Report for:	Corporate Committee 30 November 2017
Item number:	**7**
Title:	Updated Treasury Management Strategy Statement 2017/18 – 2019/20
Report authorised by:	Clive Heaphy, Interim Chief Finance Officer (S151 Officer)
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Ward(s) affected:	N/A
Report for Key/ Non Key Decision:	Non Key decision

1. Describe the issue under consideration

1.1 To present the updated Treasury Management Strategy Statement and Prudential Indicators for 2017/18 – 2019/20 to this Committee (following its scrutiny at Overview and Scrutiny Committee) before it is presented to Full Council for final approval.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 That the proposed updated Treasury Management Strategy Statement for 2017/18 to 2019/20 is agreed and recommended to Full Council for final approval.

4. Reasons for decision

4.1 The CIPFA Treasury Management Code of Practice requires all local authorities to agree a Treasury Management Strategy Statement including an Investment Strategy annually in advance of the financial year. The strategy should incorporate the setting of the Council's prudential indicators for the three forthcoming financial years.

4.2 Haringey's Treasury Management Strategy Statement 2017/18 – 2019/20 was originally approved by Full Council on 27 February 2017. The Council is entering into a partnership with the GLA for the provision of certain treasury management activities, and therefore the need has arisen for the Treasury Management Strategy Statement to be updated in light of this.

The updated document will be presented to Overview and Scrutiny Committee, Corporate Committee, and Full Council for approval before any of the proposed changes are implemented.

5. Alternative Options Considered

5.1 The Council must present an updated Treasury Management Strategy Statement to be approved by Full Council (via Overview and Scrutiny and Corporate Committee), in order to implement the GLA partnership arrangements.

6. Background information

6.1. The CIPFA Treasury Management Code of Practice requires that the Treasury Management Strategy Statement is formulated by the Committee responsible for the monitoring of treasury management, is then subject to scrutiny before being approved by full Council. Corporate Committee is responsible for formulating the Treasury Management Strategy Statement for recommendation to full Council through Overview and Scrutiny Committee and in consultation with the Cabinet Member for Resources & Culture.

6.2. Following scrutiny the report will be considered by Corporate Committee and submitted to Full Council for approval. Any comments by Overview and Scrutiny will be reported to Corporate Committee.

6.3. On 14 March 2016 The Corporate Committee was presented a report focussing on the proposal to enter into a partnership with the GLA for the provision of treasury services. This partnership with the GLA offers access to a highly resourced specialist team who currently deal with a portfolio which is significantly bigger than the Council's, the partnership therefore offers the Council greater resilience and capability than the Council is able to maintain through in house treasury resources. The partnership will also deliver additional value for the Council in terms of interest earned on investments, as well as lower debt servicing costs due to the larger scale of the GLA treasury operations.

6.4. The summary set out in Appendix 1 is to bring to members' attention the key elements of the proposed strategy being considered.

7. Contributions to Strategic Outcomes

7.1 The treasury strategy will influence the achievement of the Council's financial budget.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

8.1 The approval of a Treasury Management Strategy Statement and prudential indicators are requirements of the CIPFA Treasury Management Code of Practice and CIPFA Prudential Code. The proposed strategy of minimising borrowing and continuing to make use of internal balances not only minimises costs, but also reduces the credit risk associated with investments, as the amount being invested is low.

8.2 New borrowing is projected during 2017/18 due to planned maturities and capital expenditure and it is proposed that the cost of refinancing be minimised by borrowing short term from local authorities to maintain liquidity and taking opportunities to fix borrowing rates should favourable opportunities arise.

Legal

8.3 The Council must make arrangements for the proper administration of its financial affairs and its power of borrowing is set out in legislations. The level of HRA Capital Financing Requirement must remain within the debt cap set by the Department of Communities and Local Government.

8.4 The Council is required to determine and keep under review its borrowing and in complying with this requirement it must have regard to the code of practice entitled the "Prudential Code for Capital Finance in Local Authorities" as published by CIPFA from time to time. In addition, the Council adopted the CIPFA Treasury Management Code of Practice in May 2002. The Code of Practice is at present under review.

8.5 As mentioned in this report the Code of Practice requires the Council to agree a Treasury Management Strategy Statement (TMSS) (including an Investment Strategy). In considering the report Members must take into account the expert financial advice available within it and any further oral advice given at the meeting of the Committee.

Equalities

8.6 There are no equalities issues arising from this report.

9. Use of Appendices

9.1 Appendix 1 – Summary of Treasury Management Strategy Statement
9.2 Appendix 2 – Draft Treasury Management Strategy Statement 2017/18 – 2019/20.

10. Local Government (Access to Information) Act 1985

10.1 Not applicable.

Appendix 1

Summary of Treasury Management Strategy Statement

The CIPFA Treasury Management Code of Practice requires all local authorities to agree a Treasury Management Strategy Statement and Prudential Indicators annually in advance of the financial year. The key areas of the strategy are how much borrowing the Council needs to do, where should temporary surplus cash be invested and the Prudential Indicators.

Borrowing

The Council borrows to fund capital expenditure. As part of the financial planning process, it is determined how much capital expenditure should be funded through borrowing. The Council has an existing borrowing portfolio and the amount it is proposed to borrow is calculated by reference to capital expenditure to be funded through borrowing and the loans maturing in the year. The expected amount of borrowing is set out in tables 1a & 1b for General Fund and HRA respectively. The strategy also sets out the sources of borrowing the Council could use.

Investments

The Council invests temporary cash surpluses on a daily basis. When considering where to invest, the Council considers security first – will the money be returned, then liquidity – how quickly will it be returned and then finally yield – what rate of interest will be earned.

The Council is required to agree a framework within which officers can make investments. This consists of a lending list of institutions with monetary and time limits (set out in Appendix 4, 5 and 6 of the strategy) and officers cannot lend the Council's monies to any institution not on this list. The second part of the framework is the setting of a minimum credit rating - this means that if any institution on the lending list falls below the minimum, then investments would cease and if possible monies would be withdrawn immediately.

Prudential Indicators

The Council is required to approve prudential indicators on an annual basis. There are two types – capital indicators and treasury management limits. They are shown throughout the report and summarised in Appendix 2. The capital indicators are designed to indicate to members the impact of borrowing to fund capital and are set as best estimates. The treasury management limits are different – they are limits which cannot be breached and are designed to put in a level of control over treasury management activities. Corporate Committee receive quarterly monitoring reports on the indicators and limits and Council receive a mid year and year end report on them.