

EAST HERTS COUNCIL

PERFORMANCE, AUDIT AND GOVERNANCE SCRUTINY
COMMITTEE – 22 JANUARY 2019

REPORT BY EXECUTIVE MEMBER FOR FINANCE AND SUPPORT
SERVICES

TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY
2019-20

WARD(S) AFFECTED: NONE

Purpose/Summary of Report

The report sets out the proposed Treasury Management Strategy and Annual Investment Strategy for 2018-19, including the prudential indicators.

Where changes have been made to the revised Treasury Management Strategy and Annual Investment Strategy for 2019-20 or to the credit criteria for selection of investment counterparties approved for 2018-19, these have been referred to and discussed below.

<u>RECOMMENDATION(S) FOR FOR PERFORMANCE, AUDIT AND GOVERNANCE COMMITTEE: to recommend to the Executive that:</u>	
(A)	The Treasury Management Strategy and Annual Investment Strategy, including the prudential indicators discussed in paragraphs 2.1 – 2.3 is agreed for submission to Elected Members (Audit and Governance Committee, Executive and Council).
(B)	The credit and counterparty risk management and approved countries list discussed in paragraphs 2.3 is

	agreed for submission to Elected Members (Audit and Governance Committee, Executive and Council).

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 This activity is supported by the council's appointed independent advisors – Link Asset Services.
- 1.3 The Council is required by regulations under the Local Government Act 2003 to approve a Treasury Management Strategy and Annual Investment Strategy each year and produce a treasury management mid-year review of activities and prudential and treasury indicators for 2018/19.
- 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 This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

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 2019-20,

- 2.2 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 5.1. Note cost of borrowing and MRP information to follow at a future date.
- 2.3 Please refer to the Credit and Counterparty Risk Management paragraph 5.4 and Approved Countries List paragraph 5.5.
- 2.2 Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011.
- 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

CIPFA Code of Practice on Treasury Management (2018/19)

CIPFA Prudential Code for Capital Finance in Local Authorities (2017)

MHCLG Investment Guidance

MHCLG Minimum Revenue Provision (MRP) Guidance

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