

LONDON BOROUGH OF WALTHAM FOREST

Committee/Date	Audit and Governance 25 March 2021
Report Title	Treasury Management Strategy, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2021-22
Directorate:	Finance and Governance
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Wards affected	None
Public Access	OPEN
Appendices	1. Treasury Management Strategy Statement 2021-22

1. SUMMARY

- 1.1 This report requests Audit and Governance Committee to recommend to Council to approve the Treasury Management Strategy, Minimum Revenue Provision (MRP) Strategy and Annual Investment Strategy for 2021-22 and the Treasury Management Policy Statement and Clauses.
- 1.2 This report sets out the context within which the Council's treasury management activity operates and outlines a proposed strategy for the coming year. The report considers the Council's borrowing and investment strategy alongside required Prudential Indicators. It also identifies risk reduction strategies that have been established to ensure the fundamental aims of security, liquidity and yield of the Council's investments.
- 1.3 The Council is required to actively manage its substantial cashflows on a daily basis. The need to place monies in investments or to borrow monies to finance capital programmes and to cover daily operational needs, is an integral part of daily cash and investment portfolio management.
- 1.4 The Council will aim to extend its programme of prepaying pension contributions and it proposes delegated authority be granted to the Strategic Director Finance and Governance.

2. RECOMMENDATIONS

- 2.1 Audit and Governance Committee recommend Council to:
- 2.1.1 **Agree** the Treasury Management Strategy Statement and Annual Investment Strategy Report 2021-22.
 - 2.1.2 **Agree** the MRP strategy for 2021-22.
 - 2.1.3 **Agree** the Prudential Indicators as set out in the Treasury Management Strategy, which demonstrate that the Council's capital investment plans are affordable prudent and sustainable.
 - 2.1.4 **Agree** that the Strategic Director Finance and Governance may approve the pre-payment of employer Local Government pension scheme contributions for a period of up to three years.

3. PROPOSALS

- 3.1 Treasury Management in the context of the report is defined as:
- “The management of the local authority'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.” (CIPFA Treasury Management Code of Practice 2017).
- 3.2 The Council has powers under Part 1 of the Local government Act 2003 to borrow (i.e. prudential borrowing) and invest money in accordance with statute. In carrying out these functions, the Council is required to have regard to statutory guidance, which is currently found in the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice 2017. As this is statutory guidance, the Council should follow the guidance unless there is good reason not to. The Guidance requires the Council to agree a treasury strategy for borrowing and to prepare an annual investment strategy, an interim report and an annual treasury management review.
- 3.3 The attached appendix is presented to the Council to approve the Treasury Management Strategy, MRP Strategy and Annual Investment Strategy for 2021-22 and Treasury Management Policy Statement and Clauses to be formally adopted. The report includes details of the Strategy for 2021-22, borrowing and investment forecasts based on cash flow and the capital expenditure
- 3.4 The strategy is in compliance with the statutory regulations and guidance.
- 3.5 The Treasury Strategy report proposes that the Council delegate to the Strategic Director Finance and Governance the authority to decide to make a pre-payment of employer pension contributions. This strategy will benefit the council in that the discount rate applied for paying these contributions in advance outweigh returns from direct investment in the money market considering the current interest rate environment, as well

as mitigate counter party risk. The decision would be based on a business case in the same way as a treasury decision would be taken (i.e., in order of priority, security, liquidity and return). Adopting this approach would also be subject to satisfying legal, accounting and external audit matters.

4. OPTIONS & ALTERNATIVES CONSIDERED

- 4.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are lower than borrowing rates and will also avoid cost of carry as well as mitigate counterparty risk. The Strategic Director of Finance and Governance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.
- 4.2 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then yield.

5. CONSULTATION

- 5.1 The Treasury Management Team and Treasury Strategy Group are consulted on the content of this report. Membership of these groups includes the following officers: Pensions and Treasury Manager, Strategic Director of Finance and Governance, Director of Financial Services, Director of Return on Investment and four Strategic Finance Managers.

6. IMPLICATIONS

6.1 Finance, Value for Money and Risk

- 6.1.1 This report details financial activity and possible future proposals in respect of treasury strategy. Any proposed changes will be made to maximise the value and effective utilisation of the Council's finances and in accordance with CIPFA's Code of Practice.

6.2 Legal

- 6.2.1 The Council's constitution provides that all money held by the Council shall be aggregated for the purposes of Treasury Management and shall be under the control of the officer responsible for the proper administration of the Council's financial affairs (Section 151 officer).
- 6.2.2 This report sets out the Council's position with regard to its legal requirements under the CIPFA Prudential Code, Code of Practice on Treasury Management in Local government, and other regulations.

6.3 Equalities and Diversity

6.3.1 There are no specific implications

6.3.2 **Sustainability (including climate change, health, crime and disorder)**

6.3.3 There are no specific implications.

6.4 **Council Infrastructure**

6.4.1 There are no specific implications

BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)

None