

Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	Treasury Management Policy Statement and Investment Strategy 2018-2019 and Treasury Management Code of Practice	
Report No:	PAS/FH/18/009	
Report to and dates:	Performance and Audit Scrutiny Committee	31 January 2018
	Cabinet	13 February 2018
	Council	21 February 2018
Portfolio holder:	Councillor Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01799 530325 Email: stephen.edwards@forest-heath.gov.uk	
Lead officer:	Rachael Mann Assistant Director (Resources and Performance) Tel: 01638 719245 Email: rachael.mann@westsuffolk.gov.uk	
Purpose of report:	To seek approval of the Treasury Management Policy Statement and Investment Strategy 2018-2019 (including Treasury related Prudential Indicators) and Treasury Management Code of Practice.	

Recommendation:	<p>It is RECOMMENDED that the Performance and Audit Scrutiny Committee:</p> <p>(1) Make recommendations to Cabinet and Council regarding the adoption of updated (December 2017) Treasury Management in the Public Services Code of Practice and Cross-Sectional Guidance Notes.</p> <p>(2) Make recommendations to Cabinet and Council regarding the approval of the Treasury Management Policy Statement and Investment Strategy 2018-2019 (as set out in Appendix 1 and 2); and</p> <p>(3) Make recommendations to Cabinet and Council regarding the approval of the Treasury Management Code of Practice (as set out in Appendix 3 and 4);</p>
Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<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 2018-2019 is £224k. This amount has been included within the 2018-2019 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 Treasury Management Policy Statement and Investment Strategy 2018-2019 and the Treasury Management Code of Practice will ensure compliance with relevant legislation and guidance from professional bodies, in terms of best practice.

<i>Are there any equality implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
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 2018/19 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: Treasury Management Policy Statement and Investment Strategy 2018-2019 Appendix 2: Credit Ratings Definitions Appendix 3: Treasury Management Code of Practice Appendix 4: List of Approved Organisation	

1. Treasury Management Policy Statement and Investment Strategy 2018-2019

1.1 Treasury Management Policy Statement and Investment Strategy

1.1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice requires that, prior to the start of each financial year, the Council formally approve a Treasury Management Policy Statement and Investment Strategy which sets out its treasury management policy and strategy for the forthcoming year.

1.1.2 The purpose of this report is to present those strategy statements for consideration.

1.2 Treasury Management Code of Practice

1.2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) recommend that all Councils adopt a Treasury Management Code of Practice based on the treasury management practices published by CIPFA and guidance issued in their Code of Practice.

1.2.2 Adherence to the principles of the CIPFA Code should ensure that Treasury Management activities within the Council are effectively managed and adequately controlled.

1.3 Major changes between the 2017-2018 Strategy and Code of Practice and the new 2018-2019 Strategy and Code of Practice

1.3.1 In December 2017 CIPFA issued an updated Treasury Management in the Public Services Code of Practice and Cross-Sectional Guidance Notes. Consequently the Council has updated its Strategy and Code in line with these.

1.3.2 The main changes to the Strategy are as follows:

- the four clauses to be formally adopted have been updated
- an additional section has been added for 'investments that are not part of treasury management activity'

1.3.3 The main changes to the Code of Practice are as follows:

- Introduction – updated to reference new CIPFA Treasury Management Code 2017
- Definitions – updated to include 'investments' definition
- Requirements for operation of the code – removed section as duplicated elsewhere in the Code of Practice or in Treasury Management Policy Statement and Investment Strategy
- Treasury Management Policy Statement – removed section as duplicated in Treasury Management Policy Statement and Investment Strategy
- Treasury management Practices
 - TMP 1 general statement – updated to reference due diligence
 - TMP 1 all the subsections have slightly updated wording
 - TMP 1 (5) Inflation Risk – has been renumbered previously TMP1

- subsection (9)
- Previous Market Risk Management TMP has been replaced with TMP 1 (9) Price Risk Management and has updated wording
- TMP 4 – updated with sentence about use of derivatives and compliance with MiFID II
- TMP 6 – addition paragraph regarding regular monitoring reports
- Section added for ‘investments that are not part of treasury management activity’ – links to the new requirement for a Capital Strategy

2. Interest Rate Projections

2.1 The following table shows the revised interest rate projections based on the current economic climate.

	Previous Strategy	New Strategy
2018/19	0.90%	0.60%
2019/20	0.90%	0.90%
2020/21	0.90%	1.25%
2021/22		1.50%

3. Counterparty Ratings

3.1.1 There have been no changes to the Credit Rating Definitions since the 2017-2018 Strategy was presented to Cabinet February 2017.

3.1.2 Please see **Appendix 2**, Credit Rating Definitions, for full details.

4. List of Approved Organisations for Investment and Lending Criteria and Limits

4.1.1 There have been a few minor changes to the List of Approved Organisations for Investment during 2017-2018 due to credit rating changes and changes to the Top 10 List of Building Societies.

4.1.2 Please see **Appendix 4**, List of Approved Organisations for Investment, for full details.