

CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 15th March 2018
Report of: Interim Executive Director of Corporate Services
Subject/Title: An update on the Council's Capital, Treasury Management and Investment Strategies

Portfolio Holder: Councillor Paul Bates

1.0 Report Summary

1.1 To inform the Committee on changes in the requirements relating to the Council's Capital, Treasury Management and Investment Strategies.

1.2 Recommendation

1.3 To note the change in requirements to the Council's Capital, Treasury Management and Investment Strategies following revised guidance issued by the Ministry for Housing, Communities and Local Government (MHCLG) effective from 1 April 2018.

1.4 To note the establishment of a member Investment Strategy Board.

1.5 Reasons for Recommendations

1.6 The CIPFA Code of Practice on Treasury Management requires all local authorities to agree a Treasury Management Strategy Statement. Revised statutory guidance (3rd Edition) on local authority investments effective from 1st April 2018 requires local authorities to prepare an annual investment strategy.

1.7 The changes made to the 3rd edition of this Guidance reflect changes in patterns of local authority behaviour regarding non-financial assets, for example, investment property portfolios and the provision of loans to local enterprises or third sector entities as part of regeneration or economic growth.

1.8 Wards Affected

1.9 All.

1.10 Local Ward Members

1.11 Not applicable.

1.12 Policy Implications

1.13 None.

1.14 Implications for Rural Communities

1.15 None

1.16 Financial Implications

1.17 Effective treasury management provides support towards the achievement of service priorities, it ensures that the Council's capital investment programme delivers value for money by demonstrating that capital expenditure plans are affordable, external borrowing is prudent and sustainable and treasury decisions are taken in accordance with good practice.

1.18 Legal Implications

1.19 The strategies will be developed in accordance with the MHCLG Local Government Investments Guidance under Section 15(1) (a) of the Local Government Act 2003.

1.20 Guidance issued under the 3rd Edition applies for financial years commencing on or after 1 April 2018. It supersedes all previous editions of the Statutory Guidance on Local Authority Investments.

1.21 Risk Management

1.22 The Council operates its treasury management activity within the approved Treasury Management Code of Practice and associated guidance.

1.23 Background and Options

1.24 The Treasury Management strategy is an important element in the overall financial health and resilience of Cheshire East Council. The strategy focuses on the management of the Council's investment and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

1.25 CIPFA published revised editions of Treasury Management in the Public Services: Code of Practice and the Prudential Code for Capital Finance in Local Authorities in December 2017.

1.26 The main changes arising from the revised Codes include:

- an extension of the scope of the Treasury Management Code of Practice to include all investments, including non-financial assets held primarily for financial returns such as investment property portfolios;

- a requirement for an enhanced Capital Strategy; a summary document covering capital expenditure and financing, treasury management and non-treasury investments approved by full Council.
- 1.27 Capital expenditure and financing is intrinsically linked to the Treasury Management and Investment Strategies and these will continue to be developed in accordance with the revised guidance and reported to Cabinet and Council for approval during 2018/19, including:
- A detailed investment strategy.
 - Amendments to the Capital Strategy, Treasury Management Strategy, Prudential Indicators and Treasury Management Practices in accordance with the new regulatory framework.
- 1.28 The detailed investment strategy will cover the relevant procedures, governance arrangements and risk assessments; it will also need to ensure that Councillors and statutory officers have appropriate capacity, skills and information in order to make informed decisions.
- 1.29 To this effect a member Investment Strategy Board will be established to develop a detailed investment strategy satisfying these requirements for approval by Cabinet and full Council during 2018/19. The Board will be chaired by the Portfolio Holder for Finance and Communications and will be supported by Officers including the Acting Director of Legal Services (Monitoring Officer), Interim Executive Director of Corporate Services, Executive Director of Place and Head of Asset Management and Regeneration.
- 1.30 The updated strategies will be brought to this Committee for consideration during 2018/19 as part of its scrutiny role on treasury management activities.

1.31 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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