

**REPORT TO EXECUTIVE**

<b>DATE</b>	<b>13<sup>th</sup> February 2017</b>
<b>PORTFOLIO</b>	<b>Resources &amp; Performance Management</b>
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**2017/18 Treasury Management Strategy and 2017/18 – 2019/20 Prudential and Treasury Indicators****PURPOSE**

1.
  - a) To comply with the amended Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011.
  - b) To outline a treasury management strategy statement for the financial year 2017/18.
  - c) To set out prudential indicators for the financial years 2017/20 in line with the CIPFA's Prudential Code 2013.
  - d) To seek approval for the Council's Minimum Revenue Provision (MRP) Policy Statement for the financial year 2017/18 in accordance with Government regulations.

**RECOMMENDATION**

2. That the Executive recommend to Full Council approval of ;
  - a) The treasury management strategy statement for 2017/18 as set out in Appendix 1
  - b) The prudential and treasury indicators for 2017/18 to 2019/20 per Appendix 2 including the authorised limit for external debt of £35.067m in 2017/18.
  - c) The list of Counterparties for Deposits outlined within Appendix 3.
  - d) The Council's MRP Statement for 2017/18 as set out in Appendix 4 of this report.

**REASONS FOR RECOMMENDATION**

- 3 a) To provide the proper basis required by current Government regulations and guidance to make charges for debt repayment (MRP) to the Council's revenue account.

- 3 b) To fulfil statutory and regulatory requirements and to provide a clear framework for local authority capital finance and treasury management.

## **SUMMARY OF KEY POINTS**

### **4. Background**

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

*As a consequence treasury management is defined as:*

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

### **5. Treasury Management Statutory & Regulatory Requirements**

The Council is required to adopt a Treasury Management Strategy each year in advance of the forthcoming year. This report sets out the Treasury Management Strategy Statement for 2017/18 as well as the Prudential and Treasury Indicators for 2017/18 to 2019/20.

*The primary requirements of the Code are as follows:*

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

- Treasury strategy and prudential and treasury indicators (this report) covering:
  1. the capital plans (including prudential indicators);
  2. a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
  3. the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
  4. an investment strategy (the parameters on how investments are to be managed).
- A mid year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary,

and whether the treasury strategy is being met or whether any policies require revision.

- An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy during the previous year.

### Scrutiny

Full Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Executive, and for the execution and administration of treasury management decisions to the Head of Finance, who will act in accordance with the Council's policy statement and Treasury Management Practices (TMP's) and CIPFA's Standard of Professional Practice on Treasury Management.

### List of Counterparties

Appendix 3 summarises the proposed limits and methodology for choosing counterparties for deposits.

### Minimum Revenue Provision (MRP)

Attached in Appendix 4 is the Council's Annual Statement on Policy for Making Minimum Revenue Provision on Outstanding Debt.

### Economic Update

Appendix 5 shows an abridged version of Capita Asset Services, the Councils treasury management advisors view of the current economic climate and the prospects for interest rates.

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

6.
  - The limit which can be deposited with the Council's bankers is to remain at £15m per Appendix 3.
  - The maximum value of deposits over 364 days and up to 2 years is to be £4m (with a maximum of £2m with any one counterparty, with the exception of the banking institutions whose individual limit is £4m). See Appendix 3.
  - The new limits for external debt for 2017/18 will be £33.397m for the operational boundary and £35.067m for the authorised limit (2016/17 = £32.577m).
  - Borrowing has a longer term impact on the revenue budget because of the costs of finance. The cost of borrowing is increasing as a percentage of the net revenue stream in future years because of the forecast reductions in the Council's 'net budget requirement'.

**POLICY IMPLICATIONS**

7. Compliance with the revised CIPFA Code of Practice on Treasury Management.

**DETAILS OF CONSULTATION**

8. None.

**BACKGROUND PAPERS**

9. None

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