

EAST HERTS COUNCIL

AUDIT COMMITTEE – 21 JANUARY 2015

EXECUTIVE – 3 FEBRUARY 2015

REPORT BY EXECUTIVE MEMBER FOR FINANCE

TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY 2015-16

WARDS AFFECTED: NONE SPECIFIC

Purpose/Summary of Report

- The report sets out the proposed Treasury Management Strategy and Annual Investment Strategy for 2015-16.
- Where changes have been made to the revised Treasury Management Strategy and Annual Investment Strategy for 2014-15 or to the credit criteria for selection of investment counterparties approved for 2014-15, these have been referred to and discussed below.
- This report also presents the 2015-16 Prudential Indicators for approval.

RECOMMENDATIONS FOR THE AUDIT COMMITTEE:

That:

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|------------|--|
| (A) | The Treasury Management Strategy and Annual Investment Strategy discussed in paragraphs 2.1 – 2.2 be recommended for submission to Executive. |
| (B) | The Prudential Indicators discussed as set out in paragraph 2.3 be recommended for submission to Executive. |
| (C) | The counterparty listing discussed in paragraph 2.4 be recommended for submission to Executive. |

RECOMMENDATIONS FOR THE EXECUTIVE:

That:

(A)	The Treasury Management Strategy and Annual Investment Strategy discussed in paragraphs 2.1 – 2.2 be recommended for submission to Council.
(B)	The Prudential Indicators discussed paragraph 2.3 be recommended for submission to Council.
(C)	The counterparty listing discussed in paragraph 2.4 be recommended for submission to Council.
<u>RECOMMENDATIONS FOR THE COUNCIL:</u>	
That:	
(A)	The Treasury Management Strategy and Annual Investment Strategy discussed in paragraphs 2.1 – 2.2 be approved.
(B)	The Prudential Indicators discussed in paragraph 2.3 be approved.
(C)	The counterparty listing discussed in paragraph 2.4 be approved.

1 Background

- 1.1 Treasury management is defined as: ‘The management of the Council’s investments and cash flows, its banking arrangements, money market and capital transactions; the effective control of the risks associated with these activities; and the pursuit of optimum returns consistent with the Council’s risk management policy for treasury management.’
- 1.2 The Council is required by the CIPFA Treasury Management Code of Practice to approve a Treasury Management Strategy and Annual Investment Strategy each year. The purpose of the Strategy is to ensure that there is adequate cash flow to fund the Council’s revenue and capital aspirations in both short and longer term.
- 1.3 The Strategy sets out a risk management policy for the investment of surplus cash. The Strategy is designed to obtain the highest possible yield, contingent upon investments being secure, and there being sufficient liquidity to meet the Council’s daily cash needs.
- 1.4 The Council is required by the CIPFA Prudential Code to approve each year a set of Prudential Indicators. The Indicators must be approved by Full Council before the beginning of each financial year. Their purpose is to help the Council ensure that its capital investment plans are affordable, prudent and sustainable.

2 Report

- 2.1 Please refer to the recommended Treasury Management Strategy and Annual Investment Strategy in **Essential Reference Paper 'B': Treasury Management Strategy and Annual Investment Strategy 2015-16**.
- 2.2 There have been no additional regulatory changes since those that were included in the revised Treasury Management Strategy submitted to the Audit Committee on 10 July 2014. No additional changes to the 2015-16 Strategy have been proposed.
- 2.3 Prudential Indicators have been summarised in **Essential Reference Paper 'C': Prudential Indicators 2015-16**.
- 2.4 Please refer to the recommended counterparty listing in **Essential Reference Paper 'D': Credit Rating Tables 2015-16** (Annex 2a, b, and c). There have been no further changes to the revised listing provided with the revised Treasury Management Strategy 2014-15 submitted to the Audit Committee on 10 July 2014. The revised 2014-15 Strategy was updated to include criteria for investment in non-treasury investment vehicles such as Pooled Property Funds and direct investment in property.
- 2.4 The Treasury Management Strategy also includes the Council's Minimum Revenue Provision (MRP) policy. The Strategy recommends that the Council continue to have a nil MRP.
- 3.0 Implications/Consultations
- 3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers

None

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