

Meeting: Audit Committee

Date: 22nd January 2019

Wards Affected: All Wards in Torbay

Report Title: Treasury Management Strategy 2019/20 (incorporating the Annual Investment Strategy 2019/20 and the Minimum Revenue Provision Policy 2019/20)

Is the decision a key decision? Yes

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1. Proposal and Introduction

- 1.1 The Treasury Management Strategy appended to this report aims to support the provision of all Council services by the management of the Council's cash flow, debt and investment operations in 2019/20 and effectively control the associated risks and the pursuit of optimum performance consistent with those risks.
- 1.2 The views of the Audit Committee are sought ahead of the consideration of this Policy Framework document by the Council at its meetings in February 2018.

2. Reason for Proposal

- 2.1 The Treasury Management Strategy is considered under a requirement of the CIPFA Code of Practice on Treasury Management.

The Strategy has been fully updated for provisions in a new edition of the Code released in December 2017 and the recommended policy statement and practices are presented at Appendix 2 for adoption by the Council.

- 2.2 The approval of an Annual Investment Strategy by Council is a requirement of the Guidance on Local Government Investments issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003. This Strategy sets out the Council's policies for managing its investments under the priorities of security first, liquidity second and then returns.
- 2.3 In addition, the Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to

ensure that the Council's capital investment plans are affordable, prudent and sustainable.

- 2.4 Under Ministry of Housing, Communities and Local Government regulations the Council is required to approve a Minimum Revenue Provision (MRP) Statement in advance of each year.

3. Recommendations

3.1 That the Audit Committee provide any comments and/or recommendations on the proposed:

- **Treasury Management Strategy for 2019/20 (incorporating the Annual Investment Strategy 2019/20);**
- **the Prudential Indicators 2019/20; and**
- **the Annual Minimum Revenue Provision Policy Statement for 2019/20**
- **adoption of the CIPFA Code of Practice: Treasury Management in the Public Services**

as set out in the Appendices to this report.

4. Treasury Management Strategy

- 4.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return.

- 4.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

- 4.3 Currently the Council's approved capital plan has a future borrowing requirement of approx. £129 million which will have a significant impact on the Treasury Management function in the short and medium term. In addition the timing of this borrowing is currently very uncertain which makes planning difficult. It should be noted that this report is based on the Council's approved capital plan as at Quarter Three of 2018/19 (draft). The final version of this Treasury Management Strategy to Council in February will be updated to include the final position as at Quarter Three plus any significant capital activity by end of January 2019.

5. Prudential Indicators

- 5.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital

expenditure plans. The proposed indicators for 2019/20 are set out in Appendix 1 to the Treasury Management Strategy.

6. Minimum Revenue Provision (MRP) policy statement

- 6.1 The Council is required to set aside an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the Minimum Revenue Provision (MRP)). The policy has been updated in line with the new Prudential Code.
- 6.2 MRP calculations exclude the impact of capital schemes approved but not commenced.
- 6.3 The recommended MRP Policy for 2019/20 is set out at Appendix 2 to the Treasury Management Strategy and will be applicable from date of approval.

7 Adoption of the CIPFA Code of Practice: Treasury Management in the Public Services

- 7.1 Following the updated CIPFA Code of Treasury Management Code of Practice (2017) and the updated CIPFA supporting Guidance Notes (2018) the Treasury Management Policy Statement and Practices (TMP's) have been updated and are presented for re approval by Council as set out in Annex 2.

Annexes

Annex1	Treasury Management Strategy 2019/20
Annex 2	Treasury Management Policy Statement and Practices