

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 22nd February 2021

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WARD(S): All

PORTFOLIO: Cllr. Swindlehurst, Cabinet Member for Regeneration & Strategy

PART I **KEY DECISION**

TREASURY MANAGEMENT & INVESTMENT STRATEGY 2021/22

1 **Purpose of Report**

The Treasury Management Strategy (TMS) is a requirement of the Council's reporting procedures and recommended by both the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice on treasury management and the CIPFA prudential code for capital finance in local authorities. The Council is required to comply with both codes through regulations issued under the Local Government Act 2003. The council is also required to produce an investment strategy to meet the requirements of statutory guidance issued by the government in January 2018

2 **Recommendation(s)/Proposed Action**

Cabinet is requested to recommend approval of the Treasury Management Strategy for 2021/22 and the Investment Strategy 2021-22 to Full Council on 8th March 2021.

3. **The Slough Joint Wellbeing Strategy, the JSNA and the Five Year Plan**

The report helps achieve the Five Year Plan by contributing to the Council's overall financial planning processes.

4 **Other Implications**

(a) **Financial**

The Financial implications are contained within this report.

(b) Risk Management

Recommendation from section 2 above	Risks/Threats/ Opportunities	Current Controls	Using the Risk Management Matrix Score the risk	Future Controls
Recommend approval of Treasury Management Strategy for 2021-22 and the Investment Strategy for 2021-22	Counterparty risk- the risk that an institution the council has invested is failing or likely to fail resulting in credit loss. Interest rate risk- if interest rates rise the risk that the council will be subject to higher interest costs. If there is a reduction in interest rates or fund prices are affected by a worsening economy lower dividends from funds invested in and a depreciation of the capital value.	The council will work closely with its Treasury advisors to mitigate interest rate risk. The council has an approved counterparty list contained in the Treasury Strategy setting out the institutions it can invest in, the maximum periods it can invest for and the total value for investing in individual institutions. This counterparty list is constantly under review by its Treasury advisors	9	The council has made a conscious decision not to put money in unsecured and low yielding banks and Building Societies deposits.

Risk	Mitigating action	Opportunities
Legal	None	None
Property	None	None
Human Rights	None	None
Health and Safety	None	None
Employment Issues	None	None
Equalities Issues	None	None
Community Support	None	None
Communications	None	None
Community Safety	None	None
Financial: Detailed in the report and above	As Identified	Returns out perform the budgeted income
Timetable for delivery	None	None

Project Capacity	None	None
Other	None	None

(c) Human Rights Act and Other Legal Implications

None Identified

(d) Equalities Impact Assessment

No identified need for the completion of an EIA

5 Supporting Information

5.1 The Treasury Management Strategy for 2021/22 is required to set out how the Council intends to manage its Treasury Management Risk. The Council's Treasury Policy is set out in Appendix 1 of this report. The Treasury Management Strategy complies with the requirements set out in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, which includes the requirement for determining a Treasury Strategy on the likely financing and investment activity for the forthcoming financial year.

5.2 In addition to reporting on risk management related to treasury activities, the Treasury Management Code also requires the Authority to report on any financial instruments entered into to manage Treasury Risks.

6 Key Principles

6.1 The medium term capital finance budget is a key part of the council's budget strategy. When setting the Treasury Management Strategy the Council has considered

- The current Treasury position and debt portfolio position
- The prospects for interest rates
- The current approved capital programme
- Limits on treasury management activities and prudential indicators

6.2 It is a statutory requirement that the level of borrowing is kept under review and is affordable

7 Service Delivery and Performance Issues

7.1 On 31st January 2021, the Authority had £702.7m of borrowing and held an average investment balance of £84.862m throughout the year. The underlying need to borrow is measured by the Capital Financing Requirement (CFR) while usable reserves are the underlying resources available for investment.

7.2 CIPFA's prudential code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. The highest forecast of CFR during the next 3 years is £1,091m. The total debt at the end of 2021/22 is forecast to be £901m. The Council will therefore comply with this recommendation during 2021/22.

7.3 The Council uses Arlingclose as its external treasury advisor but responsibility for treasury management decisions remains with this Council at all times.

8 Comments of Other Committees

The Treasury Management Strategy 2021/22 and the Investment strategy 2021/22 are due to be considered by the Overview and Scrutiny Committee on 18th February 2021. Any comments will be reported to Cabinet.

9 Conclusion

The Cabinet is requested to recommend approval of the Treasury Management Strategy for 2021/22 and Investment Strategy to Full Council on 8th March 2021.

10 Appendices Attached

'1' Treasury Management Strategy 2021/22 (containing Investment Strategy 2021/22 as Appendix C)

11 Background Papers

- '1' CIPFA – Treasury Management in the Public Services – Code of Practice and guide for Chief Financial Officers
- '2' CIPFA – Prudential Code for local authority capital finance
- '3' Arlingclose Ltd – UK economic forecasts
- '4' Local Government Act 2003