

<b>Report To:</b>	Corporate Governance Committee
<b>Date of Meeting:</b>	07 February 2018
<b>Lead Member / Officer:</b>	Cllr Julian Thompson-Hill
<b>Report Author:</b>	Chief Finance Officer
<b>Title:</b>	<b>1. Treasury Management Strategy Statement (TMSS) 2018/19 and Prudential Indicators 2018/19 to 2020/21 (Appendix 1)</b> <b>2. Treasury Management (TM) Update Report 2017/18 (Appendix 2)</b>

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## **1 What is the report about?**

- 1.1 The TMSS (Appendix 1) shows how the Council will manage its investments and its borrowing for the coming year and sets the policies within which the TM function operates. The report also outlines the likely impact of the Capital Plan on this strategy and on the Prudential Indicators. The TM Update Report (Appendix 2) provides details of the Council's TM activities during 2017/18.
- 1.2 It should be noted that the figures contained in the TMSS are draft and may be updated prior to approval by Council based on the latest Capital Plan and Housing Stock Business Plan in February 2018.

## **2 What is the reason for making this report?**

- 2.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management (the "CIPFA TM Code") requires the Council to approve the TMSS and Prudential Indicators annually. The Corporate Governance Committee is required to review this report before it is approved by Council on 20 February 2018. Furthermore, part of the Committee's role is to receive an update on the TM activities twice a year.

## **3 What are the Recommendations?**

- 3.1 That the Committee reviews the TMSS for 2018/19 and the Prudential Indicators for 2018/19, 2019/20 and 2020/21 (Appendix 1).
- 3.2 That members note the TM update report (Appendix 2).
- 3.3 That the Committee confirms that it has read, understood and taken account of the Well-being Impact Assessment (Appendix 3) as part of its consideration.

## **4 Report details**

### **Background**

- 4.1 TM involves looking after the Council's cash which is a vital part of the Council's work because approximately £0.5bn passes through the Council's bank account every year.
- 4.2 At any one time, the Council has up to £20m in cash so it needs to make sure that the best rate of return possible is achieved without putting the cash at risk which is why money is invested with a number of financial institutions.

When investing, the Council's priorities are to:

- keep money safe (security);
- make sure that the money comes back when it is needed (liquidity);
- make sure a decent rate of return is achieved (yield).

### **TMSS 2018/19**

- 4.3 The TMSS for 2018/19 is set out in Appendix 1. This report includes Prudential Indicators which set limits on the Council's TM activity and demonstrate that the Council's borrowing is affordable.

### **Prudential Indicators**

- 4.4 The Council Fund indicators are based on the latest proposed capital bids and block allocations and these will be updated to include latest estimates for the cost of commitments for the new Corporate Plan before the report is submitted to Council for approval on 20 February 2018.
- 4.5 The Housing Revenue Account indicators have been calculated based on the latest estimates from the Housing Stock Business Plan but may be revised before the report is submitted to Council once the final Housing Stock Business Plan has been agreed.
- 4.6 The individual Prudential Indicators recommended for approval are set out in Appendix 1 Annex A.

## **5 How does the decision contribute to the Corporate Priorities?**

- 5.1 An efficient TM strategy allows the Council to minimise its borrowing costs and release funding for its investment priorities.

## **6 What will it cost and how will it affect other services?**

- 6.1 There are no cost implications arising as a result of the setting of Prudential Indicators. The point of the TM Strategy is to obtain the best return within a properly managed risk framework.

## **7 What are the main conclusions of the Wellbeing Impact Assessment?**

- 7.1 Financial planning and decision making should ensure that proper regard is given to the requirements of the Wellbeing of Future Generations Act and in particular, proper consideration of the long term impact of financial decisions, including the payback period and whole life costs of capital investment decisions, properly impact assessed budget proposals and long term debt and investment (treasury management) strategies. The principles of prudence, affordability and sustainability are already enshrined within the requirements of the Prudential Code and should underpin financial planning and decision making.
- 7.2 In the context of treasury management, the existing requirements to assess and report on the long term financial consequences of investment and borrowing decisions using prudential indicators and long-term debt planning support the sustainability goals of the Wellbeing Act.
- 7.3 The Wellbeing Impact Assessment report is included in Appendix 3 which shows how an efficient Treasury Management strategy promotes the wellbeing goals of the Act.

## **8 What consultations have been carried out with Scrutiny and others?**

- 8.1 The Council's Capital Plan and Revenue Budget have been prepared in consultation with Heads of Service, Corporate Directors, Scrutiny Committees, Cabinet and Council.
- 8.2 The Housing Stock Business Plan, revenue and capital budgets will be presented to members. Denbighshire Tenants and Residents Federation will also be consulted on the proposals.
- 8.3 The Council has consulted with its TM consultants, Arlingclose Ltd.

## **9 Chief Finance Officer Statement**

- 9.1 TM involves looking after significant sums of cash so it is a vital part of the Council's work. It requires a sound strategy and appropriate controls to safeguard the Council's money, to ensure that reasonable returns on investments are achieved and that debt is effectively and prudently managed.
- 9.2 Council adopted the revised CIPFA Code of Practice on TM (Nov 11) at its meeting on 28 February 2012. It is a requirement of that Code for Council to approve a TMSS each financial year. CIPFA published its new 2017 edition of the Code at the end of 2017 but updated sector specific guidance notes, which include the Treasury Management indicators for local authorities, have yet to be published.

**10 What risks are there and is there anything we can do to reduce them?**

10.1 There are inherent risks involved in any TM activity as outlined in the Strategy Statement. The Council has a risk management policy but it is impossible to eliminate these risks completely.

**11 Power to make the Decision**

11.1 The Local Government Act 2003 determines the requirement for local authorities to set Prudential Indicators and requires the Council to comply with the Prudential Code of Capital Finance for Local Authorities that has been produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).