

EAST HERTS COUNCIL

PERFORMANCE, AUDIT AND GOVERNANCE SCRUTINY COMMITTEE
– 16 JANUARY 2018

REPORT BY EXECUTIVE MEMBER FOR FINANCE AND SUPPORT
SERVICES

TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT
STRATEGY 2018-19

WARDS AFFECTED: NONE

Purpose/Summary of Report

- The report sets out the proposed Treasury Management Strategy and Annual Investment Strategy for 2018-19.
- Where changes have been made to the revised Treasury Management Strategy and Annual Investment Strategy for 2017-18 or to the credit criteria for selection of investment counterparties approved for 2017-18, these have been referred to and discussed below.
- This report also presents the 2018-19 Prudential Indicators for approval.

<u>RECOMMENDATION FOR PERFORMANCE, AUDIT AND GOVERNANCE COMMITTEE: to recommend to the Executive that:</u>	
(A)	The Treasury Management Strategy and Annual Investment Strategy discussed in paragraphs 2.1 – 2.2 be received and recommended for approval by Council via the Executive.
(B)	The Prudential Indicators discussed in paragraph 2.3 be recommended for approval by Council via the Executive.
(C)	The counterparty listing discussed in paragraph 2.4 be recommended for approval by Council via the Executive.

1 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 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 2018-19**.
- 2.2 There have been no additional regulatory changes since those that were included in the revised Treasury Management Strategy submitted to the Audit and Governance Committee on 25 January 2017. No additional changes to the 2018-19 Strategy have been proposed.
- 2.3 Prudential Indicators are included in **Essential Reference Paper 'B': Treasury Management Strategy and Annual Investment Strategy 2017-18** paragraphs 2.1, 2.2, 2.3, 3.1, 3.2, and **Essential Reference Paper 'C': Prudential Indicators**.

- 2.4 Please refer to the recommended counterparty listing in **Essential Reference Paper ‘F’: Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management Credit Rating Tables 2018-19**.
- 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 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

CIPFA Code of Practice on Treasury Management (2011)

CIPFA Prudential Code for Capital Finance in Local Authorities (2013)

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