

# Chichester District Council

**CABINET**

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## **Draft Treasury Management, Investment and Capital Strategies 2020-21**

### **1. Contacts**

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### **2. Recommendation**

- 2.1. That Cabinet considers the Treasury Management Policy Statement, the Treasury Management Strategy Statement, the Investment Strategy and relevant Indicators for 2020-21.**
- 2.2. That Cabinet considers the Council's Capital Strategy for 2020-21 to 2024-25.**
- 2.3. That the documents in 2.1 and 2.2 are recommended to Council for approval**

### **3. Background**

- 3.1. Local authorities' treasury management activities are prescribed by the Local Government Act 2003 and Regulations issued under this Act. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice (the Code) derives its legal status from these statutory Regulations.
- 3.2. The draft Treasury and Investment Strategy presented at an appendix 2 to this report are designed to comply with this regulatory framework.
- 3.3. The Council is also required by the Code to produce a Capital Strategy which should:
  - provide a high-level overview of how capital and treasury intentions contribute to the provision of local services; and,
  - describe how risks to future financial sustainability are managed.
- 3.4. A draft capital Strategy is included in this report at appendix 3.
- 3.5. Although every attempt has been made to reduce the technical content of this report, by its very nature the report is specialised in parts and the glossary of terms in Appendix 5 aims to aid members understanding of some terms used.

#### 4. Outcomes to be achieved

- 4.1. The Treasury Management and Investment Strategies for 2020-21 and the Council's Capital Strategy for 2020-21 to 2024-25 are approved before 1 April 2020 in accordance with CIPFA's Treasury Management in the Public Services: Code of Practice and the MHCLG's investment Regulations.

#### 5. Alternatives that have been considered

- 5.1. The Treasury Strategy contains details of alternatives that have been considered. There is no 'do nothing' option in the table below as the Council is required to approve a Treasury and Investment Policy for 2020-21 as well as its Capital Strategy before 31 March 2020.

- 5.2. The remaining alternatives that have been considered are, briefly:

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Introduce Ethical, Social and Governance (ESG) factors into investment decisions	Unknown and would depend on investments made	Increased risk that we would be unable to find sufficiently secure counterparties to spread risk, leading to increased risk of loss. This would contravene investment Regulations issued by the MHCLG requiring security to be given highest priority.

#### 6. Resource and legal implications

- 6.1. The Council may be putting its financial standing at risk, as well as failing to meet the requirements of the Local Government Act 2003, if it failed to follow the revised Treasury Management Code and the Investment Guidance. Acceptance of the recommendations in this report would not only help avoid this risk, but would demonstrate that the Council's financial matters continue to be managed prudently
- 6.2. The Treasury Management Strategy and the Prudential Indicators reflect various assumptions of future interest rate movements and Government support for capital expenditure. These assumptions have been taken into account in the 5 year model underpinning the Council's Financial Strategy and resources statement.
- 6.3. Appendix 1 to the Treasury Strategy contains details of the interest rate assumptions that have been used in developing this strategy.

#### 7. Consultation

- 7.1. The forthcoming financial year's Treasury Management Strategy, Investment Strategy and Capital Strategy documents were considered by Corporate

Governance and Audit Committee on 23 January and a verbal update will be provided on any comments.

## 8. Community impact and corporate risks

- 8.1. The statutory and regulatory framework under which the treasury management function operates is very stringent, and each authority has to decide its own appetite for risk and the rate of return it could achieve. Risk management is covered within the Treasury Management Strategy and specifically within TMP 1, an extract of which is shown in appendix 4.

## 9. Other Implications

	Yes	No
<b>Crime &amp; Disorder</b>		✓
<b>Climate Change</b> 1. Ethical, Social and Governance (ESG) factors are increasingly being recognised as a factor in the wider Treasury sector. The Council acknowledges this and will continue assess when and if it is appropriate to embed ESG principles in Treasury Strategies for future periods whilst operating within the Regulatory framework applicable to the sector.	✓	
<b>Human Rights and Equality Impact</b>		✓
<b>Safeguarding and Early Help</b>		✓
<b>General Data Protection Regulations (GDPR)</b>		✓
<b>Health and Wellbeing</b>		✓
<b>Other (Please specify):</b> 1. <b>Compliance with the Local Government Act 2003</b> 2. Non- compliance or loss of an investment due to default by a counterparty could affect the financial wellbeing of the council dependent on the size of the loss and the ability to fund losses from its unallocated reserves.	✓	

## 10. Appendices

- 10.1. Appendix 1 – Summary of amendments between 2019-20 and 2020-21
- 10.2. Appendix 2- Treasury Management Policy Statement, Treasury Management Strategy Statement, Treasury Prudential Indicators and Annual Investment Strategy for 2020-21.
- 10.3. Appendix 3 – Capital Strategy 2020-21 to 2024-25
- 10.4. Appendix 4 - Treasury Management Practices (TMP's) Extract of TMP 1 Risk Management.
- 10.5. Appendix 5 - Glossary

## 11. Background Papers

- 11.1. None.