



**CORPORATE GOVERNANCE COMMITTEE – 31<sup>ST</sup> JANUARY 2020**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL  
INVESTMENT STRATEGY 2020/21**

**Purpose of the Report**

1. The purpose of this report is to provide the Corporate Governance Committee with an opportunity to review the Treasury Management Strategy Statement and Annual Investment Strategy for 2020/21.

**Background**

2. The Treasury Management Strategy Statement and Annual Investment Strategy form part of the Medium Term Financial Strategy which will be considered by the Council at its meeting on 19<sup>th</sup> February 2020.
3. Any comments that are made by the Corporate Governance Committee will be included in the report to the Council on this matter.
4. In December 2017, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a revised Treasury Management Code of Practice and a revised Prudential Code. The changes to the Codes reflect concern within Central Government about a trend towards authorities making investments in assets which are not required for service reasons, in an attempt to generate additional resources to assist the revenue budget. Most (but not all) of these investments have been in commercial property and many have been funded by external borrowing. There is a view that some of these investments have been made without authorities having the requisite skills to fully understand the investment.
5. The requirements of the new Code are to ensure that members are fully informed of the details of these types of investments, and in particular that they have a better understanding of the associated risks.
6. The Code states that 'where, in addition to Treasury Management investment activity, organisations invest in other financial assets and property primarily for financial return, these investments should be proportional to the level of resources available to the organisation and the organisation should ensure that the same robust procedures for the consideration of risk and return are applied to those decisions.'

7. Recent guidance produced by the Secretary of State supports the code in requiring local authorities to prepare at least one investment strategy that will contain certain disclosures around risk, security, liquidity and yield when making these types of 'commercial' investments. The Council has had in place for some time its Corporate Asset Investment Fund (CAIF) Strategy which it first produced in 2014 prior to this guidance being produced. This has been updated annually since then, the most recent version having been presented to the Cabinet in September 2019, and when read in conjunction with the Treasury Management Strategy and Statement; this fulfils the Council's obligations set out within this guidance.
8. The Council's Corporate Asset Investment Fund (CAIF) Strategy sets out the approach the Council will follow when considering the acquisition of investments for the purposes of inclusion within the CAIF. It specifically documents the Council's requirements for ensuring effective due diligence, risk appetite, independent and expert advice and scrutiny arrangements, and performance monitoring by the Corporate Asset Investment Board, the Cabinet and the Scrutiny Commission as part of the regular monitoring of the MTFS.
9. The period covered by the Strategy has been aligned to the MTFS, but like the MTFS this will continue to be reviewed and refreshed on an annual basis and reported to the Cabinet and the Scrutiny Commission as appropriate. The CAIF Strategy will therefore be considered by the Cabinet and the County Council as part of the MTFS 2020-24 in February 2020.
10. The County Council has not borrowed to fund these investments. Any future decisions on availability and proportionality in respect of overall resources to fund the CAIF (and the Capital Programme, the Capital Strategy, which itself is derived from the Councils Strategic Plan and Asset Management Plans), is reviewed annually as part of the MTFS and the Treasury Management Strategy Statement and Annual Investment Strategy. These documents take into account the statutory guidance issued by the Secretary of State under the Local Government Act 2003.

### **Treasury Management Strategy Statement and Annual Investment Strategy**

11. There are no changes to the approved organisations or limits for lending when compared with last year.

### **Resource Implications**

12. The interest earned on revenue balances and the interest paid on external debt (which are directly correlated to the Treasury Management Strategy Statement and Annual Investment Strategy) will impact onto the resources available to the Council.

### **Equality and Human Rights Implications**

13. There are no discernible equality and human rights implications.

**Recommendation**

14. The Committee is asked to comment on this report.

**Background Papers**

13 September 2019 – Cabinet – Corporate Asset Investment Fund Annual Performance Report 2018-19 and Strategy Update for 2019 – 2023

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=5605&Ver=4>

**Circulation under the Local Issues Alert Procedure**

None

**Appendix**

Treasury Management Strategy Statement and Annual Investment Strategy 2020/21

**Officers to Contact**

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