

**Cheltenham Borough Council  
Cabinet – 7th February 2017  
Council - 10th February 2017**

**Treasury Management Strategy Statement and Annual Investment Strategy 2017/18**

<b>Accountable member</b>	<b>Cabinet Member Finance, Councillor Rowena Hay</b>
<b>Accountable officer</b>	<b>Section 151 Officer, Paul Jones</b>
<b>Accountable scrutiny committee</b>	<b>Scrutiny</b>
<b>Ward(s) affected</b>	<b>None</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	In accordance with best practice, the Council has adopted and complies with the CIPFA Code of Practice on Treasury Management in the public services. To comply with the code, the Council has a responsibility to set out its Treasury Management Strategy Statement for borrowing and to prepare an Annual Investment Strategy for council approval prior to the start of a new financial year.
<b>Recommendations</b>	<p>Treasury Management Panel has recommended that Cabinet/Council approve the attached Treasury Management Strategy Statement, Annual Investment Strategy for 2017/18 at Appendix 2, 2017/18 Lending list at Appendix 3 and MRP policy statement for 2016/17 and 2017/18 at Appendix 4, including :</p> <ul style="list-style-type: none"> <li>• <b>The general policy objective ‘that Council should invest prudently the surplus funds held on behalf of the community giving priority to security and liquidity’.</b></li> <li>• <b>That the Prudential Indicators for 2017/18 including the authorised limit as the statutory affordable borrowing limit determined under Section 3 (1) Local Government Act 2003 be approved.</b></li> <li>• <b>Revisions to the Council’s lending list and parameters as shown in Appendix 3 are proposed in order to provide some further capacity. These proposals have been put forward after taking advice from the Council’s treasury management advisers Capita Asset Services and are prudent enough to ensure the credit quality of the Council’s investment portfolio remains high.</b></li> <li>• <b>The use of Repo/Reverse Repo is accepted as a form of securitised lending.</b></li> </ul>

- For 2016/17 and 2017/18 in calculating the Minimum Revenue Provision (MRP), the Council will apply a modified Option 1 in respect of supported capital expenditure to repay the debt in equal instalments over 35 years and Option 3 in respect of unsupported capital expenditure, adjusted from 2017/18 by the use of capital receipts to repay debt associated with capital loans as per paragraph 24 in Appendix 4.

<b>Financial implications</b>	All financial implications are noted in the report.  <b>Contact officer: Andrew Sherbourne,</b> <b>andrew.sherbourne@cheltenham.gov.uk, 01242 264337</b>
<b>Legal implications</b>	As detailed in the report.  <b>Contact officer: Peter Lewis</b>  <b>peter.lewis@tewkesbury.gov.uk, 01684 272695</b>
<b>HR implications (including learning and organisational development)</b>	None arising directly from this report.  <b>Contact officer: Julie McCarthy,</b>  <b>julie.mccarthy@cheltenham.gov.uk, 01242 264355</b>
<b>Key risks</b>	As noted in Appendix 1.
<b>Corporate and community plan Implications</b>	The purpose of the strategy is to improve corporate governance, a key objective for the Council.
<b>Environmental and climate change implications</b>	None arising directly from this report.

## 1. Background

- 1.1 The CIPFA Code of Practice for Treasury Management in Public Services and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement and the Prudential Indicators on an annual basis. The Treasury Management Strategy Statement also incorporates the Annual Investment Strategy as required under the CLG's Investment Guidance.
- 1.2 For the purposes of the Code, CIPFA has adopted the following as its definition of treasury management activities:

*“the management of the organisation’s investments 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.”*

1.3 The Council will create and maintain, as the basis for effective treasury management:

- A Treasury Management Strategy Statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable Treasury Management Practices (TMP’s) setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.4 The local authorities (Capital Finance and Accounting) (England) Regulations 2003, which came into force on 1<sup>st</sup> April 2004, include provisions relevant to investments. These regulations, together with amendments subsequently made to them (S.I No.534), determine the nature of specific investments, and how they should be treated/accounted for by a local authority. Formal guidance was revised and issued by the Communities and Local Government (CLG) in 2010.

1.5 The Treasury Management Strategy Statement and Annual Investment Strategy at Appendix 2, state the overriding principles and objectives governing treasury management activity. As an integral part of that Statement, the Council includes the preparation of Treasury Management Practices which set out the manner in which the Council will achieve those principles and objectives prescribing how it will manage and control those activities.

1.6 The general policy objective of the Annual Investment Strategy is that:

**‘the Council should invest prudently the surplus funds held on behalf of the community giving priority to security and liquidity’.**

The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk is an important and integral element of its treasury management activities.

1.7 The strategy allows sufficient flexibilities and delegations to avoid the need for a formal variation, other than in the most exceptional circumstance.

## 2.0 Consultation

2.1 The Council’s external treasury advisors, Capita Asset Services, supported the Council in the production of the strategies.

2.2 The strategy is to be approved by the Treasury Management Panel at its meeting on 23<sup>rd</sup> January 2017.

<b>Report author</b>	<b>Contact officer: Andrew Sherbourne, andrew.sherbourne@cheltenham.gov.uk</b>  <b>01242 264437</b>
----------------------	---

<p><b>Appendices</b></p>	<p>Appendix 1 – Risk Assessment</p> <p>Appendix 2 – Treasury Management Strategy Statement &amp; Annual Investment Strategy 2017/18</p> <p>Appendix 3 – Updated Lending list</p> <p>Appendix 4 - Annual MRP Statement 2017/18</p>
<p><b>Background information</b></p>	<p>Section 15(1)(a) of the Local Government Act 2003</p> <p>Cheltenham Borough Council Treasury Management Practices</p>

## Risk Assessment

## Appendix 1

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	LOBO Loans (£7m) – If the banks choose to exercise their option to recall these loans then CBC would need to have the resources on the day to repay.	Section 151 Officer Paul Jones	24 <sup>th</sup> January 2015	1	2	2	Accept	If the loans are recalled the council could take out temporary borrowing which is currently much lower than the rates on these loans. Any capital receipts available could also be used to repay debt.	May 2018	Section 151 Officer Paul Jones	