

REPORT TO: CABINET

DATE: 25 JANUARY 2018

TITLE: TREASURY MANAGEMENT STRATEGY
STATEMENT 2018/19

PORTFOLIO HOLDER: COUNCILLOR MIKE DANVERS, PORTFOLIO
HOLDER FOR RESOURCES

LEAD OFFICERS: SENIOR MANAGEMENT BOARD, (01279)
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This is a Key Decision

It is on the Forward Plan as Decision number I007300

This decision is not subject to Call-in procedures for the following reasons:

The decision stands as a recommendation to Council

This decision will affect no ward specifically.

RECOMMENDED that Cabinet recommends to Full Council that:

- A** The proposed revised Treasury Management Strategy Statement 2018/19 (attached as Appendix A) be approved for implementation with immediate effect, including specifically:
- i. The Prudential Indicators (set out in Annex C of the Statement).
 - ii. The Treasury Management Indicators (set out in paragraphs 65 to 69 of the Statement).
 - iii. The Borrowing Strategy (set out in paragraphs 26 to 38).
 - iv. The Investment Strategy (set out in paragraphs 39 to 61).
 - v. The Minimum Revenue Provision Statement (Annex D of the Statement).
 - vi. The reporting arrangements (Annex E of the Statement).

REASON FOR DECISION

- A** Statutory DCLG Guidance and CIPFA Codes of Practice on Treasury

Management and Prudential Borrowing require Councils to determine a Treasury Management Strategy Statement and Prudential (and Treasury Management) Indicators on an annual basis.

- B** The lending list methodology requires regular review by Full Council because it steers a major risk aspect of the Council's operational investment decisions.
- C** DCLG Regulations have been issued which require the Full Council to approve a Statement of Minimum Revenue Provision in advance of each year.
- D** Treasury management reporting arrangements are an important aspect governed by DCLG guidance and influenced by the CIPFA Code.
- E** The Council is required by DCLG guidance to report on its policy for borrowing in advance of need.
- F** In the same way as E above, the Annual Investment Strategy determines the direction of travel for borrowing in the coming year and reflects the Council's preferred approach to investment and associated risk.
- G** To Ensure that the Council is aware that changes to the TMSS may be required as a result of the recently published revisions to both the Code and Government Guidance as detailed in this report. Should changes be required they will be reported back to Council during 2018/19 for approval. This issue was raised as a matter to be referred to Cabinet by the Cabinet Overview Working Group at its meeting on 11 January 2018.

BACKGROUND

1. Treasury management is defined 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."
2. The Council has previously recognised and adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (as revised November 2011) – 'the CIPFA Code' as the guidance it will follow in the development and management of its treasury management activities.
3. The primary requirements of the CIPFA Code are as follows:
 - a) Creation and maintenance of a Treasury Management Policy Statement.

- b) Creation and maintenance of Treasury Management Practices (TMPs).
- c) Receipt by Full Council of an annual Treasury Management Strategy Statement (TMSS), including the annual Investment Strategy, a Minimum Revenue Provision Policy for the year ahead, and a range of other specific policies.
- d) Presentation of a mid-year Review of the Treasury Management Strategy Statement and an Annual Report (stewardship report) to Full Council.
- e) Delegation by the Council for responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- f) Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For the Council the current TMSS specifies the responsibility for the delegated scrutiny role is delegated to the Cabinet Overview Working Group, as well as to the Audit and Standards Committee as may be required.

ISSUES/PROPOSALS

- 4. As part of the primary requirements for reporting to Full Council, the annual TMSS has been prepared in compliance with CIPFA's Code of Practice, and is attached as Appendix A of this report.
- 5. Members will wish to note that, following consultation, both the Code and associated CLG Guidance are undergoing changes that are due to be issued later in 2018. For this reason, the TMSS has been prepared in conjunction with the existing Code and Guidance. When the changes have eventually been issued they will be reviewed and any material issues that require special consideration by Members will be reported either within the mid-year review of the TMSS or within a separate report, together with any recommendations for decisions that may be required in revising the TMSS.
- 6. Key elements of the Strategy Statement are:
 - a) The Scheme of Delegation for Treasury Management / reporting arrangements (as set out in Annexes E and F).
 - b) Borrowing Strategy (paragraphs 26 to 38).
 - c) Investment Strategy and approved Counterparty List (paragraphs 39 to 61).

- d) Policy of apportioning interest to the HRA (paragraph 71).
- e) Policy on investment of money in advance of need (paragraphs 75 and 76).
- f) The Minimum Revenue Provision Statement for 2016/17 (Annex D).
- g) The estimated Prudential Indicators (Annex C).
- h) The estimated Treasury Management Indicators (paragraphs 65 to 69).

IMPLICATIONS

Place (Includes Sustainability)

None specific.

Author: **Graeme Bloomer, Head of Place**

Finance (Includes ICT)

The indicative costs associated with borrowing, offset by investment income, are included in the MTFs, Capital and Revenue budgets presented within this agenda. The mid-year review of the TMSS and the annual report on treasury management are both routinely reported to Councillors, including to Full Council as required by DCLG Guidance and the CIPFA Code of Practice; any financial considerations are contained herewith in the accompanying reports.

Author: **Simon Freeman, Head of Finance**

Housing

None specific.

Author: **Andrew Murray, Head of Housing**

Community Wellbeing (includes Equalities and Social Inclusion)

None specific.

Author: **Jane Greer, Head of Community Wellbeing**

Governance (includes HR)

None specific.

Author: **Amanda Julian, Legal Services Manager, on behalf of Brian Keane, Head of Governance**

Appendices

Appendix A – Harlow Council Treasury Management Strategy Statement
2018/19

Background Papers

The CIPFA Prudential Code for Capital Finance in Local Authorities (revised 2011)

CIPFA's Treasury Management in Public Services Code of Practice (revised 2011)

DCLG's Guidance on Local Government Investments (issued March 2010).
HRA Business Plan 2017-2047

Capital Programme 2017/18 – 2022/23

Arlingclose Ltd treasury management advisory documents

Treasury Management and Accounting records

Glossary of terms/abbreviations used

See Appendix A, Annex I for glossary of terms.