

<b>Report to:</b>	Cabinet	6 February 2023
<b>Lead Cabinet Member:</b>	Councillor John Williams Lead Cabinet Member for Resources	
<b>Lead Officer:</b>	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 2017 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 2022/2023 budget setting process having regard to established guidance and best practice and, as such, only minor updates are required. An updated version is attached at **Appendix A** with the proposed changes to the version approved by Council on 22 February 2022 identified in red and crossed through text.

### **Treasury Management Policy Statement**

9. The adopted Treasury Management Strategy incorporates a Treasury Management Policy Statement. This is reproduced below and it is considered that it will remain appropriate and applicable during 2023/2024:

*This statement relates to the management of the Council'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.*

*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.*

*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's primary objective in relation to its investments is to ensure that long term capital is not put at risk but that within acceptable risk parameters the portfolio is managed to ensure that interest is maximised. Liquidity is managed through the use of money market funds with additional access to the liquid PWLB and Local Authority borrowing market.*

*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.*

## **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***

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.

### ***Legal***

16. The statutory framework for the prudential system under which local government operates is set out in the Local Government Act 2003 and Capital Financing and Accounting Statutory Instruments. The framework incorporates four statutory codes:
  - The Prudential Code prepared by the Chartered Institute of Public Finance & Accountancy (CIPFA).
  - The Treasury Management Code prepared by CIPFA.
  - The Statutory Guidance on Local Authority Investments prepared by the Department for Levelling Up, Housing and Communities (DLUHC), formerly the Ministry for Housing, Communities and Local Government (MHCLG).
  - The Statutory Guidance on Minimum Revenue Provision prepared by DLUHC.

17. CIPFA have published a revised Prudential Code (2017 edition) with accompanying Guidance Notes for Practitioners (2018 edition) and the Treasury Management Code (2017 edition).
18. The DLUHC have also published a revised Investment Guidance and Minimum Revenue Provision Guidance (both commenced on 1<sup>st</sup> April 2018). The most notable change is the requirement to expand the Investment Strategy to non-financial assets such as investments in property.

### ***Staffing***

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

### ***Risk/Opportunities***

20. 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***

21. 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.
22. 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***

23. 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***

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

### ***Alignment with Council Priority Areas***

25. 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 Cabinet: 12 December 2022
- Medium Term Financial Strategy – Report to Scrutiny: 15 December 2022
- Investment Strategy– Report to Cabinet: 6 December 2021
- General Fund Budget Report – Report to Cabinet: 2 February 2022
- General Fund Budget – Report to Council: 22 February 2022
- Treasury Management Annual Report 2021/2022 – Report to Audit and Corporate Governance Committee: 29 September 2022
- Mid-Year 2022/2023 Treasury Management Report – Report to Audit and Corporate Governance Committee: 1 December 2022

## Appendices

A Treasury Management Strategy

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