

AUDIT COMMITTEE	AGENDA ITEM No. 8
20 NOVEMBER 17	PUBLIC REPORT

Committee Member(s) responsible:	Resources portfolio holder, Cllr Seaton	
Contact Officer(s):	Marion Kelly, Interim Corporate Director: Resources Peter Carpenter, Service Director: Financial Services	☎ 452520 ☎ 384564

CONSULTATION ON 2018/19 TREASURY MANAGEMENT STRATEGY

R E C O M M E N D A T I O N S	
FROM : Marion Kelly , Interim Corporate Director: Resources	Deadline date: N/A
<p>Audit Committee is asked to</p> <ol style="list-style-type: none"> 1. To review and comment on the draft 2018/19 Treasury Management Strategy (TMS) before a final strategy is produced once the Revenue Budget and Capital Programme are finalised in February 2018. 	

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 once the Revenue Budget and Capital Programme are finalised and the Members are required to review and comment on the draft strategy to ensure compliance with best practice.

2. PURPOSE AND REASON FOR REPORT

- 2.1 To provide a draft narrative of the Treasury Management Strategy 2018/19 to Audit Committee for comment and input on Treasury Management policies before receipt of a completed revised version in February 2018 once the Capital Programme for the next 10 years is agreed. The report contains only policies, as the numbers will be included for the next committee.
- 2.2 This is in accordance with the Committees' Terms of Reference – 2.2.1.15 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	Yes	If Yes, date for relevant Cabinet Meeting	Feb 2018
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4. TREASURY MANAGEMENT STRATEGY

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 draft narrative of the 2018/19 – 2027/28 TMS is shown in separate report.

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 only proposed changes to the draft TMS policies from last year's MTFS Treasury Strategy are as follows and are in section 4.5 of the Appendix:

- Forward Borrowing Product with Link asset Services
- Achieve an even spread of loan maturities
- The aim for the Council to reduce it's overall debt
- The use of Capital receipts or S106 receipts to make revenue provision as a one off saving
- In the event of significant interest changes Council seeks to avoid an increase in revenue cost.
- Establish a more realistic capital programme using the Capital Review Group.

4.6 The Bank of England Monetary Policy Committee increased the Base Rate to 0.50% in November 2017. This was the first increase in interest rates since July 2007. This increase will 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 2018/19-2020/21 will undergo a full consultation and go through the scrutiny process as it forms part of the Annual MTFS.

5.2 The Council continues to liaise with its treasury advisors, Link Asset Services. (Name changed 3rd November 2017 - Previously Capita Asset Services).

6. ANTICIPATED OUTCOMES

- 6.1 As set out in the report.

7. REASONS FOR RECOMMENDATIONS

- 7.1 This report is given to the Committee to provide the opportunity to review and comment on the draft policies of the 2018/19 TMS in advance of the final report which is presented to Committee in February 2108.

8. ALTERNATIVE OPTIONS CONSIDERED

The Prudential Code and Treasury Management Strategy 2018/19-2026/27 is required to be prepared in accordance with the Treasury Management in the Public Services: Code of Practice 2011. This report will set out the performance against the associated indicators in the report in February 2017.

9. IMPLICATIONS

- 9.1 To provide the Committee the opportunity to review and comment on the draft policies under pinning the TMS 2018/19 – 2027/28.

Legal Implications

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

10. BACKGROUND DOCUMENTS

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

- 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

11. APPENDIX – Discussion Paper on TMS 2018/19

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