

Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	Annual Treasury Management and Investment Strategy Statements 2017/18 and Treasury Management Code of Practice	
Report No:	PAS/FH/17/007	
Report to and date/s:	Performance and Audit Scrutiny Committee	25 January 2017
	Cabinet	14 February 2017
	Council	22 February 2017
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Lead officer:	Rachael Mann Head of Resources and Performance Tel: 01638 719245 Email: rachael.mann@westsuffolk.gov.uk	
Purpose of report:	The purpose of this report is to seek approval for; <ul style="list-style-type: none"> • The Annual Treasury Management and Investment Strategy Statements 2017/18 (including treasury related Prudential Indicators) • The Treasury Management Code of Practice. 	

Recommendation:	<p>Performance and Audit Scrutiny Committee is asked to:</p> <p>(1) Make recommendations to Cabinet and Council regarding the <u>approval</u> of the Annual Treasury Management and Investment Strategy Statement 2017/18 (as set out in Appendix 1 and 2); and</p> <p>(2) Make recommendations to Cabinet and Council regarding the <u>approval</u> of the Treasury Management Code of Practice (attached in Appendix 3 and 4).</p>
<p>Key Decision:</p> <p><i>(Check the appropriate box and delete all those that do not apply.)</i></p>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p>
Consultation:	<ul style="list-style-type: none"> Treasury management activities are currently undertaken in consultation with Tradition (City Deposit Cash Managers), the Council's appointed treasury management fund managers.
Alternative option(s):	<ul style="list-style-type: none"> Not applicable
Implications:	
<p><i>Are there any financial implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> Total budgeted interest receipts from investments for 2017/18 is £181k. This amount has been included within the 2017/18 budget setting process & MTFS.
<p><i>Are there any staffing implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none">
<p><i>Are there any ICT implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none">
<p><i>Are there any legal and/or policy implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> Approval and adoption of the Annual Treasury Management and Investment Strategy Statements 2017/18 and the Treasury Management Code of Practice will ensure compliance with relevant legislation and guidance from professional bodies, in terms of best practice.
<p><i>Are there any equality implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none">
Risk/opportunity assessment:	<p><i>(potential hazards or opportunities affecting corporate, service or project objectives)</i></p>

Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Fluctuations in interest rates or in projected cash flows having significant impact on budgeted investment income.	High	Spread of investments for periods up to five years. Budget monitoring and half yearly performance reports	Medium
Bank / building society failure resulting in loss of Council funds.	High	Use of Tradition advice and counterparty credit ratings (based on Fitch, Moody and S&P ratings) and the setting of lending limits. Use of building societies based on asset base and additional credit ratings.	Medium
Further details regarding treasury management risks and risk management are included within the Annual Treasury Management and Investment Strategy Statements 2017/18 and the Treasury Management Code of Practice.			
Ward(s) affected:		All Wards	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>			
Documents attached:		Appendix 1: Annual Treasury Management and Investment Strategy 2017/18 Appendix 2: Credit Ratings Definitions Appendix 3: Treasury Management Code of Practice Appendix 4: List of Approved Organisation	

1. Annual Treasury Management and Investment Strategy Statements 2017/18

1.1 How will the recommendations help us meet our strategic priorities

1.1.1 In order for the Council to be able to meet its strategic priorities it is essential that sufficient and appropriate financial resources are available. Optimising returns from investments, without exposing the Council to an unacceptably high level of risk, increases those financial resources.

1.2 Changes between the 2016/17 Strategy and the new 2017/18 Strategy

1.2.1 In order to allow the Council to use other local authorities as a source of borrowing the following paragraph has been included in the 2017/18 Strategy:

‘In addition to the usual institutions used for borrowing, the Council may secure lending facilities with another local authority where suitable terms can be agreed and overall borrowing does not exceed the limits set within the Prudential Code.’

1.3 Interest rates 2017/18 to 2020/21

1.3.1 Following advice from the Council’s external fund managers, interest rate projections have been updated as follows:

	Previous Strategy	New Strategy
2017/18	1.75%	0.75%
2018/19	2.00%	0.90%
2019/20	2.50%	0.90%
2020/21		0.90%

1.3.2 The budgeted interest receipts from investments for 2017/18 is £181k. This amount has been included in the 2017/18 budget setting process.

1.3.3 Please see appendix 1 Annual Treasury Management and Investment Strategy Statements 2017/18 for full details.

1.4 Credit Rating Definitions

1.4.1 There have been no changes to the Credit Rating Definitions since the 2016/17 Strategy was presented to Cabinet on 10 February 2016.

1.4.2 Please see appendix 2, Credit Rating Definitions, for full details.

2. Treasury Management Code of Practice

2.1 Changes between the 2016/17 Code of Practice and the 2017/18 Code of Practice

- 2.1.1 With the current low interest rates being offered for short term investments, the Council's current account with Lloyds Bank offers the same or even higher rates of interest than some short term investments. In order to use this facility and to aid short-term cash flow the £500k limit in TMP1(2) has been amended to read ' However, balances up to £1.0m may be retained in the bank account to be used to cover payments going out within the next week and the total interest lost, by retaining this money, does not exceed £50.00.'
- 2.1.2 This limit change to £1.0m for our current account is also reflected in TMP8
- 2.1.3 The addition of other local authorities as an approved source of borrowing (for both long term and short term borrowing) has been added to TMP3.
- 2.1.4 With increase working across various sites the use of emails as an approved means of authorisation has been added to TMP8

2.2 List of Approved Organisations for Investment

- 2.2.1 There have been a few minor changes to the List of Approved Organisations for Investment during 2016/17 due to credit rating changes and changes to the Top 10 List of Building Societies.
- 2.2.2 Please see Appendix 4, List of Approved Organisations for Investment, for full details.