

<b>COUNCIL</b>	AGENDA ITEM 13(d)
<b>11 OCTOBER 2017</b>	<b>PUBLIC REPORT</b>

Report of:	Marion Kelly, Interim Corporate Director: Resources	
Cabinet Member(s) responsible:	Resources portfolio holder, Cllr Seaton	
Contact Officer(s):	Peter Carpenter, Service Director: Financial Services	Tel. 384564

## TREASURY MANAGEMENT MID YEAR UPDATE

R E C O M M E N D A T I O N S	
<b>FROM:</b> Marion Kelly, Interim Corporate Director: Resources	<b>Deadline date:</b> N/A
<p>Council is asked to</p> <ol style="list-style-type: none"> <li>1. To review current performance against the Treasury Management Strategy (TMS) set in the Medium Term Financial Strategy (MTFS)</li> <li>2. To approve the use of Loans as a form of Investment to organisations delivering services for the Council (2.3).</li> </ol>	

### 1. ORIGIN OF REPORT

- 1.1 The Treasury Management in the Public Services: Code of Practice 2011 recommends that Members receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.
- 1.2 The annual strategy is approved by Council as part of the MTFS. The original strategy was approved on 8 March 2017. The final performance against the revised strategy will be reported to Audit Committee in June 2018 alongside the Statement of Accounts. This report forms the mid-year review against the Revised TMS. As part of the Governance processes, following scrutiny by the Audit Committee, the recommendations of this report are required to be received and approved by Council.
- 1.3 The Audit Committee considered the report on the 25 September 2017 and resolved to:
  1. Note current performance against the Treasury Management Strategy (TMS) set in the Medium Term Financial Strategy (MTFS).
  2. Approve the use of loans as a form of investment to organisations delivering services for the Council.

### 2. PURPOSE AND REASON FOR REPORT

- 2.1 To report current performance and the forecast outturn position against the Prudential Indicators in the strategy.
- 2.3 The Council will allow loans (as a form of investment) to be made to organisations delivering services for the Council where this will lead to the enhancement of services to Peterborough City

Council Stakeholders. The Council will undertake due diligence checks to confirm the borrower's creditworthiness before any sums are advanced and will obtain appropriate levels of security or third party guarantees for loans advanced and review State Aid. The Council would expect a return commensurate with the type and duration of the loan. A limit of £50 million for this type of investment is proposed with a duration of over the life of the asset and Council's cash flow requirements. All loans would need to be in line with the Council's Scheme of Delegation and Key Decision thresholds levels.

### 3. **TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	
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### 4. **TREASURY MANAGEMENT STRATEGY PRUDENTIAL INDICATORS**

4.1 The Prudential Code underpins the system of capital finance. Local authorities determine their own programmes for capital investment in long term and current assets that are central to the delivery of quality local public services. Prudential indicators are developed as part of the annual MTFS process to ensure that:

- a) Capital investment plans are affordable;
- b) All external borrowing and other long term liabilities are within prudent and sustainable levels; and
- c) Treasury management decisions are taken in accordance with professional good advice.

4.2 The 2017/18 Prudential Indicators are shown in **Appendix 1**. The Council's performance to date and forecast performance are all within the limits set in the Revised MTFS.

4.3 The Council has continued to operate a restrictive lending list due to the continued economic uncertainty. Surplus cash is only invested for short periods with Barclays, Bank of Scotland (part of the Lloyds Banking Group) and the Churches, Charities and Local Authorities (CCLA) money market fund. The Council also invests with other Local Authorities and the Debt Management Office (DMO).

4.4 The Council has continued to borrow to fund the capital programme. Loans have been arranged at interest rates to achieve budget certainty and for varying periods to fit in with the Councils debt maturity profile.

4.5 The Bank of England Monetary Policy Committee reduced the Base Rate to 0.25% in August 2016. This was the first change to interest rates since 2009. This reduction continues to have an impact on the cost of any new borrowing taken after this date as well as on income received from investing surplus cash balances.

### 5. **CONSULTATION**

5.1 The Council's Prudential Code and Treasury Management Strategy 2017/18-2026/27 has undergone full consultation and been through the scrutiny process as it forms part of the Annual MTFS and Revised MTFS.

5.2 The Council continues to liaise with its treasury advisors, Capita Asset Services.

### 6. **ANTICIPATED OUTCOMES OR IMPACT**

6.1 As set out in the report.

### 7. **REASON FOR THE RECOMMENDATION**

7.1 This report is given to the Committee to review performance against the Prudential Indicators in

the TMS set in the MTFs and Revised MTFs. As part of the Governance processes, following scrutiny by the Audit Committee, the recommendations of this report are required to be received and approved by Council.

## **8. ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 The Prudential Code and Treasury Management Strategy 2017/18-2026/27 is required to be prepared in accordance with the Treasury Management in the Public Services: Code of Practice 2011. This report sets out the performance against the associated indicators. The options are therefore limited.

## **9. IMPLICATIONS**

### **Financial Implications**

- 9.1 To provide the Committee the opportunity to review current performance against the revised Prudential Indicators.

### **Legal Implications**

- 9.2 Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414), which clarifies the requirements of the Minimum Revenue Provision guidance

### **Equalities Implications**

- 9.3 There were no equalities implications arising.

## **10. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 10.1 The Prudential Code for Capital Finance in Local Authorities –2011 Edition, CIPFA; and Treasury Management in the Public Services, Code of Practice and Cross-Sectoral Guidance Notes – 2011 Edition, CIPFA, MRP Guidance

## **11. APPENDICES**

- 11.1 Treasury Management Strategy – Prudential Indicators – Forecast Outturn as at 31 August 2017.

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