

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE
FINANCE, RESOURCES AND PARTNERSHIPS SCRUTINY COMMITTEE**

25 January 2017

1. TREASURY MANAGEMENT STRATEGY 2017/18

Submitted by: Head of Finance

Portfolio: Finance IT and Customer

Ward(s) affected: All indirectly

Purpose of the Report

To consider the content of and scrutinise the Treasury Management Strategy for 2017/18, including the Prudential Indicators, Investment Strategy and Minimum Revenue Provision Strategy contained within it.

Recommendations

Recommendations:

- a) That the Committee consider and scrutinise the content of the Treasury Management Strategy for 2017/18.***
- b) That the Committee approve the strategy for submission to the Full Council on 22 February 2017.***

Reasons

The Council needs to have an approved Treasury Management Strategy for 2017/18 in place before the start of the 2017/18 financial year.

At the Council meeting of 24 June 2009 it was resolved that the strategy be scrutinised by the Finance, Resources and Partnerships Scrutiny Committee before being submitted for approval by Full Council. The strategy will be submitted to the Full Council for approval at its meeting on 22 February 2017.

1. Background

- 1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice. This requires a report to be prepared and approved by the Council concerning the strategy to be followed in carrying out its treasury management activities in the forthcoming financial year, 2017/18.
- 1.2 The Local Government Act 2003 and Regulations thereto specify that local authorities must have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities in setting their affordable borrowing limits. This is to be achieved by setting a number of "prudential indicators" covering various aspects of treasury management. Accordingly, the appropriate prudential indicators have been incorporated in the relevant sections of the Treasury Management Strategy Report.

- 1.3 In addition the Department for Communities and Local Government (DCLG) issued revised “Guidance on Local Authority Investments” in March 2010, under powers contained in Section 15 (1)(a) of the Local Government Act 2003. The Act states that local authorities must have regard to this guidance. The Guidance recommends that an Annual Investment Strategy, setting out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments is produced and approved by the Full Council.

2. **Issues**

- 2.1 The draft Treasury Management Strategy Report for 2017/18 is attached at Appendix 1.
- 2.2 The draft proposed prudential indicators relating to treasury management are contained in the report.
- 2.3 The draft Investment Strategy for 2017/18 is contained in Annex A to the report.
- 2.4 Details of the methodology involved in the production of the counterparty listing are contained in Annex B to the report.
- 2.5 The draft Minimum Revenue Provision Policy for 2017/18 is contained in Annex C to the report.
- 2.6 Some of the paragraphs and the economic commentary have been supplied by Sector Treasury Services Ltd, the Council’s treasury management advisors.
- 2.7 The Treasury Management Strategy for 2017/18 allows for borrowing. At the Cabinet meeting on 15th October 2014, Cabinet resolved, via the ‘Funding the Council’s Capital Investment Programme’ report:

‘That Cabinet agrees with the principle that the Council, as a first resort, will seek to fund its future known capital programme needs through the annual asset management planning process by the identification of land or property in its ownership that is capable of, and appropriate for disposal.’

However if these capital receipts do not materialise then borrowing will occur in order to fund the capital programme.

- 2.8 Additionally at the Council meeting on 7th September 2016, it was reported that:

‘The delay in receiving the capital receipt from HDD (in respect of the Ryecroft redevelopment scheme), together with the Council’s overall capital financial position, will mean that the Council will have to borrow, at least in the short term, to finance its interest in the Public Sector Hub project.’

3. **Legal and Statutory Implications**

- 3.1 The Council must comply with the Investment Guidance published by the DCLG.

4. **Financial and Resource Implications**

- 4.1 There are no specific financial implications arising from the strategy report.

5. **Major Risks**

- 5.1 Treasury management is a major area of risk for the Council in that large amounts of money are dealt with on a daily basis and there are a number of limits and indicators, which must be complied with.
- 5.2 The overriding consideration in determining where to place the Council's surplus funds is to safeguard the Council's capital. Within this constraint the aim is to maximise the return on capital.
- 5.3 Operational procedures, coupled with monitoring arrangements, are in place to minimise the risk of departures from the approved strategy.

6. **List of Appendices**

- 6.1 Appendix 1 Treasury Management Strategy Report 2017/18.

7. **Background Papers**

- CIPFA Treasury Management Code of Practice (revised November 2009 and again in November 2011);
- Council's Treasury Management Policy Statement,
- CIPFA Prudential Code for Capital Finance in Local Authorities and guidance notes thereto,
- Local Government Act 2003,
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003,
- Guidance on Local Authority Investments issued by the Department for Communities and Local Government (revised March 2010).

8. **Management Sign-Off**

Each of the designated boxes need to be signed off and dated before going to Executive Director/Corporate Service Manager for sign off.

| | Signed | Dated |
|--|--------|-------|
| Financial Implications Discussed and Agreed | | |
| Risk Implications Discussed and Agreed | | |
| Legal Implications Discussed and Agreed | | |
| H.R. Implications Discussed and Agreed | | |
| ICT Implications Discussed and Agreed | | |
| Report Agreed by: Executive Director/ Head of Service | | |