That Committee approve:

(i) The Treasury Management Strategy 2010/11;

(ii) The updated counterparty list;

(iii) The Prudential Indicators; and

(iv) The Minimum Revenue Position Policy Statement 2010/11

7. Background papers

CIPFA Treasury Management Code

CIPFA Prudential Code

Sector Treasury Advisors Guidance

Appendices

Appendix A: Treasury Management Strategy 2010/11

Appendix B: Investment Counterparties

Appendix C: Prudential Indicators

Appendix D: MRP Policy Statement 2010/11

External Consultations

Not applicable

Wards – All Wards

Officers to Contact

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