ASSEMBLY

4 December 2013

Title: Treasury Management Strategy Statement Mid-Year Review 2013/14	
Report of the Cabinet Member for Finance	
Open Report	**For Decision**
Wards Affected: None	**Key Decision: Yes**
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Accountable Director: Jonathan Bunt, Chief Finance Officer	

Summary:

Regulation changes have now placed a greater onus on elected Members in respect of the review and scrutiny of treasury management policy and activities. This mid-year review report is important in that respect as it provides details of the mid-year position for treasury activities and highlights compliance with the Council's policies previously approved by the Assembly.

The Assembly agreed the Treasury Management Strategy Statement for 2013/14 on 25 February 2013 which incorporated the Prudential Indicators. This report updates Members on treasury management activities in the current year.

The report asks Members to agree to three changes to the investment strategy, including:

1. Remove the variable counterparty limit for Lloyds Bank, which is currently the higher of £40m or 40% of total investable cash, to a fixed limit of £50m;

2. Allow the in-house treasury section to manage (hold and sell), but not purchase, UK government debt with maturities in excess of one year and up to a maximum maturity period of five years; and

3. Allow the in-house treasury section to invest in non-UK banks that meet the minimum credit rating colour band up to a maximum of £10m per counterparty and up to a total limit of £30m for all non-UK banks.

These recommendations are to allow the in-house treasury section to hold, but not deal in, UK issued government debt (GILTS) and to increase the limit on Lloyds Banking Group proportional to the increase in the amount of cash managed that will be recalled from the Council's external cash manager. A further recommendation is to allow the investment in credit worthy foreign banks to enable the in-house treasury section to diversify its investments to include non-UK credit-worthy banks.

The Cabinet considered this report at its meeting on 19 November and endorsed the recommendations below.

Recommendation(s)
The Assembly is recommend to approve the following changes to the Treasury Management Strategy Statement 2013/14: (i) Remove the variable counterparty limit for Lloyds Bank, which is currently the higher of £40m or 40% of total investable cash, to a fixed limit of £50m; (ii) Allow the in-house treasury section to manage (hold and sell), but not purchase, UK government GILTS with maturities in excess of one year and up to a maximum maturity period of five years; and (iii) Allow the in-house treasury section to invest in non-UK banks that meet the minimum credit rating colour band up to a maximum of £10m per counterparty and up to a total limit of £30m for all non-UK banks.
Reason(s)
This report is required to be presented in accordance with the Revised CIPFA Code of Practice for Treasury Management in the Public Services.

1. Background and Introduction

1.1 The Council operates a balanced budget whereby cash raised during the year meets the Council's cash expenditure needs. Part of the treasury management operations is to ensure this cash flow is adequately planned, with surplus monies invested with counterparties of an appropriate level of risk, providing adequate liquidity before considering maximising investment return.

1.2 The second main function of treasury management relates to the funding of the Council's capital programme. These capital plans provide a guide to the Council's borrowing need, which is essentially the use of longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging loans, using cash flow surpluses or restructuring previously drawn debt to meet Council risk or cost objectives.

1.3 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) requires the:

(i) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management.
(ii) Creation and maintenance of Treasury Management Practices which set out the how the Council will seek to achieve those policies and objectives.
(iii) Receipt by the full Council of an annual Treasury Management Strategy Statement, including the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.

(iv) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

(v) Delegation by the Council to a specific named body, for this Council this is Cabinet, to scrutinise the treasury management strategy and policies.

1.4 This mid-year report has been prepared in compliance with CIPFA's Code of practice on Treasury Management, and covers the following:

1. Economic Summary and Outlook;
2. Treasury Position at 30 September 2013;
3. Debt Position as at 30 September 2013;
4. Investment Portfolio 2013/14, including:
    - Externally Managed Cash – Investec
    - In-house Cash Management;
5. Key Changes to the Treasury Strategy; and
6. The Council's Capital Position (Prudential Indicators), including:
    - Prudential Indicator for Capital Expenditure
    - Changes to the Financing of the Capital Programme
    - Prudential Indicator – Capital Financing Requirement
    - Limits to Borrowing Activity.

2. Economic Summary and Outlook

2.1 During 2013/14 a number economic indicators pointed to the UK economy recovering. In the second quarter the economy grew 0.7% with an increase in household spending and a year on year increase in retail sales, mortgages and house prices. The Bank of England extended its Funding for Lending Scheme (FLS) into 2015 and improved the incentives for banks to extend more business funding, particularly to small and medium size enterprises.

Effect on the Council's treasury strategy:

2.2 The FLS has had a negative effect on the yields available to the Council, which in-turn has a negative effect on the total interest income to the Council. Although there has been a decrease in return, the interest income budget set for 2013/14 included the reduction in yields as one of its assumptions and overall it is forecast to breakeven. It will however be difficult for the treasury section to provide any additional investment return above the budget.

2.3 The 2013 Spending Review covering 2015/16, made no changes to the headline Government spending plan, and monetary policy has remained unchanged. The Bank Rate remains at 0.5%, with quantitative easing at £375bn. In August, the Monetary Policy Committee (MPC) provided forward guidance that Bank Rate is unlikely to change until unemployment first falls to 7%.

2.4 The Consumer Price Index (CPI) inflation fell marginally from a peak of 2.9% in June to 2.7% in September. The Bank of England expects inflation to fall back to 2.0% in 2015.

2.5 In June 2013 the Federal Reserve (Fed) Chairman, Ben Bernanke, suggested the Fed may taper its asset purchases earlier than anticipated which resulted in the UK Treasury yields increasing significantly, making the cost of borrowing for the governments higher. As the market moves to realign its expectations, bond yields are likely to rise further in expectation of a continuing economic recovery.

Effect on the Council's treasury strategy:

2.6 The increase in the cost of UK government debt has in-turn pushed up the cost of borrowing for Council, especially over the 5 year to 25 year duration. As the Council is currently using internal borrowing to fund its capital program, the increase in costs to borrow has increased the Council's financing risk as, were the Council to borrow, the interest costs would now be higher than at the start of the year.

2.7 Internal Borrowing involves using the Council's cash reserves rather than taking on additional borrowing. Currently the Council is using approximately £97m of internal borrowing by using the cash it holds in its reserves, in earmarked reserves, in government grants not yet used and from delays in funding the capital program. These balances are being closely monitored but cash flow forecasts indicate that no new borrowing will be required in 2013/14 and 2014/15.

2.8 Economic survey data in the Eurozone improved consistently over the first half of the year, pointing to a return to growth in Q2, so ending six quarters of recession. However, although tensions in the Eurozone eased over the second quarter, there remain a number of risks and pressures that have not yet been resolved.

Effect on the Council's treasury strategy:

2.9 There are a number of strong banks within some AAA and AA rated countries, especially in Europe, including Germany and the Nordic Countries. Although returns within these banks are not as high as from some UK banks, as the macroeconomic environment improves the treasury section will continue to monitor these banks for investment opportunities where they arise.

Outlook for the next six months of 2013/14

2.10 Economic forecasting remains difficult with many external influences weighing on the UK. Volatility in bond yields is likely during the remainder of 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.

2.11 The overall balance of risks to economic recovery in the UK is now weighted to the upside after six months of robust good news on the economy. However, only time will tell just how long this period of strong economic growth will last, and it remains exposed to vulnerabilities in a number of key areas. The longer run trend is for gilt yields and in turn the PWLB (Public Works Loan Board) rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries.

2.12 Overall as economic conditions improve the returns available from banks and building societies will increase, but possibly only after the FLS ends, which is only in 2015. At the same time the cost of borrowing is increasing which is resulting in a significant increase in the cost of carry, which is the cost of holding debt against the return that can be obtained from the cash borrowed.

Effect on the Council's treasury strategy:

2.13 Although there has been some improvement in the economic conditions of many countries, there remains a number of risks associated with investing. Therefore the Council will maintain a cautious approach to placing investments and will continue to invest the majority of its cash in UK banks and building societies and continue to use internal borrowing as a source of funding for its capital programme.

2.14 Amending the investment strategy, if agreed, will allow the Council to directly hold UK government debt (GILTS) and will allow the use of some credit worthy foreign banks as and when opportunities arise.

3. Treasury Position at 30 September 2013

3.1 Table 1 below details the Council's mid year treasury position.

Table 1: Council's treasury position at 30 September 2013

	Principal Outstanding 30/09/2013 £000s	Rate of Return 30/09/2013 %	Average Life 30/09/2013 (yrs)
Fixed Rate Funding:			
PWLB	(275,912)	3.52	37.96
Local Authority (Temporary Loan)	(10,000)	0.33	0.09
Market	(40,000)	4.02	55.08
Variable Rate Funding:			
PWLB / Market	0	0	0
Total Debt	**(325,912)**	**3.61**	**41.04**
Investments			
In-House	90,871	1.23	
External Managers: Investec*	39,071	0.59	
Total Investments	**129,942**	**1.04**	

** Interest is net of fees but gross of capital losses*

4. Debt Position as at 30 September 2013

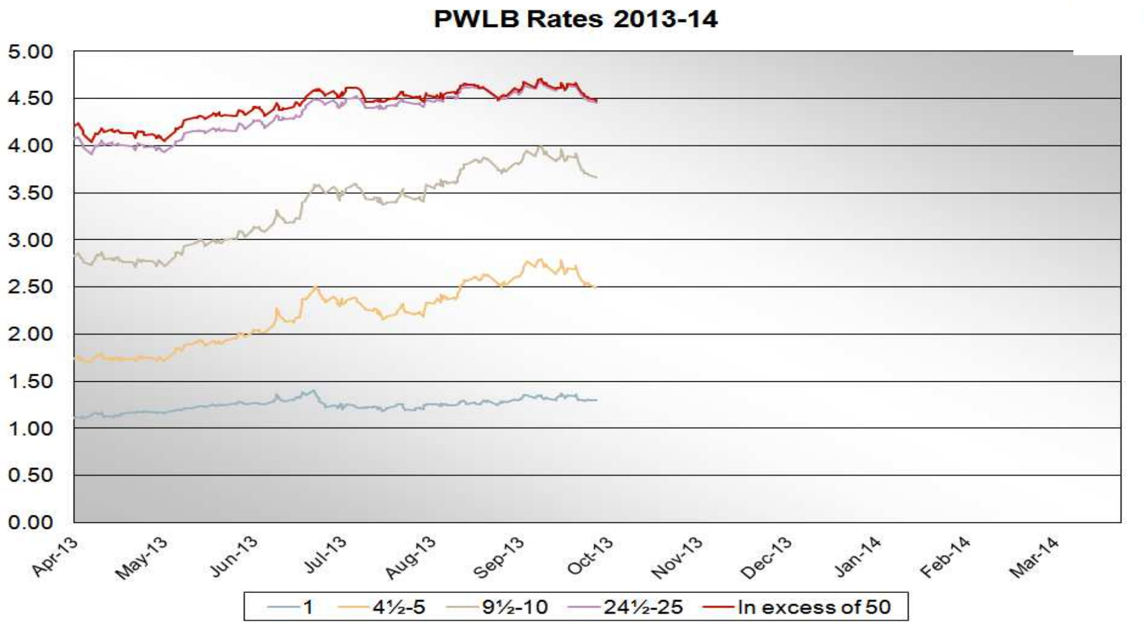
4.1 The Council's capital financing requirement (CFR) for 2013/14 is forecast to be £489.33m. The CFR denotes the Council's underlying need to borrow for capital purposes. This need to borrow can be met through a variety of means including the use of reserves, external borrowing, internal borrowing and careful management of the Council's cash flow.

4.2 **Debt Repayment -** On 27 April 2013 a £10m PWLB loan matured and as there was sufficient cash held by the Council to meet the 2013/14 CFR, the £10m borrowing was not replaced. By repaying the £10m, with an interest rate of 4.07%, reduced the interest payments for 2013/14 by £379k. If the interest forgone is included, which would have been in the region of £89k, proper management of the Council's cash flow has made a net in year saving of £290k.

4.3 **Internal Borrowing -**Due to large cash balances held by the Council, internal borrowing is still preferred over external borrowing. While borrowing rates remain significantly higher than investment rates the Council will seek to delay new loans as long as possible. Where borrowing is considered, officers will base any decisions on the Council's cash flow requirements and at the most appropriate and cost effective interest rate available.

4.4 As outlined below, the recent trend has been for a significant increase in interest rates over 5 year to 20 year duration. Chart 1 below shows these movements in PWLB rates for the first six months of the financial year (to 30 September 2013). It is anticipated that further long term borrowing will not be undertaken during the remainder of this financial year, although some short-term borrowing may be required due to the nature of cash flows during the year.

Chart 1: Movement in PWLB rates (1 April to 30 September 2013)



4.5 Table 2 provides a breakdown of the General Fund debt as at 30 September 2013.

Table 2: General Fund Debt held as at 30 September 2013

Borrowing/Loan Held	Interest Rate	Fixed/ Variable	Principal	2012/13 Interest	Term End date
			£000s	£000s	
PWLB	4.25%	Fixed	10,000	425	28/04/2014
Barclays Bank	3.98%	Fixed	10,000	398	30/05/2078
Dexia Bank	3.97%	Fixed	10,000	397	30/06/2077
RBS Bank	4.05%	Fixed	10,000	405	27/02/2060
RBS Bank	4.07%	Fixed	10,000	407	26/03/2055
Total	4.06%		50,000	2,032	

4.6 Debt rescheduling opportunities are limited in the current economic climate. During the first six months of the year, no debt rescheduling was undertaken.

4.7 **Certainty Rate -** The Office for Budgetary Responsibility (OBR) is keen to have clearer sight of funding data as they currently receive outdated data. As an incentive for Councils to submit returns the ONS have allowed compliant Councils to borrow from the PWLB at 0.20% lower than currently available. The Council has submitted a return and can use the reduced rate were there a need to borrow.

5. Investment Portfolio 2013/14

5.1 It is the Council's priority to ensure security of capital and liquidity before obtaining an appropriate level of return which is consistent with the Council's risk appetite. In the current economic climate the Council's risk appetite remains low. Given the continued risk adverse environment as well as the artificial reduction in rates caused by the funding for lending scheme, investment returns are likely to remain low for the remainder of 2013/14.

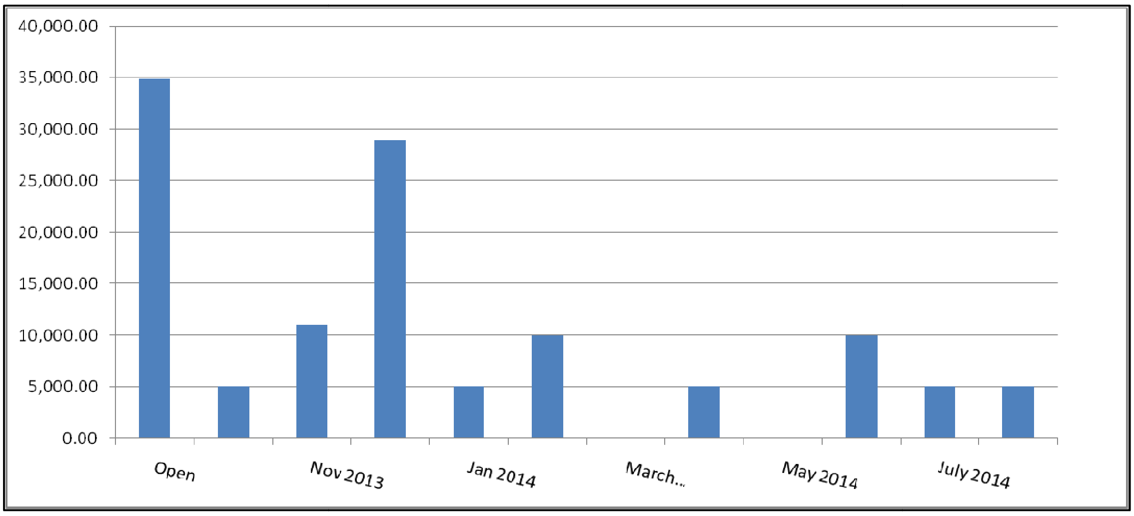
5.2 **Interest rate forecast -** Expectations for the first change in the UK Bank Rate are now dependent on when unemployment is likely to fall to 7%. Financial markets have factored in this rate change, with short term borrowing costs still low but the medium term cost of borrowing significantly higher. Table 3 contains the latest interest rate forecast and the resulting PWLB rates from the Council's advisor.

Table 3: PWLB Forecast

	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%
5yr PWLB rate	2.50%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%
10yr PWLB rate	3.70%	3.70%	3.70%	3.70%	3.80%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
25yr PWLB rate	4.40%	4.40%	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.20%
50yr PWLB rate	4.50%	4.40%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.30%

5.3 **Investment Profile -** The maturity profile of the Council's investments in Chart 2 below shows that the Council holds 42.1% of investment that mature within 60 days or less. Spreading out the maturity of longer dated investments allows the Council to take advantage of improved rates of return while ensuring sufficient liquidity is available to cover its future borrowing requirement.

Chart 2: Investment Profile (£000s) between October 2013 to September 2014



5.4 **Total Investment Portfolio**

5.4.1 As at 30 September 2013 the Council held £130m of investments with £39m managed by Investec, the Council's external cash manager, and with the remaining £91m invested in-house by the Council's treasury section. The Chief Finance Officer confirms that the approved investment limits within the Annual Investment Strategy were not breached during the first six months of 2013/14. A summary of the performance of the treasury management is provided below, with a full list of investments as at 30th September 2013 in Appendix 1.

5.4.2 Externally Managed Cash – Investec

The Council uses Investec for its external cash management to allow the Council to diversify its investment portfolio into a number of different financial instruments, including GILTS, Certificates of Deposit, Floating Rate Notes and Deposits. Historically this strategy has worked well with Investec providing an average return of 6.27% over the past 25 years.

However, with returns at near historic lows, Investec's management fees, despite a reduction negotiated at the start of the year, have significantly reduced the investment return, with 17% of the gross interest being lost to manager fees. As a result the gross return of 0.71% Investec achieved for the first six months has reduced to a net return of 0.59%, which is lower than the 1.24% return achieved by the in-house treasury section.

In addition to reduced net returns, Investec investments in UK government debt have resulted in unrealised market value losses as yields have risen. While the market value loss can be reduced by holding the investments to maturity, the timing of the investments was poor and have resulted in the Council holding investments with a maturity date of July 2018, which is outside the Council's preferred duration for its cash investments.

As a result of the reduced returns and poor investment decisions, on 1 October 2013 the Council terminated its contract with Investec. The cash is in the process of being transferred back to the Council where it will be managed by the in-house treasury section. Table 4 below provides a summary of Investec's returns:

Table 4: Investec's Investment Returns (1 April to 30 September 2013)

Cash Manager - Investec	
	£000s
Opening Balance	**39,088**
GILTS Interest	52
Certificates of Deposit (CD) Interest	85
Deposit Interest	1
Management Fee	-23
Gross Interest Received	**115**
Capital Depreciation	-127
Closing Balance	**39,076**

5.4.3 <u>In-house Cash Management</u>

Summary

Investment returns continued to decline over the first six month of the financial year, with average return from in-house managed investments of 1.24%. Returns for the remainder of the year are likely to be lower at 0.9% to 1% as the full year effect of yield reductions is included. The reduction in the returns has been mitigated by higher than forecast cash balances, with overall returns being in-line with the 2013/14 interest income budget.

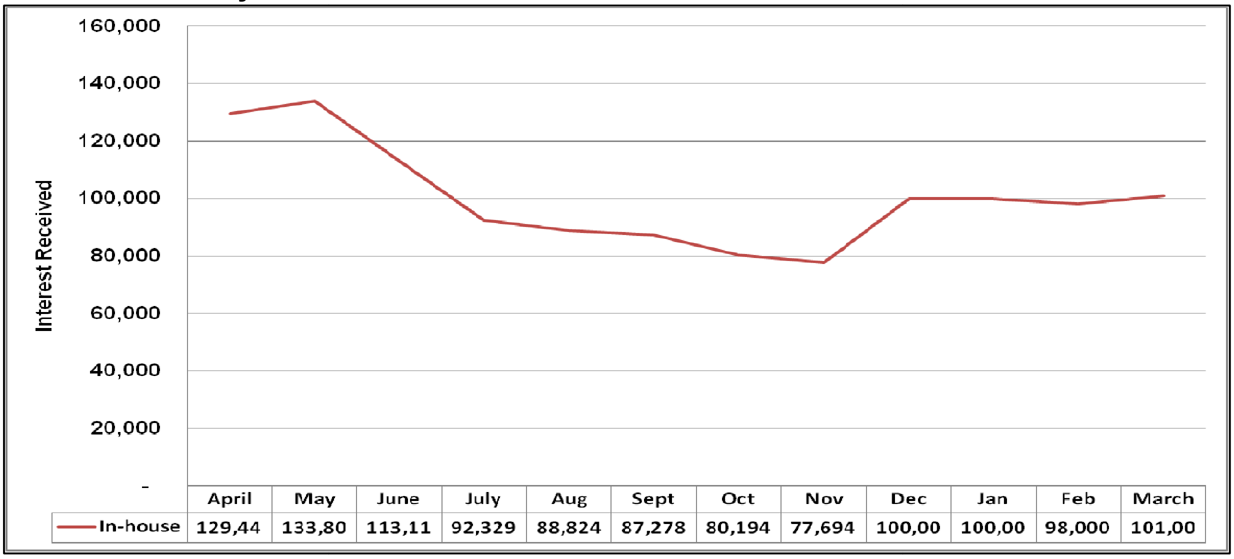
Investments

At the start of the financial year until September some value was obtained from investing with Lloyds Banking Group, RBS Bank and Nationwide Building Society over a three month to one year duration. The full £40m limits for Lloyds Bank and £30m for RBS Bank was used over this period. The remaining cash was invested short term in call accounts and Money Market Funds (MMFs), which provided a return of between 0.45 and 0.75%.

Subsequently, as rates available from Banks and Building Societies continue to reduce, some value is being obtained by investing with other Local Authorities over two years, where returns of between 1% and 1.1% can be achieved. By investing over two years the Council can lock in the rates thereby ensuring certainty of return but also potentially foregoing gains were rates to increase. As a result a limit of £25m will be used for investments with other Councils of over one year up to a limit of two years.

Chart 3 below provides a summary of the monthly interest income between April and September 2013 for the in-house treasury section and provides a forecast of the expected monthly interest income for the remaining six months of the year. The increase in return in October to December is as a result of the cash being held by Investec being transferred to the in-house treasury.

Chart 3: Monthly interest income 2013/14



6. Key Changes to the Treasury Strategy

6.1 As outlined in section 5.5.2, on 1 October 2013 the Council terminated its contract with Investec. To accommodate the additional cash that the in-house treasury section will manage, Members are asked to agree three changes to the Council's Annual Investment Strategy. The proposed changes and the reasons for the changes are provided below. Members are asked to discuss each recommendation and, if sufficiently assured, to agree the recommendations:

- Recommendation 1: Remove the variable counterparty limit for Lloyds Bank, which is currently the higher of £40m or 40% of total investable cash, to a fixed limit of £50m.

  Reason: The current limit was based on an average in-house cash balance of £90 to £100m. As the in-house treasury section will now be managing balances between £130m to £150m, the increase to £50m is proportional with this increase. In addition Lloyds has recently seen a significant improvement in its financial health, which has lead to the government selling 6% of its holding on 17 September 2013, reducing its overall holding from 38.7% to 32.7%.

- Recommendation 2: Allow the in-house treasury section to manage (hold and sell), but not purchase, UK government GILTS with maturities in excess of one year and up to a maximum maturity period of five years.

  Reason: Investec currently holds £5.78m of UK government GILTS, with a maturity of five years. Although this investment provides a yield of 1.25%, the subsequent increase in yields has resulted in this investment being worth less than its initial purchase cost. As part of recalling the cash held by Investec these GILTS will be held in a custodian account until maturity, providing a return of 1.25% per year, or until such time as the yields decrease sufficient for the holding to be sold at a profit. To accommodate this transfer the investment strategy needs to be changed to allow the Council to hold GILTS directly.

- Recommendation 3: Allow the in-house treasury section to invest in non-UK banks that meet the minimum credit rating colour band up to a maximum of £10m per counterparty and up to a total limit of £30m for all non-UK banks.

  Reason: Currently there are a number of good quality banks within AAA and AA rated countries that could provide the Council with diversification of its investments at a reasonable return. The current investment restrictions exclude non-UK banks. The proposed change would enable the in-house treasury section to diversify its investments to include sufficiently creditworthy counterparties from outside of the UK.

  Members are asked to note that all investments would remain in sterling.

7. The Council's Capital Position (Prudential Indicators)

7.1 Prudential Indicator for Capital Expenditure

Table 5 below shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Table 5: Revised Estimate to Capital Programme as at 30 September 2013

Capital Expenditure by Service	2013/14 Original Budget £000s	2013/14 Revised Budget (as at Sept 2013) £000s
Adult & Community Services	8,483	9,948
Children's Services	53,192	28,721
Housing and Environment	3,361	3,839
HRA	74,455	87,854
Finance& Resources	14,393	11,708
Total	**153,884**	**142,070**

7.2 Changes to the Financing of the Capital Programme

Table 6 draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Table 6: Revised Borrowing need as at 30 September 2013

Capital Expenditure	2013/14 Original Budget £000s	2013/14 Revised Budget (as at Sept 2013) £000s
Supported	0	0
Unsupported	153,884	142,070
Total spend	**153,884**	**142,070**
Financed by:		
Capital receipts	13,735	13,735
Capital grants	85,200	75,975
Capital reserves	963	933
MRA	4,590	4,590
Revenue (including HRA funding)	38,683	39,262
Total financing	**143,171**	**134,495**
Borrowing need	**10,713**	**7,575**

7.3 Prudential Indicator – Capital Financing Requirement

The Council is on target to achieve the original forecast Capital Financing Requirement (Prudential Indicator – External Debt / the Operational Boundary).

Table 7: Revised Capital Financing Requirement as at 30 September 2013

	2013/14 Outturn £000s	2013/14 Revised Estimate £000s
Prudential Indicator – Capital Financing Requirement		
CFR – non housing	163,934	163,748
CFR – housing	267,722	267,722
Alternative Financing (PFI and leases)	59,922	57,858
Total CFR	491,578	489,328
Net movement in CFR	**6,140**	**(2,250)**
Prudential Indicator – External Debt / the Operational Boundary		
Long Term Borrowing	325,912	315,912
Short Term Borrowing	0	10,000
Other long term liabilities	59,922	57,858
Total debt 31 March	**385,834**	**383,770**

7.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2013/14 and next two financial years. This allows some flexibility for limited early borrowing for future years.

Table 8: Revised Borrowing Limits as at 30 September 2013

	2013/14 Original Estimate £000s	2013/14 Revised Estimate £000s
Gross borrowing	325,912	325,912
Plus other long term liabilities	59,922	57,858
Less investments	(118,394)	(129,942)
Net borrowing	267,440	253,828
CFR (year end position)	491,578	489,328

7.5 The Chief Finance Officer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

7.6 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Table 9: Authorised External Debt Limit and Current Position At 30 September 2013

Authorised External Debt Limits	2013/14 Original Indicator £000s	Current Position £000s
Borrowing	469,000	325,912
Other long term liabilities	59,000	57,858
Total	**528,000**	**383,770**

8. Consultation

8.1 The Chief Finance Officer has been informed of the approach, data and commentary in this report.

9. Financial Implications

Implications completed by: Jonathan Bunt, Chief Finance Officer

9.1 This report sets out the mid-year position on the Council's treasury management position and is concerned with the returns on the Council's investments as well as its short and long term borrowing positions.

10. Legal Implications

Implications completed by: Eldred Taylor-Camara, Legal Group Manager

10.1 The Local Government Act 2003 (the "Act") requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

10.2 The Council also has to ‘have regard to’ the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out its functions under the Act.

10.3 A report setting out the Council’s strategies in accordance with the Act was presented to Cabinet and Assembly in February 2013. This report is a mid-year review of the strategy’s application and there are no further legal implications to highlight.

11. Options Appraisal

11.1 There is no legal requirement to prepare a Treasury Management Strategy Statement Mid-year Review; however, it is good governance to do so and meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

12. Other Implications

12.1 **Risk Management** - The whole report concerns itself with the management of risks relating to the Council’s cash flow. The report mostly contains information on how the Treasury Management Strategy has been used to maximise income during the first 6 months of the year.

Background Papers Used in the Preparation of the Report:

- Local Government Act 2003
- CIPFA – Revised Prudential Code for Capital Finance in Local Authorities
- CIPFA – Revised Treasury Management in the Public Services
- HRA Business Plan v7 (16 Jan 2012)
- Treasury Management Strategy Statement - Assembly Report 25 February 2013

List of appendices:

- Appendix 1: Investments as at 30 September 2013