

Subject:	Treasury Management Policy Statement 2017/18		
Date of Meeting:	23 March 2017		
Report of:	Executive Director for Finance & Resources		
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Ward(s) affected:	All		

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1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 Part 1 of the Local Government Act 2003, which introduced a new capital finance system with effect from April 2004, requires each local authority, inter alia, to:
- comply with the requirements of 'the Code of Practice for Treasury Management in the Public Services' issued by CIPFA; and
 - comply with investment guidance issued by the Secretary of State
- 1.2 The Code of Practice requires each local authority to set out its strategy on treasury management for the forthcoming year. The purpose of this report is to recommend a Treasury Management Policy Statement (TMPS) and Treasury Management Practices for the financial year commencing 1 April 2017.
- 1.3 At its meeting in March 2016, Policy & Resources Committee approved both the Treasury Management Statement and Treasury Management Practices for 2016/17 and subsequent years. There are no changes recommended to the Statement or Practices.
- 1.4 The investment guidance relates to the Annual Investment Strategy (AIS), which is subject to a separate report to Policy, Resources & Growth Committee and full Council elsewhere on this agenda.

2. RECOMMENDATIONS:

- 2.1 That Policy, Resources & Growth Committee approves the TMPS and Treasury Management Practices which remain unchanged and as approved by Policy & Resources Committee on 17 March 2016.
- 2.2 That Policy, Resources & Growth Committee approve the Borrowing Strategy as set out in Appendix 3 to this report.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The recommended TMPS follows the drafting format within the Code of Practice. The Treasury Management Practices identify the practices and procedures that will be followed to achieve the aims of the TMPS. These practices remain

unchanged from previous years and are considered 'best practice' under the Code.

- 3.2 The Treasury Management Practices are supplemented by a number of "schedules" which have not been reproduced in Appendix 1 as they have not changed for a number of years. These schedules contain specific details of the systems and routines to be employed and the records to be maintained which underpin the treasury management function.
- 3.3 The Borrowing Strategy is largely determined by the borrowing needs of the council and forecasts of future interest rates. An up-to-date economic analysis and the latest interest rate forecasts are presented in Appendix 2 to this report.
- 3.4 The Borrowing Strategy, as set out in Appendix 3, focuses on reconciling the benefit of undertaking low cost long term funding with the short term cost of carrying additional debt in a low investment rate environment.
- 3.5 The treasury management service is subject to detailed audit each year. This includes the testing of the control environment and the management of risk. A reasonable level of assurance was provided during the most recent audit (February 2016) and all recommendations have been implemented. Appendix 4 sets out the current scheme of delegation.
- 3.6 The Council undertakes its capital investment and borrowing strategies in compliance with CIPFA's Prudential Code. Under this code a number of prudential indicators must be set annually by the council prior to the commencement of the financial year. The indicators for 2017/18 were agreed by Budget Council on 23 February 2017.
- 3.7 HRA housing debt and General Fund debt are managed as separate debt pools. The underlying principles of the 2017/18 Strategy are the same for both debt pools. However, where appropriate, the Strategy is amended where the management of each debt pool requires a different approach.

Training & Qualifications

- 3.8 External training courses for the treasury management team will be considered for value and benefit. Records of individual training will be kept in accordance with the procedures introduced by the council for such purposes. Career development and succession arrangements will also be in accordance with council policy on such arrangements.
- 3.9 Details of the qualifications for treasury staff are set out in the job descriptions and person specifications appertaining to each post. Secondments (if any) will be recorded in accordance with council policy on such instances.

Member training on treasury management is seen as an important tool in the scrutiny of the service. A course which gives an overview of treasury management ("An introduction to treasury management") is available. The course explains what treasury management is, the aims and objectives of the service, and an understanding of the key risks, including investment risk.

Use of Advisors

- 3.10 The council currently uses an external cash manager to administer part of its investment portfolio. The current manager, Aberdeen Asset Management, was appointed in March 2006 following a competitive selection process. An options appraisal and a review were triggered following a decline in the performance of

the fund. The Annual Investment Strategy report (elsewhere on this agenda) provides details on the outcome and the current position.

- 3.11 The council uses Capita Asset Services as its external treasury advisors. The advisors are expected to be proactive in analysing information to assist the in-house treasury team to meet its targets on the cost of long-term borrowing and investment returns, and to advise on developments in the sector.
- 3.12 The council recognises that responsibility for decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to access specialist skills and resources.
- 3.13 The contract with Capita Asset Services was awarded in November 2015 utilising a public sector framework. This contract is for three years to November 2018.
- 3.14 The Capita Group announced in December 2016 it would be selling Capita Asset Services. The future of the division is not currently known but officers have been assured that the service the council receives will not change.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 This report confirms there are no changes to the TMPS approved by the Policy, Resources & Growth Committee last year. The Strategy continues with a strong emphasis on risk management and the impact this may have on the performance of the treasury management service.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 The council's external treasury advisors have been consulted in the drafting of this report. No other consultation was necessary.

6. CONCLUSION

- 6.1 Treasury management is governed by a code that is recognised as "best and proper practice" under the Local Government Act 2003. The code requires local authorities to report annually in advance on their treasury management plan and strategy. This report fulfils this requirement.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The Financing Costs budget has been prepared on the basis of the borrowing strategy set out in Appendix 3 and the interest rate forecasts and economic forecast set out in Appendix 2.

Finance Officer Consulted: James Hengeveld

Date: 28/02/17

Legal Implications:

- 7.2 This report is made in accordance with Part 1 of the Local Government Act 2003. The statutory framework for the Prudential Code referred to in paragraph 3.6 is regulation 2 of the Local Authority (Capital Finance & Accounting) Regulations 2003.

It is a proper function of Policy, Resources & Growth Committee to approve the council's TMPS and Borrowing Strategy.

Lawyer Consulted:

Victoria Simpson

Date: 28/02/17

Equalities, Sustainability Implications and other significant implications

- 7.3 There are no direct implications arising from this report

SUPPORTING DOCUMENTATION

Appendices:

1. Treasury Management Policy Statement 2017/18 and Treasury Management Practices 2017/18
2. Economic Outlook and Interest Rate prospects
3. Borrowing Strategy and Indicators 2017/18
4. Treasury Management Scheme of Delegation

Documents in Members' Rooms

None

Background Documents

1. Part I of the Local Government Act 2003 and associated regulations
2. Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes' published by CIPFA third edition 2011
3. 'Treasury Management in the Public Services – Guidance notes for local authorities ... ' published by CIPFA fourth edition 2011
4. 'The Prudential Code for Capital Finance in Local Authorities' published by CIPFA third edition 2011
5. Brighton & Hove City Council Anti-Money Laundering Policy approved by full Council on 19 January 2006

