

## **Audit & Governance Committee**

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**Date of Meeting:** 11 November 2020

**Report Title:** Draft Treasury Management Strategy and Minimum Revenue Provision Statement 2021/22

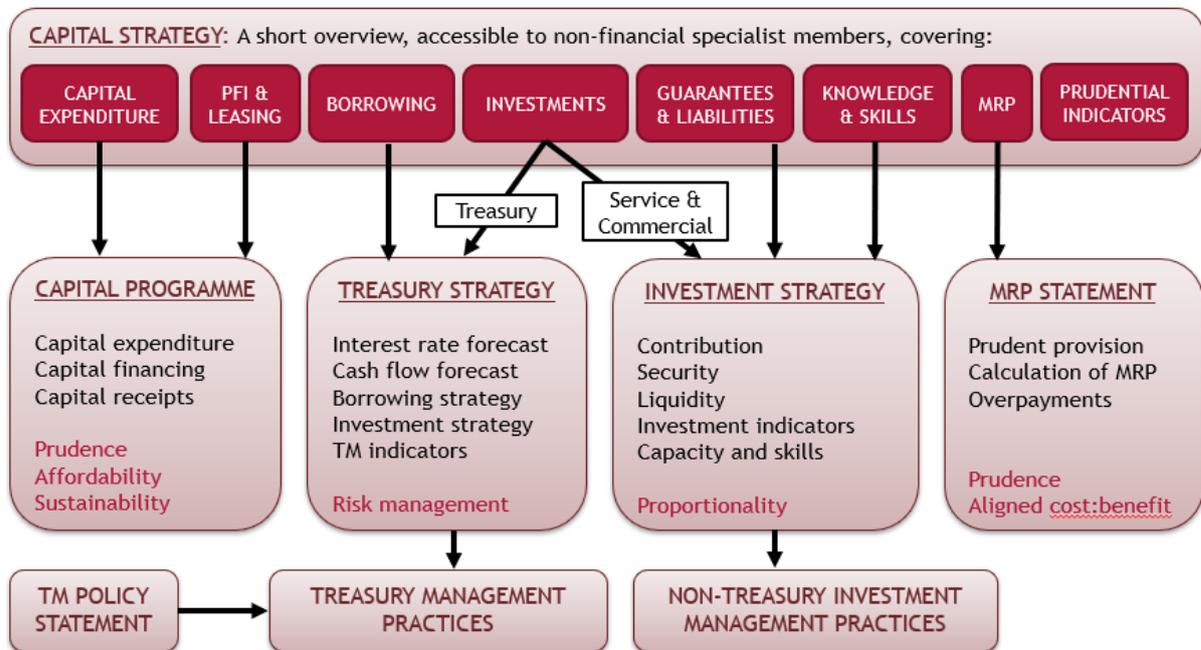
**Senior Officer:** Alex Thompson, Director of Finance & Customer Services

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### **1. Report Summary**

- 1.1. The purpose of this report is to update Members on the contents of the Council's draft Treasury Management Strategy and the Minimum Revenue Provision (MRP) Statement.
- 1.2. The CIPFA Treasury Management Code of Practice requires all local authorities to make arrangements for the scrutiny of treasury management. This responsibility has been nominated to the Audit & Governance Committee.
- 1.3. The Treasury Management strategy is an important element in the overall financial health and resilience of Cheshire East Council. The strategy focuses on the management of the Council's investment 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. Treasury risk management 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 Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.4. The balance sheet forecast and liability benchmark in Section 3 will be updated when the capital programme is agreed, therefore the Strategy is currently in a draft stage.

- 1.5. The Treasury Management Strategy forms part of a range of financial strategies which will be reported as part of the Medium-Term Financial Strategy to Cabinet on 2<sup>nd</sup> February 2021 and then on to Full Council for approval on 17<sup>th</sup> February 2021.



Source: Arlingclose Strategy Report Templates

## 2. Recommendation/s

- 2.1. To note the draft Treasury Management Strategy and the MRP Statement for 2021/22 set out in Appendix A.

## 3. Reasons for Recommendation/s

- 3.1. The report presents the 2021/22 draft Treasury Management Strategy Statement (TMSS), required under Part 1 of the Local Government Act 2003.
- 3.2. The Treasury Management Strategy details the activities of the Treasury Management function in the forthcoming year 2021/22. The Strategy reflects the views on interest rates of leading market forecasts by Arlingclose, the Council's advisor on treasury matters. It also includes the Prudential Indicators relating to Treasury Management.

## 4. Other Options Considered

- 4.1. None.

## **5. Background**

- 5.1. The treasury management team work closely with the Council's advisors Arlingclose to gain the maximum benefit from their expertise and guidance, including benchmarking performance against other local authorities.
- 5.2. The Treasury Management Strategy takes into account future borrowing requirements, based on the Council's four year spending plans, projected cash flow requirements and money market opportunities. The aim is to maintain control over borrowing activities, with particular regard for longer term affordability; but also to allow sufficient flexibility to respond to changes in the capital and money markets as they arise.

## **6. Implications of the Recommendations**

### **6.1. Legal Implications**

- 6.1.1. As noted in paragraph 4.53 of the Finance Procedure Rules in the Council's Constitution, the Council has adopted CIPFA's *Code of Practice for Treasury Management in Local Authorities* as this is recognised as the accepted standard for this area. Paragraphs 4.54 – 4.58 provide further information relating to treasury management practice, and the Code itself will have been developed and based upon relevant legislation and best practice. This report will be presented to Cabinet under rule 4.58.

### **6.2. Finance Implications**

- 6.2.1. Contained within the report.

### **6.3. Policy Implications**

- 6.3.1. The treasury management strategy has been prepared in accordance with the Treasury Management Policy Statement and Treasury Management Practices (TMPs).

### **6.4. Equality Implications**

- 6.4.1. None.

### **6.5. Human Resources Implications**

- 6.5.1. None.

### **6.6. Risk Management Implications**

6.6.1. The Council operates its treasury management activity within the approved Treasury Management Code of Practice and associated guidance.

6.6.2. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy as no treasury management activity is without risk. The aim is to operate in an environment where risk is clearly identified and managed.

6.6.3. To reduce the risk that the Council will suffer a loss as a result of its treasury management activities down to an acceptable level a number of risk management procedures have been put in place. The procedures cover liquidity risk, credit and counterparty risk, re-financing risk, legal and regulatory risk, and fraud, error and corruption risk. These are referred to within the borrowing and investment strategies, prudential indicators and the Treasury Management Practices Principles and Schedules.

6.6.4. The arrangements for the identification, monitoring and controlling of risk will be reported on a regular basis in accordance with the Strategy.

#### **6.7. Rural Communities Implications**

6.7.1. None.

#### **6.8. Implications for Children & Young People / Cared for Children**

6.8.1. None.

#### **6.9. Public Health Implications**

6.9.1. None.

#### **6.10. Climate Change Implications**

6.10.1. None.

### **7. Ward Members Affected**

7.1. Not applicable.

### **8. Access to Information**

8.1. The background papers relating to this report can be inspected by contacting the report writer.

## 9. Contact Information

9.1. Any questions relating to this report should be directed to the following officer:

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Appendix A - Treasury Management Strategy Statement 2021/2022