

	<p>Performance and Contract Management Committee</p> <p>28 Novemeber 2017</p>
<p>Title</p>	<p>Treasury Management – Mid Year Review</p>
<p>Report of</p>	<p>Director of Resources</p>
<p>Wards</p>	<p>All</p>
<p>Status</p>	<p>Public</p>
<p>Urgent</p>	<p>No</p>
<p>Key</p>	<p>No</p>
<p>Enclosures</p>	<p>Appendix 1 Mid – Year Treasury Management Report</p>
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<p>Summary</p>
<p>Council approved the Treasury Management Strategy Statement (“TMSS”) for 2017-18 on 7th March 2017. The CIPFA Treasury Management Code of Practice requires a mid-year review of activities and compliance with the TMSS. The attached report demonstrates compliance with the limits contained within the TMSS.</p>

<p>Recommendations</p>
<p>The Performance and Contract Management Committee is invited to note the report.</p>

1. WHY THIS REPORT IS NEEDED

- 1.1 The Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (revised 2011) was adopted by this Council on 3 January 2003. The code requires an annual Treasury Management Strategy Statement (“TMSS”) to be approved by Council and

mid-year and annual out-turn reports to be prepared and scrutinised. Attached is the mid-year report for 2017-18.

- 1.2 The mid-year report is designed to discuss treasury progress against the activity projected in the TMSS and compliance with the limits set out therein.
- 1.3 The report indicates that capital expenditure is projected to be significant (£65.5 million) less than estimated in the TMSS and as a consequence the year-end projected gross debt is £394 million compared with the TMSS projection of £504 million. This lower debt projection also factors in reductions in cash balances to reduce the need for borrowing. Currently (as at 10 November) actual debt of £320 million is unchanged from the start of the year.
- 1.4 All the limits, including capital expenditure, borrowing and investment counterparty, set out in the TMSS have been complied with in the period.
- 1.5 Section 9 of the report highlights two issues of interest. Firstly, that CIPFA are consulting on revisions to the code of practice that will bring non-treasury investments within the scope of the 2018-19 TMSS.
- 1.6 Secondly, changes to European regulations, Markets in Financial Instruments Directive, will result in UK local authorities being reclassified to retail from professional investors, with an option to elect for professional status. As discussed in section 9.2 of the report, the Director of Resources has concluded that the procedures in place at the Council are sufficiently robust to enable the Council to forego the additional protections available to retail investors. The disadvantage of retail status is that our fund investments are only available to professional investors and the brokers and treasury advisors we use are not regulated to provide service to retail clients. The Council has made elections for professional status with all advisors, brokers and counterparties. These elections can be reversed at any time. In order to meet the requirements of professional investor status, training will be offered to the Committee (and the Policy & Resources Committee) in advance of seeking approval to the 2018-19 TMSS.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The preparation and review of a treasury management mid-year review is required by CIPFA's treasury management Code of Practice.

3 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 There are no proposed changes to the TMSS and no breaches to report.

4 POST DECISION IMPLEMENTATION

4.1 No action is required by Officers. Preparation of the 2018-19 TMSS is underway.

5 IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The TMSS forms part of the Council's Corporate Plan for 2015-20.

5.2 Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 The report discusses financial and budgetary issues.

5.2.2 There are no performance and value for money, staffing, IT, Property or Sustainability implications arising from this report.

5.3 Social Value

5.3.1 There are no social value issues in connection with the report.

5.4 Legal and Constitutional References

5.4.1 The Council's Constitution – Article 7 specifies the terms of reference of the Performance and Contract Management Committee to include "Specific responsibility for risk management and treasury management performance."

5.4.2 Section 15 of the Local Government Act 2003 requires local authorities 'to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify'. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 in Regulation 24 require local authorities to have regard to the TM Code of Practice. Investment guidance issued by the Department for Communities and Local Government (DCLG) which came into effect from 1st April 2010 requires investment policy to emphasise security and liquidity over income.

5.5 Risk Management

5.5.1 The Council has the freedom to adopt its own treasury management policies. The CIPFA code of practice, which specifies the format and frequency of reporting, is part of the risk management procedures for treasury.

5.6 Equalities and Diversity

5.6.1 Treasury management is concerned with the affordability of borrowing and the

security of investments. Optimising the outcomes from treasury decisions contributes to the overall financial health of the Council.

The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies **to have due regard** to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
- advance equality of opportunity between people from different groups
- foster good relations between people from different groups

The broad purpose of this duty is to integrate considerations of equality and keep them under review in decision making, the design of policies and the delivery of services.

5.7 Consultation and Engagement

5.7.1 The TMSS forms part of the Corporate Plan and is consulted on as part of the plan.

6 BACKGROUND PAPERS

6.1 Full Council, 7 March 2017 – Business Planning, item 11.1 Appendix I

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