

Chichester District Council

CORPORATE & GOVERNANCE COMMITTEE

22 JANUARY 2015

Draft Treasury Management Strategy 2015-16

1. Contacts

Report Author:

Helen Belenger, Accountancy Services Manager

Tel: 01243 521045 E-mail: hbelenger@chichester.gov.uk

2. Recommendation

- 2.1. That the committee considers the Treasury Management Policy Statement, the Treasury Management Strategy Statement, the Minimum Revenue Provision Policy Statement and the Investment Strategy for 2014-15 and recommends these to Cabinet and Council for approval.**

3. Background

- 3.1. The draft Treasury Management Strategy for 2015-16 was initially submitted to the Committee at its meeting on the 27 November 2014, to consider the changes being recommended for the forthcoming financial year. The changes suggested were in part due to how now to manage risks associated with investments that would be part of any bail-in arrangements, which are expected to come into effect from July 2015. As such, the Council's treasury adviser was suggesting some quite fundamental changes from the current investment strategy.
- 3.2. In light of these changes from the current 2014-15 Treasury Management Strategy, which was subject to a detailed examination by a Task and Finish Group. The Committee approved the setting up of the Task and Finish Group again, to consider the impact of the suggested changes before the 2015-16 is considered by this Committee at their January 2015 meeting, before going onto to be approved by Cabinet in February 2015 and Full Council in March.
- 3.3. The terms of reference for the Task and Finish Group, previously approved by the Committee, were still applicable to ensuring that the proposed Treasury Management Strategy updated for 2015-16 remains robust and fit for purpose, taking into account the recommendations of the treasury adviser. The Group were to consider in particular the counterparty limits (Table 4), the investment limits (Table 6) and the principal sums invested for period longer than 364 days (Table 9). Once agreed, the non-specified investment limits (Table 5) would also need to be updated.
- 3.4. The outcome of the Task and Finish Group is to be reported to this Committee meeting, and then onto Cabinet as part of the budget setting.

4. Outcomes to be achieved

- 4.1. The Treasury Management and Investment Strategies for 2015-16 are approved in accordance with the CIPFA's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code).

5. Proposal

- 5.1. The outcome of the review by the Task & Finish Group will be reported to the Committee, along with the recommended changes to the Treasury Management Strategy 2015-16
- 5.2. As the Group meeting is to take place on 15 January 2015, the revised documents of the Treasury Management Policy Statement, Treasury Management Strategy Statement, and Annual Investment Strategy for 2015-16 and schedule A, and Treasury Management Practices (TMP's) Extract of TMP 1 Risk Management will be circulated to members ahead of the Committee meeting.

6. Alternatives that have been considered

- 6.1. As the CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Strategy is being considered by the Corporate Governance and Audit Committee to comment on whether the strategy represents an appropriate balance between risk management and cost effectiveness.
- 6.2. The impact of alternative strategies, with their financial and risk management implications are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses will be greater.
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses will be smaller

7. Resource and legal implications

- 7.1. The estimated rate of return for the forthcoming financial year and future financial years has been taken into account in the 5 year model under pinning the Council's Financial Strategy and resources statement and incorporated in the Council's annual budget.

8. Consultation

- 8.1. In adhering to the CIPFA Code, the forthcoming financial year's Treasury Management Strategy, Investment Strategy and TMP's are required to be considered by those members charged with governance, before being considered by Cabinet and then Full Council for approval.

9. Community impact and corporate risks

- 9.1. The statutory and regulatory framework under which the treasury management function operates is very stringent, and each authority has to decide its own appetite for risk and the rate of return it could achieve.
- 9.2. Risk management is covered within the Treasury Management Strategy and specifically within TMP 1, an extract of which is shown in appendix 3.

10. Other Implications

	Yes	No
Crime & Disorder:		✓
Climate Change:		✓
Human Rights and Equality Impact:		✓
Safeguarding:		✓
Other (Please specify): Non-compliance or loss of an investment due to default by a counterparty could affect the financial wellbeing of the council dependent on the size of the loss and the ability to fund losses from its unallocated reserves.	✓	

11. Appendices

11.1. The following appendices will be circulated prior to the meeting, after the Task & Finish Group Meeting on the 15 January 2015:

- Appendix 1- Treasury Management Policy Statement, Treasury Management Strategy Statement, and Annual Investment Strategy for 2015-16 and schedule A.
- Appendix 2 – Treasury Management Practices (TMP's) Extract of TMP 1 Risk Management

12. Background Papers

12.1. Task and finish group meeting notes 15.01.2015