SIGNED OFF BY	Interim Head of Finance
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TO	Overview and Scrutiny Committee Executive Council
DATE	Overview and Scrutiny Committee: 18 March 2021 Executive: 25 March 2021 Council: 8 April 2021
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance and Governance

KEY DECISION REQUIRED	Y
WARDS AFFECTED	(All Wards);

SUBJECT	Treasury Management Strategy Statement 2021/2022

RECOMMENDATIONS

Overview & Scrutiny Committee:

i) The Committee is asked to consider and to provide feedback on the following which are proposed for 2021/22:
   - Treasury Management Strategy Statement;
   - Prudential Indicators:
   - Minimum Revenue Provision Statement; and
   - Borrowing Limits

   that will be finalised and submitted for approval by the Executive on 25 March 2021 and Council on 8 April 2021.

Executive:

ii) Executive is asked to consider the following for 2021/22:
   - Treasury Management Strategy Statement;

- Prudential Indicators:
- Minimum Revenue Provision Statement; and
- Borrowing Limits Provision Statement;

and recommend their approval by Council.

Council:

iii) Council is asked to approve the following for 2021/22:
- Treasury Management Strategy Statement;
- Prudential Indicators:
- Minimum Revenue Provision Statement; and
- Borrowing Limits

REASONS FOR RECOMMENDATIONS

To enable the adoption of the updated Treasury Management Strategy Statement for the 2021/22 financial year in order to comply with the Chartered Institute of Public Finance Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”) and the Prudential Code for Capital Finance in Local Authorities (“the Prudential Code”).

EXECUTIVE SUMMARY

This report sets out the draft Strategy for Treasury Management for 2021/22 including the Treasury Management Indicators, Prudential Indicators and the Minimum Revenue Provision Statement for 2021/22.

This report shapes the affordability of the Council’s investment proposals and capital plans and should be considered alongside the Budget and Medium Term Financial Plan.

If adopted by the end of 2021/22 the key performance measures will be:
- Internal Borrowing;
- Ratio of financing costs to net revenue budget; and
- External debt for commercial and regeneration activities.

This compares with performance measures for 2020/21:
- External Borrowing;
- Internal Borrowing; and
- Minimum Revenue Provision as a % of net revenue budget.

Overview & Scrutiny Committee is invited to review the draft Strategy at their meeting on 18 March 2021 and provide any feedback to be taken into consideration when the Executive receive the final Strategy report on 25 March 2021. The final Strategy will then be submitted to Council for approval on 8 April 2021.

The above recommendations are subject to approval by Full Council

STATUTORY POWERS

1. The Council is required to approve an annual Treasury Management Strategy Statement, Prudential Indicators, Minimum Revenue Provision Statement and Borrowing Limits so that borrowing and investments are prudent, affordable and sustainable.

2. The Council operates its Treasury Management activity as an integral part of its statutory obligation to effectively manage the Council's finances under the Local Government Act 2003 and associated regulations.

3. The Council's Treasury Management activities are undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities, and the Government's (MHCLG) Investment Regulations.

BACKGROUND

4. The Council is required to approve an annual Treasury Management Strategy Statement, Prudential Indicators, Minimum Revenue Provision Statement and Borrowing Limits so that borrowing and investments are prudent, affordable and sustainable.

5. The Strategy has been prepared in line with the Chartered Institute of Public Finance (CIPFA) Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code") and comprises two sections plus appendices that have been compiled in accordance with the Council's Treasury Management Policy Statements:

    1. Introduction
    2. The Treasury Management Strategy 2021/22
        a. Capital Issues
        b. Treasury Management Issues

    Appendices.

6. While any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

KEY INFORMATION

INTRODUCTION

7. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management function is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested with low risk counterparties or instruments that are commensurate with the authority's risk appetite, providing adequate liquidity before considering investment return.

8. The second main function treasury management is the funding of the authority's capital investment plans. These capital plans provide a guide to the borrowing need, essentially the longer-term cash flow planning, to ensure that the authority can meet its capital spending obligations. Management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic to do so, any debt previously drawn may be restructured to meet risk or cost objectives.

9. The contribution that treasury management makes to the authority is critical, as the balance of debt and investment operations ensure liquidity and the ability to meet spending commitments as they fall due, either on day-to-day revenue expenditure or for larger capital projects. The treasury function seeks to balance interest costs on debt and investment income from cash deposits. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

10. While any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are reported separately from day to day treasury management activities.

11. CIPFA defines treasury management 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."*

Treasury Management Training

12. The CIPFA Code requires the Chief Financial Officer to ensure that Members with responsibility for overseeing treasury management receive adequate training. This especially applies to Members responsible for scrutiny. A Member Treasury panel met to review the 2020/21 strategy on 11 March 2020. This meeting was facilitated by officers with support from the authority's treasury advisors LINK Group. The ability to arrange further updates/training during 2020/21 has been impacted by COVID.

Treasury management training is intended to be an area of focus for members of the Audit Committee as they take on the scrutiny role in this area moving forward.

13. The training needs of officers are periodically reviewed and form part of their personal development plans.

Treasury Management Consultants

14. The authority employs LINK Group, Treasury Solutions as its external treasury management advisors.

15. It is important to recognise that responsibility for treasury management decisions remains with the authority at all times and to ensure that undue reliance is not placed upon the services of external service providers. All treasury management decisions are undertaken with regard to all available information, including, but not solely, the external advisers.

16. It is also important to ensure that the terms of the advisors' appointment and the methods by which their value is assessed are properly agreed and documented and subjected to regular review.

Capital Investment Strategy

17. The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Investment Strategy report which provides the following:

- a high-level long term 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

18. The aim of the Capital Investment Strategy is to ensure that all Members fully-understand the overall long-term policy objectives and resulting capital investment strategy requirements, governance procedures and risk appetite.

19. The Capital Investment Strategy is reported separately from this Treasury Management Strategy Statement and includes information on non-treasury investments. This ensures separation of the treasury function which focusses on security, liquidity and yield principles and the policy and commercialism investments which are usually driven by the level of expenditure on an asset and associated benefits achieved from that investment.

20. The 2021/22 Capital Investment Strategy was reported to Executive in July 2020; the next update is due to be reported in summer 2021.

21. The Capital Investment Strategy sets out the governance arrangements for the following:

- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);

- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

22. Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information is disclosed, including the ability to sell the asset and realise the investment cash.

23. Where the authority has borrowed to fund a non-treasury investment, there will also be an explanation of why borrowing was required and (where applicable) whether the MHCLG Investment Guidance and CIPFA Prudential Code have been adhered to.

24. If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported.

25. To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

Treasury Management Reporting

26. The Council is required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

    1. **Prudential and Treasury indicators and Treasury Strategy** Statement (this report) - the first, and most important report is forward looking and covers:
        - the capital plans, (including prudential indicators);
        - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
        - the treasury management strategy statement, (how the investments and borrowings are to be organised), including treasury indicators; and
        - an investment strategy, (the parameters on how investments are to be managed).

    2. **A mid-year Treasury Management report** – this is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

    3. **An annual Treasury Management report** – this is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

27. The above reports are required to be adequately scrutinised before being recommended to the Council. This role is currently undertaken by the Overview and Scrutiny Committee; for 2021/22 onwards it is proposed that this responsibility transfers to the Audit Committee.

Treasury Management Strategy Statement for 2021/22

28. The Strategy for 2021/22 covers two main areas:

    1. **Capital Issues**

- the capital expenditure plans;
- the capital financing requirement;
- the minimum revenue provision (MRP) policy; and
- capital health.

2. **Treasury Management Issues**
   - the borrowing strategy;
   - policy on borrowing in advance of need;
   - the treasury investment strategy; and
   - the policy on use of external service providers.

29. The following are dealt with in the accompanying appendices:

- the current treasury position;
- core funds and expected investment balances;
- prudential indicators which limit the borrowing risk and activities of the authority;
- treasury indicators which limit the treasury risk and activities of the authority;
- operational and authorised borrowing limits;
- creditworthiness policy;
- prospects for interest rates and economic outlook; and
- debt rescheduling

30. These elements meet the requirements of the Local Government Act 2003, the Code, MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

CAPITAL ISSUES

Capital Expenditure Plans

31. The first prudential indicator relates to the authority's capital expenditure plans which are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators at Appendix 1 which are designed to assist Member oversight and confirm capital expenditure plans.

32. Members are asked to note the capital expenditure forecasts which are being considered for approval in the Budget 2021/22 and Capital Programme 2021 to 2026:

Table 1: PLANNED CAPITAL EXPENDITURE TO BE FINANCED	**2019/20 Actual £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**	**2023/24 Estimate £000**
People Services	1,595	17,163	11,575	11,525	1,525
Place Services	4,923	24,048	26,939	16,249	1,557
Organisation Services	1,385	4,890	2,767	2,293	2,019
Corporate Investment and Regeneration Activities	-	50,000	-	-	-
Loans to Wholly Owned Companies	10,219	-	-	-	-
Total	**18,122**	**96,100**	**41,280**	**30,067**	**5,101**

33. The following table summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Table 2: CAPITAL FINANCING PLANS	**2019/20 Actual £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**	**2023/24 Estimate £000**
Grants/Contributions	2,513	1,843	1,600	1,187	1,187
Capital Receipts	2,099	8,805	24,488	26,778	-
Revenue	759	-	-	-	-
Reserves	304	10,000	7,000	-	-
External Funding	5,675	20,649	33,089	27,965	1,187
Net Borrowing Need - General Fund (Core)	2,228	25,451	8,192	2,101	3,913
Net Borrowing Need - General Fund (Regeneration)	10,219	50,000	-	-	-
Net financing need for the year	12,447	75,451	8,192	2,101	3,913

34. A key aspect of the regulatory and professional guidance is that Members are aware of the size and scope of any commercial or income-generating activity in relation to the authority's overall financial position. The capital expenditure details above demonstrate the scope of this activity and, by approving these figures, Members are asked to consider the scale of this investment activity proportionate to other investment plans.

Capital Financing Requirement (Borrowing Need)

35. The second prudential indicator refers to the authority 's Capital Financing Requirement (CFR). The CFR is the total of historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of indebtedness and so its underlying borrowing need. Any capital expenditure which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

36. The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

37. The Council is asked to approve the following Prudential indicator:

Table 3: MOVEMENT IN CAPITAL FINANCING REQUIREMENT	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Closing CFR	31,105	106,235	113,066	112,934	114,494
Movement in CFR	12,280	75,130	6,831	(132)	1,560
Movement in CFR represented by:					
Net financing need for the year (above)	12,447	75,451	8,192	2,101	3,913
Less MRP/VRP and other financing movements	(167)	(321)	(1,361)	(2,233)	(2,353)
Movement in CFR	**12,280**	**75,130**	**6,831**	**(132)**	**1,560**

Minimum Revenue Provision (MRP) Policy

38. The authority is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the MRP). It is also allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision - VRP).

39. MHCLG regulations require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

40. Council is recommended to approve the following MRP Statement for 2021/22:

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the Minimum Revenue Policy will be the Asset life method – MRP will be based on the estimated life of the assets, in accordance with the regulations and will be set aside in the year after the asset becomes operational. This will be a combination of the annuity method and straight line method:

- Operational land and buildings - 50 years annuity method;
- Investment Properties - 50 years annuity method;
- General Fund Housing - 50 years straight line method;
- Infrastructure - 50 years straight line method;
- Plant and Equipment- 30 years straight line method;
- ICT- 5 years straight line method; and
- Vehicles - 8 years straight line method.

MRP on Capital Loans and Share Capital.

41. Under local authority capital accounting regulations loans to third parties for capital purposes and share capital are deemed to be capital expenditure of the authority. The Council has made loans to its companies (Greensand Holdings Limited, RBBC Limited, Horley Business Park Development LLP) and holds share capital in Pathway for Care Limited.

42. The Capital Financing Requirement (CFR) includes the value of the loans and investments (share capital). Funds repaid by the companies will be classed as capital receipts and offset against the CFR, which will reduce accordingly.

43. As the authority expects these loans and investments to be repaid in full, there is no requirement to set aside MRP to repay the debt liability in the interim period. The outstanding loan and investment/CFR position will be reviewed on an annual basis and, if the likelihood of default increases, prudent provision for any forecast default or impairment will be made within the authority ‘s Reserves or consideration given to the making of a Voluntary Revenue Provision (VRP).

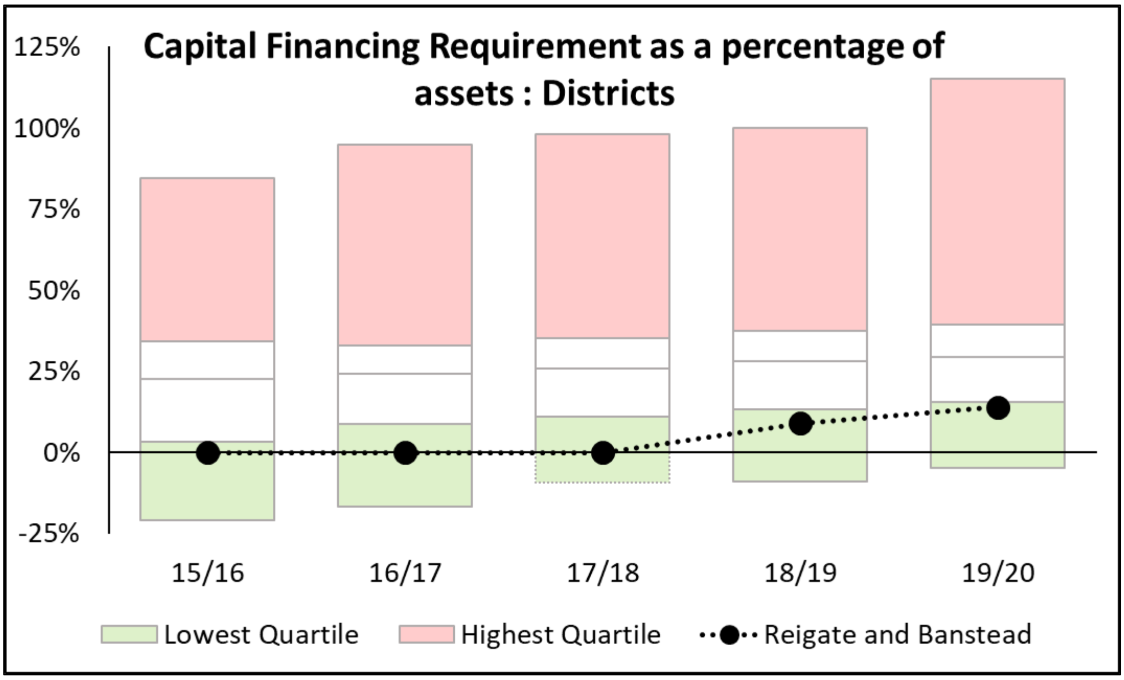
44. The repayments of principal will be set aside as capital receipts to finance the initial capital advance in lieu of making a MRP.

MRP Overpayments.

45. MHCLG Guidance includes the provision that any MRP charges made over the statutory minimum may be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed, the MRP policy must disclose the cumulative overpayment made each year. At 31 March 2021 the cumulative voluntary overpayments by this Council were forecast to be £Nil.

Capital Health: Capital Health Indicators

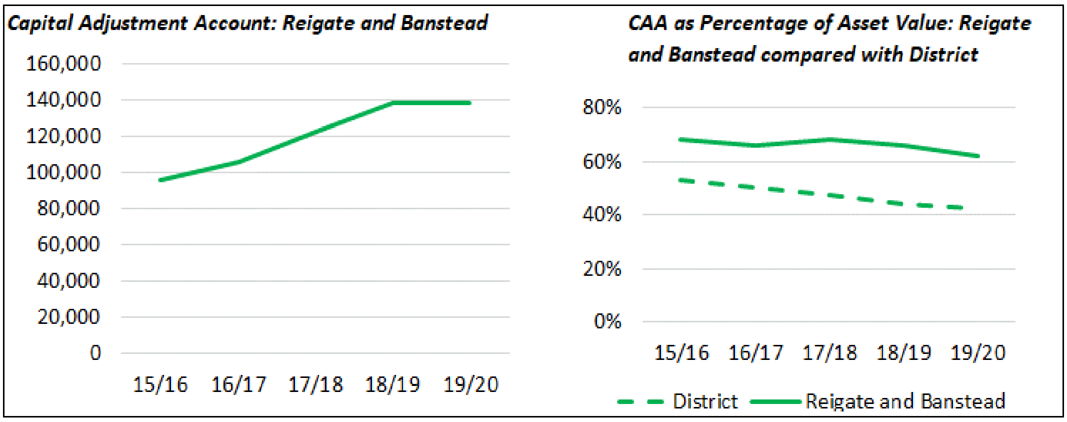
46. The underlying capital financing requirement has been rising over recent years however the Council remains in the top quartile of all Districts with regard to the relatively low extent to which its asset portfolio has been funded through borrowing.



47. The movement on the Capital Adjustment Account (CAA) in the annual Statement of Accounts reflects the degree to which the Council’s assets are depleting or being devalued, The fact that this Council’s CAA has increased over the past five years

means that assets are being used up or devalued at a slower rate than they are being funded. This is above the district national average.

Capital Adjustment Account as percentage of capital assets



TREASURY MANAGEMENT ISSUES

Borrowing Strategy

48. 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 authority 's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns on balances are low and counterparty risk is a factor that needs to be considered.

49. Against this background, and the risks within the economic forecast, caution will continue to be exercised for 2021/22 treasury operations. The Chief Financial Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.

- if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the borrowing position will be re-appraised. Most likely, fixed rate funding will be drawn while interest rates are lower than they are projected to be in the next few years.

50. Any decisions on borrowing will be reported to the appropriate decision making body at the next available opportunity as part of regular in-year treasury management reporting.

Borrowing for Corporate Investment and Regeneration activities

51. The Capital Programme for 2019/20 onwards includes £75 million for investment in corporate priorities that also realise new income-generating opportunities. The

allocation of these funds to new capital schemes and investment opportunities is delegated to the Commercial Ventures Executive Sub-Committee. When considering new investment opportunities, the Sub-Committee assesses the extent to which they support delivery of the Corporate Plan and supporting Strategies while adhering to the principles set out in the Capital Investment Strategy, the Commercial Governance Framework, the Commercial Strategy and relevant guidance and codes, including the guidance on 'borrowing in advance of need'.

Table 4: EXTERNAL DEBT FOR CORPORATE INVESTMENT / REGENERATION	**2019/20** Actual	**2020/21** Estimate	**2021/22** Estimate	**2022/23** Estimate	**2023/24** Estimate
Actual debt as at 31 March - £m	10,219	60,219	60,219	60,219	60,219
Percentage of total external debt - %	72%	67%	63%	63%	62%

Policy on Borrowing in Advance of Need

52. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward-approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and ensure the security of such funds.

53. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through mid-year or annual treasury management reporting.

Treasury Investment Strategy

54. The Government (MHCLG) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Investment Strategy, (a separate report).

55. The Council's investment policy has regard to the following:

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

56. The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The aim is to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity and with the authority's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from

an internal as well as external perspective), the authority will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

Environmental, Social and Governance Factors

57. While the Council awaits the outcome of CIPFA’s latest consultation on proposed changes to the proposed Treasury Management Code of Practice the intention is to take a ‘watch and learn’ approach when considering Environmental, Social and Governance factors in the Council’s investment portfolio, with a view to further developing the approach in this area, using 2021/22 as an opportunity to set the baseline for determining the authority’s future appetite in this area.

Risk Management

58. The guidance from MHCLG and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by reference to the following:

- Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. Key ratings used to monitor counterparties are the short term and long-term ratings.

- Ratings are not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. Assessments will take account of information that reflects the opinion of the markets. To achieve this the authority engages with its treasury advisors to maintain a monitor on market pricing such as “credit default swaps” and overlays that information on top of the credit ratings.

- Other information sources used include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

59. This authority has defined a list of types of investment instruments that the treasury management team are authorised to use. There are two lists (details at appendix 5.4) under the categories of ‘specified’ and ‘non-specified’ investments.

  - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if they were originally classified as being non-specified investments solely due to the maturity period exceeding one year.

  - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

Non-specified and loan investment limits.

60. This authority has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of 20%.

Lending Limits

61. Limits (amounts and maturity), for each counterparty will be set through applying the matrix at Appendix 1 Section 4.6, Table 9.

Transaction Limits

62. These are set for each type of investment (Appendix 1 Section 4, Table 9). This authority will set a limit for its investments which are invested for longer than 365 days (Appendix 1 Section 4.7). Investments will only be placed with counterparties from countries with a specified minimum sovereign rating (Appendix 1 Section 5). All investments will be denominated in sterling.

63. As a result of the change in accounting standards for 2020/21 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. In November 2018, The Government (MHCLG) concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023.

64. Consideration may need to be given to obtaining funding at cheaper rates from the following sources in order to finance capital expenditure for non-infrastructure purposes:

    - Local authorities (primarily shorter dated maturities);
    - Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates); and
    - the Municipal Bonds Agency

65. The degree to which any of these options proves cheaper than PWLB Certainty Rate is still evolving at the time of writing but the authority's advisors will keep the treasury team informed.

Policy on the Use of External Service Providers

66. This authority has engaged external treasury management consultants, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

67. This authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for

investment performance. Regular monitoring of investment performance will be carried out during the year.

68. All credit ratings will be monitored internally at least weekly. The treasury management team is alerted to changes to ratings of all three agencies through use of the external advisors' creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the authority's minimum criteria, its further use as a new investment will be withdrawn immediately.

- In addition to the use of credit ratings the authority will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Financials benchmark and other market data on a daily basis via its Passport website, provided by the external treasury advisors. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

69. Sole reliance will not be placed on the use of this external service. The treasury management team will also use market data and market information, as well as information on any external support for banks to help support its decision making process.

OPTIONS

70. There are the three options:

Option 1 – Approve the recommendations in this report

This is the recommended option.

Option 2 – To defer the report and ask Officers to provide more information and/or clarification on any specific points

MHCLG Investment Regulations require approval of the Treasury Management Strategy Statement prior to the financial year to which it relates. Any delay in approving the Strategy could leave the authority open to the same risks as identified in option 3 below.

Option 3 – To not support the contents of this report

This would mean there is a risk that Officers will not have authority to undertake treasury management activities, which result in minimal returns on investments and prevention of borrowing to fund planned capital investment. It would also mean that the Council is not compliant with MHCLG statutory guidance and the CIPFA Code of Practice, which will result in criticism from the Council's auditor.

LEGAL IMPLICATIONS

71. There are no further legal implications arising from this report.

FINANCIAL IMPLICATIONS
72. The financial impacts of this Strategy have already been reflected within the Council's 2021/22 Budget proposals. There are therefore no additional financial implications that arise from this report.
EQUALITIES IMPLICATIONS
73. There are no equality implications arising from this report.
COMMUNICATION IMPLICATIONS
74. There are no communication implications arising from this report.
RISK MANAGEMENT CONSIDERATIONS
75. These are detailed in Appendix 1.
OTHER IMPLICATIONS
76. There are implications in terms of the Council's environmental aims and carbon targets which are not yet known but as set out in the report there are plans to start to gather data in this area in the coming year in order to set targets for 2022/23.
CONSULTATION
77. The Draft Treasury Management Strategy Statement will be reviewed by a Member Panel led by the Portfolio Holder for Finance in March 2021 and by the Overview and Scrutiny Committee on 18 March 2021. Their feedback will be considered when preparing the final Treasury Management Strategy Statement that is scheduled to be reported to Executive on 25 March 2021 and Council on 8 April 2021.
POLICY FRAMEWORK
78. The Strategy is part of the Council's Policy Framework as set out in Article 4 of the Constitution.
BACKGROUND PAPERS
• CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code") • MHCLG's Guidance on Local Government Investments ("the Guidance") • CIPFA Treasury Management Guidance Notes 2018 • CIPFA Prudential Code for Capital Finance in Local Authorities (2017) (Prudential Code) • *Budget and Capital Programme 2021/22*, report to Executive, 28 January 2021 • Link to MHCLG Guidance: *The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003*