

**Audit, Risk and Governance Committee**  
Meeting to be held on Monday, 28 January 2019

Electoral Division affected:  
(All Divisions);

**Treasury Management Strategy and Investment Strategy 2019/20**  
(Appendices 'A' and 'B' refer)

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**Executive Summary**

This report proposes at appendix 'A' the treasury management strategy for 2019/20. The treasury management strategy is required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice to be approved annually. It includes the council's borrowing and investment strategies for treasury management purposes and the treasury management prudential indicators which seek to ensure that borrowing levels remain both sustainable and affordable.

The non-treasury investment strategy is a new requirement under the Ministry of Housing, Communities and Local Government (MHCLG) investment guidance issued in 2018. This covers investments which are not held for treasury management purposes but are held primarily or partially to generate a profit and is proposed at appendix 'B'.

**Recommendation**

The Audit, Risk and Governance Committee is asked to recommend that Full Council approves the treasury management strategy and the non-treasury investment strategy for 2019/20, set out at appendices 'A' and 'B' respectively.

**Background and Advice**

Treasury management is the management of the council's investments and cash flows, its banking, money market and capital market transactions; it also includes the effective control and management of the risks associated with these activities, ensuring that the council gets the best performance within acceptable risk parameters.

The treasury management strategy at appendix 'A' sets out the council's approach to ensuring the security and liquidity of its investments, whilst having regard to investment returns in order to protect the value of the funds. It also outlines the

council's strategy for financing capital expenditure, with the aim of securing the required funds at the lowest possible rate.

Although the impact of treasury management decisions are considered over the long term, there is a requirement for the strategies to be approved annually. The treasury management strategy is broadly similar to that adopted in 2018/19 however greater detail is provided this year on the business reasons for holding the different investments in accordance with new accounting regulations. There are also some changes to limits for investing with other local authorities, proposed limits now being as under 2 years, 2-10 years and over 10 years rather than the under 4 and over 4 years used in 2018/19.

During 2018 the Ministry of Housing, Communities and Local Government (MHCLG) issued updated statutory guidance on local government investments. MHCLG have been concerned that local authorities are exposing themselves to too much financial risk through borrowing and investment decisions. This guidance was issued to reflect that some local authorities are investing in non-financial assets with the primary aim of generating profit and others entering into very long term investments or providing loans for regeneration purposes. These concerns have been echoed in a statement from CIPFA. The MHCLG guidance therefore requires an investment strategy which provides an indication of the authorities' exposure to these risks. The council's proposed strategy is included at appendix 'B' to this report.

## **Consultations**

Arlingclose, the county council's external treasury management advisers, have provided advice in the formulation of the proposals.

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

The council, having adopted the "Prudential Code", is required to prudently manage its investments and borrowing. A failure to do so could expose the council to undue financial risks.

**Local Government (Access to Information) Act 1985**  
**List of Background Papers**

Paper	Date	Contact/Tel
Chartered Institute of Public Finance and Accountancy Treasury Management Code of Practice	2018	Paul Dobson (01772) 534740
Ministry of Housing, Communities and Local Government statutory guidance on local authority investments	2018	Paul Dobson (01771) 534740

Reason for inclusion in Part II, if appropriate

N/A