

Full Council

21 February 2017

Treasury Management Strategy Statement and Investment Strategy 2017/2018

For Decision

Briefholder

Cllr P Batstone, Corporate Performance

Senior Leadership Team Contact:

J Vaughan, Strategic Director

Report Author:

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Statutory Authority

The Local Government Act 2003 requires the Council to prepare a Treasury Management Strategy Statement, an Annual Investment Strategy and set prudential indicators.

Purpose of Report

- 1 To consider the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy for the coming year. To set prudential indicators, and to review the policy on Minimum Revenue Provision.

Officer Recommendations

- 2 It is recommended that Council agree:
 - (i) Approval of the Treasury Management Strategy Statement and Investment Strategy 2017/2018
 - (ii) The Minimum Revenue Provision Policy set out in Appendix C of the Treasury Management Strategy Statement
 - (iii) The Prudential Indicators set out in Appendix C of the Treasury Management Strategy Statement
 - (iv) The 2017/2018 Authorised borrowing limit

Reason for Decision

- 3 In March 2015 the Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. In addition, the Department for Communities and Local Government (CLG) issued revised Guidance on Local Authority Investments in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year. This report therefore fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance.

Report

- 4 The Treasury Management Strategy Statement and an Annual Investment Strategy is rather technical by necessity in order to comply with legislation, regulation and codes of practice. To ensure that this technical area is adequately scrutinised the Council has Treasury Management briefings that meet regularly throughout the year which reviews all treasury activity and is open to all Councillors to attend.
- 5 Given the increasing risk and falling returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2017/18. This is especially the case for sums that are available for longer-term investment. This diversification will represent a continuation of the new strategy adopted in 2016/17. As a result of the strategy previously adopted returns have increased with an income budget of £200,000 now being proposed.
- 6 The Treasury Management Strategy Statement details the Council's investment strategy, explains the institutions (counterparties) with whom the Council is permitted to invest and the limits related to the size of investments with institutions.
- 7 The Council uses external Treasury Management Advisors who provide expert advice on all treasury issues and their expertise has been used to develop the strategy for 2017/2018.
- 8 Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. This is undertaken by the Chief Financial Officer (CFO) under delegated powers and reports quarterly to Cabinet.
- 9 The Authority and its advisors, Arlingclose Ltd, regularly update our recommended Sovereign and Counterparty list after analysis and ongoing monitoring of a variety of indicators including credit ratings, share prices and corporate information. A list of approved investment counterparties and limits is included in the TMSS at Table 2.

- 10 Investment advice on duration will always reflect credit developments as well as credit outlook and may often be below the maximum limit within the TMSS.
- 11 Our treasury advisors gave a presentation on the latest treasury management developments and also introduced the changes made to the coming year's strategy statement. The draft strategy was considered by Members at the Treasury Management briefing on 30th January 2017.

Minimum Revenue Provision

- 12 Since 1st April 2008, the Council has had discretion to set a policy on the amounts set aside to repay debt. This is called the Minimum Revenue Provision. For 2017/2018 the proposed policy is outlined in Appendix C of the Treasury Management Strategy Statement 2017/2018.

Implications

Financial

These measures underpin the ability of the Council to achieve the investment income of £200,000 as set out in the 2017/18 revenue budget.

Risk Management

Only investing with Counterparties on the approved list seeks to limit the Council's exposure to investment risk. However, this risk cannot be eliminated.

Appendices

Appendix 1 – Treasury Management Strategy Statement and Annual Investment Strategy 2017/2018.

Background Papers

Draft Treasury Management templates supplied by Arlingclose Ltd, Treasury Management Advisors.

All member Treasury Management briefing meeting on 30th January 2017.

Footnote

Issues relating to financial, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.

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