

Report for:	<b>Shadow Executive</b>
Meeting Date:	<b>28th January 2020</b>

<b>Title of Report:</b>	<b>Treasury Management Strategy</b>
Shadow Portfolio Holder	Katrina Wood
Responsible Officer	Richard Ambrose
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<b>Recommendations:</b>	<b>Shadow Executive is asked to CONSIDER and APPROVE the draft Treasury Management Strategy for the new Council.</b>
Corporate Implications:	The Council is legally obliged to produce an annual Treasury Management Strategy.
Options: (If any)	N/A
Reason:	N/A

## 1. Purpose of Report

- 1.1 The draft Treasury Management Strategy for the new Buckinghamshire Council is presented to the Shadow Executive for consideration and comment.

## 2. Executive Summary

- 2.1 Treasury risk 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 Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

## 3. Treasury Management Strategy

- 3.1 The draft Treasury Management Strategy is attached for consideration and covers the statutory requirements, reporting arrangements, economic context, borrowing strategy, investment strategy, prudential and treasury performance indicators.
- 3.2 The Council's investment priorities are the security of capital and liquidity of its investments. The Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity. The effective

management and control of risk are prime objectives of the Council's treasury management activities.

- 3.3 The strategy and borrowing limits reflect the draft Capital Programme and Medium Term Financial Plan, but may need to be updated if there are any changes made before being finally approved by Council.
- 3.4 The recent 1% additional margin on PWLB Rates has led to Treasury advisors to suggest that those authorities that can sensibly delay long-term funding do so and select short-term loans from other local authorities in the interim. It also means that although traditionally the Council would have borrowed from the PWLB, other borrowing options could now come into play including the Municipal Bond Agency, although this would be subject to approval by Cabinet before being undertaken.
- 3.5 HM Treasury are clearly concerned about the overall level of local authority debt and this is a situation that the Council will need to monitor closely, together with the Council's Treasury advisors.
- 3.6 The Council monitors the Treasury Management risk using indicators that cover 3 areas of risk: Security; Liquidity and Interest Rate Exposure.
- 3.7 For the existing 5 legacy councils, as at 31<sup>st</sup> December 2019, the total combined borrowing was £333.7m (mainly £301.2m PWLB borrowing and £30m LOBOs) and the combined investments totalled £192.6m (£107.4m with UK institutions, £3m non-UK institutions, £61m Money Market Funds and £21.2m in a Property Fund), giving net borrowing of £141.1m. The Council may pre-fund future year requirements, providing it does not exceed the authorised limit for gross borrowing of £630m.
- 3.8 From an investment perspective, risk exposure is managed by setting limits for approved investment counterparties based on their credit rating and the type of bank security.

#### **4. Financial Implications**

- 4.1 There are no direct financial implications as a result of this strategy.

#### **5. Legal Implications**

- 5.1 The Treasury Management Strategy fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

#### **6. Other Key Risks**

- 6.1 There are no direct risks associated with the strategy. The strategy helps to mitigate financial risks from the Council's treasury management activity.

#### **7. Dependencies**

- 7.1 There are no dependencies as a direct consequence of the strategy although there are elements of the strategy that are dependent upon an agreed draft capital programme and input from external Treasury advisors which requires the draft capital programme information and the Council's planned use of reserves as part of the

MTFP process. This strategy is necessarily an early draft that will need updating further.

**8. Consultation**

8.1 Not Applicable.

**9. Communications Plan**

9.1 The strategy will need to be communicated as part of the communication of the suite of strategies that are developed for the new Council.

**10. Equalities Implications**

10.1 No equalities impact assessment is required.

**11. Data Implications**

11.1 No Data Protection Impact Assessment is required.

**12. Next Steps**

12.1 The Treasury Management Strategy will go onto full Council for approval.

<b>Background Papers</b>	None
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