

Treasury Management Strategy 2017/18 01 March 2017

Report of Cabinet

PURPOSE OF REPORT

This report seeks approval for the Council's treasury management framework for 2017/18 onwards, including all the various elements as required under relevant legislation and the associated Code of Practice.

This report is public.

RECOMMENDATIONS:

- 1) That Council approves the Treasury Management Framework and associated Prudential Indicators as set out in Appendices A to C.**

1 INTRODUCTION

- 1.1 The Code of Practice on Treasury Management ("the Code") requires that a strategy outlining the expected Treasury activity for the forthcoming 3 years be adopted, but that it be reviewed at least annually. It needs to reflect treasury policy and cover various forecasts and activities, in order to integrate the Council's spending and income plans with decisions about investing and borrowing.
- 1.2 Responsibilities associated with the Code's requirements are set out at **Appendix A**. Those aspects that require consideration by Council are covered in the following sections.

2 TREASURY MANAGEMENT POLICY STATEMENT

- 2.1 The Code requires the Council to set out a Policy Statement outlining the definition and objectives of its treasury management activities. The Code requires a specific form of words for the Policy Statement; this is unchanged from the current policy and it is set out at **Appendix B**.

3 TREASURY MANAGEMENT STRATEGY

- 3.1 The proposed Strategy for 2017/18 to 2020/21 is set out at **Appendix C**. The document contains the necessary details to comply with both the Code and Government investment guidance.

- 3.2 Key elements and assumptions feeding into the Strategy are outlined below. These fit with Cabinet's final budget proposals.

3.3 **Borrowing Aspects of the Strategy**

- 3.3.1 Based on the draft budget, for now the physical borrowing position of the Council is projected to remain fairly constant over the next three years, allowing for scheduled repayments.

3.4 **Investment Aspects of the Strategy**

- 3.4.1 Overall, the strategy put forward follows on from 2016/17 in that it is based on the Council having a comparatively low risk appetite with focus on high quality deposits. The 2017/18 strategy continues to use broadly the same investment criteria as approved by Members in 2016/17, albeit with greater clarity on limits regarding non-specified investments, including slightly more flexibility for investing in high quality non-UK banks (Annex A2 to the attached Strategy).
- 3.4.2 The proposed Investment Strategy continues to provide for investing with other local authorities given that these, in effect, are as secure as investing with the Government but they offer greater returns. Furthermore it makes sense to keep the benefits of such temporary cash investing/borrowing wholly within the local authority family.

4 **CONSULTATION**

- 4.1 Officers have liaised with the Council's Treasury Advisors in developing the proposed framework. The framework is also due to be considered by Budget and Performance Panel at its meeting on 21 February.

5 **CONCLUSION**

- 5.1 The Treasury Management Framework must fit with other aspects of the budget, such as investment interest estimates and underlying prudential borrowing assumptions, feeding into Prudential and Treasury Management Indicators.
- 5.2 Any alternative proposals or amendments to the proposed Strategy in **Appendix C** would have to be considered in light of legislative, professional and economic factors, and importantly, any alternative views regarding the Council's approach to risk.
- 5.3 The proposed framework is based on the Council continuing to have a comparatively low risk appetite regarding the security and liquidity of investments. It is stressed though that in terms of treasury activity, as with many other functions, there is no risk free approach.

RELATIONSHIP TO POLICY FRAMEWORK

This report fits with the proposed Medium Term Financial Strategy elsewhere on the agenda, in support of the Council's policy framework.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability etc)

No direct implications arising.

FINANCIAL IMPLICATIONS

The Strategy is in support of achieving the borrowing cost and investment interest estimates included in the proposed budget.

SECTION 151 OFFICER'S COMMENTS

The section 151 Officer has produced this report, on behalf of Cabinet. Her comments and advice are reflected accordingly.

LEGAL IMPLICATIONS

There are no legal implications arising from this report.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments to add.

BACKGROUND PAPERS

None.

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