

EAST STAFFORDSHIRE BOROUGH COUNCIL

REPORT COVER SHEET

Title of Report:	Treasury Management Strategy Statement and Annual Investment Strategy 2017/18
Meeting of:	Council
Date:	27/2/17
Is this an Executive Decision:	NO
Is this a Key Decision:	NO
Is the report Confidential:	NO
If so, please state relevant paragraph from Schedule 12A LGA 1972:	[]

Essential Signatories:

ALL REPORTS MUST BE IN THE NAME OF A HEAD OF SERVICE

Monitoring Officer

Date Signature

Head of Service – Sal Khan

Date Signature

EAST STAFFORDSHIRE BOROUGH COUNCIL

Report to Council

Date: 27/2/17

TITLE:	Treasury Management Strategy Statement and Annual Investment Strategy 2017/18
PORTFOLIO:	Finance
HEAD OF SERVICE:	Sal Khan
CONTACT OFFICER:	Lisa Turner – Chief Accountant ext. . x1399
WARD(S) AFFECTED:	All

1. Purpose of the Report

- 1.1 The Treasury Management Strategy Statement fulfils various statutory requirements and best practice guidelines in respect of the Council's Treasury activities and also its capital investment plans.

2. Contribution to Corporate Priorities

- 2.1 The treasury management strategy contributes to all corporate priorities by minimising the cost to the Council of borrowing to finance its Capital Programme, whilst at the same time maximising the Council's income from the investment of surplus funds whilst maintaining the security and liquidity of investments.

3. The Treasury Management Strategy Statement and Annual Investment Strategy

- 3.1 The attached strategy covers:
- the role of Treasury Management;
 - risk management (in the context of treasury management)
 - capital plans and prudential indicators
 - the Minimum Revenue Provision (MRP) policy.

- the Council's current treasury position;
 - treasury indicators;
 - prospects for interest rates;
 - borrowing strategy;
 - investment strategy and creditworthiness policy;
- 3.2 The underlying principles within strategy are largely consistent with the previous year and the prudential indicators reflect the spending proposals set out within the Medium Term Financial Strategy. Highlights and notable changes for 2017/18 are set out below:-
- 3.2.1 The Council continues to operate a significant under-borrowed position, meaning that our actual borrowing is much lower than our underlying need to borrow. This is advantageous in the current economic climate when counterparty risk is relatively high and investment rates remain at very low levels. There is also a significant financial benefit, in terms of savings to the Medium Term Financial Strategy in adopting this approach.
- 3.2.2 The capital financing requirement, our underlying need to borrow, is forecast to continue to reduce, reflecting both the statutory repayments as well as approved or planned voluntary repayments. Again, there is a financial benefit to the revenue budget from this strategy, which arises from reduced borrowing costs.
- 3.2.3 The limits associated with the operational boundary and authorised borrowing limits have been revised downward to reflect both the actual and planned reduction in the Capital Financing Requirement.
- 3.2.4 The strategy has been updated to include scope to diversify our investment portfolio, with the option to invest in property funds. Property funds offer enhanced rates over the long term, but are more volatile in the short term. This allows the authority to diversify into asset classes other than cash without the need to own and manage the underlying investment. These funds have no defined maturity, but are available to withdraw with a defined notice period. Nevertheless, there is enhanced risk attached to this type of investment and therefore performance and continued suitability in meeting the councils' investment objectives will be regularly monitored. Appropriate due diligence will be undertaken before any investment of this type is undertaken. It is proposed that any such investment would be subject to approval by the Chair of Audit Committee, the Deputy Leader with responsibility for finance and the Chief Finance Officer.
- 3.3 The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the Prudential Code for Capital Finance in Local Authorities and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. These indicators are shown and explained throughout the strategy statement

4. **Financial Considerations**

- 4.1 This report deals solely with financial matters. The main financial implications arising from this Report and the treasury and capital activities are as follows.

Revenue (£000)	2017/18	2018/19	2019/20
Interest and Principal Repayments on Borrowing	1,015	997	979
Interest received from investments	(82)	(112)	(128)
Net Revenue Impact	933	885	851

Capital	2017/18	2018/19	2019/20
The Treasury Management Strategy takes into account the proposed capital programme set out within the MTFs.			

5. **Risk Assessment and Management**

- 5.1 The main risks to this report and the council achieving its objectives are set out within section 2 of the strategy statement. These cover interest rate risk, inflation risk, market/credit risk and liquidity risk.
- 5.2 The risks are referred to in the Risk Register.

6. **Legal Considerations**

This section has been approved by the following member of the Legal Team: Angela Wakefield.

- 6.1 The Local Government Act 2003 requires local authorities to have regard to the prudential code for capital finance. In addition the Capital Finance Amendment Regulations (S.I 2008/414) requires the authority to determine a Minimum Revenue Provision policy each year. This report supports these statutory requirements.

7. **Equality and Health**

- 7.1 **Equality impacts:** An equality and health impact assessment is not required.
- 7.2 **Health impacts:** An equality and health impact assessment is not required.

8. **Human Rights**

- 8.1 There are no Human Rights issues arising from this Report.

9. **Sustainability** (including climate change & change adaptation measures)

- 9.1 Does the proposal result in an overall positive effect in terms of sustainability (including climate change and change adaptation measures) No

10. Recommendation

- 10.1 To approve the Treasury Management Strategy Statement and Annual Investment Strategy 2017/18 set out in Appendix A.
- 10.2 To establish that, in the context of the treasury management function, any decision to invest in a property fund shall be taken by the Cabinet Member with responsibility for Finance and must first be jointly approved by that Member together with the Chair of the Audit Committee and the Chief Finance Officer.

11. Background papers

- 11.1 n/a

12. Appendix

Treasury Management Strategy Statement and Annual Investment Strategy 2017/2018 – Appendix A.