

Cherwell District Council

Accounts, Audit and Risk Committee

20 January 2015

Draft Treasury Management Strategy 2016/17

Report of the Head of Finance and Procurement

This report is public

Purpose of report

To submit the draft Treasury Management Strategy Statement for 2016/17.

1.0 Recommendations

The meeting is recommended:

- To note and comment on the draft Treasury Management Strategy 2016/17.

2.0 Introduction

- 2.1 The Code of Practice on Treasury Management approved by the Chartered Institute of Public Finance and Accountancy (CIPFA) and adopted in full by the Council in 2004, requires that a Treasury Management Strategy is produced prior to the beginning of the financial year to which it relates. The Treasury Management Strategy is the cornerstone of proper treasury management, and is central to the operation, management reporting and performance assessment.
- 2.2 The Council re-appointed Sector Treasury Services Limited (now Capita Treasury Solutions Limited and branded as Capita Asset Services – Treasury Solutions) as its Treasury Management advisor in January 2013. The highest standard of stewardship of public funds remains of the utmost importance to the Council.

3.0 Report Details

Draft Treasury Management Strategy Statement 2015-16

- 3.1 The proposed draft strategy for 2016/17 (Appendix 1) has been updated. It is based upon the views of the Council's Treasury Management Team and has been informed by Capita Asset Services's market forecasts.
- 3.2 In consultation with Capita Asset Services and with full reference to the CIPFA Code of Practice, the Council has reviewed its risk appetite and associated priorities

in relation to security, liquidity and yield in respect of returns from various financial instruments.

- 3.3 The draft strategy meets the requirements included within the CLG's Guidance on local government investments.

Icelandic Investments

- 3.4 At the last meeting members asked for an update on the Council's remaining investments in Iceland including the costs incurred to ensure that leaving the investment where it is, is still the correct course of action.
- 3.5 As a reminder the Council has an Icelandic Kroner (ISK) Escrow of £1.47m (£730k capital, £738k accumulated interest), which it is presently unable to access due to capital controls applied by the Icelandic Government.
- 3.6 The Council could if it wished sell its Escrow through an auction, they are held by the Icelandic Government periodically and the Council are alerted by its advisers (Local Government Association/Bevan Brittan) when they are going to happen. There is currently no date set for an auction.
- 3.7 The Escrow is currently earning 4% interest on its whole value and there are at present no known threats to the either the capital or accumulated interest. The costs incurred by the Council to the LGA are now marginal, less than £500 for the period Feb 15 – Oct 15 as they now operate essentially a monitoring role. This is clearly significantly less than the interest earned (circa £60k pa).
- 3.8 The driver therefore should be the need for the money i.e. when will we go into debt and what will the cost of the debt be (Higher or lower than 4%?). We are therefore keeping a close eye on our cash flow, interest rates and the likely date of a future auction.

4.0 Conclusion and Reasons for Recommendations

- 4.1 There is a requirement to produce a revised Treasury Management Strategy prior to the start of each financial year.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

- 6.1 There are no alternative options – this is a requirement placed upon all local authorities.

7.0 Implications

Financial and Resource Implications

- 7.1 There are no financial implications arising directly from any outcome of this report.

Comments checked by:

Comments checked by: George Hill, Corporate Finance Manager

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Legal Implications

- 7.2 Presentation of this report is in line with the CIPFA Code of Practice.

Comments checked by:

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Risk Management Implications

- 7.3 It is essential that this report is considered by AARC as it demonstrates that the risk of not complying with the Council's Treasury Management Policy has been avoided

Comments checked by: Jo Pitman, Head of Transformation

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Equality and Diversity

- 7.4 There are no equality and diversity issues arising directly from this report

Comments checked by: Jo Pitman, Head of Transformation

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8.0 Decision Information

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

All corporate plan themes.

Lead Councillor

None

Document Information

Appendix No	Title
Appendix 1	Treasury Management Strategy 2015-16
Background Papers	
Report Author	Paul Sutton, Head of Finance and Procurement
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