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**2018/19 ANNUAL TREASURY MANAGEMENT STRATEGY, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY**

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Committee: Resources and Finance Committee

Date: 29 January 2018

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**1.0 ISSUE**

- 1.1 To consider the 2018/19 Treasury Management Strategy, the Annual Investment Strategy and the Minimum Revenue Provision Policy Statement.

**2.0 RECOMMENDATIONS**

- 2.1 That the Resources and Finance Committee recommends to Full Council:

- The 2018/19 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 Resources and Finance Committee, and for the execution and administration of treasury management decisions to the Finance Manager, 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 Resources 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 significant reserves (January 2018) and has been able, up until now, to meet the loan requirements of East Cambs Trading Company (ECTC) and the construction of the Leisure Centre from internal borrowing against the cash within these reserves; therefore without the need for external borrowing. However this situation will not be maintained, reserve levels will reduce in the remainder of this financial year and then further in 2018/19 with the consequence that external borrowing will be required.

External borrowing will of course be kept as low as possible, with external debt only being taken when cash balances require this. The consequence of this being that cash balances will reduce to minimal levels, resulting in the ability to invest sizeable sums in longer-term deposits (more than 6 months) ceasing.

The continuation of low interest rates means that some smaller short term investment dealings will not return a beneficial return on investment, compared to the transaction cost of moving the cash. Small investments over a short period of time will therefore continue to be reviewed to determine if the investment is cash efficient. Where these circumstances arise, this will result in a higher balance in the Council's NatWest Account than would have historically been the case; however we will ensure that this balance remains with the counterparty limit set in the strategy.

It remains the expectation that ECTC will meet its business plan objectives within the £5 million maximum loan approved by the Council and will repay the full amount of the loan to the Council by / during March 2021.

### 3.4 Borrowing Strategy

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

However, as a consequence of the additional capital expenditure planned for in 2018/19 and the reducing level of reserves, external borrowing will be required to fund capital commitments in that year. External borrowing will only be taken when required, but the current plan anticipates this to be in the region of £5 million by the end of March 2019.

### 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.

#### 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	Room 104 The Grange Ely	Ian Smith Finance Manager (01353) 616470 E-mail: <a href="mailto:Ian.Smith@eastcambs.gov.uk">Ian.Smith@eastcambs.gov.uk</a>
Revenue Budget, Capital Programme and Council Tax 2018/19 Report (also on this agenda)		