

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 15 March 2021

Report of: Deputy Chief Executive Officer

Subject: TREASURY MANAGEMENT STRATEGY AND INDICATORS

SUMMARY

Regulations require the Council to prepare and formally approve an annual Treasury Management Strategy. The document for 2021/22, attached as Appendix A, was endorsed by the Executive on 1 February 2021 and submitted to Full Council for approval on 26 February 2021.

There are no significant changes to this year's Strategy, but areas of note are:

- In the past 12 months, the Council's investment balance has ranged between £14 million and £44 million. The higher balances are due to COVID-19 related Government grants received in advance and are expected to reduce in the forthcoming year (paragraph 7).
- The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk short-term investment options reducing the value of investments (paragraph 10).
- The majority of the Council's investments is expected to be invested in short-term unsecured bank deposits and money market funds with approximately £12m available for longer-term investment (paragraph 11).
- Borrowing levels are expected to increase to a projected £72.7 million at the end of 2021/22 to fund the capital programme (paragraph 28).
- Public Works Loan Board (PWLB) loans are no longer available to local authorities planning to buy investment assets primarily for yield (paragraph 36).
- The economic and interest rate forecast by the Council's treasury advisors has been updated as at January 2021 (paragraph 54 and Annex 1).

The Audit and Governance Committee's areas of responsibility for Treasury Management is to ensure effective scrutiny of the implementation of the Council's Treasury Management Strategy and Policy.

RECOMMENDATION

It is RECOMMENDED that the Committee note the Treasury Management Strategy and Prudential Indicators for 2021/22, attached as Appendix A to this report.

Appendices: Appendix A: Treasury Management Strategy and Investment Strategy 2021/22

Background Papers: None

Reference Papers:

Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services 2017

CIPFA The Prudential Code 2017

Statutory Guidance on Local Government Investments issued under section 15(1)(a) of the Local Government Act 2003 from the Ministry of Housing, Communities and Local Government (MHCLG)

Template for Treasury Management Strategy and Investment Strategy 2021/22 provided by Arlingclose (the Council's current Treasury Advisers)

Enquiries:

For further information on this report please contact Caroline Hancock (Ext 4589)