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**2016/17 ANNUAL TREASURY MANAGEMENT STRATEGY, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY**

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Committee: Full Council

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1.0 **ISSUE**

- 1.1 To consider the 2016/17 Treasury Management Strategy, the Annual Investment Strategy and the Minimum Revenue Provision Policy Statement.

2.0 **RECOMMENDATIONS**

- 2.1 That Full Council approve:
- The 2016/17 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 meet the loan requirements of the LATC without recourse to external borrowing. The cashflow projection of the LATC enables the Council to make investments in fixed term deposits in the short and medium term that will generate greater investment interest.

Should the leisure centre project be approved then the funding requirements of this and the LATC can be met from cash balances during FY 2016/17 and with external borrowings being required in FY 2017/18.

### 3.4 Borrowing Strategy

The Council will use internal cash balances, rather than external borrowing, to fund capital commitments in FY2016/17. This means that the Council will be in an under-borrowed position.

There may be a need to borrow externally over the next three years, financing both the LATC and the leisure centre. This borrowing may be a combination of long term and short term borrowing.

Cashflow projections show that assuming the leisure centre project is approved there will essentially be two funding options available.

- Raise funding externally: interest rates are currently low but predicted to rise in the coming years. Any borrowing cost will exceed interest earned on cash investment.
- Alternatively the Council could use the combination of both internal and external funding: by using internal funds to finance the leisure centre, with the leisure centre paying back the borrowed funds with interest to an agreed time frame.
- The recommended funding approach is to fund the LATC from external borrowing at the point when internal cash balances are reduced to levels sufficient to fund day to day cashflow requirements. In effect, the strategy is to minimise external borrowings.

### 3.5 Counterparty Limits

In order to place fixed term deposits, as set out in paragraph 3.3, extensions to the existing counterparty limits are requested.

The existing counterparty limits mean that it would be difficult to find suitable counterparties within the UK alone, therefore it is also requested to invest with a

range of foreign counterparties that meet our AA minimum Sovereign Rating. This would also provide benefits in terms of diversifying our risk across countries (which are, in many cases, better rated than the UK).

The strategy includes the following :

- £6 million with counterparties rated 6 months to 1 year durational limit
- £5 million with Money Market Funds
- £4 million with counterparties rated 3-months durational limit

There are benefits in adopting this revised counterparty listing with immediate effect; and Council is recommended to adopt this approach for investments made from 26<sup>th</sup> February 2016.

### 3.6 Revision of the Treasury Management Strategy

Should the leisure centre project be approved; or indeed a revised LATC business plan be approved by 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 Treasury Management Practice Schedules  Capital Programme  Corporate Governance and Finance Committee 28 <sup>th</sup> January 2016	Room 203 The Grange Ely	Andy Radford Chief Financial Officer (01353) 616269 E-mail: <a href="mailto:andy.radford@eastcambs.gov.uk">andy.radford@eastcambs.gov.uk</a>