



Full Council	Tuesday, 24 April 2018	Matter for Information and Decision
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Title: **Treasury Management Policy and Strategies 2018/19**

Author(s): **Stephen Hinds (Director of Finance & Transformation / Section 151 Officer)**

1. Introduction

The purpose of this report is to inform Members of current Treasury Management practices carried out by the Council. It contains the revised Treasury Management Policy together with Council's Prudential Indicators, Treasury Strategy and Plan and Investment Strategy for the financial year 2018/19 to 2020/21.

2. Recommendation(s)

That Council:

- 2.1. Approves the Treasury Management Policy (as set out at Appendix 1);
- 2.2. Approves the Prudential Indicators 2018/19 (as set out at Appendix 2);
- 2.3. Approves the Treasury Strategy and Plan 2018/19 (as set out at Appendix 3); and
- 2.4. Approve the Investment Strategy 2018/19 to 2020/21 (as set out at Appendix 4).

3. Information

- 3.1. The Council defines its Treasury Management activities 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". Part of the Treasury Management operation is to ensure that the cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 3.2. The second main function of the Treasury Management service is the funding of the Council's Capital Programme. The Capital Programme provides a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

3.3. Treasury Management Policy

This Policy dictates the Council's overall approach to Treasury Management. It explains the key Treasury Management practices which are undertaken and outlines how the Council carries these out in furtherance of its corporate goals. This Policy has been revised in line with the publication Treasury Management in the Public Services –

Code of Practice and Cross Sectional Guidance Notes as attached at **Appendix 1**.

3.4. **Prudential Indicators 2018/19**

Part 1 of the Local Government Act 2003 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities 2017 edition ("the Code") set out a framework for self-regulation of capital spending, in effect allowing Councils to invest in capital projects without any limit as long as they are affordable, prudent and sustainable. This allows the Council to determine the appropriate level of capital investment to properly deliver quality public services, subject to affordability.

To facilitate the decision-making process and support capital investment decisions the Prudential Code requires the Council to agree and monitor a number of Prudential Indicators as attached at **Appendix 2**. These indicators are mandatory and are purely for internal use by the Council. They are not to be used as comparators between authorities. In addition, the indicators should not be taken individually; rather the benefit from monitoring will arise from following the movement in indicators over time and the year-on-year changes.

3.5. **Treasury Strategy and Plan 2018/19**

In accordance with the requirements of CIPFA's latest Code of Practice on Treasury Management and the Council's Treasury Management Policy Statement, a Treasury Strategy and Plan for 2018/19 has been prepared and attached at **Appendix 3**.

For the purpose of this strategy, Treasury Management includes the management of all capital market transactions in connection with the cash and funding resources of the Council. This covers all funds and reserves including the collection fund and includes the arrangement of leases.

3.6. **Investments Strategy 2018/19 to 2020/21**

This strategy, which is attached at **Appendix 4**, is written in accordance with guidance issued under section 15(1)(a) of the Local Government Act 2003, The Ministry of Housing, Communities and Local Government (MHCLG) Guidance on Local Authority Investments issued in February 2018, any revisions of that guidance, the Audit Commission's report on Icelandic investments and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes.

The objectives of this strategy are to:

- facilitate investment decisions which ensure that the Council's investment sums remain secure;
- ensure the liquidity of investments so that the Council has sufficient cash resources available to carry out its functions at all times; and
- achieve the maximum return on investments after taking into account security and liquidity.

Background Documents:

CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes and Prudential Code for Capital Finance in Local Authorities (2017)

Implications Treasury Management Policy and Strategies	
Finance Stephen Hinds (Director of Finance & Transformation / Section 151 Officer)	The implications are as set out in the report and appendices.
Legal David Gill (Head of Law & Governance / Monitoring Officer)	The report is satisfactory.
Corporate Risk(s) (CR) Stephen Hinds (Director of Finance & Transformation / Section 151 Officer)	<input checked="" type="checkbox"/> Decreasing Financial Resources (CR1) The Council operates under extreme financial pressure and an effective Treasury Management function can help mitigate these pressures. <input checked="" type="checkbox"/> Reputation Damage (CR4) Incorrect or misguided investment decisions could severely damage the Council's reputation. As a result the Council places security of investment at the top of its Treasury priorities. <input checked="" type="checkbox"/> Regulatory Governance (CR6) The Council's Treasury Management Policy and associated strategies are compiled in line using the latest CIPFA and DCLG guidance. <input checked="" type="checkbox"/> Increased Fraud (CR10) The Council seeks to prevent fraudulent activities such as money laundering.
Corporate Priorities (CP) Stephen Hinds (Director of Finance & Transformation / Section 151 Officer)	<input checked="" type="checkbox"/> Effective Service Provision (CP2) The Council seeks to provide a robust treasury service which in turn assists in the funding of public service provision.
Vision & Values (V) Stephen Hinds (Director of Finance & Transformation / Section 151 Officer)	<input checked="" type="checkbox"/> Not Applicable
Equalities & Equality Assessment(s) (EA)	There are no implications arising from this report.
Stephen Hinds (Director of Finance & Transformation / Section 151 Officer)	<input checked="" type="checkbox"/> Not Applicable (EA)