Policy, Finance and development Committee	25 March 2014	Information and Decision

Title: **Prudential Indicators, Treasury and Investments Strategies**

Author: **John Dickson - Chief Financial Officer (Section 151 Officer)**

1 Introduction

This report contains the revised prudential indicators, treasury strategy and plan and investment strategies for the financial year 2014/15 and onwards.

2 Recommendations

(1) That Members approve the Prudential Indicators 2014/15 (Appendix 1)

(2) That Members approve the Treasury Strategy and Plan 2014/15 (Appendix 2)

(3) That Members approve the Investment Strategy 2014/15 to 2016/17 (Appendix 3)

3 Information

Housing Revenue Account and General Fund Pools

Following the implementation of HRA self-financing on 1st April 2012 the HRA and General Fund debt has been managed separately using the two pools approach, meaning the following principles must be adhered to:

- There must be no detriment to the General Fund
- Any allocation of debt should be broadly equitable between the HRA and the General Fund
- Future charges to the HRA in relation to borrowing are not influenced by General Fund decisions, giving a greater degree of independence, certainty and control
- Cash resources (reserves and other cash backed balances e.g. provisions) which allow borrowing to be below the capital financing requirement are properly identified between the HRA and General Fund

Where relevant the figures that follow in the attached strategies and plan are split between HRA and General Fund. However, it should be noted that all debt is secured on all the revenues of the Council and that the Section 151 Officer retains control of the overall Treasury Strategy and Plan.

One of the key elements of the implementation of self financing for the HRA is a transfer of treasury management risk from Central to Local Government. This is because under the subsidy system allowance was made for the full actual coat of any HRA related borrowing. What this meant was that if interest rates rose the subsidy calculation was adjusted to reflect the higher level of interest cost and the negative subsidy fell. This was an automatic hedge which, clearly, will no longer exist. The risk of managing interest rate volatility will fall entirely on the local authority.

Prudential Indicators 2014/15

Part 1 of the Local Government Act 2003 and C.I.P.F.A.'s (Chartered Institute of Public Finance and Accountancy) Prudential Code for Capital Finance in Local Authorities (the Code) set out a framework for self-regulation of capital spending, in effect allowing council's to invest in capital projects without any limit as long as they are affordable, prudent and sustainable. This allows the Council to determine the appropriate level of capital investment to properly deliver quality public services, subject to affordability.

To facilitate the decision making process and support capital investment decisions the Prudential Code requires the Council to agree and monitor a number of Prudential Indicators as attached at Appendix 1.

These indicators are mandatory and are purely for internal use by the Council. They are not to be used as comparators between authorities. In addition, the indicators should not be taken individually; rather the benefit from monitoring will arise from following the movement in indicators over time and the year on year changes.

Treasury Strategy and Plan 2014/15

In accordance with the requirements of C.I.P.F.A's latest Code of Practice on Treasury Management and the Council's Treasury Management Policy Statement, a Treasury Strategy and Plan for 2014/15 has been prepared and attached at Appendix 2.

For the purpose of this strategy, treasury management includes the management of all capital market transactions in connection with the cash and funding resources of the Council. This covers all funds and reserves including the collection fund and includes the arrangement of leases.

Investments Strategy 2014/15 to 2016/17

This strategy, which is attached at Appendix 3, is written in accordance with guidance issued under section 15 (1) (a) of the Local Government Act 2003, the Department of Communities and Local Government (DCLG) Guidance on Local Authority Investments issued in April 2010, any revisions of that guidance, the Audit Commission's report on Icelandic investments and the C.I.P.F.A Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (2011).

The objectives of this strategy are to:

- facilitate investment decisions which ensure that the Council's investment sums remain secure

- ensure the liquidity of investments so that the Council has sufficient cash resources available to carry out its functions at all times

- achieve the maximum return on investments after taking into account security and liquidity

Email: **paul.loveday@oadby-wigston.gov.uk** Tel: **0116 257 2750**

Implications	
Financial	Incorporated within the body of the report
Risk	These are existing controls that are listed within the current strategic risk register.
Equalities (AC)	No significant implications
Legal (AC)	No significant implications