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| Title of Report | TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22 AND PRUDENTIAL INDICATORS 2021/22-2023/24 | |
| Presented by | Councillor Nicholas Rushton Corporate Portfolio Holder | |
| Background Papers | Treasury Management Strategy Statement 2021/22 and Prudential Indicators 2021/22-2023/24 – Cabinet 2 February 2021 | Public Report: Yes |
| Financial Implications | Interest earned on balances and interest paid on external debt impact on the resources available to the authority. During 2020, income earned on investments has been significantly less than in previous periods due to the reduction in the base rate by the Bank of England. The impact on the UK from coronavirus coupled with its exit from the European Union and arrangements with regard to future trading with Europe are projected to remain a major influence on the Authority's treasury position in 2021/22. Signed off by the Section 151 Officer: Yes | |
| Legal Implications | None. Signed off by the Monitoring Officer: Yes | |
| Staffing and Corporate Implications | None. Signed off by the Deputy Head of Paid Service: Yes | |
| Purpose of Report | To seek approval of the Treasury Management Strategy, Statement, the Prudential Indicators and the Annual Minimum Revenue Provision Statement. | |
| Recommendations | THAT COUNCIL APPROVES THE TREASURY MANAGEMENT STRATEGY STATEMENT 2021/21, TREASURY MANAGEMENT PRUDENTIAL INDICATORS – REVISED 2020/21 AND 2021/21-2023/24 AND THE ANNUAL MINIMUM REVENUE PROVISION STATEMENT. | |

1.0 INTRODUCTION

- 1.1 Local Authorities are required to approve a treasury management strategy (TMSS) and an investment strategy before the start of each financial year, in line with the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services Code of Practice 2017 Edition (the CIPFA Code).

- 1.2 CIPFA have responsibility for the Treasury Management Code of Practice and Prudential Code. The Ministry for Housing, Communities and Local Government (MHCLG) is responsible for preparing the guidance on Local Authority Investments and the guidance for Minimum Revenue Provision.
- 1.3 Investments held for service purposes or for commercial profit are considered in the Investment Strategy Report which is a separate item on the same agenda at this item.
- 1.4 In accordance with MHCLG Guidance, Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which the statement is based, change significantly.
- 1.5 CIPFA has defined Treasury Management as 'the management of the organisation's investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with these activities, and the pursuit of optimum performance consistent with those risks'.
- 1.6 This report fulfils the council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code and MHCLG Investment guidance. All treasury activity will comply with relevant statute, guidance and accounting standards.
- 1.7 The TMSS (Appendix 1) sets out:
 - a) Organisational roles and responsibilities (section 2).
 - b) The role of the Authority's treasury advisor (section 3).
 - c) Reporting and monitoring of treasury management activity (section 4).
 - d) Background information used to determine borrowing and investment requirements (sections 5 and 6).
 - e) Borrowing (Appendix A) and debt rescheduling (Appendix B) strategies. Total Authority's interest payments on existing debt are estimated at £2,663,301 in 2021/22.
 - f) Treasury Management Investment Strategy (Appendix C). Security of capital is the first and most important investment policy objective.
 - g) Apportionment of Interest Strategy (Appendix D). Total investment income is estimated at £9,255 in 2021/22 (General Fund - £5,875, HRA - £3,380).
 - h) Treasury Management and Prudential Indicators for 2021/22 to 2023/24 (Appendix E). These are designed to monitor borrowing limits, debt levels and investment returns.
 - i) Annual Minimum Revenue Provision Statement for 2021/22 (Appendix F). General Fund MRP is estimated at £997,551.
- 1.8 The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities.
- 1.9 To enable the council to maintain 'Professional' status, it is required under the MiFID (Markets in Financial Instruments Directive 2004/39/EC) regulations to maintain an investment level of at least £10 million. It is the intention of the council to maintain balances at this level for investment, to allow it to continue to access the full range of investment options that it currently has access to and this position will be monitored on an ongoing basis. Should the council drop below the £10 million investment limit, it would no longer be able to access investments including but not limited to shares,

bonds, debentures, units in collective investment schemes and money market funds.

- 1.10 The balance sheet forecasts indicates that only £5 million would be available for investment in 2021/22 and will therefore require short term borrowing to maintain 'Professional Status' based on a £10 million minimum investment. Forecasts show the borrowing will also be required in future years to maintain the status. The council's cash flow is monitored daily for significant movements in expenditure and income. This provides a forecast of daily cash balances which determines any scope for investment as well as the need for short term borrowing. Any short term borrowing requirement for this purpose will require authorisation by the Head of Finance.
- 1.11 Finally, officers continue to monitor the Bank of England base rate and predicted forthcoming fluctuations, including negative rates projections. To date, the Council has been exposed to negative interest in its short term investment options. Officers will continue to seek to avoid placing negative interest bearing investments insofar as is possible, whilst ensuring that the balance of security, liquidity and yield is optimised in accordance with the Treasury Management Strategy Statement set out in Appendix 1. Quarterly updates on treasury management activity will continue to be presented to the Audit and Governance Committee members.

| Policies and other considerations, as appropriate | |
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| Council Priorities: | The Strategy assists the Council to achieve all its priorities. |
| Policy Considerations: | None |
| Safeguarding: | Not applicable |
| Equalities/Diversity: | Not applicable |
| Customer Impact: | Not applicable |
| Economic and Social Impact: | Not applicable |
| Environment and Climate Change: | Not applicable |
| Consultation/Community Engagement: | Corporate Scrutiny Committee – 6 January 2021 Cabinet – 2 February 2021 |
| Risks: | Borrowing and investment both carry an element of risk. This risk is moderated through the adoption of Treasury and Investment Strategies, compliance with the CIPFA Code of Treasury Management and the retention of Treasury Management advisors (Arlingclose) to offer expert advice. |
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