

The Vale of Glamorgan Council

Cabinet Meeting: 22 February, 2016

Report of the Leader

Treasury Management and Investment Statement 2016/17

Purpose of the Report

1. To provide an interim report on the Council's treasury management operations for the period 1st April 2015 to 31st December 2015 and to submit for consideration the proposed 2016/17 Treasury Management and Annual Investment Strategy.

Recommendations

1. That the Treasury Management interim report for the period 1st April to 31st December 2015 be endorsed.
2. That Cabinet recommend to Council that the proposed 2015/16 Treasury Management and Investment Strategy be approved including the following specific resolutions:
 - The Authorised Limit for External Debt be set at £229,000,000 for 2015/16, £248,000,000 for 2016/17, £254,000,000 for 2017/18 and £255,000,000 for 2018/19.
 - The Operational Boundary for External Debt be set at £210,000,000 for 2015/16, £228,000,000 for 2016/17, £228,000,000 for 2017/18 and £228,000,000 for 2018/19.
 - The Section 151 Officer be given delegated authority within the total Authorised Limit and Operational Boundary as estimated for individual years to effect movement between the separately agreed limits for borrowing and other long term liabilities.
 - An upper limit is set on its fixed interest rate exposures of for 2016/17 of £219,000,000, for 2017/18 of £223,000,000 and for 2018/19 of £223,000,000 of its net outstanding principal sum on its borrowings / investments.
 - An upper limit is set on its variable interest rate exposures of £0 for 2015/16, 2016/17, 2017/18 and 2018/19 of its net outstanding principal sum on its investments.
 - An upper limit of £15,000,000 is set for total principal sums invested for over 364 days for 2015/16, 2016/17, 2017/18 and 2018/19.

- The amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate for 2016/17 be set as below:

	Upper Limit	Lower Limit
Under 12 months	20%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	40%	0%
10 years and above	100%	0%

- The Prudential Indicators set out in [Appendix 1](#) be approved.
- The Treasury Management Policy set out in [Appendix 2](#) be endorsed

Reasons for the Recommendations

1. To present the Treasury Management Interim Report.
2. The Treasury Management and Annual Investment Strategy is prepared as required by the Local Government Act 2003.

Background

2. The Welsh Government (WG) provides the Council with a General Capital Funding grant and the Authority is also advised of a level of borrowing that WG is prepared to fund via the Revenue Support Grant Settlement. If the Council wishes to borrow in excess of this level to increase its capital expenditure, then it can. However, it will either have to find the additional costs of borrowing through savings in other services or increases in council tax.
3. In order to manage this increased flexibility, Part 1 of the Local Government Act 2003 requires local authorities to have regard to the Prudential Code, which has been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice.
4. The key objectives of the fully revised Prudential Code are to ensure that the capital investment plans of local authorities:
 - are affordable;
 - all external borrowing and other long term liabilities are within prudent and sustainable levels;
 - The treasury management decisions are taken in accordance with professional good practice.
5. In March 2012 the Council adopted the CIPFA Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code), which requires the Council to approve a treasury management strategy before the start of each financial year.
6. The Code of Practice and legislation requires the Council to set out its Treasury Management Strategy and to prepare an Investment Strategy. The Welsh Government (WG) issued revised Guidance on Local Authority Investments in April

2010 that requires the Council to approve an investment strategy before the start of each financial year and states that authorities may produce a single strategy document, covering both the requirements of the CIPFA Treasury Management Code and WG's guidance.

7. The proposed Treasury Management and Investment Strategy for 2016/17, is attached at [Appendix 1](#). The Treasury Management Strategy itself covers a rolling period of three years and is intended to link in to the Medium Term Financial Planning process. The Investment Strategy covers the next financial year. The document also includes a number of statutory Prudential Indicators that may be used to support and record local decision-making.
8. The Interim Report and Treasury Management and Investment Strategy for 2016/17 was reviewed by Corporate Resources Scrutiny on 9th February 2016 and the report was endorsed by the Committee. The Interim Report and Treasury Management and Investment Strategy for 2016/17 is also due to be reported to Audit Committee on 22nd February 2016 and any comments will need to be referred directly to Council.

Proposed Strategy 2016/17

9. As at the 31st December 2015 the Authority has placed all of its investments with either the 'Debt Management Account Deposit Facility' (DMADF) of the Bank of England which are guaranteed by the UK Government or placed with UK Local Authorities.
10. The Authority will continue to use credit ratings from the three main rating agencies Fitch Ratings Ltd, Moody's Investors Service and Standard & Poor's to assess the risk of loss of investments. The lowest available credit rating will be used to determine credit quality. In addition regard will be given to other available information on the credit quality of banks and building societies.

Interim Report

11. In so far as the Council's treasury management operations entered into for the period 1st April 2015 to 31st December 2015 are concerned, all activities were in accordance with the Council's approved strategy on Treasury Management. The following table sets out the monies borrowed / repaid during the period.

Loan Type	Opening Balance	Received	Repaid	Closing Balance
	01/04/2015			31/12/2015
	£'000	£'000	£'000	£'000
PWLB	90,266	63,156	(812)	152,610
Other Long Term Loans	6,002	0	(2)	6,000
Temporary Loans	100	760	(760)	100
Total	96,368	63,916	(1,574)	158,710

12. Loans borrowed from their Public Works Loan Board (PWLB) are intended to assist Local Authorities in meeting their longer term borrowing requirements. The above loans are all at fixed rates of interest. The rate paid on each loan is largely dependent upon the original duration of the loan and date taken out.
13. Other long term loans represent those non-PWLB loans that are repayable at least one year or more from the date they are advanced. The bulk of this debt is

represented by two market loans of £2,000,000 and £4,000,000. The balance of this debt is local bonds which expired during the period.

14. Temporary loans represent those loans that are borrowed for a period of less than one year, borrowed on notice.
15. The Council's investments for the period to 31st December 2015 is set out below;

Borrowing Institution	Opening Balance 01/04/2015	Invested £'000	Returned £'000	Closing Balance 31/12/2015
Local Authorities	30,000	74,000	(54,000)	50,000
Debt Management Account Deposit Facility	51,125	1,155,130	(1,166,005)	40,250
Totals	81,125	1,229,130	(1,220,005)	90,250

16. Interest, at an average rate of 0.33% and amounting to £201,399 has been received from maturing investments for the first 9 months of 2015/2016.

Resource Implications (Financial and Employment)

17. Money is borrowed for capital purposes and interest is charged to revenue accounts.

Sustainability and Climate Change Implications

18. There are no sustainability and climate change implications.

Legal Implications (to Include Human Rights Implications)

19. Compliance with the Local Government Act 2003 and CIPFA's "Code of Practice for Treasury Management in the Public Services" is mandatory.

Crime and Disorder Implications

20. There are no crime and disorder implications resulting from this report

Equal Opportunities Implications (to include Welsh Language issues)

21. There are no equality implications resulting from this report.

Corporate/Service Objectives

22. This meets the objective to provide effective treasury management. This is linked to the corporate objectives generally in that any savings made can be used to assist other services in meeting their objectives

Policy Framework and Budget

23. This report needs Council approval.

Consultation (including Ward Member Consultation)

24. None.

Relevant Scrutiny Committee

25. Corporate Resources

Background Papers

CIPFA's "Code of Practice for Treasury Management in the Public Services", "The Prudential Code" and WG guidance on local authority investments

Contact Officer

Gemma Jones Principal Accountant.

Officers Consulted

Not applicable

Responsible Officer:

Carys Lord
Section 151 Officer