

## **AUDIT AND ACCOUNTS COMMITTEE**

**5 FEBRUARY 2020**

### **TREASURY MANAGEMENT STRATEGY STATEMENT**

#### **1.0 Purpose of Report**

1.1 This report seeks approval for the Treasury Management Strategy, which incorporates the Borrowing Strategy, Investment Strategy, and Treasury Prudential Indicators, updated in accordance with latest guidance.

#### **2.0 Background Information**

2.1 Treasury Management is defined as “The management of the local authority’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.”

2.2 Statutory Requirements:

- It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level that is affordable for the foreseeable future, after taking into account the following issues:
  - Increases in interest payments caused by increased borrowing to finance additional capital expenditure.
  - Any increases in running costs from new capital projects.
- The Local Government Act 2003 (the Act) and supporting regulations requires the Council to ‘have regard to’ the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes to set Treasury Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.
- The Act therefore requires the Council to set out its Treasury Strategy for Borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act). This sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments.

2.3 CIPFA Requirements:

The primary requirements of the Code are as follows:

- The creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities;

- The creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;
- Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy, a Mid-year Review Report and an Annual Report covering activities during the previous year;
- Delegation by the Council of responsibilities for implementing and monitoring Treasury Management Policies and Practices and for the execution and administration of treasury management decisions;
- Delegation by the Council of the role of scrutiny of Treasury Management Strategy and Policies to a specific named body. For this Council the delegated body is the Audit and Account Committee.

2.4 This report seeks approval for the updated Treasury Management Strategy 2020/21 (Appendix A), which encompasses the Treasury Prudential Indicators, the Borrowing Strategy, and the Annual Investment Strategy, in accordance with latest guidance as follows:

- The Treasury Management Strategy determines the manner in which the Council's treasury function is managed;
- The Treasury Prudential Indicators set out the expected capital activities during the financial year (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities). The treasury management prudential indicators are now included as treasury indicators in the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The key indicator is the Authorised Limit, i.e. the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is required by paragraph 3 of the Local Government Act 2003, and is calculated in accordance with the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and the CIPFA Prudential Code.
- The Borrowing Strategy sets out how the Council's treasury service will support the capital decisions taken; the day to day treasury management activity; and the limitations on activity through treasury prudential indicators;
- The Annual Investment Strategy sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

### **3.0 Proposals**

3.1 A copy of the Treasury Management Strategy 2020/21 is attached as an Appendix to this report.

### **4.0 RECOMMENDATION(S)**

That Committee approves each of the following key elements and recommends these to Full Council on 9th March 2020 while noting that as the budgets are still being finalised

some of the figures within the Strategy may alter:

- 4.1 The Treasury Management Strategy 2020/21, incorporating the Borrowing Strategy and the Annual Investment Strategy (Appendix A).
- 4.2 The Treasury Prudential Indicators and Limits, contained within Appendix A.
- 4.3 The Authorised Limit Treasury Prudential Indicator contained within Appendix A.

*Reason for Recommendation(s)*

Not to approve these policies would contravene the requirements of both legislation and good practice. In addition, the Mazars External Auditors may pass comment in their Report to those charged with governance (ISA260).

**Background Papers**

CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2011 Edition and the 2017 revised Edition  
CIPFA Prudential Code Local Government Act 2003  
CIPFA Standard of Professional Practice on Treasury Management

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