

Report to the Council

Committee: Finance and Performance Management
Cabinet Committee

Date: 27 March 2012

Chairman: Councillor Gagan Mohindra

AMENDED TREASURY MANAGEMENT STRATEGY STATEMENT

Recommending:

That the attached amended Treasury Management Strategy Statement and Annual Investment Strategy 2012/13 to 2014/15 be approved.

1. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management – revised November 2009). There is a requirement for Council to approve its treasury and investment strategy and prudential indicators each year.
2. The Council approved the Treasury Management Strategy and Investment Strategy for 2012/13 and the Prudential Indicators for 2012/13 to 2014/15 in February 2012 as part of the budget process.
3. The Strategy was prepared in line with advice from our treasury advisors, Arlingclose.
4. At its meeting on 12 March 2012, the Cabinet considered a report on the Self-financing of the Housing Revenue Account (HRA). In the light of ongoing work on the housing finance reform it was agreed that the Treasury Management Strategy needed updating. In particular, in order to bring it in line with the Council's desire to overfund on the HRA Capital Financing Requirement (CFR) to provide the flexibility to expand the Council House Building Programme and to enable the Council to continue to borrow up to the General Fund CFR. The Cabinet asked us to make the necessary revisions and to recommend an amended Strategy to this Council meeting.
5. We have considered an amended Strategy Statement. The layout of the attached amended Statement has not changed from that approved in February 2012. The only changes we are proposing relate to the prudential indicators and explanatory text supporting the over funding of the HRA (CFR).
6. Members will be aware of the Council's almost unique situation in having an overall negative CFR, but a positive General Fund CFR. For many years this has allowed the HRA to internally lend to the General Fund, in return the General Fund has paid the HRA interest at the average interest rate earned on investments.
7. The introduction of Self-financing and the payment to Communities and Local Government of £185.456m by the HRA will result in the HRA over borrowing against

its CFR. In order to satisfy the external auditors that our Treasury Management Strategy and Prudential Indicators give the Council the powers to do this, we are recommending as set out at the commencement of this report. Changes made to the previous agreed strategy are highlighted in the attached Appendix using the track changes facility.