

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

10 October 2018

Report of the Director of Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Council

1 REVISED STATUTORY INVESTMENT GUIDANCE AND TREASURY MANAGEMENT AND PRUDENTIAL CODES OF PRACTICE

The revised Guidance and Codes impose additional requirements on local authorities aimed to address concerns arising from the commercialism agenda, in particular, the use of loans and the purchase of property to generate a profit.

1.1 Introduction

- 1.1.1 Under the Local Government Act 2003 the Council is required to comply with Statutory Guidance on Local Government Investments and through that guidance, have regard to the CIPFA Treasury Management Code of Practice and the CIPFA Prudential Code. Historically the scope of the statutory guidance and the codes was limited to the investment of an authority's cash surpluses and the management of borrowing undertaken to support its capital expenditure plans. Updated statutory guidance and codes have been issued that broaden that scope to include expenditure on loans and the acquisition of non-financial assets (property) intended to generate a profit.

1.2 Statutory Guidance & Codes of Practice

- 1.2.1 A report detailing the changes imposed on the Council through the revised statutory guidance and codes of practice was presented to Audit Committee on 1 October 2018. The report is replicated in full at **[Appendix 1]**.

1.3 Legal Implications

- 1.3.1 The Local Authorities (Capital Finance and Accounting (England) Regulations 2003 require local authorities to have regard to both documents.
- 1.3.2 Under Section 151 of the Local Government Act 1972, the Section 151 Officer has statutory duties in relation to financial administration and stewardship including securing effective arrangements for treasury management.

- 1.3.3 In addition, Link Asset Services are employed to provide independent advice on legislative and professional changes that impact on the treasury management function.

1.4 Financial and Value for Money Considerations

- 1.4.1 A purpose of the Code is to encourage the pursuit of value for money in treasury management, and to promote the reasoned use, development and appreciation of appropriate and practical measures of performance.
- 1.4.2 Performance is monitored against a benchmark return and against other local authorities in Kent and the broader local authority pool via Link's benchmarking service.

1.5 Risk Assessment

- 1.5.1 Link Asset Services are employed to provide advice on the content of the Treasury Management and Annual Investment Strategy and this, coupled with a regular audit of treasury activities ensures that the requirements of the Strategy and the Treasury Policy Statement adopted by this Council are complied with.
- 1.5.2 Credit ratings remain a key tool in assessing risk. It is recognised that their use should be supplemented with sovereign ratings and market intelligence. Appropriate sovereign, group and counterparty limits are established to ensure an appropriate level of diversification.
- 1.5.3 In the light of these safeguards and stringent Treasury Management Procedures it is considered that any risks to the authority implicit in the Treasury Management function have been minimised.

1.6 Equality Impact Assessment

- 1.6.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.7 Recommendations

- 1.7.1 Subject to any comments from the Audit Committee, Cabinet is invited to **recommend** to Council:
- 1) To note the new requirements and disclosures contained in the Statutory Guidance on Local Government Investments 2018 Edition set out at **[Annex 1]**.
 - 2) The four clauses to be formally adopted as set out in the Code and reproduced at **[Annex 2]** be readopted.
 - 3) The Treasury Management Policy Statement as set out in the Code and reproduced at **[Annex 3]** be readopted.

- 4) To note the new statement pertaining to investments that are not part of treasury management activity reproduced at **[Annex 4]**.
- 5) To note the additional paragraphs to be added to the Council's TMPs as set out at **[Annex 5]**.
- 6) To note the additional paragraphs to be added to the Council's Capital Strategy as set out at **[Annex 6]**.
- 7) To note the prudential indicators as set out at **[Annex 7]**.

Background papers:

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Statutory Guidance on Local Government Investments
(3rd Edition) 2018
Treasury Management Code of Practice and Cross-Sectoral Guidance Notes 2017 Edition
Prudential Code 2017 Edition Nil

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