



Treasury Management Strategy 2018/19 28 February 2018

Report of Cabinet

PURPOSE OF REPORT

This report seeks approval for the Council's treasury management framework for 2018/19 onwards, including all the various elements as required under relevant legislation and the associated Code of Practice.

This report is public.

OFFICER RECOMMENDATIONS:

- 1) **That Council notes the report and approves the Treasury Management Framework and associated Prudential Indicators as set out in Appendices B to D.**

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 Over the years, the regulatory and economic environment has changed significantly and this has led the sector to consider more innovative types of investment activity. Reflecting this, Members will be aware that changes are underway regarding the capital and treasury management framework.
- 1.3 Following consultation, Cipfa have now published updated codes of practice on both Treasury Management and on the Prudential Code for Capital Finance and a very brief outline on the main changes and messages is provided at **Appendix A**.
- 1.4 Furthermore the Government has also recently consulted on changes to the statutory guidance on Local Government Investments, and on Minimum Revenue Provision. Revised guidance on both was released on 02 February 2018.
- 1.5 Given the lateness of the Code updates (and uncertainties and lateness surrounding statutory guidance), Cipfa has recognised that many authorities are unlikely to be able to implement the required changes for the start of the 2018/19 financial year.
- 1.6 Instead therefore, the Code changes can be implemented during the course of 2018/19 (and this will apply too to the statutory guidance, subject to it being reviewed over the

coming weeks). This fits well with the Council's budget strategy; it is already planning to undertake a mid-year review and future capital investment strategy is a fundamental part of that work.

- 1.7 Responsibilities associated with the Code's requirements are set out at **Appendix B**. 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 C**.

3 TREASURY MANAGEMENT STRATEGY

- 3.1 The proposed Strategy for 2018/19 to 2021/22 is set out at **Appendix D**. 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. It is also projected that the HRA capital programme will not require any additional borrowing.

3.4 Investment Aspects of the Strategy

- 3.4.1 Overall, the strategy put forward follows on from 2017/18 in that it is based on the Council having a comparatively low risk appetite with focus on high quality deposits. The 2018/19 strategy continues to use the same investment criteria as approved by Members in 2017/18.

- 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 and from an Officer perspective, it makes sense to keep the benefits of such temporary cash investing/borrowing wholly within the local authority family.

4 MID-YEAR TREASURY MONITORING REPORT

- 4.1 The Mid-Year Treasury Monitoring Report as at 30 September 2017 was reported to Cabinet on 07 November 2017 and Budget and Performance Panel 14 November. It was then due to be referred on to the December meeting of Council, however due to the amount of business being considered at that meeting its reporting was delayed and therefore it is now included at **Appendix E**.

5 CONSULTATION

- 5.1 Officers have liaised with Link Asset Services, the Council's Treasury Advisors, in developing the proposed framework. The framework was considered by Budget and Performance Panel at its meeting on 06 February.

6 CONCLUSION

- 6.1 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.
- 6.2 Any alternative proposals or amendments to the proposed Strategy in **Appendix D** would have to be considered in light of legislation, professional and economic factors, and importantly, any alternative views regarding the Council's approach to risk.
- 6.3 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

The proposed Treasury Management framework forms part of the Council's budget and policy framework, and fits into the Medium Term Financial Strategy.

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 budget.

OTHER RESOURCE IMPLICATIONS

None directly arising.

SECTION 151 OFFICER'S COMMENTS

This report is in the name of the s151 Officer (as Chief Officer (Resources)). Her comments and advice are reflected in the report.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments.

DEPUTY MONITORING OFFICER'S COMMENTS

The Deputy Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

None.

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