

## **TREASURY MANAGEMENT STRATEGY STATEMENT 2019/20**

### **PURPOSE OF THE REPORT**

1. This report introduces the draft Treasury Management Strategy Statement (TMSS) which covers the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Communities and Local Government (CLG) Minimum Revenue Provision (MRP) Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.
2. The Police and Crime Commissioner (PCC) is required to approve the TMSS prior to the start of the new financial year and he has requested that it should be considered by this Committee prior to the final submission for approval.

### **BACKGROUND**

3. The Prudential Code for Capital Finance in Local Authorities (the Prudential Code) underpins the system of capital finance. It allows local authorities, including police and crime commissioners, to determine their own programmes for capital investment. The Prudential Code was developed as a professional code of practice to support this decision making process. Local authorities and PCCs are required by Regulation to have regard to the Prudential Code when carrying out their duties in accordance with the Local Government Act 2003.
4. The objectives of the Code are to ensure that when decisions on strategic planning, asset management and capital investment are made authorities, including PCCs, operate within a clear framework to satisfy themselves that investment plans are considered affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that these objectives have been fulfilled the Code sets out indicators that must be used and the factors that must be taken into account. It does not however suggest individual limits, these are matters for local authorities and PCCs themselves.
5. Prudential indicators required by the Code are designed to support and record local decision making in a manner that is publicly accountable.
6. The Code was revised in 2017, together with the MRP and investment guidance. It details the procedure for setting and revising prudential indicators. The PCC who sets the budget must determine and set them reflecting budget decisions and approve them before the start of the financial year.

7. The guidance seeks to ensure that treasury management decisions give priority to security and liquidity as opposed to yield. It also recommends that investment strategies are considered at the start of each year. Revised strategies can be submitted at other times if changing circumstances mean that changes are required. Strategies should be published. It must be noted that local authorities, including PCCs, should not rely just on credit ratings but should also consider other information on credit risk. Strategies should comment on the use of treasury management consultants and also comment on money borrowed in advance of spending needs.
8. As previously reported, the revisions to the guidance were aimed primarily at authorities engaging in non-treasury management activity e.g. investment in property. The PCC continues to have no dealings of this nature and none are proposed.
9. The TMSS refers again to the need for a Capital Strategy which is a new requirement for 2019/20. This is in the course of being prepared and will be submitted to the PCC for approval prior to the start of the new financial year. The Capital Strategy will incorporate aspects of the TMSS.
10. Treasury management consultants, Link Asset Services have provided a template for the format for the TMSS and this has been used in preparing the attached Appendix.
11. The TMSS for 2018/19 was approved by the PCC in March 2018, including a policy statement.
12. The Treasury Management Policy Statement for 2019/20 is set out below:-
  - *Treasury management activities are defined as:-*

*'The management of the organisation's borrowing, investments 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'*
  - *The PCC regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.*
  - *The PCC acknowledges that effective treasury management will provide support towards the achievement of his business and service objectives. He is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.*
13. The TMSS includes details of the recommended MRP policy. No change to the current policy is proposed at this stage.

## **INFORMATION**

14. The draft Treasury Management Strategy Statement for 2019/20 is attached at Appendix 1.

## **OPTIONS, RISKS AND OPPORTUNITIES**

15. The PCC must have regard to the Treasury Management Code and so it has been established that this does not need to be formally adopted. CLG guidance in relation to investments must also be taken into consideration alongside that on MRP.
16. The PCC is required to agree a Treasury Management Policy Statement and to have set out details of Treasury Management Practices in place to manage day to day activities.
17. The draft TMSS provides detailed information in relation to risks associated with treasury management activity and proposed mitigating actions. It acknowledges that the risk cannot be entirely eliminated but the Statement and the procedures detailed within it are intended to limit the PCC's exposure to unforeseen and unbudgeted financial consequences of treasury management activity.

## **POLICING PLAN AND PERFORMANCE**

18. Effective treasury management arrangements are an important factor in ensuring that the Force and the OPCC operate efficiently and seek to contribute to the delivery of the Police and Crime Plan by seeking to make the best use of resources.

## **IMPACTS OR LINKS WITH COLLABORATION**

19. The PCC's Finance Team is continuing to carry out the treasury management function for the PCC for South Yorkshire under a service level agreement.

## **FINANCIAL IMPLICATIONS**

20. The report sets out details of the steps being taken to ensure that the PCC operates within a clear framework in relation to its treasury management activity both in relation to lending and borrowing.
21. The Prudential Indicator for Capital Expenditure is supported by detailed information on the capital programme set out in the Medium Term Resource Strategy (MTRS) 2019/20 -2023/24 that supported the PCC's proposal to increase the precept for 2019/20.
22. The MTRS and report on the precept proposal were considered by the Police and Crime Panel at its meeting on 5 February 2019. The proposal was unanimously supported by the Panel and further details of the discussions at that meeting will be reported elsewhere on the agenda.

23. There are no immediate financial implications in relation to the issues raised within this report however the financial consequences of treasury management activity generally are very significant and have been factored into the budget and financial forecasts within the MTRS. This information will be updated as the year progresses.

### **LEGAL IMPLICATIONS**

24. The PCC is required to comply with the requirements of the Local Government Act 2003 and to have regard to both the CLG guidance and the CIPFA Code when determining treasury management policy and strategies and detailed practices.

### **EQUALITY AND DIVERSITY AND HUMAN RIGHTS**

25. There is no direct impact on equality and diversity and human rights as a result of this report.

### **RECOMMENDATIONS**

24. It is recommended that:-
- a) Members consider the issues raised in this report and endorse the Treasury Management Strategy Statement 2019/20, and
  - b) The PCC should approve the final version of the Treasury Management Strategy Statement for 2019/20 that will be effective from 1 April 2019.

**J BATES**  
**Deputy Chief Executive and Treasurer**

**Background Papers: Treasury Management Policy – File ref: JB/TMSS/2019/20**

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