

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Cabinet **DATE:** 19<sup>th</sup> January 2015

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**WARD(S):** All

**PORTFOLIO:** Cllr. Rob Anderson; Lead Commissioner for Finance & Strategy

### **PART I** **KEY DECISION**

#### **TREASURY MANAGEMENT STRATEGY 2015-16**

##### **1 Purpose of Report**

The Treasury management strategy (TNMS) is a requirement of the council's reporting procedures and recommended by both the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice on treasury management and the CIPFA prudential code for capital finance in local authorities. The Council is required to comply with both codes through regulations issued under the Local Government Act 2003.

##### **2 Recommendation**

Members are asked to Recommend approval of the Treasury Management Strategy for 2015/16 to Council on 19<sup>th</sup> February 2015.

##### **3 Slough Joint Wellbeing Strategy**

###### **3.1 SJWS Priorities**

The report indirectly supports all of the strategic priorities and cross cutting themes. The maintenance of good governance within the Council to ensure that it is efficient, effective and economic in everything it does is achieved through the improvement of corporate governance and democracy by ensuring effective management practice is in place.

###### **3.2 Corporate Plan**

The report helps achieve the Corporate Plan objectives by detailing how the Council has performed against its priority outcomes, as evidenced in the Treasury Management activity report.

##### **4 Other Implications**

###### **4.1 Financial**

The Financial implications are contained within this report.

## 4.2 Risk Management

| <b>Risk</b>   | <b>Mitigating action</b> | <b>Opportunities</b>                 |
|---|--------------------------|--------------------------------------|
| Legal   | None                     | None                                 |
| Property  | None                     | None                                 |
| Human Rights  | None                     | None                                 |
| Health and Safety   | None                     | None                                 |
| Employment Issues   | None                     | None                                 |
| Equalities Issues   | None                     | None                                 |
| Community Support   | None                     | none                                 |
| Communications  | None                     | none                                 |
| Community Safety  | None                     | None                                 |
| Financial; Detailed in the report and above   | As identified            | Returns outperform the budget income |
| Timetable for delivery; A number of capital projects have been reprofiled into the 2014-15 financial year | None                     | None                                 |
| Project Capacity  | None                     | None                                 |
| Other   | None                     | None                                 |

### 4.2.1 Human Rights Act and Other Legal Implications

None identified

### 4.2.2 Equalities Impact Assessment)

No identified need for the completion of an EIA.

## **Executive Report**

### **5 Introduction and Background**

5.1 The Treasury Management Strategy for 2015/16 is required to set out how the Council intends to manage its treasury management risk. The Council's treasury policy is set out in Appendix 1 of this report. The Treasury management Strategy complies with the requirements set out in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.

5.2 In addition to reporting on risk management related to treasury activities, the Treasury Management Code also requires the Authority to report on any financial instruments entered into to manage treasury risks.

### **6. Key Principles**

6.1 The medium term capital finance budget is a key part of the council's budget

strategy. When setting the Treasury management strategy the Council has considered

- The current treasury position and debt portfolio position
- The prospects for interest rates
- The current approved capital programme
- Limits on treasury management activities and prudential indicators

6.2 It is a statutory requirement that the level of borrowing is kept under review and is affordable

## **7. Service Delivery and Performance Issues**

### **7.1 Current Economic Climate**

7.1.1 Appendix A to the attached strategy includes a detailed view on interest rates. Interest rates are expected to remain low until the recovery is convincing and sustainable. The Bank Rate, currently 0.5%, is expected to remain at this level in the short term.

### **7.2 Current Position**

7.2.1.1 The Council currently has £182.4m of borrowing and average investments of around £90m investments throughout the year. The underlying need to borrow is measured by the Capital Financing Requirement (CFR) while usable reserves are the underlying resources available for investment. The current strategy is to maintain borrowing and investments below their underlying levels.

7.2.2 CIPFA's prudential code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. The Council expects to comply with this recommendation during 2015/16.

7.2.3 The Council uses Arlingclose as its external treasury advisor but responsibility for treasury management decisions remains with this Council at all times.

## **8 Comments of Other Committees**

The Treasury Management annual report was considered by the Overview & Scrutiny Committee on 11<sup>th</sup> November 2014 and the draft Treasury Management Strategy 2015/16 is due to be considered by the Committee on 5<sup>th</sup> February 2015. Any comments will be reported to Cabinet.

## **9 Appendices Attached**

'A' Treasury Management Strategy 2015/16

## **7 Background Papers**

CIPFA – Treasury management in the public services – code of practice and guide for chief financial officers  
CIPFA Prudential code for local authority capital finance  
Arlingclose Ltd. UK economic forecasts  
Local Government Act 2003