

## **WAVERLEY BOROUGH COUNCIL**

**EXECUTIVE - 06 FEBRUARY 2018**

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**Title:**

**TREASURY MANAGEMENT FRAMEWORK 2018/19**

**[Portfolio Holder: Cllr Ged Hall]**

**[Wards Affected: All]**

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**Summary and purpose:**

The Council is required to approve the annual Treasury Management Framework for the following financial year. The framework must comply with the Code of Practice on Treasury Management (the Code) produced by CIPFA, however, the 2018/19 code has not yet been finalised and is awaiting policy changes from Government. Following a review by officers, it is recommended that Council extends the validity of the 2017/18 framework until an updated framework is presented to the Council in April 2018.

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**How this report relates to the Council's Corporate Priorities:**

An effective treasury management function is critical to all Council services in that it ensures financial resources are available at the right time to deliver the Council's priorities and services. It supports the Council's Value for Money priority and is a key element in the management of Waverley's financial resources.

**Equality and Diversity Implications:**

Treasury management provides financial resources to support all services including those which promote equality and diversity.

**Financial implications:**

A sound treasury management policy which achieves an appropriate balance between risk and return is essential to support service provision.

**Legal Implications:**

The current Code of Practice on Treasury Management (the Code) produced by CIPFA supports the provisions of the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) Regulations 2003 and it is expected that local authorities will apply the Code to their individual circumstances.

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**Introduction**

1. The Treasury Management Framework for 2017/18 was approved at February 2017 Council. Treasury management is the management of the Council'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.

2. For Waverley Borough Council this means collecting around £130m per annum and managing a similar amount of revenue expenditure together with an average investment of around £65m each day invested in financial markets and, with the introduction of HRA Self-financing in 2012/13, it now also includes borrowing of £192m and in future this could also include borrowing to support commercial investment.
3. The current version of the code (last updated in November 2011) incorporates the implications of HRA Self-Financing and requirements for the management of risk. The 2018 revised code is expected to require inclusion of information regarding the Council's high level policies for borrowing and commercial investments held for financial return.
4. The CIPFA code requires local authorities to maintain their Treasury Management Policy in accordance with the code, and any of its revisions, and with legislation. It also requires local authorities to determine their Treasury Management strategies, Investment strategies and their Prudential Indicators on an annual basis.
5. During 2017 CIPFA undertook to revise the code through a series of consultations and have delayed the publication of the revised code pending the outcome of the Government's consultation which ended in December 2017 on proposed changes to the prudential framework of capital finance, which includes the Local Authorities Investment Code and MRP Guidance. Publication of the revised code is expected imminently but not in time for the Council to incorporate into its Treasury Management Framework at the February Council meeting.
6. The Council's Medium term Financial Plan includes significant planned investment in commercial property through the recently set up Investment Board which is developing the Property Investment Strategy in conjunction with the Value for Money Overview and Scrutiny Committee. The Council also has ambitions to maximise development of affordable housing within its Housing Business Plan. Professional treasury management advice is currently being obtained to enable the Council to develop a long term strategic financing plan to maximise and optimise financial resources on both General Fund and HRA accounts, including potential debt restructuring, use of cash reserves and borrowing whilst remaining legal and managing risk exposure.
7. Council is requested to extend the adoption of the 2017/18 Treasury Management Framework, until the April Council meeting where it will be requested to adopt a revised framework incorporating the revised CIPFA code, and supported by specialist treasury management advice alongside the Property Investment strategy.

### **Recommendation**

The Executive recommends to the Council that the approved Treasury Management Framework for 2017/18 be extended until the Council meeting on 20 April 2018.

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### **Background Papers**

Treasury Management Framework 2017/18

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