

## **Minute Extract of Strategy and Resources Committee of 01/02/2021:**

### **Minute 254: TREASURY MANAGEMENT STRATEGY STATEMENT 2021/**

The Committee considered a report by the Chief Financial Officer (circulated previously) regarding the Treasury Management Strategy Statement for 2021/22.

The Head of Resources highlighted the following:

- The over-riding strategy for the Council's management of funds was Security, Liquidity and then Yield (return). Three reports were produced each year for Council to approve on Prudential Indicators and Treasury Management Strategy; mid-year report and an annual report.
- Section 5.1 capital expenditure – the table detailed approved capital spend as per the previous report on the budget and capital programme, how this was financed in the lower table and therefore the 'net financing need for each year'.
- The Council's borrowing need (CFR) was outlined in the table on page 142. The increase to £17m from £6m (movement of £11m) took into account the borrowing for the new construction of the Leisure Centre.
- The Minimum Revenue Provision (MRP) set out the repayment of debt on both internal and external borrowing from revenue budget. The Medium Term Financial Strategy showed the impact of borrowing costs on the revenue budget.
- Paragraph 5.3 – the table showed the level of core funds and cash available for external investments, together with the Council's under borrowed position which enables the Council to internally borrow for the purposes of capital funding.
- There was a high level of external investment of spare cash in 2020-21 due to cash flow of additional government monies for business grants, up-front payment of grants to the Council and covid-19 grants provided to the Council.
- The current borrowing position was detailed in section 6.1. External borrowing this current year was only £500,000 at present. Net investments were higher this year due to all the grants cash that the Council were investing short term to gain minimal return until spent out.
- The level of borrowing would increase in 2021-22 as detailed in the table on page 146. Additional borrowing £14m would be required during the year to cover the treasury need for increased Capital Financing Requirement which was in line with the Council's financial plans. Under borrowing was funded from internal borrowing from cash reserves. The Council complied with this prudential indicator in the current financial year and it was not envisaged there would be difficulties for the future.
- The Operational Boundary (limit beyond which external debt was not expected to exceed) was set at £16million for 2021-22 to 2023-24 year.
- The Authorised limit (control on maximum level of borrowing) maintained at £22million was in line with the level set last year.
- The table in paragraph 6.3 outlined projected interest rates from the Council's treasury advisors which outlined projections on investment interest and projections on borrowing loans from the Public Works Loan Board.

- The Council was currently maintaining an under-borrowed position. This strategy was prudent as investment returns were very low and counterparty risk was still an issue that needs to be considered. The graph shown on page 150 set out the current borrowing strategy for the next ten years.
- The guidance from the Government and CIPFA placed a high priority on the management of risk. The Council had adopted a prudent approach to managing risk and defined its risk appetite in section 7, in terms of creditworthy counterparties, lending limits, credit ratings of which the criteria was largely unchanged from last year. The Council worked closely with its treasury advisors and received daily updates on any changes.

RECOMMENDED that the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement 2021/2022, including the Treasury Management and Prudential Indicators for 2021/22 to 2023/24, be approved.