

LONDON BOROUGH OF WALTHAM FOREST

Committee/Date:	Council 26 February 2009
Title:	Treasury and Annual Investment Strategy 2009
Council Priority:	Achieving Excellence
Directorate:	Finance Department
Report of:	Director of Finance
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Action required:	For Decision
Wards affected:	Not Ward Specific
Appendices:	Treasury Strategy 2009/10, Revised Cash Investment Criteria - March 2009
Status:	Open

1. SUMMARY

- 1.1. This report sets out the Treasury Management Strategy, Prudential Indicators for financial years 2008/09 - 2011/12, Minimum Revenue Provision (MRP) Strategy, and the Annual Investment Strategy for 2009/10. The Local Government Act 2003 requires the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act). This is included as appendix A and sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 1.2. In view of the current financial instability and associated difficulties in placing cash deposits with suitably secure institutions under existing criteria, the Council is requested to approve the proposed amendments to current investment criteria detailed in appendix B with immediate effect.

2. RECOMMENDATIONS

- 2.1. For Council Decision - Council is requested to:-
- 2.1.1 **agree** the Treasury Strategy as set out in Appendix A
- 2.1.2 **approve** the revised cash investment criteria outlined in Appendix B, with immediate effect (as from Monday 2 March 2009)

- 2.1.3 **agree** That in the context of continuing turbulence in the financial markets, the Director of Finance be given delegated authority to vary any of the recommended limits and criteria outlined in appendix B – any such variations to be justified and reported in full, to the next Cabinet / Council meeting.
- 2.1.4 **approve** the basis for the calculation of the minimum revenue provision (as outlined in Appendix A), as from 1 April 2008; and
- 2.1.5 **agree** the Prudential Indicators, which demonstrate that the Council's capital investment plans are affordable, prudent and sustainable.

3. BACKGROUND TO DECISIONS

- 3.1. The Council will have regard to the central government Guidance on Local Government Investments ('the Guidance') issued in March 2004, CIPFA's Treasury Management in Public Services Code of Practice and Cross Sector Guidance Notes ('the CIPFA TM Code') and the Prudential Code.
- 3.2. The Prudential Indicators are relevant for the purposes of setting an integrated treasury management strategy. The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The Council formally adopted the Code of Practice on Treasury Management in February 1994.

4. FINANCIAL POSITION

- 4.1. The Act and its supporting regulations require the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. This directs the Authority to ensure that the revenue costs that flow from capital financing decisions are included in the budget requirement, which must be agreed by Council before 11 March of each financial year.
- 4.2. It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 for the Council to produce a balanced budget. In addition, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs from Prudential Borrowing.
- 4.3. This means that increases in capital expenditure must be limited to a level at which increases in charges to revenue from borrowing and running costs from new capital projects are affordable within the projected income of the Council for the foreseeable future. Prudential Indicators demonstrating that the Authority's capital plans are affordable, sustainable and prudent during the period 2009 to 2012 are included in the main report, Appendix A.
- 4.4. The Local Government Act 2003 places a duty on the authority to charge a minimum revenue provision for the repayment of General Fund debt. Various sections of this act have been amended by the Local Government

(Capital Finance Accounting (Amendment, England)) Regulations 2008. This recommends that local authorities adopt a prudent provision for repayment of debt. The amendment is effective from 1 April 2008.

- 4.5. The amendment offers four options for the calculation of Minimum Revenue Provision. The Council has conducted options appraisal of these alternatives in order to assess the overall impact on the minimum revenue provision charged to the accounts. It has been determined that the options set out in Appendix A are the provisions that best meet the regulatory requirements, as reflected in guidance issued by the Government in February 2008.

5. ALTERNATIVES CONSIDERED

- 5.1. Not applicable.

6. CONSULTATION

- 6.1. The Treasury Management Team and Borrowing Strategy Group are consulted on the content of this report. Membership of these groups include the following officers: Treasury Manager, Director of Finance, Head of Accountancy and Financial Planning, Chief Accountant, Group Manager (Pensions), Finance Manager, and Group Management Accountant

7. IMPLICATIONS

7.1. Financial

- 7.1.1 The Treasury Strategy provides that decisions on borrowing, investment or financing must be made in accordance with CIPFA's Code of Practice.

7.2. Legal

- 7.2.1. The Council's Constitution provides that all money held by the Council shall be aggregated for the purposes of Treasury Management and shall be under the control of the officer responsible for the proper administration of the Council's financial affairs (the Section 151 officer).
- 7.2.2. This report, therefore, sets out the Council's position with regard to its legal requirements under the CIPFA Prudential Code, Code of Practice on Treasury Management in Local Government, and other regulations.

7.3. Human Resources

- 7.3.1 There are no specific implications.

7.4. Health Impact Assessment

- 7.4.1 This policy will contribute to the Council's continuing progress towards sustainable financial standing. A stable financial foundation

is important to enable the Council to pursue its ambitious vision to improve the health and well-being of the local community.

7.5 **Equality Impact Assessment**

7.5.1 There are no specific implications and, as such, no Equality Impact Assessment is required.

8. **CONCLUSION**

8.1 The Council is required to produce a Treasury Strategy each year and the attached appendices A, B, and C set out the strategy for 2009/10, together with associated Prudential Indicators.

Background Information

1. Borrowing Strategy Group & Treasury Management Team Minutes (restricted)
2. Treasury Management Practices
3. Local Government Act 2003 and Regulations
4. CIPFA Guidance on Prudential Indicators