CABINET

MINUTES

9 FEBRUARY 2012

Chairman:	* Councillor Bill Stephenson	
Councillors:	* Bob Currie	* Graham Henson
	* Margaret Davine	* Thaya Idaikkadar
	* Keith Ferry	* Phillip O'Dell
	* Brian Gate	* David Perry
	* Mitzi Green	
In attendance: (Councillors)	Susan Hall	Minute 360
	Barry Macleod-Cullinane	Minute 360

* Denotes Member present

RECOMMENDED ITEMS

367. Key Decision: Treasury Management Strategy Statement, Prudential Indicators and Minimum Revenue Provision (MRP) Policy and Strategy 2012/13

Cabinet considered a report of the Corporate Director Resources, which set out the Council's Treasury Management Strategy Statement, Prudential Indicators and Minimum Revenue Provision (MRP) Policy for 2012/13.

The Corporate Director explained that Treasury Management was the management of the Council's investments and cash flows, its banking, money market and debt transactions together with the effective control of the risks associated with those activities. She added that the report correlated with the Capital Programme, which was both prudent and sustainable. She outlined the provisions of the Local Government Act 2003, which required local authorities to set out its Treasury Strategy for Borrowing and prepare an Annual Investment Strategy that established the policies for managing investments and giving priority to the security and liquidity of those investments. Moreover, the Governance, Audit and Risk Management Committee would review and scrutinise the Strategies.

Cabinet was informed that the Council was committed to the principle of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management. The proposals in the report underpinned this commitment. The Prudential Indicators provided an overview of the Capital expenditure plans which were the key drivers of the Treasury Management activity.

The Corporate Director highlighted the key aspects, as follows:

- the net borrowing in relation to the Housing Revenue Account (HRA), which examined the change in debt less investment balances year on year. She explained that the increase in the current year was due to the HRA settlement payment, whilst for future years the General Fund Programme would continue to require external borrowing;

- the proposed debt pooling arrangements would benefit the Council.

During the presentation on the report, the Corporate Director made some minor amendments to the report, whilst clarifying the position in relation to the Borrowing Strategy and the Base Rate, the latter of which remained unchanged. Some minor amendments were referred to by the Corporate Director to the report, including an explanation of the pooling arrangements and how these would work together with the Counterparty Policy which would help meet gaps in the Council's budget as the proposed change would allow the Council to earn more investment income without exposing the Council to a materially higher risk.

Resolved to RECOMMEND: (to Council)

That, subject to the amendments to table 8 and paragraph 31 'Borrowing and Investment Limits' and the tables at paragraph 59 'Specified Investments' and 'Non-Specified Investments' of the report as set out below,

(1) the Treasury Management Strategy and Prudential Indicators be approved;

(2) the Minimum Revenue Provision Policy and Strategy for 2012/13 be approved.

Table 8

Table 8	2010/11 actual	2011/12 forecast outturn	2012/13 estimate	2013/14 estimate	2014/15 estimate
	£'m	£'m	£'m	£'m	£'m
Authorised Limit for external debt					
Borrowing and finance leases	288	377	432	447	455
Operational Boundary for external debt					
Borrowing	262	351	376	397	417
Other long term liabilities	26	26	28	25	24
Total	288	377	404	422	441
Upper limit for fixed interest rate exposure					
Net principal re fixed rate borrowing	262	351	376	397	417
Upper limit for variable rate exposure					
Net principal re variable rate borrowing	0	0	0	0	0
Upper limit for principal sums invested over 364 days	18	13	25	25	25

Paragraph 31

The final set of indicators is the debt and investment limits. The operational boundary is based on current debt plus the impact of net capital expenditure in each of the next three years. The current expectation is that the capital programme will be funded from existing cash balances. The authorised limit is based on CFR balances and includes an allowance for delayed capital receipts.

Paragraph 59
Specified investments

Instrument	Minimum Credit Criteria	Use
Debt Management Agency Deposit Facility	Government backed	In-house
Term deposits – other LAs	Local Authority issue	In-house
Term deposits – banks and building societies	AA- Long Term F1+Short-term 2 Support AA- Viability AAA Sovereign	In-house
Money Market Funds	AAA	In-house

Non-Specified Investments

	Minimum Credit Criteria	**Use**	**Max % of total investments**	**Max. maturity period**
Term deposits – banks and building societies	A Long Term F1 Short-term 1 Support A Viability UK or AAA Sovereign	In-house	50%	3 months
UK nationalised Banks [RBS & Lloyds / HBOS]	F1 Short-term 1 Support	In-house	30% for each of the two Groups	36 months
Callable Deposits	F1 Short term A Long Term 1 Support	In-house	20%	3 months

[Call-in does not apply to the Recommendation].