

CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting:	10 th December 2015
Report of:	Chief Operating Officer
Subject/Title:	Draft Treasury Management Strategy and MRP Statement 2016/17
Portfolio Holder:	Councillor Peter Groves

1.0 Report Summary

- 1.1 The purpose of this report is to update Members on the contents of the Council's Treasury Management Strategy for 2016/17.
- 1.2 The CIPFA Treasury Management Code of Practice requires all local authorities to make arrangements for the scrutiny of treasury management. This responsibility has been nominated to the Audit & Governance Committee.
- 1.3 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.
- 1.4 The key elements of the strategy for 2016/17 are for the Council to:
 - Retain capital financing costs within an affordable limit of c.£14m
 - Not enter into any overall additional external borrowing in 2016/17
 - Maintain security of investments by only using counterparties detailed in the strategy
 - Take an appropriate approach to risk if short term loans are required, by only borrowing from lenders identified in the strategy
 - Support a flexible approach to treasury management that can react to opportunities and market conditions to maximise effectiveness, whilst protecting the public funds managed within the strategy
- 1.5 The capital programme for 2016/19 is currently being updated with new proposals for future capital investment; therefore the Prudential Indicators included within the draft Treasury Management Strategy set out in Appendix A will be subject to change.
- 1.6 The Treasury Management Strategy will be updated with the final capital programme before being reported to Cabinet on 9th February 2016 and then on to Full Council for approval on 25th February 2016.

2.0 Recommendations

- 2.1 To receive and comment on the proposed Treasury Management Strategy and the MRP Statement for 2016/17 set out in Appendix A.

3.0 Reasons for Recommendations

- 3.1 The report presents the 2016/17 Treasury Management Strategy Statement (TMSS), incorporating the Minimum Revenue Provision (MRP) Policy Statement, Investment Strategy and Prudential and Treasury Indicators 2016/19, required under Part 1 of the Local Government Act 2003.
- 3.2 The Treasury Management Strategy details the activities of the Treasury Management function in the forthcoming year 2016/17. The Strategy for 2016/17 reflects the views on interest rates of leading market forecasts provided by Arlingclose, the Council's advisor on treasury matters. It also includes the Prudential Indicators relating to Treasury Management.
- 3.3 The CIPFA Code of Practice on Treasury Management requires all local authorities to agree a Treasury Management Strategy Statement including an Investment Strategy annually in advance of the financial year. The strategy should incorporate the setting of the Council's prudential indicators for the three forthcoming financial years.

4 Wards Affected

- 4.1 Not applicable

5.0 Local Ward Members

- 5.1 Not applicable

6.0 Policy Implications

- 6.1 Not applicable.

7.0 Implications for Rural Communities

- 7.1 Not applicable

8.0 Financial Implications (Authorised by the Chief Operating Officer)

- 8.1 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.

9.0 Legal Implications (Authorised by the Head of Legal Services)

- 9.1 It is a requirement of the CIPFA's Treasury Management in the Public Services: Code of Practice, that Council receives an Annual Report on its Treasury Strategy, that Council sets Prudential Indicators for the next three years and approves an Annual Investment Strategy and an Annual MRP Policy Statement. There are stringent legislative requirements in place which dictate the way that a local authority deals with financial administration.

10.0 Risk Management

- 10.1 The Council operates its treasury management activity within the approved Treasury Management Code of Practice and associated guidance.
- 10.2 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy as no treasury management activity is without risk. The aim is to operate in an environment where risk is clearly identified and managed.
- 10.3 To reduce the risk that the Council will suffer a loss as a result of its treasury management activities down to an acceptable level a number of risk management procedures have been put in place. The procedures cover liquidity risk, credit and counterparty risk, re-financing risk, legal and regulatory risk, and fraud, error and corruption risk. These are referred to within the borrowing and investment strategies, prudential indicators and the Treasury Management Practices Principles and Schedules.
- 10.4 The arrangements for the identification, monitoring and controlling of risk will be reported on a regular basis in accordance with the Strategy.

11.0 Background and Options

- 11.1 The treasury management team work closely with the Council's advisors Arlingclose to gain the maximum benefit from their expertise and guidance, including benchmarking performance against other local authorities on a quarterly basis. The Treasury Management Strategy takes into account future borrowing requirements, based on the Council's three year capital spending plans, projected cash flow requirements and money market opportunities. The aim is to maintain control over borrowing activities, with particular regard for longer term affordability; but also to allow sufficient flexibility to respond to changes in the capital and money markets as they arise.

12.0 Access to Information

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

Name: Joanne Wilcox
Designation: Corporate Finance Manager
Tel No: 01270 685869
Email: joannewilcox@cheshireeast.gov.uk

Appendices:

Appendix A – Treasury Management Strategy Statement & Investment Strategy 2016/17 – 2018/19