

AUDIT COMMITTEE	AGENDA ITEM No. 3
24 FEBRUARY 2021	PUBLIC REPORT

Report of:	Pete Carpenter, Director of Resources	
Cabinet Member(s) responsible:	Cllr Seaton, Cabinet Member for Finance	
Contact Officer(s):	Pete Carpenter, Director of Resources Kirsty Nutton, Head of Corporate Finance	Tel. 452520 Tel. 384590

2021/22 DRAFT TREASURY MANAGEMENT STRATEGY (TMS)

RECOMMENDATIONS	
FROM: Pete Carpenter, Director of Resources	Deadline date: 3 March 2021
<p>It is recommended that Audit Committee</p> <p>1. Review and comment on the draft 2021/22 Treasury Management Strategy (TMS) before it is approved as part of the Medium Term Financial Strategy (MTFS) at Full Council in March 2021</p>	

1. ORIGIN OF REPORT

- 1.1 The Treasury Management in the Public Services: Code of Practice 2017 recommends that Members receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.
- 1.2 The annual strategy is approved by Council as part of the MTFS. Members are required to review and approve the strategy to ensure compliance with best practice.

2. PURPOSE AND REASON FOR REPORT

- 2.1 To provide the Treasury Management Strategy 2021/22 to Audit Committee for approval of the policies and Prudential Indicators in line with the consultation timelines for the MTFS.
- 2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.1.15

To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	YES	If yes, date for Cabinet meeting	
Date for relevant Council meeting	3 March 2021 As part of the MTFS process	Date for submission to Government Dept. <i>(Please specify which Government Dept.)</i>	

4. BACKGROUND AND KEY ISSUES

4.1 The Prudential Code underpins the system of capital finance. Local authorities determine their own programmes for capital investment in long term and current assets that are central to the delivery of quality local public services. Prudential indicators are developed as part of the annual MTFS process to ensure that:

- a) Capital investment plans are affordable;
- b) All external borrowing and other long term liabilities are within prudent and sustainable levels; and
- c) Treasury management decisions are taken in accordance with professional good advice.

The 2021/22 – 2023/24 Treasury Management Strategy is contained in Appendix 1 to this report. The Council has continued to operate a restrictive lending list due to the continued economic uncertainty. Surplus cash is only invested for short periods with Barclays, Bank of Scotland (part of the Lloyds Banking Group) and the Churches, Charities and Local Authorities (CCLA) money market fund. The Council also invests with other Local Authorities and the Debt Management Office (DMO).

The Council has continued to borrow to fund the capital programme. Loans have been arranged at interest rates to achieve budget certainty and for varying periods to fit in with the Councils debt maturity profile.

The main changes to the TMS policies from last year's MTFS Treasury Strategy are as follows:

- Changes to the prudential indicators to recognise the deferral of the new Leasing accounting standard (IFRS16).
- Changes to the prudential indicators to recognise the impact of the capitalisation direction.
- An amendment to the Minimum Revenue Provision (MRP) Policy to include how the Council will treat loans to third parties repaid over the life of the loan.
- a revised capital programme profile over the next three years

The strategy presented at this meeting is in draft format as final borrowing assumptions, phasing of the capital programme is refined as part of the final Medium Term Financial Strategy (MTFS) which will be taken to Council on 3 March 2021. It is anticipated that the final indicators will be amended, but overall approach and policy will not be changed from this version.

5. CONSULTATION

5.1 The Council's Prudential Code and Treasury Management Strategy 2021/22 - 2023/24 will undergo a full consultation and go through the scrutiny process as it forms part of the Annual MTFS.

5.2 The Council continues to liaise with its treasury advisors, Link Asset Services.

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 As set out in the report.

7. REASON FOR THE RECOMMENDATION

- 7.1 This report and strategy are presented to the Committee to provide the opportunity to review and approve the policies and Prudential Indicators of the 2021/22 TMS in advance of it being presented to Full Council in March 2021.
- 7.2 There is a statutory requirement for Council to approve the Prudential Indicators as contained in the TMS, and it is in line with best practice for scrutiny to be undertaken on this strategy prior to full approval by Council.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 The Prudential Code and Treasury Management Strategy 2021/22 - 2023/24 is required to be prepared in accordance with the Treasury Management in the Public Services: Code of Practice 2017.

9. IMPLICATIONS

Financial Implications

- 9.1 The assumptions as contained in the TMS have been used to inform the capital financing budget as contained and detailed in the MTFS.

Legal Implications

- 9.2 Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2017, which clarifies the requirements of the Minimum Revenue Provision guidance.

Equalities Implications

- 9.3 None

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 10.1
- The Prudential Code for Capital Finance in Local Authorities –2017 Edition, CIPFA; and
 - Treasury Management in the Public Services, Code of Practice and Cross-Sectoral Guidance Notes – 2017 Edition, CIPFA

11. APPENDICES

- 11.1 Appendix 1 - Treasury Management Strategy 2021/22 to 2023/24 - Including: Minimum Revenue Provision Policy 2020/21 and 2021/22

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