

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE COUNCIL

22 February 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 approve the Treasury Management Strategy for 2017/18, including the Prudential Indicators, Investment Strategy and Minimum Revenue Provision Strategy contained within it.

Recommendations

- (a) That the Treasury Management Strategy Report for 2017/18 be approved.**
- (b) That the Prudential Indicators contained within the report be approved.**
- (c) That the Investment Strategy contained within the report be approved.**
- (d) That the Minimum Revenue Provision Strategy contained within the report be approved.**

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 24th 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 was scrutinised by the Finance, Resources and Partnerships Scrutiny Committee on 25 January 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 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 Strategy Report for 2017/18 is attached at Appendix 1
- 2.2 The proposed prudential indicators relating to treasury management are contained in the report.
- 2.3 The 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 Minimum Revenue Provision Strategy 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.

- 2.7 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 Rycroft 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.’
- 2.8 Since the strategy was scrutinised at the Finance, Resources and Partnerships Scrutiny Committee on 25th January 2017, Council officers have appointed Arlingclose Ltd to replace Sector Treasury Services Ltd to provide the Council’s Treasury Advisory Services contract from 1st April 2017 until 31st March 2020. A small amendment has been made to the Strategy Report at paragraphs 1.4, 3.2 and 5.1 to reflect this appointment.

3. **Legal and Statutory Implications**

- 3.1 See Background for details.

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).
- Treasury Management Advisor's Treasury Management Strategy Statement Template.