



Report to:	Cabinet	6 February 2024
Lead Cabinet Member:	Councillor John Williams Lead Cabinet Member for Resources	
Lead Officer:	Peter Maddock, Head of Finance	

Treasury Management Strategy

Executive Summary

1. To undertake the annual review of the Treasury Management Strategy and to consider a refreshed version of the Strategy for adoption by the Council.

Key Decision

2. This is not a key decision.

Recommendation

3. **That Cabinet is requested to consider the report and, if satisfied, to recommend to Council the updated Treasury Management Strategy attached at Appendix A to the report which sets the policy framework for the Council's treasury management activity, including (i) the Treasury Management Policy Statement, (ii) Minimum Revenue Provision Policy and (ii) Treasury Indicators.**

Reason for Recommendation

4. To establish and approve an updated Treasury Management Strategy that complies with the Chartered Institute of Public Finance & Accountancy (CIPFA) revised Prudential Code for Capital Finance in Local Authorities.

Details

Treasury Management Strategy

5. Treasury management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
6. In addition to the annual report to Council on the treasury management strategy in advance of the financial year, a quarterly review of treasury management performance and an annual review after the close of the financial year are submitted to the Audit and Corporate Governance Committee for consideration.

7. By adopting the key recommendations of the CIPFA Code, the Council maintains as the cornerstones for effective treasury management:
- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
 - A treasury management strategy, with supporting suitable treasury management practices, setting out the manner in which the Council will seek to achieve the policies and objectives in the treasury management policy statement, and prescribing how it will manage and control those activities.
8. The Treasury Management Strategy was fully reviewed and refreshed as part of the 2023/2024 budget setting process having regard to established guidance and best practice but has now been fully reviewed to ensure that it remains current and compliant with the latest guidance and legislation that has been issued, including the requirements of the 2021 CIPFA Treasury Management Code. An updated version is attached at **Appendix A** with the proposed changes to the version approved by Council on 21 February 2023 identified in red and crossed through text. This includes changes to the Treasury Management Prudential Indicators.

Treasury Management Policy Statement

9. The adopted Treasury Management Strategy incorporates a Treasury Management Policy Statement. This is reproduced below, as amended in the Strategy to ensure that it is appropriate and applicable during 2024/2025:

This statement relates to the management of the Council's borrowing, investments and cash flows, including 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.

The Council has arrangements in place to meet the statutory requirements relating to the Prudential Code for Capital Finance in Local Authorities.

The Council requires that the successful identification, monitoring and control of risk will be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is, therefore, committed to the principles of achieving best value in treasury management and to employing suitable performance measurement techniques within the context of effective risk management.

The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

The Council will have regard to the security and liquidity of its investments before seeking the highest rate of return or yield.

The Council will have regard to Environmental, Social & Governance (ESG) considerations when monitoring performance and making investment decisions. As part of this the Council, as a responsible investor, will work with all Counterparties and Treasury Advisors to promote active ESG policies. The ESG policy objectives are set out in the Responsible Investment Policy at Appendix 1 of the Investment Strategy approved by Council on 30 March 2023.

Treasury Management Arrangements

10. The Head of Finance, as the Council's designated Section 151 Officer, is responsible for implementing and monitoring the Treasury Management Strategy and for establishing effective treasury management practices. The Council has access to specialist advice where appropriate and, in this regard, Link Asset Services have been appointed to provide treasury management advice on developments and best practice in this area and to provide information on the creditworthiness of potential counterparties, deposit and borrowing interest rates and the economy generally.

Options

11. The option of not adopting the revised Treasury Management Strategy is not considered to be appropriate. The CIPFA Code of Practice (2017) requires the Council to approve the Strategy before the start of each financial year. Local politicians and officers operate within local governance frameworks of checks and balances to ensure that decision-making is lawful, informed by objective advice, transparent and consultative.
12. Good governance means that proper arrangements are in place to ensure that an authority's intended treasury management objectives are achieved and establishing a policy framework for the development, management and monitoring of all treasury management activity.

Implications

13. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Financial and Fraud Risk

14. The Treasury Management Strategy and associated Treasury Management Practices set out the parameters by which the Council's treasury management function is operated on a day-to-day basis.
15. There are no additional resource requirements as a result of the refreshed Treasury Management Strategy. The prudential and treasury indicators have been amended to take account of known financial activities.
16. All treasury transaction are created and approved by separate officers to ensure the risk of fraud is minimised as much as possible through the division of duties.

Legal

17. The Local Government Act 2003 provides the legal basis for capital finance, namely a general power to borrow and a duty to set an affordable borrowing limit. The Local

Authorities (Capital Finance and Accounting) Regulations 2003 provides operational detail and specifically states that Authorities must have regard to CIPFA's Prudential Code when setting and reviewing borrowing limits.

18. Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code).
19. The DLUHC have also published a revised Investment Guidance and Minimum Revenue Provision Guidance (both commenced on 1st April 2018). The most notable change is the requirement to expand the Investment Strategy to non-financial assets such as investments in property.

Staffing

20. There are no additional staff resource implications as a result of the refreshed Treasury Management Strategy.

Risk/Opportunities

21. Compliance with the Treasury Management Strategy and associated Treasury Management Practices seeks to mitigate the risks inherent with the treasury management function. The consideration of Security, Liquidity and Yield, in that order, is critical when assessing potential treasury investments.

Equality and Diversity

22. In preparing this report, due consideration has been given to the Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010.
23. It is considered that the report has no relevance to the Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality analysis is not needed. Individual capital bids may, however, have specific equality impacts that need to be considered and evaluated.

Climate Change

24. There are no environmental implications arising directly from the report. The environmental impacts of each capital scheme are considered as part of the implementation stage of a specific project.

Consultation Responses

25. Consultations have been undertaken with the Lead Cabinet Member for Resources and the Council's advisers on financial planning.

Alignment with Council Priority Areas

26. Timely and robust consideration and review of the Council's financial practices, policies and core strategies is vital to ensure that effective financial management arrangements are in place.

Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- HM Treasury Document entitled "Public Works Loan Board: future lending terms – Response to the consultation" issued on 25 November 2020.
- Medium Term Financial Strategy – Report to Council: 30 November 2023
- Medium Term Financial Strategy – Report to Cabinet: 7 November 2023
- Investment Strategy – Report to Cabinet: 20 March 2023
- Investment Strategy – Report to Council: 30 March 2023
- General Fund Budget Report – Report to Cabinet: 6 February 2023
- General Fund Budget – Report to Council: 21 February 2023
- Treasury Management Annual Report 2022/2023 – Report to Audit and Corporate Governance Committee: 12 October 2023
- Mid-Year 2023/2024 Treasury Management Performance Report – Report to Audit and Corporate Governance Committee: 12 October 2023

Appendices

A Treasury Management Strategy

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