

Committee: Council

Date: 23 February 2017

Title: Treasury Management Strategy 2017/18

Portfolio Holder: Councillor Simon Howell

Agenda Item

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Item for decision

1.0 Summary

- 1.1 The Council's cash-flow management, use of banks, investments and borrowing is governed by the Treasury Management Strategy (TM strategy).
- 1.2 The CIPFA Code of Practice for Treasury Management in Public Services (the "TM Code") requires the Council to determine its Treasury Management Policy and Strategy for 2017/18 and the following two years.
- 1.3 The Local Government Act 2003 also requires Local Authorities to adopt Prudential Indicators and Minimum Revenue Provision Statements, see Appendices A and B.
- 1.4 The TM strategy will continue to give priority to security and liquidity of investment capital over return. It will also be prudent and transparent.
- 1.5 The strategy assumes no new external borrowing. Investments will continue to be prudent and diversify Council surplus cash within the parameters permitted.
- 1.6 The proposals were endorsed by the Scrutiny Committee on 7 February and approved by the Cabinet on 16 February for recommendation to the Council tonight

2.0 Recommendations

- 2.1 The Council is requested to approve the following items:
 - Treasury Management Strategy 2017/18.
 - Prudential Indicators, Appendix A.
 - Minimum Revenue Provision (MRP) Statement, Appendix B
 - Economic Forecast, Appendix C

3.0 Impact

| | |
|----------------------------|--|
| Communication/Consultation | No specific implications |
| Community Safety | No specific implications |
| Equalities | No specific implications |
| Finance | The financial impact and the associated arrangements for managing risk are included in the body of the report. |
| Health and safety | No specific implications |
| Human Rights | No specific implications |
| Legal implications | The strategy fulfils requirements of the LGA 2003 |
| Ward-specific impacts | No specific implications |
| Workforce /Workplace | No specific implications |

4.0 Background

- 4.1 The 2017/18 Strategy has incorporated the updates to our current strategy approved at Cabinet on 1 December; these are in line with recommendations by our independent Treasury Management Advisors (Arlingclose). The key changes were:
- Increased counterparty investment levels and time limits for Local Authorities
 - Increased borrowing limit to £250million
- 4.2 The Treasury Management counterparty list is outlined below and is also included within the Strategy; there are no recommended changes for 2017/18.
- 4.3 The Council has adopted the TM Code; in addition the Department for Communities and Local Government (DCLG) issued revised *Guidance on Local Authority Investments* in March 2010 which both require the Council to approve an Investment Strategy before the start of each financial year.
- 4.5 The Treasury Management Strategy fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the TM Code and the DCLG Guidance.
- 4.6 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy and to mitigate these risks.

5.0 Background Papers

5.1 None

6.0 Risk Analysis

| Risk | Likelihood | Impact | Mitigating actions |
|---|--|--|--|
| Credit/Liquidity/Refinancing and Market risks | 2 – Our advisors will alert us to any future or possible risks | 2 – Some action may be necessary to ensure that funds are secure | Council compliance with the legal framework as set out in the local Government Act 2003, associated regulations and professional Codes of Practice/guidance. Compliance monitored regularly through: <ul style="list-style-type: none">• adoption of TM Policy and Strategy• Mid year TM progress report to Cabinet• Annual TM outturn Report to Cabinet.• TM procedures |

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.