

**2017/18 ANNUAL TREASURY MANAGEMENT STRATEGY, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY**

Committee: Corporate Governance and Finance Committee

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Author: Accountant (Treasury Management)

[R188]

1.0 **ISSUE**

1.1 To consider the 2017/18 Treasury Management Strategy, the Annual Investment Strategy and the Minimum Revenue Provision Policy Statement.

1.2 These strategies and statements will be presented to Full Council for approval on 23 February 2017.

2.0 **RECOMMENDATIONS**

2.1 That the Corporate Governance and Finance Committee recommends to Full Council:

- The 2017/18 Treasury Management Strategy
- The Annual Investment Strategy
- The Minimum Revenue Provision Policy Statement
- The Prudential and Treasury Indicators.

3.0 **BACKGROUND/ OPTIONS**

3.1 CIPFA Requirements

The Council has adopted the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice on Treasury Management and any subsequent revisions.

3.2 The Treasury Management Policy Statement

As per CIPFA's definition, the Council defines its treasury management activities as:

- The management of the Council'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.

- The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.
- The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council will create and maintain, as the cornerstones for effective treasury management:

- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
- suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the CIPFA Code, subject only to amendment where necessary to reflect the particular circumstances of this Council. Such amendments will not result in the Council materially deviating from the Code's key principles.

- Full Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the financial year, a mid-year review and an annual report after financial close, in the form prescribed in its TMPs.
- The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Corporate Governance and Finance Committee, and for the execution and administration of treasury management decisions to the Chief Financial Officer, who will act in accordance with the Council's policy statement and TMPs and as a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- The Council nominates Corporate Governance and Finance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

### **3.3 Investment Strategy**

The Council continues to hold cash balances and is able to meeting loan requirements of the LATC and the construction of the Leisure Centre without the need for external borrowing. It remains the plan that the LATC can meet it's business plan within the £5 million maximum loan and will repay the full amount of the loan by 2020/2021.

As previously reported it is projected that the need for external debt can be avoided to fund the capital programme which includes the LATC and the Leisure Centre. Cash balances will reduce to minimal levels, and as such, the ability to invest sizeable sums in longer-term deposits will cease

If further funding is required by the LATC to fund further projects not in the original business plan such as the waste contract or further housing developments it is likely there will be a requirement to source external funding.

Lower interest rates has meant that some smaller short term investment dealings will not return a beneficial return on investment. Small investments over a short period of time will be reviewed to determine if the investment is viable. This review will take into account the estimated return of investments and the charge to send the payment. If it is determined that the return on investment is not viable this would result in higher balance in the Council's Natwest Account however this balance will remain with the counterparty limits set in the strategy.

### **3.4 Borrowing Strategy**

The Council continues to hold cash balances so internal cash balances are used to fund capital commitments.

With the projected level of capital expenditure needed there is no requirement for external borrowing. Further additions to the Capital Programme or further funding to the LATC will mean it is highly likely that external borrowing will be required.

### **3.5 Counterparty Limits**

The Counterparty limits were reviewed in the 2016/2017 Treasury Management Strategy and approved by Council. There are no amendments to report.

As reported at the Corporate Governance and Finance Committee meeting on 1<sup>st</sup> December 2016, the decision was made by the Chief Financial Officer to authorise a fixed term deposit that exceeded the suggested duration bands set in

Treasury Management Strategy for 2016/2017. These duration bands are suggested guidelines and sole reliance will not be placed upon them.

### 3.6 Revision of the Treasury Management Strategy

Should a revised LATC business plan be approved by the full council; then this strategy will be reviewed and brought to the Corporate Governance and Finance Committee and Council for approval.

## 4.0 APPENDICES

### 4.1 Appendix 1 - Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy

<b><u>Background Documents</u></b>	<b><u>Location</u></b>	<b><u>Contact Officer</u></b>
The Prudential Code published by CIPFA	Room 204 The Grange Ely	Ian Smith Accountant (01353) 616470 E-mail: <a href="mailto:Ian.Smith@eastcambs.gov.uk">Ian.Smith@eastcambs.gov.uk</a>
Treasury Management Practice Schedules		
Capital Programme		
Corporate Governance and Finance Committee 26 June 2016		
Budget book and Financial Management System		