

Cabinet



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Recommendations of the Performance and Audit Scrutiny Committee: 31 January 2018 - Treasury Management Policy Statement and Investment Strategy 2018-2019 and Code of Practice	
Report No:	CAB/SE/18/009	
Report to and dates:	Cabinet	6 February 2018
	Council	20 February 2018
Portfolio holder:	Councillor Ian Houlder Portfolio Holder for Resources and Performance Tel: 01284 810074 Email: ian.houlder@stedsbc.gov.uk	
Chairman of the Committee:	Councillor Sarah Broughton Performance and Audit Scrutiny Committee Tel: 01284 787327 Email: sarah.broughton@stedsbc.gov.uk	
Lead Officer:	Rachael Mann Assistant Director (Resources and Performance) Tel: 01638 719245 Email: rachael.mann@westsuffolk.gov.uk	
Purpose of report:	<p>On 31 January 2018, the Performance and Audit Scrutiny Committee will consider Report No: TMS/SE/18/002, Appendix 1 and Appendix 2, which has been scrutinised by the Treasury Management Sub-Committee on 22 January 2018.</p> <p>The report sought approval of the Treasury Management Policy Statement and Investment Strategy 2018-2019 (including treasury related prudential indicators) and Treasury Management Code of Practice.</p>	

Recommendation:	<p>It is RECOMMENDED that, subject to the approval of Council:</p> <p>(1) the Updated (December 2017) Treasury Management in the Public Services Code of Practice and Cross-Sectional Guidance Notes, be adopted;</p> <p>(2) the Treasury Management Policy Statement and Investment Strategy 2018-2019, as set out in Appendix 1 to Report No: TMS/SE/18/002, be approved; and</p> <p>(3) the Treasury Management Code of Practice 2018-2019, as set out in Appendix 2 to Report No: TMS/SE/18/002, be approved.</p>		
<p>Key Decision:</p> <p><i>(Check the appropriate box and delete all those that do not apply.)</i></p>	<p>Is this a Key Decision and, if so, under which definition?</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"> See Report No: TMS/SE/18/002 		
Alternative option(s):	<ul style="list-style-type: none"> See Report No: TMS/SE/18/002 		
Implications:			
Are there any financial implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> See Report No: TMS/SE/18/002 	
Are there any staffing implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> See Report No: TMS/SE/18/002 	
Are there any ICT implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> See Report No: TMS/SE/18/002 	
Are there any legal and/or policy implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> See Report No: TMS/SE/18/002 	
Are there any equality implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> See Report No: TMS/SE/18/002 	
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)
See Report No: TMS/SE/18/002			
Ward(s) affected:		All Wards	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		Annual Treasury Management and Investment Strategy 2017/18 (TMS.SE.17.002 and Appendix 1) Treasury Management Code of Practice 2017/18 (TMS.SE.17.002 - Appendix 2)	
Documents attached:		None	

1. Key issues and reasons for recommendation

1.1 Key Issues

1.1.1 Following the Treasury Management Sub-Committee's consideration of Report No: TMS/SE/18/002 on 22 January 2018, and the Performance and Audit Scrutiny Committee's subsequent consideration on 31 January 2018, the Portfolio Holder for Resources and Performance will verbally report on the Sub-Committee's and Committee's consideration of the report and recommendation.

1.2 Treasury Management Policy Statement and Investment Strategy

1.2.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management required that, prior to the start of the financial year that Council formally approved an Annual Treasury Management and Investment Strategy, setting out the Council's treasury management policy and strategy statements for the forthcoming year.

1.2.2 The proposed Treasury Management Policy Statement and Investment Strategy 2018-2019, was attached as Appendix 1 to Report No: TMS/SE/18/002.

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

1.3.1 The Sub-Committee was informed that in December 2017, the Chartered Institute of Public Finance and Accountancy (CIPFA) had issued an updated Treasury Management in the Public Services Code of Practice and Cross-Sectional Guidance Note, which had been incorporated into the new 2018-2019 Strategy.

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'

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

1.3.3 The Treasury Management Code of Practice, attached as Appendix 2 to Report No: TMS/SE/17/002 had been updated accordingly, to reflect the proposed changes.

1.3.4 The report also included information on interest rate projections; and counterparty ratings.

1.4 Treasury Management Sub-Committee

1.4.1 The Treasury Management Sub-Committee had examined the report in detail and asked questions to which comprehensive responses were provided. Discussions were held on the revised interest rate projections from Link Asset Service (the Council's advisors) based on the current economic climate; and the Link Colour Code Key relating to counterparty ratings (lending criteria).

1.5 Performance and Audit Scrutiny Committee

1.5.1 The Performance and Audit Scrutiny Committee will consider the report on 31 January 2018, which is after the despatch and publication of this report. Should the Committee amend the recommendations set out in Report No: TMS/SE/18/002, then these will be verbally reported at the Cabinet meeting.