



Agenda item:

**Decision maker:** Cabinet  
Governance and Audit Committee  
City Council

**Subject:** Treasury Management Policy for 2012/13

**Date of decision:** 5 March (Cabinet)  
9 March (Governance and Audit Committee  
– information only)  
20 March (City Council)

**Report by:** Head of Financial Services and  
Section 151 Officer

**Wards affected:** All

**Key decision:** Yes  
**Budget & policy framework decision:** Yes

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**1. Summary**

This report includes the Treasury Management Policy, the Annual Revenue Provision for Debt Repayment Statement and the Annual Investment Strategy.

**2. Purpose of report**

The purpose of this report is to obtain the Council's approval for the attached Treasury Management Policy Statement.

**3. Background**

The City Council has adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services Code of Practice. The Code of Practice requires the City Council to approve a Treasury Management Strategy before the start of the financial year.

In addition the Government has issued statutory guidance that requires the Council to approve an Annual Minimum Revenue Provision for Debt Repayment Statement and an Annual Investment Strategy before the start of the financial year.

The Treasury Management Strategy, the Annual Minimum Revenue Provision for Debt Repayment Statement and the Annual Investment Strategy are all contained within the attached Treasury Management Policy Statement.

**4. Recommendations**

**4.1a That the prudential indicators contained in appendix A be approved.**

**4.1b the upper limit for gross debt less investments is set as follows:**

**2011/12      £263,740,000**

**2012/13      £272,053,000**

**2013/14      £287,103,000**

**2014/15      £290,011,000**

**4.1c the Head of Financial Services and Section 151 Officer and officers nominated by him is given authority to lend surplus funds as necessary in accordance with the Treasury Management Policy;**

**4.1d the use of all capital resources including supported capital expenditure, usable capital receipts, and grants and contributions be maximised**

**4.1e the Head of Financial Services and Section 151 Officer is given delegated authority to either replace maturing debt or repay it depending on the outlook for long term interest rates that exists at the time**

**4.1f the upper limits for fixed interest exposures are set as follows:**

**2011/12      £358m**

**2012/13      £378m**

**2013/14      £378m**

**2014/15      £377m**

**4.1g the upper limits for variable interest exposure are set as follows:**

**2011/12 (£374m) – Investments up to £374m**

**2012/13 (£378m) – Investments up to £378m**

**2013/14 (£378m) – Investments up to £378m**

**2013/14 (£377m) – Investments up to £377m**

**4.1h the following limits be placed on principal sums invested for periods longer than 364 days:**

**31/3/2012 £129m**

**31/3/2013 £110m**

**31/3/2014 £90**

**31/3/2015 £80**

**4.1i the City Council set upper and lower limits for the maturity structure of its borrowings as follows:**

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

	<b>Upper Limit</b>	<b>Lower Limit</b>
<b>Under 12 Months</b>	<b>6%</b>	<b>0%</b>
<b>12 months &amp; within 24 months</b>	<b>6%</b>	<b>0%</b>
<b>24 months &amp; within 5 years</b>	<b>18%</b>	<b>0%</b>
<b>5 years &amp; within 10 years</b>	<b>30%</b>	<b>0%</b>
<b>10 years &amp; within 20 years</b>	<b>60%</b>	<b>0%</b>
<b>20 years &amp; within 30 years</b>	<b>60%</b>	<b>0%</b>
<b>30 years &amp; within 40 years</b>	<b>60%</b>	<b>0%</b>
<b>40 years &amp; within 50 years</b>	<b>80%</b>	<b>0%</b>

**4.1j authority to reschedule debt during the year is delegated to the Head of Financial Services and Section 151 Officer subject to conditions being beneficial to the City Council;**



- 4.1k no restriction be placed on the amount that can be borrowed in sterling from an individual lender provided it is from a reputable source and within the authorised limit for external debt approved by the City Council;**
- 4.1l the principles upon which the apportionment of borrowing costs to the Housing Revenue Account (HRA) should be based are as follows:**
- The apportionment is broadly equitable between the HRA and the General Fund, and is detrimental to neither;**
  - The loans portfolio is managed in the best interests of the whole authority;**
  - The benefits of uninvested balance sheet resources which allow borrowing to be below the capital financing requirement (CFR) are equitably shared between the General Fund and the HRA;**
- 4.1m the regulatory method of calculating Minimum Revenue Provision (MRP) be applied to pre 1 April 2008 debt and new government supported debt other than finance leases and service concessions including Private Finance Initiative (PFI) schemes;**
- 4.1n the asset life (equal instalment) method of calculating MRP is applied to post 1 April 2008 self financed borrowing other than finance leases and service concessions including Private Finance Initiative (PFI) schemes;**
- 4.1o MRP on finance leases and service concessions including Private Finance Initiative (PFI) arrangements equals the charge that goes to write down the balance sheet liability;**
- 4.1p The Housing Revenue Account (HRA) provide for the Self Financing Payment over 30 years;**
- 4.1q the bodies listed in paragraph Appendix E of the Treasury Management Policy be approved as repositories of specified investments;**



- 4.1r credit ratings be reviewed monthly and that any institution whose credit rating falls below the minimum level stated in paragraphs 16.4 and 16.5 of the Treasury Management Policy be removed from the list of specified investments;**
- 4.1s institutions in category 3 that are placed on negative watch or negative outlook by the rating agencies be reassigned to category 4 if a subsequent down-grading means that they no longer meet the category 3 criteria;**
- 4.1t institutions in category 4 that are placed on negative watch or negative outlook by the rating agencies be reassigned to category 5 if a subsequent down-grading means that they no longer meet the category 4 criteria;**
- 4.1u institutions in category 5 that are placed on negative watch or negative outlook by the rating agencies be removed from the list of specified investments if a subsequent down-grading means that they no longer meet the category 5 criteria**
- 4.1v that the Head of Financial Services and Section 151 Officer be given delegated authority to add counter parties that meet the City Council's approved investment criteria to the list of specified investments**



**4.1w non-specified investments are limited to the following:**

	£
Financial institutions that are domiciled in the UK & have very limited exposure to the Euro zone periphery & investment banking	29m
Investments in MMD (Shipping Services) Ltd including funds lodged to guarantee the company's banking limits. MMD is a wholly owned subsidiary of the City Council.	2m
Long term investments	110m
Investments denominated in foreign currencies to hedge against contracts priced or indexed against foreign currencies	5m
<b>Total</b>	<b>146m</b>

**4.1x the total amount that can be invested with any organisation at any time should be limited as follows:**

	Maximum Investment in Single Organisation
Category 1	Unlimited for up to 1,830 days
Category 2	£20m for up to 1,830 days
Category 3	£20m for up to 732 days
Category 4	£15m for up to 366 days
Category 5	£10 for up to 366 days
Category 6	£6 for up to 366 days
Category 7	£5m overnight or instant access
MMD (Shipping Services) Ltd including sums lodged to guarantee the company's banking limits	£2m for up to 366 days years

**4.1y the Head of Financial Services and Section 151 Officer be given delegated authority to revise the total amount that can be directly invested with any organisation at any time**



**4.1z that the following investment limits be applied to sectors:**

<b>Money market funds</b>	<b>£80m</b>
<b>Building societies</b>	<b>£28m</b>

**4.1aa that the following investment limits be applied to regions outside the United Kingdom:**

<b>Asia &amp; Australia</b>	<b>£40m</b>
<b>Americas</b>	<b>£40m</b>
<b>Continental Europe</b>	<b>£25m</b>

**4.1ab the Head of Financial Services and Section 151 Officer be given delegated authority to borrow up to £50m in advance of need from 23 March 2012**

**4.2 the Head of Financial Services and Section 151 Officer submits the following:**

- (i) an annual report on the Treasury Management outturn to the Cabinet by 30 September of the succeeding financial year;**
- (ii) A Mid Year Review Report to the Cabinet;**
- (iii) the Annual Strategy Report to the Cabinet in March 2013;**
- (iv) quarterly Treasury Management monitoring reports to the Cabinet and the Governance and Audit Committee.**

**5. Reasons for recommendations**

The reasons for the recommendations are given in the attached Treasury Management Policy statement.



**6. Options considered and rejected**

The option of not reporting the City Council's Treasury Management policy would be a breach of CIPFA's Code of Practice on Treasury Management which the City Council has a statutory duty to have regard to. It would be a breach of government guidance that the City Council also has a statutory duty to have regard to.

**7. Duty to involve**

The attached Treasury Management Policy informs members and the wider community of the recommended Treasury Management Policy. This report also gives the Cabinet the opportunity to scrutinise the recommended Treasury Management Policy.

**8. Implications**

The net cost of Treasury Management activities and the risks associated with those activities have a significant effect on the City Council's overall finances. Effective Treasury Management will provide support to the organisation in the achievement of its business and service objectives.

**9. Corporate priorities**

This report and the activities it refers to contribute to the following Corporate Priority:

- Improve efficiency and encourage involvement

**10. Equality impact assessment (EIA)**

This report has undergone an effective equalities impact assessment and no issues were arising.

**11. Legal implications**

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2003 to ensure that the Council's budgeting, financial management, and accounting practices meet the relevant statutory and professional requirements. Members must have regard to and be aware of the wider duties placed on the Council by various statutes governing the conduct of its financial affairs.



**12. Head of Finance's comments**

All financial considerations are contained within the body of the report and the attached appendices

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Signed by Head of Financial Services & Section 151 Officer

**Appendix: Treasury Management Policy Statement, Annual Minimum Revenue Provision for Debt Repayment Statement and Annual Investment Strategy 2011/12**

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
1 Treasury Management Files	Financial Services
2	

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the Cabinet on 5 March 2012.

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Signed by: the Leader

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the City Council on 20 March 2012.

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Signed