

## Executive

**Date: 19<sup>th</sup> February 2021**

**Report by: Councillor Geoffrey Williamson, Deputy Leader & Executive Member for Financial Sustainability**

**Report title: Treasury Management and Annual Investment Strategy 2021/22**

**Ward(s) affected: All;**

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## Summary

The report contains the Council's recommended Treasury Management and Annual Investment Strategy for 2021/22.

## RECOMMENDATIONS FOR EXECUTIVE:

**Executive is recommended to recommend to Full Council:**

- (a) The Treasury Management and Annual Investment Strategy 2021/22 at Appendix A to this report is approved;**
- (b) The Prudential Indicators at Appendix B are approved.**

## 1.0 Proposal(s)

- 1.1 This report proposes the Council's Treasury Management and Annual Investment Strategy 2021/22 for approval by Full Council.

## 2.0 Background

- 2.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing security and adequate liquidity always

before considering investment return.

- 2.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 2.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 2.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.
- 2.5 This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 2.6 This activity is currently supported by the council's appointed independent advisors – Link Asset Services.

### **3.0 Reason(s)**

- 3.1 The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.
- 3.2 Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report is forward looking and covers:
  - the capital plans, (including prudential indicators);
  - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
  - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
  - an investment strategy, (the parameters on how investments are to be managed).
- 3.3 A mid-year treasury management report – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.
- 3.4 An annual treasury report – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.
- 3.5 The above reports are required to be adequately scrutinised before being recommended to the Council.
- 3.6 Prudential Indicators are included in Appendix 'A': Treasury Management Strategy and Annual Investment Strategy 2021-22 which are designed to assist members' overview and confirm capital expenditure plans.
- 3.7 Please also refer to the Credit and Counterparty Risk

Management paragraph 5.4 and Approved Countries List paragraph 5.5.

- 3.8 For clarity and transparency, all the Prudential Indicators and the creditworthiness policy and counterparty limits which Council is being asked to approve are summarised in Appendix B.

#### **4.0 Options**

- 4.1 Update the Treasury Management Strategy as required, at least once annually.

#### **5.0 Risks**

- 5.1 Risks are discussed in detail, within the Treasury Management Strategy, including the uncertainty around future funding, both from Government and other areas.

#### **6.0 Implications/Consultations**

- 6.1 The Strategy and Prudential Indicators were subject to scrutiny by Audit and Governance Committee on 10 February 2021 and there were no proposed amendments to the Strategy or Prudential Indicators.

#### **Community Safety**

No

#### **Data Protection**

No

#### **Equalities**

No

#### **Environmental Sustainability**

The Council's Treasury operations are limited by statute to term deposits, money market funds and banks. It is not possible to have an ethical investment strategy as there is no way to trace the use of,

say, a five day Term Deposit with Barclays Bank who may use that cash to pay customers, some of whom would potentially be seen as unethical, e.g. oil companies, weapons manufacturers etc.

### **Financial**

All financial implications are included in this report.

### **Health and Safety**

No

### **Human Resources**

No

### **Human Rights**

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### **Legal**

All statutory requirements have been considered in preparing this report

### **Specific Wards**

No

## **7.0 Background papers, appendices and other relevant material**

- 7.1 Appendix A - East Herts District Council Treasury Management Strategy 2021/22 Onwards
- 7.2 Appendix B - Prudential Indicators 2021/22 for Approval

**Contact Member**

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