

**REPORT TO:** CABINET

**DATE:** 8 DECEMBER 2016

**TITLE:** TREASURY MANAGEMENT STRATEGY  
STATEMENT 2016/17: MID-YEAR REVIEW

**PORTFOLIO HOLDER(S):** COUNCILLOR MIKE DANVERS, PORTFOLIO  
HOLDER FOR RESOURCES

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**This is a Key Decision**

**It is on the Forward Plan as Decision Number I006016**

**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:**

- A** The mid-year review of the Treasury Management Strategy, which accompanies this report as Appendix A, be noted and referred to Full Council for consideration.
- B** It is recommended to Full Council that the individual counterparty limit for unsecured investments with institutions having long-term ratings of 'A' and higher be increased from £2million to £4million with immediate effect, such that Table 2 of the 2016/17 Treasury Management Strategy Statement is amended (as shown in paragraph 23 of Appendix A) to increase the relevant individual counterparty limits.

**REASON FOR DECISION**

- A** In order to comply with the CIPFA Treasury Management Code of Practice, Full Council is required to receive a mid-year report on The Treasury Management Strategy Statement (TMSS).
- B** Increased levels of cash flow balances necessitate a broadening of the scope for investments. Scope for investment in unsecured institutions has been cautiously low, although capacity available for other investment types is now frequently fully utilised. The security of unsecured investment types is,

however, closely measured such that security of investments remains top priority, and the spread of investments remains carefully profiled. Further details are set out in paragraphs 21 to 24 of Appendix A.

## **BACKGROUND**

1. Treasury management is defined as: “The management of the local authority’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. On 10 February 2011, Full Council adopted the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (as revised November 2009).
3. The primary requirements of the 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 an Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid-Year Review of the Treasury Management Strategy and an Annual Report (stewardship report).
  - d) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
  - e) 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 that responsibility for the delegated scrutiny role is delegated to the Cabinet Overview Working Group.

## **ISSUES**

4. As part of the primary requirements for reporting to Full Council (paragraph 3 above), the mid-year review of the TMSS has been prepared in compliance with CIPFA’s Code of Practice, and is attached to this report as Appendix A. Economic commentary has been provided by our Treasury Management Advisors, Arlingclose Ltd.

5. No new external borrowing has been undertaken by the Council so far in 2016/17. Existing borrowing comprises the protection and certainty of fixed-term debt.
6. The Council is experiencing higher cash balances than previously planned. In order to accommodate this, it is recommended that the limit on unsecured investments per counterparty is increased by £2million to £4million with immediate effect (see Appendix A, paragraphs 21-24).
7. In August 2016, the Bank Rate was reduced to 0.25%. Analysts believe that the level of interest is likely to remain unchanged, or perhaps be lowered even further into the foreseeable future. The Council's overriding response is to ensure the security of investments above liquidity and yield. Officers aim to ensure that investments are made in the most cost efficient and effective manner.
8. On an on-going basis, Officers continue to work within the scope of the TMSS in order to contain counterparty risk as far as practically possible. Treasury management activities operate under a high-profile reporting mechanism, and any significant issues that may arise through the year are reported in accordance with protocols set out in the TMSS.

## **IMPLICATIONS**

### **Place**

None specific.

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

### **Finance (Includes ICT)**

As contained in the report.

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: **Brian Keane, Interim Head of Governance**

## **Background Papers**

Treasury Management Strategy 2015/16

## **Appendices**

Appendix A – Harlow Council Treasury Management Strategy Mid-Year Review, 2016/17

## **Glossary of terms/abbreviations used**

Arlingclose: The Council's appointed treasury management advisors.

CIPFA: Chartered Institute of Public Finance and Accountancy

TMPs: Treasury Management Practices

TMSS: Treasury Management Strategy Statement