

Open Report on behalf of Pete Moore, Executive Director of Finance & Public Protection

Report to:	Councillor M J Hill OBE, Leader of the Council (Executive Councillor: Governance, Communications, Commissioning, Finance and Property)
Date:	20 March 2017
Subject:	Treasury Management Strategy Statement and Annual Investment Strategy 2017/18
Decision Reference:	I013030
Key decision?	No

Summary:

The Treasury Management Strategy Statement is an annual statement that sets out the expected treasury activities for the forthcoming year 2017/2018. It is prepared in accordance with the 2011 CIPFA Code of Practice for Treasury Management in the Public Sector, the requirements of which are included as part of Financial Regulations within the Constitution of the Council.

The Annual Investment Strategy is an annual statement that sets out the Council's policies for investing its surplus cash for the year ahead and has been prepared in accordance with the Local Government Act 2003.

Recommendation(s):

That Executive Councillor approval is given to:

(1) The Treasury Management Strategy Statement for 2017/2018, as detailed in Section 2 of Appendix A to this report.

(2) The Annual Investment Strategy Statement for 2017/2018, as detailed in Section 3 of Appendix A to this report.

Alternatives Considered:

Not to approve the Treasury Management Strategy Statement and Annual Investment Strategy 2017/18.

Reasons for Recommendation:

In order to comply with Financial Regulations and best practice in treasury management and investments.

1. Background

The Annual Treasury Management Strategy Statement and Annual Investment Strategy for 2017/18, prepared for consideration and approval, is attached as Appendix A.

Capita Asset Services Ltd, the Council's Treasury advisors, commented on the Strategy Statement and Annual Investment Strategy at the Value for Money Scrutiny Committee on 28th February 2016.

Capita Asset Services were supportive of the Council's Strategy for investments and borrowing for 2017/18 highlighting that it was appropriate given the current interest rate and economic environment. It was also in line with other similar Councils who are clients of Capita, which they have seen. Capita were particularly supportive of the internal borrowing strategy proposed in the report.

2. Legal Issues:

Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

- * Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
- * Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- * Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- * Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic
- * Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it
- * Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding

Compliance with the duties in section 149 may involve treating some persons more favourably than others

The duty cannot be delegated and must be discharged by the decision-maker. To discharge the statutory duty the decision-maker must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is identified consideration must be given to measures to avoid that impact as part of the decision making process

The report details the Treasury Management Strategy for investments and borrowing and the Council's policy for investing surplus cash for the year 2017/18. There are no implications that need to be taken into account by the Executive Councillor.

Joint Strategic Needs Analysis (JSNA) and the Joint Health and Wellbeing Strategy (JHWS)

The Council must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health & Well Being Strategy (JHWS) in coming to a decision

The report details the Treasury Management Strategy for investments and borrowing and the Council's policy for investing surplus cash for the year 2017/18. There are no implications that need to be taken into account by the Executive Councillor.

Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area

The report details the Treasury Management Strategy for investments and borrowing and the Council's policy for investing surplus cash for the year 2017/18. There are no implications that need to be taken into account by the Executive Councillor.

3. Conclusion

The draft Treasury Management Strategy, determining appropriate borrowing and investment decisions, and the Annual Investment Strategy, outlining the Council's policy for investments, has been drafted for 2017/18 in light of the anticipated economic environment and movement of interest rates for the year ahead. Based on officer recommendation, this report is presented to the Executive Councillor with responsibility for Finance for approval in order to comply with Financial Regulations.

4. Legal Comments:

The Council's Financial Regulations require the Council to annually produce a Treasury Management Strategy setting out expected treasury activities in accordance with the requirements of the CIPFA Code of Practice. The strategy statement must be submitted to the Executive Councillor with responsibility for finance for approval prior to the commencement of each financial year.

The Financial Regulations also require the production of an Annual Investment Strategy to ensure that Section 15 (1) of the Local Government Act 2003 is complied with, that is that all authorities must "have regard to guidance on investment issued by the Secretary of State" when investing their surplus cash. The strategy must be approved by the Executive Councillor with responsibility for finance.

This report enables the Council to meet its legal obligations in accordance with the Financial Regulations. The recommendations are lawful and within the remit of the Executive Councillor with responsibility for finance.

5. Resource Comments:

Appendix A to this report sets out the Treasury Management Strategy and Investment Strategy of the Council for the year ahead. The Council requires a Treasury Management Strategy and Investment Strategy for the year ahead in order to comply with Financial Regulations.

6. Consultation

a) Has Local Member Been Consulted?

n/a

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

The Value for Money Scrutiny Committee met on 28 February 2017 and considered a report concerning the Treasury Management Strategy Statement and Annual Investment Strategy 2017/18. The Committee agreed to pass on the following comments to the Executive Councillor as part of his consideration of this item.

- The Authorised Limit for External Debt was a Prudential Indicator calculated internally. Factors considered when calculating this Limit were the existing debt balance, the proposed borrowing requirements and repayments for the next period, future temporary borrowing requirements and the balance of Other Financial Liabilities (including leasing and PFI). A margin of debt was also added to allow for any unforeseen debt required during future periods.

- The Council also set further internal Prudential Limits to ensure that planned borrowing requirements remain prudent, affordable and sustainable. One of these limits was confirmed as no more than 10% of the Council's total net revenue stream should be used to repay debt. The current level of repayment was forecast to be around 6.5% by 2019/20.
- It was queried whether the Council should be minimising its borrowing to match what was required. It was noted that there was always a borrowing requirement each year for the capital programme. This borrowing requirement was met by both external and internal borrowing to minimise debt and investments levels.

d) Have Risks and Impact Analysis been carried out?

Yes

e) Risks and Impact Analysis

Risk & Impact Analysis for Treasury Management forms TMP1 of the Treasury Management Practices, as required by the CIPFA Code of Practice 2011. A Risk Register which details the main risks for Treasury Management has been completed and is reviewed annually. Both the TMPs and the Risk Register are held in the Treasury Files held on IMP at County offices.

7. Appendices

These are listed below and attached at the back of the report	
Appendix A	Treasury Management Strategy Statement and Annual Investment Strategy 2017/18.

8. Background Papers

Document title	Where the document can be viewed
Council Budget 2017/18 -24th Ferbruary 2017	Lincolnshire County Council, Finance & Public Protection
Minimum Revenue Provision -12th January 2009	Lincolnshire County Council, Finance & Public Protection
LCC Treasury Management Policy Statement and Treasury Management Practices	Treasury & Financial Strategy Section, Finance & Public Protection

This report was written by Karen Tonge, who can be contacted on 01522 553639 or karen.tonge@lincolnshire.gov.uk.