

CARDIFF COUNCIL CYNGOR CAERDYDD

AUDIT COMMITTEE:

24 January 2017

DRAFT TREASURY MANAGEMENT STRATEGY 2017/18

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 8.2

PORTFOLIO: CORPORATE AFFAIRS

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices.
2. This report has been prepared to provide Audit Committee Members with the draft Treasury Management Strategy for 2017/18.

Background

3. The proposed strategy for 2017/18 is required to be approved as part of the Budget Report to Council in February 2017. The strategy is attached for Committee to review at Appendix 1.

The Strategy

4. The strategy covers the following areas:-
 - The current treasury position.
 - Economic background and prospects for interest rates.
 - Capital Programme Plan and Capital Financing Requirement (CFR)
 - Borrowing, including:-
 - Policy
 - Annual Minimum Revenue Provision (MRP) Policy Statement
 - Council borrowing requirement and choice between internal and external borrowing and
 - Borrowing Strategy
 - Treasury management indicators and limits for 2017/18 to 2019/20
 - Investment policy and strategy, including security and investments approved for use.
 - Training.

5. It should be noted by the Committee that many of the indicators are dependant on the final Capital Programme which will only be determined at Council in February 2017. However, there are unlikely to be significant changes in the proposed Capital Programme.
6. **The main points to note in the strategy are:-**
- It is a single integrated strategy for the Council as a whole rather than separate strategies for the Housing Revenue Account and the Council's General Fund being prepared and approved. Council to retain a single integrated pool of debt
 - The medium term shows an increase in the Council's underlying need to borrow to meet capital expenditure commitments
 - Retention of a prudent approach to provision for debt repayment as considered by Audit Committee in November 2016
 - The timing of borrowing decisions, associated risks and financial implications will be important in order to achieve a balance between using temporary cash balances held (internal borrowing) in the short term or external borrowing. The Strategy proposes that given the higher level of borrowing rates compared to investment rates, the Council continues to use an element of internal borrowing, whilst setting aside sufficient financial provision to ensure external borrowing can be accomodated if needed.
 - HRA debt as measured by Capital Financing Requirement is within the agreed debt cap
 - Little change in investment parameters from existing strategy. The priority for investments is security, with the Strategy retaining the potential use of a range of investment options to increase diversification where possible.
 - Interest rates on investments are likely to remain low
 - Strong credit critetria are set for investments undertaken by the Council based on Fitch Credit Criteria and other factors taken into account in determining with whom to invest.
 - The Strategy is consistent with the Prudential Code and Welsh Government guidance on investments.
 - The Strategy applies from the date of approval by Council.
 - The Council is progressing significant capital projects which could have significant Treasury Management implications. The impact on the Council as a result of these schemes and governance arrangements in place to deliver them will need to be closely monitored to ensure that the resultant financial implications for the Council can be effectively managed.

Reason for Report

7. To note the proposed Treasury Management Strategy for 2017/18 and provide any comments as necessary that can be factored into the final document.

Legal Implications

8. No direct legal implications arise from this report.

Financial Implications

9. The Treasury Management Strategy does have financial implications which will need to be consistent with and form part of the budget proposals for 2017/18 and Medium Term Financial Plan to be considered by Council.

RECOMMENDATIONS

10. Audit Committee to note the proposed Treasury Management Strategy for 2017/18 and provide comments as necessary with any amendments being considered for inclusion in the final Strategy which will be considered by Cabinet prior to approval by Council as part of the 2017/18 Budget Proposals Report.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
15 January 2017

The following appendices are attached
Appendix 1 – Draft Treasury Management Strategy 2017/18