

Subject:	Treasury Management Strategy & Treasury Management Practises	Status:	For Publication
Report to:	Council	Date:	28 th February 2023
Report of:	Chief Finance Officer	Lead Member:	Resources
Key Decision:	<input checked="" type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	General Exception	<input type="checkbox"/> Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	No	Attached: No
Biodiversity Impact Assessment	Required:	No	Attached: No
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RECOMMENDATIONS

Cabinet recommends that Council approves:-

- 1.1. **The Treasury Management Strategy Statement and the Treasury Management Policy and Practises.**
- 1.2. **To delegate any further minor amendments to the Chief Finance Officer in consultation with the Lead Member for Resources.**

2. PURPOSE OF REPORT

The purpose of the report is to obtain Cabinet approval of the updated Treasury Management Strategy Statement (TMS) and Treasury Management Policy and Practises (TMP).

3. BACKGROUND

- 3.1 This is an annual update of the Treasury Management Strategy Statement (Appendix 1) and the Treasury Management Policy and Practices (Appendix 2), based upon the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management and Prudential Codes 2021.
- 3.2 Treasury management is concerned with how organisations manage their cash resources and its scope covers borrowing, investment and hedging instruments and techniques. Risk is inherent in all treasury management activities and it is necessary to balance risk and return. In the public services it is generally considered that the priority is to protect capital rather than maximize return.
- 3.3 The Treasury Management Strategy for 2023/24 at Appendix 1 is written in conjunction with both the revenue budget for 2023/24 and the Capital Strategy and Capital Programme 2023/24 to 2026/27 which are also being placed before members for consideration, specifically in respect of the TMSS at Appendix 1:
 - Capital Strategy at 1.2.1
 - Capital Expenditure at 2.1 and 5.1.1
 - The Capital Financing Requirement (CFR) at 2.2
 - Minimum Revenue Provision (MRP) and Voluntary Revenue Provision (VRP) at 2.5
 - Interest expenditure and income at 5.1.2
 - Credit Worthiness Policy at 4.2

3.4 The interest rates quoted at paragraphs 3.3 and 5.2 of the strategy reflect the average of samples gathered by Link Asset Services as at the 20th December 2022 from city and non-city forecasters, including HM Treasury. The forecasts are an estimate based on today's financial climate. Whilst forecasters are comparatively confident about their estimates for the coming financial year, those for longer term are far less reliable.

3.5 The Treasury Management Strategy Statement covers:

- treasury controls and reporting mechanisms required to limit the treasury risk and activities of the Council
- the current and expected cash and reserve balances (2.4)
- the borrowing requirement and borrowing limits (3.1)
- prospects for interest rates (3.3)
- policy on borrowing in advance of need (3.5)
- the investment strategy and expected rates of return (4.4)
- Prudential Indicators and the MRP strategy (5.1)
- treasury management scheme of delegation (5.6) and the relevant roles and responsibilities of delegated officers (5.7)

3.6 As part of the council's budget-setting work the estimates of future interest rates, capital resources and expenditure and capital financing costs (through the Minimum Revenue Provision) have been included in arriving at a balanced budget for 2023/24.

3.7 The Treasury Management Policy and Practices at Appendix 2 provide further operational detail on the plans within the Treasury Management Strategy Statement. For 2023/24 there have been only very minor amendments to the Treasury Management Policy and Practises to cover the works with related parties and subsidiaries and to keep it in line with updates in the TMSS above.

3.8 The Treasury Management Practises cover :

- risk management arrangements and techniques
- performance measurement
- decision making and operational controls within the day to day administration of treasury and cash flow management
- measures to prevent money laundering
- training requirements for staff included within the delegation arrangements in the Treasury Management Strategy Statement
- further details on the use of external service providers

3.9 At times of low interest rates from banks, one alternative use of resources open to the council is the pre-payment of revenue creditors in order to achieve early payment discounts. These transactions are not treated as investments, therefore do not fall under the TMS or TMPs in the appendices attached. However, the same considerations of risk and reward should be considered prior to entering into any such agreement. The Chief Finance Officer must be sure of the nature and obligation of the future transactions, their expected value and the credit worthiness of the supplier/counterparty involved.

4. RISK

4.1 The key risks associated with the strategy include:

- An unexpected increase in bank base rates.
- Agreeing the accounting treatment with external auditors.
- An unexpected reduction in cash balances. Each individual opportunity would be assessed on its own merits and reported to members at the next available

opportunity.

4.2 All the issues raised and the recommendations in this report involve risk considerations as set out below:

- Failure to comply with legal statute, Codes of Practice and regulations of the council.
- Financial risks and credit risks exposure as a result of treasury management decisions. The TMS lays the ground rules for balancing the desire to maximize interest earning capacity with the potential risks of investments in the financial sector, especially in the current economic climate.

5. FINANCE

Financial matters are dealt within the report.

6. LEGAL

There are no material implications.

7. POLICY AND EQUALITIES IMPLICATIONS

7.1 Consultation has taken place with the council's treasury management advisors - Link Asset Services.

7.2 Officers have ensured that the documents attached meet the requirements of the current CIPFA revised Treasury Management Code of Practice and revised Prudential Code 2021 by adopting the proforma documents provided by Link Asset Services with only minor adaptations for local considerations.

8. CONCLUSIONS

8.1 Following consideration at Full Council, Members are asked to approve the adoption of the updated Treasury Management Strategy Statement and Treasury Management Policy and Practises, which will ensure continued compliance with the Code and continue to manage the council's exposure to financial risk.

8.2 In light of the current economic climate and resultant changing cash flow requirements, Members are asked to delegate any minor amendments required within year to the Chief Finance Officer in consultation with the Lead Member for Resources.

Background Papers

Document	Place of Inspection
Template TMSS and TMPs provided by Link Asset Services	Financial Services and Link website (client area)
Previously adopted 2022/23 TMS & TMP	Website: Full Council February 2022