

EAST HERTS COUNCIL

EXECUTIVE – 2 FEBRUARY 2016

REPORT BY EXECUTIVE MEMBER FOR FINANCE AND SUPPORT SERVICES

TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY 2016-17

WARDS AFFECTED: All

Purpose/Summary of Report:

- This report sets out proposals for Council approval on the following:
 - The Treasury Management Strategy and Annual Investment Strategy for 2016-17 including the 2016-17 Prudential Indicators.

<u>RECOMMENDATIONS FOR COUNCIL:</u> that:	
(A)	the comments of the joint meeting of Scrutiny Committees and the Audit Committee be received;
(B)	the Treasury Management Strategy and Annual Investment Strategy, as now submitted, be approved;
(C)	the Prudential Indicators, as now submitted, be approved; and
(D)	the counterparty and approved countries listing , as now submitted, be approved.

1.0 Background

1.1 Treasury management is defined as: ‘The management of the Council’s investments and cash flows, its banking arrangements, money market and capital transactions; the effective control of the risks associated with these activities; and the pursuit of optimum returns consistent with the Council’s risk management policy for

treasury management.’

- 1.2 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management (the Code) recommends that Members be updated on treasury management activities regularly through the Treasury Management Strategy Statement (TMSS), Annual Investment Strategy (AIS) and mid and year end reports. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.
- 1.3 The Council is required by the CIPFA Treasury Management Code of Practice to approve a Treasury Management Strategy and Annual Investment Strategy each year. The purpose of the Strategy is to ensure that there is adequate cash flow to fund the Council’s revenue and capital aspirations in both short and longer term.
- 1.4 The Strategy sets out a risk management policy for the investment of surplus cash. The Strategy is designed to obtain the highest possible yield, contingent upon investments being secure, and there being sufficient liquidity to meet the Council’s daily cash needs.
- 1.5 The Council is required by the CIPFA Prudential Code to approve each year a set of Prudential Indicators. The Indicators must be approved by Full Council before the beginning of each financial year. Their purpose is to help the Council ensure that its capital investment plans are affordable, prudent and sustainable.

2.0 Report

- 2.1 Please refer to the recommended Treasury Management Strategy and Annual Investment Strategy in **Essential Reference Paper ‘B’: Treasury Management Strategy and Annual Investment Strategy 2016-17**.
- 2.2 There have been no additional regulatory changes since those that were included in the revised Treasury Management Strategy submitted to the Audit Committee on 21 January 2015. No additional changes to the 2016-17 Strategy have been proposed.
- 2.3 Prudential Indicators are included in **Essential Reference Paper ‘B’: Treasury Management Strategy and Annual Investment Strategy 2015-16** paragraphs 2.1, 2.2, 2.4, 2.6, 2.7, 3.1, 3.2 and 3.4.

- 2.4 Please refer to the recommended counterparty and approved countries for investments listings in **Essential Reference Paper ‘B’**:

Appendix 5.1. Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management Credit Rating Tables 2015-16. This is an updated format recommended by our Treasury Advisors Capita Asset Services. Instruments that are no longer in the market have been removed. There have been no further changes to listing provided with the Treasury Management Strategy 2015-16 submitted to the Audit Committee on 21 January 2015.

Appendix 5.2. Approved countries for investments

- 2.5 The Treasury Management Strategy also includes the Council’s Minimum Revenue Provision (MRP) policy. The Strategy recommends that the Council continue to have a nil MRP.
- 3.0 Implications/Consultations
- 3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper ‘A’**.

Background Papers

None

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