

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

28 JANUARY 2016

REPORT OF THE CORPORATE DIRECTOR – RESOURCES

TREASURY MANAGEMENT HALF YEAR REPORT 2015-16 AND TREASURY MANAGEMENT STRATEGY 2016-17

1. Purpose of the Report

1.1 The purpose of the report is to present the:

- Half Year Treasury Management report which was approved by Council on 25 November 2015;
- Proposed Treasury Management Strategy for 2016-17, which includes the:-
 - Borrowing Strategy 2016-17
 - Investment Strategy 2016-17
 - Treasury Management and Prudential Indicators for the period 2016-17 to 2019-20
 - Annual Minimum Revenue Provision Statement 2016-17

2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

2.1 The work of the Audit Committee supports corporate governance and assists in the achievement of all corporate and service objectives. Prudent treasury management arrangements will ensure that investment and borrowing decisions made by officers on behalf of the Council make best use of financial resources and hence assist achievement of corporate priorities.

3. Background

3.1 The Audit Committee has delegated responsibility for ensuring effective scrutiny of the Treasury Management Strategy and policies.

3.2 The Council manages its Treasury Management activities in accordance with the Local Government Act 2003, and associated guidance:-

- The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code), requires the Council to approve a Treasury Management Strategy (TMS) before the start of each financial year (TMS 2016-17 in **Appendix B**)

- The Welsh Government (WG) issued revised Guidance on Local Authority Investments in April 2010, which requires the Council to approve an Investment Strategy prior to the start of each financial year (**Appendix B-Section 5**)
 - In addition to the CIPFA Code which requires treasury management indicators to be set, CIPFA's Prudential Code for Capital Finance in Local Authorities 2011 Edition requires the Council to set a number of Prudential Indicators (**Appendix B-Schedule A**)
 - The Local Authority (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2008, requires the Council to produce an Annual Minimum Revenue Provision (MRP) Statement that details the methodology for the MRP charge (**Appendix B-Schedule B**)
- 3.3 The CIPFA Code which was formally adopted by the Council in February 2012, requires all Local Authorities to conduct a mid-year review of its treasury management policies, practices and activities and a report was presented to Council 25 November 2015 (**Appendix A**). As a result of this review for 2015-16, it was not deemed necessary to make any changes to the main parts of the Treasury Management Strategy 2015-16, however, it was beneficial for the Council to make some minor revisions to the Investment Strategy included within this Statement (section 5 of the Treasury Management Strategy) to enable increased flexibility in an ever changing financial market and increase the investment opportunities available to the Council whilst still maintaining security.
- 3.4 Following consultation with the Council's treasury advisor, Arlingclose, the changes approved by Council were:
- reduce the UK Local Authorities individual counterparty limit from £15 million to £12 million
 - increase the unsecured investments with Building Societies group limit from £5million to £6million
 - add additional wording to clarify the counterparty limits:
 - These cash limits are per counterparty and relate to principal only and exclude any accrued interest.

In addition to these changes there were some minor grammatical changes for clarification purposes only.

4. Current Situation / Proposal

- 4.1 The Treasury Management Strategy for 2016-17 (**Appendix B**) confirms the Council's compliance with the CIPFA Code, which requires that formal and comprehensive objectives, policies and practices, strategies and reporting arrangements are in place for the effective management and control of Treasury Management activities, and that the effective management and control of risk are the prime objectives of these activities.

4.2 The Treasury Management Strategy is to be presented to Council for approval in March 2016 and whilst the main body will remain unchanged there may be variations to some of the figures if there are any changes (such as the capital programme) to reflect the most up to date information.

5. Effect upon Policy Framework & Procedure rules

5.1 Paragraph 17.3 of the Financial Procedure Rules (FPR) within the Council's Constitution requires that all investments and borrowing transactions shall be undertaken in accordance with the Council's Treasury Management Strategy as approved by Council. Paragraph 17.8 of the FPR sets the Audit Committee's responsibility to ensure effective scrutiny of the Treasury Management policies and practices and to review the half year monitoring report.

5.2 This report is designed to ensure compliance with the above requirements.

6. Equality Impact Assessment

6.1 There are no equality implications.

7. Financial Implications

7.1 These are reflected within the report.

8. Recommendation

8.1 That members note the Half-Year Treasury Management Report which was approved by Council in November 2015 (**Appendix A**);

8.2 That Members give due consideration to the Treasury Management Strategy 2016-17 before it is presented to Council for approval in March 2016 as part of the Medium Term Financial Strategy (**Appendix B**).

Ness Young
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31 December 2015

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Background documents

CIPFA Code of Practice on Treasury Management in Local Authorities (2011)

CIPFA The Prudential Code for Capital Finance in Local Authorities (2011)

Treasury Management Strategy 2015-16