

EAST STAFFORDSHIRE BOROUGH COUNCIL

REPORT COVER SHEET

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| Title of Report: | Treasury Management Strategy Statement and Annual Investment Strategy 2018/19 |
| Meeting of: | Scrutiny (Audit and Value for Money Council Services) Committee |
| Date: | 5/2/18 |
| 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 <p>Head of Service – Sal Khan Date Signature</p> | |

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Report to: Scrutiny (Audit and Value for
Money Council Services) Committee

Date: 5/2/18

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|--------------------------|---|
| TITLE: | Treasury Management Strategy Statement and Annual Investment Strategy 2018/19 |
| 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, key issues and notable changes for 2018/19 are set out below:-
- 3.3 In late December 2017, CIPFA issued revised Prudential and Treasury Management Codes. These codes have been revised alongside a review of the Central Government Guidance on investments largely due to some concerns raised in relation to council borrowing levels to directly purchase investment property on the basis of income generation. Whilst the CIPFA codes have been revised, the outcome of the MHCLG review is outstanding. Further details on this are set out within the introductory section of the Treasury Management Strategy.
- 3.4 The capital financing requirement, our underlying need to borrow, is forecast to continue to significantly reduce, reflecting both the statutory repayments as well as approved or planned voluntary repayments. There is a financial benefit to the revenue budget from this strategy, which arises from reduced borrowing costs, both in the short, medium and long term. This continues the strategy adopted by the Council in recent years to utilise windfall monies to reduce borrowing costs to the revenue budget.
- 3.5 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.
- 3.6 The strategy continues to provide scope to place treasury investments with property funds at an appropriate time. Any such investment will be subject to appropriate due diligence being undertaken and subject to approval by the Chair of Scrutiny (Audit and Value for Money Council Services) Committee, the Cabinet Member with responsibility for finance and the Chief Finance Officer.
- 3.7 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) | 2018/19 | 2019/20 | 2020/21 |
|--|----------------|----------------|----------------|
| Interest and Principal Repayments on Borrowing | 841 | 833 | 777 |
| Interest received from investments | (139) | (193) | (180) |
| Net Revenue Impact | 702 | 640 | 597 |

| Capital | 2018/19 | 2019/20 | 2020/21 |
|---|----------------|----------------|----------------|
| 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 review the Treasury Management Strategy Statement, Minimum Revenue Provision Policy, and Annual Investment Strategy 2018/19 set out in Appendix A to this report and make any observations to Council that the Committee sees fit.

11. Background papers

- 11.1 n/a

12. Appendix

Treasury Management Strategy Statement and Annual Investment Strategy 2018/2019 – Appendix A.