

Full Council

22 February 2018

Treasury Management Strategy Statement and Investment Strategy 2018/2019

For Decision

Portfolio Holder

Cllr Cant – Finance and Assets

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 2018/2019
 - (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 2018/2019 Authorised borrowing limit

Reason for Decision

- 3 The Authority has 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 (DCLG) 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.
- 4 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

- 5 The Treasury Management Strategy Statement and 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 meets regularly throughout the year which reviews all treasury activity and is open to all Councillors to attend.
- 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. The Authority and its advisors, Arlingclose Ltd, regularly update these counterparties. A list of approved investment counterparties and limits is included in the TMSS at Table 2.
- 7 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.
- 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.
- 9 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 2018/2019. Investment decisions are undertaken by the Chief Financial Officer (CFO) under delegated powers and reports quarterly to Management Committee.

- 10 The attached strategy statement is in line with previous versions whereby the parameters contained within the TMSS relating to counterparties, investment limits and durations remain the same. However, the authorised borrowing limit has been increased to reflect possible future borrowing need.
- 11 The increase in the borrowing limits will allow greater flexibility to borrow. The increased limit is the total of the Council's current borrowing level (£27m), further increases for the Peninsula project (£30m), an increase of £5m to reflect our strategy of investing rather than holding cashflow balances and headroom allowances of £5m each for the operational and authorised borrowing limits. To be clear any decision to proceed with Peninsula development will be subject to separate reporting and agreement by members. This report merely provides the facility for the Council to be able to borrow to fund the scheme if the business case shows that it is viable.

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 2018/2019 it is proposed to continue with the current policy as outlined in Appendix C of the Treasury Management Strategy Statement 2018/2019.

Implications

Financial

The approach the Council takes on managing its debt and investments has a direct impact on the Council's finances in terms of the costs to the 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 2018/2019.

Background Papers

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

All member Treasury Management briefing meeting on 15th January 2018.

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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