

## SOUTH HOLLAND DISTRICT COUNCIL

**Report of:** Portfolio Holder for Finance, Strategy & Partnerships and the Executive Director - Commercialisation (S151)

**To:** Governance and Audit Committee – Thursday 14 January 2021

**(Author:** Sean Howsam – Treasury & Investment Manager (PSPSL))

**Subject:** Treasury Management Policy & Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2021/22.

**Purpose:** To provide pre-decision scrutiny to the strategy being proposed.

### **Recommendation:**

- 1) That the Governance and Audit Committee scrutinise the Treasury Management Policy (**Appendix A**) and the Treasury Management Strategy Statement, Minimum Revenue Provision Policy and Annual Investment Strategy 2021/22 (**Appendix B**) and make any comments and suggestions for consideration by Cabinet on 16 February 2021 and Council on 3 March 2021 when they consider these documents as part of the budget report.

### **1.0 BACKGROUND**

- 1.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3 CIPFA defines treasury management as:  
  
*"The management of the local authority's borrowing, 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."*
- 1.4 The Council's treasury function is undertaken by Public Sector Partnership Services Limited (PSPSL) on behalf of the Council.

1.5 The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The capital strategy is being reported separately.

## 2.0 **SUMMARY**

2.1 There are no proposed changes to the Treasury Management Policy Statement at **Appendix A** and is attached for completeness.

2.2 The Council is required to set out its Treasury Management Strategy Statement, Minimum Revenue Provision Policy and Annual Investment Strategy for the forthcoming year. These outline the Council's strategy for borrowing and its policies for managing its investments and for giving priority to the security and liquidity of those investments. Our strategy statements for 2021/22 are attached at **Appendix B**. The strategy statements cover:

- reporting requirements
- capital prudential indicators 2021/22 to 2024/25
- the borrowing requirement
- the MRP policy
- the use of the Council's resources and the investment position
- prudential and treasury indicators
- treasury limits in force which will limit the treasury risk and activities of the Council
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment policy
- creditworthiness policy
- country limits
- investment strategy

2.3 The strategy document presented to Governance and Audit for scrutiny is currently at draft stage. This is because the future Capital Programme has yet to be finalised and approved by Council. Once this is known the tables within the strategy document shown at **Appendix B** will be amended and considered by Cabinet prior to submission to Council for approval before the commencement of the 2021/22 financial year.

2.4 The Council's strategy statement has been prepared in accordance with the revised CIPFA Treasury Management Code and will require approval by Full Council. In addition there will be a Mid-Year Treasury Report and Annual Report submitted to Governance and Audit Committee. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing

policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

### 3.0 **OPTIONS**

3.1 Members have the option of making comments to Cabinet in respect of the proposed strategy or alternatively making no comments.

### 4.0 **REASONS FOR RECOMMENDATION(S)**

4.1 To comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management.

### 5.0 **EXPECTED BENEFITS**

5.1 The report provides Governance and Audit Members with the proposed Treasury Management Policy and Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2021/22. The report requires scrutiny prior to submitting to Cabinet and Council for approval.

### 6.0 **IMPLICATIONS**

#### 6.1 **Constitution & Legal**

6.1.1 This Council is required to produce a Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy before the commencement of each financial year to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management. The report has no implications which would affect the constitution and does not therefore warrant a further change in the constitution.

6.1.2 Plans and strategies for control of the Council's borrowing, investments, capital expenditure and minimum revenue provision form part of the Council's policy framework and are therefore a non-executive (Council) function under the Council's Constitution.

#### 6.2 **Corporate Priorities**

6.2.1 The Treasury Management Strategy (incorporating the Annual Investment Strategy) aims to achieve the optimum performance from the Council's cash flow, debt and investment operations and effectively control the associated risks. This will help to finance the corporate priorities of the Council.

#### 6.3 **Financial**

6.3.1 Adoption of the proposed Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy will ensure sound financial controls associated with the management of the authority's investments and cash flows, its banking, money market and capital market transactions and safeguard these assets.

#### 6.4 **Risk Management**

6.4.1 The Strategy will put in place measures for the effective control of the risks associated with Treasury Management and the pursuit of optimum performance consistent with those risks. The Council's priority is the security of its investments.

## 6.5 Stakeholders / Consultation / Timescales

6.5.1 This report is being submitted for pre decision scrutiny prior to submission to Cabinet and Council.

6.5.2 Link Group, who are external treasury advisors to the Council, have been consulted in relation to the compilation of this report.

## 7.0 WARDS/COMMUNITIES AFFECTED

7.1 None.

## 8.0 ACRONYMS

CDS – Credit Default Swap

CFR – Capital Financing Requirement

CIPFA – Chartered Institute of Public Finance and Accountancy

DMADF – Debt Management Agency Deposit Facility

HRA – Housing Revenue Account

LIBID – London Interbank Bid Rate

LOBO - Lender Option Borrower Option

MHCLG – Ministry of Housing, Communities and Local Government

MRP – Minimum Revenue Provision

OLTL – Other Long Term Liabilities

PFI – Public Finance Initiative

PSPSL - Public Sector Partnership Services Limited

PWLB – Public Works Loan Board

VRP – Voluntary Revenue Provision

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Background papers:-	None
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### Lead Contact Officer

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**Key Decision:** No

**Exempt Decision:** No

**This report refers to a Mandatory Service**

### Appendices attached to this report:

Appendix A Treasury Management Policy Statement 2021/22

Appendix B Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2021/22.