



FINANCE, ASSETS, INVESTMENT & RECOVERY COMMITTEE

20 DECEMBER 2023

REPORT TITLE:	Treasury Management Review
REPORT OF:	Tim Willis, Interim Director – Resources
REPORT IS FOR:	Information

REPORT SUMMARY

This report sets out the findings of the Council's treasury management advisors, Link, in respect of a review of the Treasury Management Strategy.

The Council has, over recent years, embarked upon an ambitious capital investment programme that has necessitated significant treasury management activity, including sizeable borrowing. A report was commissioned from the local government experts in this field (Link) to report back on this activity – both in terms of the Council's performance and its current compliance with best practice.

SUPPORTING INFORMATION

1.0 OTHER OPTIONS CONSIDERED

N/A

2.0 BACKGROUND INFORMATION

- 2.1 After a procurement process in April 2023, Link were commissioned to carry out a review of the Council's Treasury Management (TM) Strategy. Link produced a draft report in June 2023 and finalised it in August. Their report is attached.
- 2.2 The report provides an independent view of the Council's management of risk in relation to borrowing and investment. It also provides guidance on compliance with best practice.

2.3 The key conclusions from the report are as follows:

- a) The Council has a high level of absolute debt; consequently a high cost of servicing that debt; and a reliance on income generated from assets, acquired from the borrowing, to service the debt. To balance this, the Council pays a low average rate of interest on the debt; and generates a relatively healthy return in regard to income from the assets.
- b) The Council does not yet fully comply with the CIPFA Code of Practice on Treasury Management in that it does not have a set of updated Treasury Management Practices (TMPs) or an adequate set of Investment Management Practices (IMPs). TMPs set out the manner in which the Council will achieve effective treasury management, and IMPs cover the same ground for non-treasury investments. A TMP operations manual should be produced and used as a reference document to regularly check that details of the TMPs are up to date.
- c) The level of scrutiny of treasury management reports by members requires strengthening: in particular, it is recommended that the Audit & Scrutiny Committee undertakes prior scrutiny of treasury strategy reports before they go to Full Council for approval.
- d) Member scrutiny would also be enhanced by a training programme.
- e) Organisational change has exacerbated existing resourcing issues within the treasury management team. Additional staff resources would be advisable to support with best practice and compliance, particularly in relation to segregation of duties. This will be considered as part of the OneTeam review of the corporate finance function.
- f) The Capital Strategy needs to have a time line beyond the current three years horizon.

2.4 With regard to TMPs, officers have worked with Link to update the these documents, and they are now in place. It is proposed that they be formally adopted as part of the 2024/25 Treasury Management Strategy. A separate exercise is planned for 2024 to develop a full set of IMPs.

2.5 The Committee is asked to note the following actions arising from the Link report:

- a) The TM Strategy will be considered by Audit & Scrutiny Committee before it is submitted to Council for approval.

- b) The updated set of TM Practices will be presented for approval by Council as part of the 2024/25 TMSS, and updated IMPs will be developed during 2024/25.
- c) Progress on compliance with the TMPs and IMPs will be reported to Audit & Scrutiny Committee on a regular basis.
- d) A TMP operations manual will be developed and maintained in 2024/25.
- e) An internal audit of TM will be commissioned for 2024/25 to test the extent of implementation and effectiveness of the above actions.
- f) Training of relevant members will be commissioned to help enable appropriate challenge and interrogation of TM reports.
- g) An Independent Person will be appointed to the Audit & Scrutiny Committee to enhance expertise on the Committee.
- h) The Capital Programme will be extended to five years to assist in longer-term investment planning and the subsequent TM Strategy to support that.
- i) Consideration will be given to the inclusion of a specific risk in the Council's strategic risk register regarding the level of exposure.
- j) A separate capital and investment strategy will be developed in 2024 to support forward planning and be reported separately to members to inform 2025/26 and beyond.

3.0 FINANCIAL IMPLICATIONS

3.1 Contained within the body of the report.

4.0 LEGAL IMPLICATIONS

4.1 The Council's treasury management activities are governed by statute, regulations and best practice.

5.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

5.1 Contained within the body of the report.

6.0 RELEVANT RISKS

6.1 The risks associated with the treasury management operation are managed through limits set out in the annual treasury management strategy.

7.0 ENGAGEMENT/CONSULTATION

N/A

8.0 EQUALITY IMPLICATIONS

N/A

9.0 ECONOMIC IMPLICATIONS

N/A

10.0 ENVIRONMENTAL IMPLICATIONS

N/A

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APPENDICES

- Appendix A: Link Review of Treasury Management.