

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Chief Executive
to
Cabinet

on
14 February 2017

Report prepared by: Joe Chesterton
Director of Finance and Resources

Treasury Management and Prudential Indicators – 2017/18
All Scrutiny Committees
Executive Councillor: Councillor Moring
A Part 1 Public Agenda Item

1. Purpose of Report

1.1 To consider the following before recommending them to Council for approval:

- Treasury Management Policy Statement for 2017/18;
- Treasury Management Strategy for 2017/18;
- Annual Investment Strategy for 2017/18;
- Minimum Revenue Provision Policy for 2017/18;
- Prudential indicators required under the Local Government Act 2003.

2. Recommendations

That the Cabinet recommend to Council that it approve:

- 2.1 The Treasury Management Policy Statement set out at Appendix 1;**
- 2.2 The Treasury Management Strategy set out at Appendix 2;**
- 2.3 The Annual Investment Strategy set out at Appendix 3;**
- 2.4 The Minimum Revenue Provision (MRP) Policy set out at Appendix 5;**
- 2.5 The prudential indicators set out at Appendix 6;**
- 2.6 The operational boundary and authorised limits for borrowing for 2017/18 are set at £285m and £295m respectively as set out in Appendix 1.**

3. Background

3.1 In compliance with the CIPFA (Chartered Institute of Public Finance and Accountancy) Treasury Management Code of Practice the Council's Treasury Management Policy comprises the following:

- Treasury Management Policy Statement;
- Treasury Management Strategy;
- Annual Investment Strategy

and these are reviewed annually for approval by Council before the start of each financial year.

3.2 The purpose of the Treasury Management Policy Statement is to set out the scope of the Treasury Management function, the policy on borrowing, debt restructure, investments, delegation and management of risk. The Treasury Management Policy Statement for 2017/18 is attached as **Appendix 1**.

3.3 The purpose of the Treasury Management Strategy is to set out how the budgeted financing costs can be achieved. It covers the prospects for interest rates and the strategy on borrowing and debt restructuring. The Treasury Management Strategy for 2017/18 is attached as **Appendix 2**.

3.4 The purpose of the Annual Investment Strategy is to set out the investment objectives and the policies on the use of external fund managers, on the investment of in-house managed funds and on the use of approved counterparties. The Annual Investment Strategy for 2017/18 is attached as **Appendix 3**.

3.5 Appendices 1, 2 and 3 together form the Treasury Management Policy and are then used by officers on a daily basis for the effective running of the treasury management function.

3.6 The policy and strategy documents are written in order to provide officers and advisers with clear boundaries within which to work but as a result they are written using technical language. Treasury management training has been offered to all councillors to aid understanding of the issues and further courses will be available in the future.

3.7 The changes from the revised 2016/17 Treasury Management Policy are shown in **Appendix 4**.

3.8 The Minimum Revenue Provision (MRP) is an amount to be set aside for the repayment of debt. Each Local Authority has a general duty to charge an amount of MRP to revenue which it considers to be prudent, with responsibility being placed upon the full Council to approve an annual MRP policy statement. The MRP policy statement for 2017/18 is attached as **Appendix 5**.

3.9 Under the Local Government Act 2003 each authority can determine how much it can borrow within prudential limits. The Government does have powers to limit the aggregate for authorities for national economic reasons, or for an individual authority. The majority of capital expenditure will continue to be directly

supported by Government through capital grant or by Council unsupported borrowing.

- 3.10 The CIPFA Prudential Code for Capital Finance in Local Authorities has been developed to support Local Authorities in taking capital investment decisions and to ensure that these decisions are supported by a framework which ensures prudence, affordability and sustainability. To demonstrate compliance with these objectives each authority is required to produce a set of prudential indicators. These prudential indicators are attached as **Appendix 6**.

4. Other Options

- 4.1 There are many options available for the operation of the Treasury Management function, with varying degrees of risk associated with them. The Treasury Management Policy set out in this report aims to effectively control risk to within a prudent level, whilst providing optimum performance consistent with that level of risk.

5. Reasons for Recommendations

- 5.1 Recommendations 2.1 to 2.3 are to comply with the CIPFA Treasury Management Code of Practice.
- 5.2 Recommendation 2.4 is to comply with the Local Authority's general duty to charge an amount of MRP to revenue which it considers to be prudent.
- 5.3 Recommendations 2.5 and 2.6 are to demonstrate compliance with the CIPFA Prudential Code for Capital Finance in Local Authorities.

6. Corporate Implications

Contribution to the Council's Vision and Critical Priorities

- 6.1 The Treasury Management Strategy sets out how the financing costs as part of the Medium Term Financial Plan may be achieved. The Treasury Management policy together with the prudential indicators, acknowledge how effective treasury management will provide support towards the achievement of the Council's Vision and Critical Priorities.

Financial Implications

- 6.2 The financial implications of the proposed capital programme are considered in the capital and revenue budget reports to Cabinet. Other financial implications are dealt with throughout this report.

Legal Implications

- 6.3 Compliance with the relevant regulations and codes of practice has been considered throughout this report.

People Implications

6.4 There are no people implications arising from this report.

Property Implications

6.5 There are no property implications arising from this report.

Consultation

6.6 The key treasury management decisions are taken in consultation with our treasury management advisers.

Appendices 1 to 4 were presented to the Audit Committee on 18th January 2017 for scrutiny. Audit Committee sought clarification and reassurance on the following areas, which was duly provided by officers:

- the level of currency risk experienced by the Council;
- the level of counterparty limits for in-house investments;
- the presentation of those limits as a % of estimated gross revenue expenditure rather than the estimated level of investments.

Equalities and Diversity Implications

6.7 There are no equalities issues arising from this report.

Risk Assessment

6.8 The Treasury Management Policy acknowledges that the successful identification, monitoring and management of risk is fundamental to the effectiveness of its activities.

Value for Money

6.9 Treasury Management activities include the pursuit of optimum performance consistent with effective control of the risks associated with those activities.

Community Safety Implications

6.10 There are no community safety implications arising from this report.

Environmental Impact

6.11 There are no environmental impacts arising from this report.

7. Background Papers

7.1 None

8. Appendices

Appendix 1 – Treasury Management Policy Statement 2017/18

Appendix 2 – Treasury Management Strategy 2017/18

Appendix 3 – Annual Investment Strategy 2017/18

Appendix 4 – Changes from the revised 2016/17 Treasury Management Policy

Appendix 5 – Minimum Revenue Provision Policy 2017/18

Appendix 6 – Prudential Indicators 2017/18