

Committee: **Corporate Overview Scrutiny Committee**

Date of meeting: **5<sup>th</sup> March 2021**

Report Subject: **Treasury Management – Treasury Strategy Statement, Investment Strategy & MRP Policy Statement 2021/2022 (including Prudential Indicators)**

Portfolio Holder: **Cllr N Daniels, Leader / Executive Member Corporate Services**

Report Submitted by: **Rhian Hayden, Chief Officer Resources**

| Reporting Pathway           |                           |                          |                 |                               |                    |                     |          |                      |
|-----------------------------|---------------------------|--------------------------|-----------------|-------------------------------|--------------------|---------------------|----------|----------------------|
| Directorate Management Team | Corporate Leadership Team | Portfolio Holder / Chair | Audit Committee | Democratic Services Committee | Scrutiny Committee | Executive Committee | Council  | Other (please state) |
| x                           | x                         | 20.02.21                 |                 |                               | 05/03/21           |                     | 25.03.21 |                      |

**1. Purpose of the Report**

1.1 The purpose of the report is to give Members the opportunity to scrutinise the Treasury Strategy, Investment Strategy and Minimum Revenue Provision Policy (including prudential indicators) to be adopted for the 2021/2022 financial year, prior to formal recommendation to Council.

**2. Scope and Background**

2.1 The report is prepared in accordance with the CIPFA Code of Practice on Treasury Management that requires an annual Treasury Strategy Statement (TSS) to be approved in advance of the relevant financial year. Prior to recommendation for formal approval by Council the TSS is required to be adequately scrutinised by the Corporate Overview Scutiny Committee.

2.2 In accordance with the Code, the Treasury Strategy Statement includes the Annual Investment Strategy. It is important to note that although it is called the Annual Investment Strategy, it is kept under review throughout the year and any changes required are reported to Council at that time.

2.3 The Code also recommends that Council creates and maintains a Treasury Management Policy Statement (TMPS), stating the policies and objectives of its treasury management activities. Although the Code does not require authorities to seek approval of the TMPS, it is attached as Appendix B for information.

2.4 Local authorities are required to prepare, before the start of each financial year, a statement of their policy on making revenue provision to cover debt repayments (known as MRP or Minimum Revenue Provision) in respect of that financial year and submit it to full Council for approval. The MRP statement for 2021/22 is therefore also included as part of the Treasury Strategy Statement (last page of Appendix A). From 2019/20 onwards the

revised codes of practice introduced a requirement for all local authorities to prepare a Capital Strategy report, which is intended to provide: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

2.5 The Capital Strategy for Blaenau Gwent CBC is updated annually and is subject to a separate report.

### 3. **Options for Recommendation**

#### 3.1 Option 1

Members consider the Annual Treasury Strategy Statement & Annual Investment Strategy & MRP Policy Statement for 2021/2022 financial year and the Treasury Management Prudential Indicators contained therein (APPENDIX A) and consider any amendments, prior to submission to Council for formal approval.

#### 3.2 Option 2 (preferred option)

Members consider the Annual Treasury Strategy Statement & Annual Investment Strategy & MRP Policy Statement for 2021/2022 financial year and the Treasury Management Prudential Indicators contained therein (Appendix A) and do not consider any amendments, prior to submission to Council for formal approval.

### 4. **Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

4.1 The report is written under legislation (the Local Government Act 2003) Welsh Government guidance and CIPFA codes of practice.

4.2 This report also supports the Corporate Plan Priority of being 'An ambitious and innovative council delivering the quality services we know matter to our communities by ensuring effective forward financial planning arrangements are in place to support the Council's financial resilience'.

### 5. **Implications Against Each Option**

#### 5.1 ***Impact on Budget (short and long term impact)***

5.1.1 The Authority will comply with the CIPFA Treasury Management in the Public Services: Code of Practice 2017 and in doing so will strive for effective risk management and control, whilst at the same time pursuing best value.

5.1.2 The Treasury Strategy Statement & Annual Investment Strategy and MRP Policy Statement for 2021/2022 financial year will be adhered to at all times with the prime objectives being firstly the security and secondly the liquidity of investments. It will seek to minimise the

revenue costs of debt whilst maintaining a prudent level of debt redemption.

5.1.3 The revenue cost of debt arises through the Minimum Revenue Provision (or MRP) set aside for debt repayment. The revised MRP Policy agreed by Council in December 2017, enabled lower levels of MRP to apply for the period 2017/2018 to 2021/2022. Budget forecasts for MRP from 2022/2023 will subsequently increase and have been factored into the Council's Medium Term Financial Strategy.

## 5.2 ***Risk including Mitigating Actions***

The main risk in relation to Treasury Management is that of credit risk and protecting the Authority's cash. This is effectively managed through the Authority's risk averse Treasury Management policy that seeks to protect the capital sum rather than maximise investment returns.

## 5.3 ***Legal*** N/A

## 5.4 ***Human Resources***

There are no direct staffing implications to report. Staff directly involved with Treasury Management activities will continue to receive consultancy advice, training and professional/technical updates during the year.

## 6. **Supporting Evidence**

### 6.1 ***Performance Information and Data***

6.1.1 This report sets out the Authority's prudential indicators for the 2021/2022 financial year, against which performance can be monitored throughout the year. It also sets out the borrowing and investment strategy and MRP policy that will be adhered to for the year.

6.1.2 The Prudential Code was developed by CIPFA, as a professional Code of Practice to support local authorities in taking their decisions on capital investment.

6.1.3 The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability.

6.1.4 To demonstrate that local authorities have fulfilled these objectives, the Prudential Code sets out the indicators that must be used, and the factors that must be taken into account. The Code does not include suggested indicative limits or ratios.

6.1.5 The Treasury Strategy Statement attached as Appendix A includes the prudential indicators that are required to be calculated for Blaenau Gwent County Borough Council and that are recommended for approval by Council.

6.1.6 The Treasury Management Code requires that the Council nominate a Committee to be responsible for the effective scrutiny of Treasury Management Strategy and policies. For Blaenau Gwent CBC this role is undertaken by the Corporate Overview Scrutiny Committee.

6.1.7 The documents contained within this report are required to be adequately scrutinised before being recommended to Council.

6.2 ***Expected outcome for the public***

The Council's Treasury Management activities support delivery of services to the public.

6.3 ***Involvement (consultation, engagement, participation)***

Members of the Corporate Overview Scrutiny Committee and Council are involved in the development and monitoring compliance with the Council's Treasury Management Strategy.

6.4 ***Thinking for the Long term (forward planning)***

*n/a*

6.5 ***Preventative focus***

The Authority's Treasury Management policy prioritises protecting the capital sum rather than achieving higher rates of interest.

6.6 ***Collaboration / partnership working***

*n/a*

6.7 ***Integration (across service areas)***

*n/a*

6.8 ***EqIA***

*n/a*

7. **Monitoring Arrangements**

7.1 As the nominated Scrutiny Committee, Corporate Overview will receive three reports in every annual cycle:-

- A Treasury Management Policy report prior to the start of every financial year
- A mid-year progress report on Treasury Management activity
- An end of year out turn report on Treasury Management activity.

**Background Documents /Electronic Links**

- *Appendix A*
- *Appendix B*