Regulatory and Audit Committee

Title: Treasury Management Strategy 2018/19

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Local members affected:

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Summary

The purpose of this report is for the Regulatory and Audit Committee to consider the Council's Annual Treasury Management Policy Statement, Treasury Management Strategy Statement, Annual Investment Strategy and the Minimum Revenue Provision Policy Statement for 2018/19, together with the Prudential Indicators for the next four years before they are submitted to Council at its meeting on 22 February 2018. Attached in Appendix 1 are the tracked changes to the policy since it was last agreed by Council in February 2017.

Recommendation

The Committee are asked to RECOMMEND to Council the Treasury Management Policy Statement, Treasury Management Strategy Statement, Annual Investment Strategy and the Minimum Revenue Provision Policy Statement for 2018/19, together with the Prudential Indicators for the next four years.

Supporting information to include the following if a decision is being requested:

Resource implications

There are no additional costs associated with the recommendation, the aim is to maximise returns within a Strategy which is affordable, prudent and sustainable.

Legal implications

The publication of the outturn position and treasury management policy and associated schedules conform to best practice as required by the CIPFA Code of Practice.

Other implications/issues

1. The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management Code of Practice 2011 edition (the CIPFA Code) on 1 April 2012. CIPFA consulted on changes to the Code in 2017, but has yet to publish a revised Code. The Code defines Treasury Management as:

   the management of the organisation'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 the optimum performance consistent with those risks.

2. The Code requires the Council to approve a treasury management strategy before the start of each financial year. In addition, Department for Communities and Local Government (DCLG) Guidance on Local Authority Investments requires the Council to approve an investment strategy before the start of each financial year. In accordance with best practice the Council combines the Annual Investment Strategy with its Treasury Management Strategy Statement. The general policy objective is to ensure that surplus funds held on behalf of the Council are invested prudently.

3. Guidance on Minimum Revenue Provision under section 21(1A) of the Local Government Act 2003 also requires an annual statement on the Council's debt repayment policy: its Minimum Revenue Provision is submitted to the full Council for approval before the start of the financial year to which the provision will relate. Minimum Revenue Provision is defined as being the contribution from revenue to cover the unfinanced borrowing that has been undertaken to support the capital programme. Where capital expenditure was incurred before 1 April 2008 MRP will be charged on a straight line basis over 50 years in accordance with the guidance. For capital expenditure incurred on or after 1 April 2008 and funded through borrowing, the Council calculates MRP using a more complex calculation called the asset life annuity method. Using this method MRP is calculated in a similar way as calculating the capital repayment element of a fixed rate repayment mortgage.

4. The Treasury Management Policy Statement, Treasury Management Strategy Statement, Annual Investment Strategy and the Minimum Revenue Provision Policy Statement for 2018/19, are attached as Appendix 1. The approved investment counterparties and investments limits tables are included in the Investment Strategy.

5. The proposed Strategy for 2018/19 is to continue the 2017/18 Strategy. During the forthcoming 12 months, the Council's average investment balance is expected to range from £5m to approximately £50m, as the Council maintains minimum cash levels for operational purposes.

6. The Council's treasury portfolio position as at 31 December comprised:

	31 Dec 2015	31 Dec 2016	31 Dec 2017
Borrowing:	£m	£m	£m
PWLB	-92.5	-78.7	-117.2
LOBOs	-82.0	-82.0	-78.0
Temporary Borrowing	0.0	-42.5	-40.0
Gross Borrowing	-172.5	-203.2	-235.2
Treasury Cash:			
Money market funds	59.3	4.1	17.1
Deposits	154.5	10.0	0.0
Property fund	5.0	5.0	5.0
Gross Cash	218.8	19.1	22.1
Net Cash / (Borrowing)	46.3	-184.1	-213.1

7. The following table summarises interest paid on external debt and interest earned on cash balances:

	2016/17	2017/18	2018/19
	£m	£m	£m
Interest paid on Loans	8.9	8.3	8.5
Interest Income	0.8	0.4	0.4

8. The table below summarises the proposed investment limits for 2018/19 which are the same as the current strategy for 2017/18.

	Cash limit
Any single organisation, except the UK Central Government	£10m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£10m per group
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£30m per broker
AAA sovereign rated foreign countries	£20m per country
AA+ sovereign rated foreign countries	£10m per country
Unsecured investments with Building Societies	£10m in total
Money Market Funds	£50m in total

9. In accordance with the Local Government Act 2003 the Council is required to agree a range of indicators to demonstrate that its investment plans are affordable, prudent and sustainable. The indicators, based on 2018/19 to 2021/22

capital programme form part of this strategy, are attached as Appendix 2. Progress against the Indicators is reported to the Regulatory & Audit Committee and County Council in the mid-year and annual activity reports.

Feedback from consultation, Local Area Forums and Local Member views (if relevant)

Not applicable.

Background Papers

Treasury Management Strategy Report to County Council 16 February 2017
https://democracy.buckscc.gov.uk/documents/g9240/Public%20reports%20pack%2016th-Feb-2017%2009.30%20County%20Council.pdf?T=10

Treasury Management Annual Summary Report to County Council 13 July 2017
https://democracy.buckscc.gov.uk/documents/g9243/Public%20reports%20pack%2013th-Jul-2017%2009.30%20County%20Council.pdf?T=10

Treasury Management Mid-Year Report to County Council 23 November 2017
https://democracy.buckscc.gov.uk/documents/g9245/Public%20reports%20pack%2023rd-Nov-2017%2009.30%20County%20Council.pdf?T=10