

SOUTH HOLLAND DISTRICT COUNCIL

- Report of:** Section 151 Officer
- To:** Governance and Audit Committee – 18 December 2014
Cabinet – 17 February 2015
Council – 25 February 2015
- (Author:** Sean Howsam – Finance Manager Treasury (CPBS))
- Subject:** Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2015/16
- Purpose:** To provide pre-decision scrutiny to the strategy being proposed.

Recommendation:

That the Governance and Audit Committee scrutinise the Treasury Management Strategy Statement, Minimum Revenue Provision Policy and Annual Investment Strategy 2015/16 and make any comments and suggestions to be considered by Cabinet when they consider these documents at their meeting on 17 February 2015.

1.0 BACKGROUND

- 1.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3 As a consequence treasury management is defined as:
- “The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 1.4 The Treasury Management function is administered by Compass Point Business Services on behalf of the Council.
- 1.5 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011 was adopted by this Council on 8 March 2012.

The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities;

- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;
- Receipt by the full council of an annual **Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy** - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year;
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions;
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Governance and Audit Committee.

2.0 SUMMARY

2.1 The Act requires the Council to set out its Treasury Management Strategy Statement, Minimum Revenue Provision Policy and Annual Investment Strategy for the forthcoming year. These outline the Council's strategy for borrowing and its policies for managing its investments and for giving priority to the security and liquidity of those investments. Our strategy statements for 2015/16 are attached at **Appendix A**. The strategy statements cover:

- reporting requirements
- capital prudential indicators 2014/15 to 2017/87
- the borrowing requirement
- the MRP policy
- the use of the Council's resources and the investment position
- Prudential and Treasury Indicators
- treasury limits in force which will limit the treasury risk and activities of the Council
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment policy
- creditworthiness policy
- country limits
- investment strategy

2.2 The strategy document presented to Governance and Audit for scrutiny is currently at draft stage. This is because the future Capital Programme has yet to be finalised and approved by Council. Once this is known the tables within the strategy document shown at **Appendix A** will be updated and submitted to Council for approval before the commencement of the 2015/16 financial year.

2.3 The Council is currently considering the creation of a Housing Company and is preparing a Housing Investment Strategy. This may involve the Council taking on additional borrowing and providing a loan to the Housing Company. Once further information becomes available it may result in amendments to the draft strategy attached.

2.4 The Council's strategy statement has been prepared in accordance with the 2011 Code and will require approval by Full Council. In addition there will be monitoring reports and regular review by Councillors in both executive and scrutiny functions. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

3.0 **OPTIONS**

3.1 Members have the option of making comments to Cabinet in respect of the proposed strategy or alternatively making no comments.

4.0 **REASONS FOR RECOMMENDATION**

4.1 To comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011.

5.0 **EXPECTED BENEFITS**

5.1 The report provides Governance and Audit Members with the proposed Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2015/16. The report requires scrutiny prior to submitting to Council for approval.

6.0 **IMPLICATIONS**

6.1 **Carbon Footprint / Environmental Issues**

6.1.1 Carbon Footprint/Environmental Issues implications have been considered, and in the opinion of the report author, there are none.

6.2 **Constitution & Legal**

6.2.1 This Council is required to produce a Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy before the commencement of each financial year to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011. The report has no implications which would affect the constitution and does not therefore warrant a further change in the constitution.

6.3 **Contracts**

6.3.1 Contracts implications have been considered, and in the opinion of the report author, there are none.

6.4 **Corporate Priorities**

6.4.1 The Treasury Management Strategy (incorporating the Annual Investment Strategy) aims to achieve the optimum performance from the Council's cash flow, debt and investment operations and effectively control the associated risks. This will help to finance the corporate priorities of the Council.

6.5 **Crime and Disorder**

6.5.1 Crime and Disorder implications have been considered, and in the opinion of the report author, there are none.

6.6 **Equality and Diversity / Human Rights**

6.6.1 Equality and Diversity/Human Rights implications have been considered, and in the opinion of the report author, there are none.

6.7 **Financial**

6.7.1 Adoption of the proposed Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy will ensure sound financial controls associated with the management of the authority's investments and cash flows, its banking, money market and capital market transactions and safeguard these assets.

6.8 **Health & Wellbeing**

6.8.1 Health and Wellbeing implications have been considered, and in the opinion of the report author, there are none.

6.9 **Risk Management**

6.9.1 The Strategy will put in place measures for the effective control of the risks associated with Treasury Management and the pursuit of optimum performance consistent with those risks. The Council's priority is the security of its investments.

6.10 **Staffing**

6.10.1 Staffing implications have been considered, and in the opinion of the report author, there are none.

6.11 **Stakeholders / Consultation / Timescales**

6.11.1 The report is being submitted for pre decision scrutiny prior to submission to Cabinet and Council.

6.11.2 Capita Asset Services have been consulted in relation to the compilation of this report.

7.0 **WARDS/COMMUNITIES AFFECTED**

7.1 None

8.0 **ACRONYMS**

7.1 CIPFA – Chartered Institute of Public Finance and Accountancy

7.2 CPBS – Compass Point Business Services

7.3 MRP – Minimum Revenue Provision

7.4 VRP – Voluntary Revenue Provision

7.5 CLG – Communities and Local Government

7.6 HRA – Housing Revenue Account

7.7 PFI – Public Finance Initiative

7.8 CFR – Capital Financing Requirement

7.9 PWLB – Public Works Loan Board

- 7.10 CPI – Consumer Price Index
- 7.11 GDP – Gross Domestic Product
- 7.12 CDS – Credit Default Swap
- 7.13 MPC – Monetary Policy Committee
- 7.14 EZ – Eurozone
- 7.15 ECB – European Central Bank
- 7.16 QE – Quantitative Easing (purchase of Sovereign Debt)

Background papers:- None

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Director / Officer who will be attending the Meeting

Name and Post: Mark Finch

Key Decision: No

Exempt Decision: No

This report refers to a Mandatory Service

Appendices attached to this report:

Appendix A Treasury Management Strategy Statement, Minimum Revenue
Provision Policy Statement and Annual Investment Strategy
2015/16.