

<b>Subject:</b>	<b>Treasury Management Policy Statement 2016/17</b>		
<b>Date of Meeting:</b>	<b>17 March 2016</b>		
<b>Report of:</b>	<b>Interim Executive Director of Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>James Hengeveld</b>	<b>Tel: 29-1242</b>
	<b>Email:</b>	<b>James.hengeveld@brighton-hove.gov.uk</b>	
<b>Ward(s) affected:</b>	<b>All</b>		

## **FOR GENERAL RELEASE**

### **1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 Part 1 of the Local Government Act 2003, which introduced a new capital finance system with effect from April 2004, requires each local authority, inter alia, to:
  - comply with the requirements of 'the Code of Practice for Treasury Management in the Public Services' issued by CIPFA; and
  - comply with investment guidance issued by the Secretary of State
- 1.2 The Code of Practice requires each local authority to set out its strategy on treasury management for the forthcoming year. The purpose of this report is to recommend a treasury management policy statement (TMPS) and treasury management practices for the financial year commencing 1 April 2016.
- 1.3 At the meeting in March 2015 Policy & Resources Committee approved the Treasury Management Statement and Treasury Management Practices for 2015/16 and subsequent years. There are no changes recommended to the Statement or Practices.
- 1.4 The investment guidance relates to the annual investment strategy, which is subject to a separate report to Policy & Resources Committee and full Council elsewhere on this agenda.

### **2. RECOMMENDATIONS:**

- 2.1 That Policy & Resources Committee note that there are no changes to the Treasury Management Policy Statement and Treasury Management Practices approved by Policy & Resources Committee on 19 March 2015.
- 2.2 That Policy & Resources approve the Borrowing Strategy as set out in Appendix 3 to this report.

### **3. CONTEXT/ BACKGROUND INFORMATION**

- 3.1 The recommended TMPS follows the drafting format within the Code of Practice. The treasury management practices identify the practices and procedures that will be followed to achieve the aims of the Statement. These practices remain

unchanged from previous years and are considered 'best practice' under the Code.

- 3.2 The treasury management practices are supplemented by a number of "schedules" which have not been reproduced in Appendix 1 as they have not changed in a number of years. These schedules contain specific details of the systems and routines to be employed and the records to be maintained which underpin the treasury management function.
- 3.3 The Borrowing Strategy is largely determined by the borrowing needs of the council and forecasts of future interest rates. An up-to-date economic analysis and the latest interest rate forecasts are presented in Appendix 2 to this report.
- 3.4 The Borrowing Strategy, as set out in Appendix 3, focuses on reconciling the benefit of undertaking low cost long term funding with the short term cost of carrying additional debt in a low investment rate environment. The Strategy recommends a further reduction in the utilisation of cash balances to fund the borrowing requirement.
- 3.5 The treasury management service is subject to detailed audit each year. The most recent audit has been carried out in February 2016 and is due to report in March. This includes the control environment operating and management of risks for Treasury Management. Appendix 4 sets out the current scheme of delegation.
- 3.6 Under the Prudential Code a number of prudential indicators must be set annually by the council prior to the commencement of the financial year. The indicators for 2016/17 were agreed by Budget Council on 25 February 2016.
- 3.7 HRA housing debt and General Fund debt are managed as separate debt pools. The underlying principles of the 2016/17 Strategy are the same for both debt pools. However, where appropriate, the Strategy is amended where the management of each debt pool requires a different approach.

### **Training & Qualifications**

- 3.8 External training courses for the treasury management team will be considered for value and benefit. Records of individual training will be kept in accordance with the procedures introduced by the council for such purposes. Career development and succession arrangements will also be in accordance with council policy on such arrangement.
- 3.9 Details of the qualifications for treasury staff are set out in the job descriptions and person specifications appertaining to each post. Secondments (if any) will be recorded in accordance with council policy on such instances.
- 3.10 Member training on treasury management is seen as an important tool in the scrutiny of the service. A course entitled "An introduction to treasury management", which gives an overview of treasury management, is available. The course explains what treasury management is, the aims & objectives of the service and an understanding of the key risks. It also covers how the council manages investment risk.

## **Use of Advisors**

- 3.11 The council currently uses an external cash manager to administer part of its investment portfolio. The current manager, Aberdeen Asset Management, was appointed in March 2006 following a competitive selection process. The performance of the cash manager fund has exceeded its benchmark in 2015/16, but fund performance has dropped compared to previous years and has been below the performance of the in-house team. Officers therefore consider it prudent to review the continued management of these funds. The Annual Investment Strategy, elsewhere on this agenda, provides some more details as to the options being explored.
- 3.12 The council uses Capita Asset Services as its external treasury advisors. The advisors are expected to be proactive in analysing information to assist the in-house treasury team to meet its targets on the cost of long term borrowing and investment returns and advise on developments in the treasury management field.
- 3.13 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources.
- 3.14 The contract with Capita Asset services came to an end in November 2015. A tender process was undertaken utilising a public sector framework which resulted in Capita Asset Services being awarded a new three year contract to November 2018.

## **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 4.1 This report confirms there are no changes to the treasury management policy statement approved by Policy & Resources last year. The Strategy continues with the strong emphasis on risk management and the impact this may have on the performance of the treasury management service.

## **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 The council's external treasury advisors have been consulted in the drafting of this report. No other consultation was necessary.

## **6. CONCLUSION**

- 6.1 Treasury management is governed by a code that is recognised as "best and proper practice" under the Local Government Act 2003. The code requires local authorities to report annually in advance on their treasury management plan and strategy. This report fulfils this requirement.

## 7. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implications:

- 7.1 The Financing Costs budget has been prepared on the basis of the borrowing strategy set out in Appendix 3 and the interest rate forecasts and economic forecast set out in appendix 2.

*Finance Officer Consulted: James Hengeveld*

*Date: 24/02/16*

### Legal Implications:

- 7.2 This report is made in accordance with Part 1 of the Local Government Act 2003. The statutory framework for the Prudential Code referred to in paragraph 3.6 is regulation 2 of the Local Authority (Capital Finance & Accounting) Regulations 2003.

It is a proper function of Policy & Resources Committee to approve the council's TMPS and Borrowing Strategy.

*Lawyer Consulted:*

*Elizabeth Culbert*

*Date: 25/02/16*

### Equalities, Sustainability Implications and other significant implications

- 7.3 There are no direct implications arising from this report

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Treasury Management Policy Statement 2016/17 and Treasury Management Practices 2016/17
2. Economic Outlook and Interest Rate prospects
3. Borrowing Strategy and Indicators 2016/17
4. Treasury Management Scheme of Delegation

### **Documents in Members' Rooms**

None

### **Background Documents**

1. Part I of the Local Government Act 2003 and associated regulations
2. Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes' published by CIPFA third edition 2011
3. 'Treasury Management in the Public Services – Guidance notes for local authorities ... ' published by CIPFA fourth edition 2011
4. 'The Prudential Code for Capital Finance in Local Authorities' published by CIPFA third edition 2011
5. Brighton & Hove City Council Anti-Money Laundering Policy approved by full Council on 19 January 2006

