

REPORT OF AUDIT COMMITTEE

(Meeting held on 24 January 2020)

1. TREASURY MANAGEMENT STRATEGY 2020//21 TO 2022/23 AND TREASURY INDICATORS (Minute No 38)

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risks are therefore central to the Council's prudent financial management.

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code which requires the Council to approve a Treasury Management Strategy Statement (TMSS) before the start of each financial year. The report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

The Committee has considered the Council's Treasury Management Strategy Statement 2020/21 to 2022/23, including the Annual Treasury Management Investment Strategy for 2020/21 (and the remainder for 2019/20) and Treasury Indicators for the same period.

Following detailed consideration by the Committee, the policies and approvals sought are:

Treasury Management Strategy Statement

The Treasury Management Strategy Statement sets out how the Council's treasury service will support the capital expenditure and financing decisions taken over the three year period from 2020/21 to 2022/23. The day to day treasury management function and the limitations on activity through treasury indicators are also set out in the statement.

The report had been prepared prior to the finalisation of the Capital Programme for 2020/21 and subsequent years. Therefore, the target indicators may be subject to minor variation. These indicators are targets only and minor adjustments will not be reported.

Any adjustments to the treasury management limits will be reported.

Treasury Management Investment Strategy

Treasury risk management at the Council is conducted within the framework of the CIPFA Treasury Management in Public Services: Code of Practice 2017 Edition (the CIPFA Code). The report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

The Treasury Management Investment Strategy sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

This Strategy is shown in Annex A in Section 5. The above policies and parameters provide an approved framework within which officers undertake the day to day treasury activities.

This Strategy aims to strike a balance between allowing for current investment levels to continue, whilst also considering the Council's intention to directly invest in both commercial and residential property.

RECOMMENDED:

- (a) *That the Treasury Management Strategy 2020/21 to 2022/23, including the Annual Treasury Management Investment Strategy for 2020/21 (and the remainder for 2019/20) and the Treasury Indicators contained within Annex A of Audit Committee Report 6 to the Audit Committee agenda, be approved;*
- (b) *That authority be delegated to the Section 151 Officer, who in turn delegates to Hampshire County Council's Director of Corporate Resources, as agreed in the Service Level Agreement, to manage all Council investments (other than the high yield investment portfolio) and borrowing according to the Treasury Management Strategy Statement, as appropriate.*

2. INVESTMENT STRATEGY 2020/21 (Minute No 39)

The Committee also considered the Investment Strategy for 2020/21, which the Council must produce to comply with statutory guidance.

The Investment Strategy incorporates all of the Council's investment activities, which consist of:

- **Treasury Management Investments** (see Item 1 above)
- **Commercial Investments**

The Commercial Investments section of the Strategy brings together the accumulation of property investment strategies that have been adopted by this Council.

The Strategy considers the contribution made by these investments, the security, the risk assessment process and liquidity.

The Strategy also sets out various performance indicators, designed to assist the reader to understand the implications of the Council's investing activities on the General Fund, and the forecast yields expected from the differing investment categories.

The Committee noted that the dates with Table 3 of the Investment Strategy needed to updated.

RECOMMENDED:

That the Investment Strategy 2020/21 as set out in Appendix 1 of Audit Committee Report 7 to the Audit Committee agenda, be approved, subject to the dates within Table 3 being updated.

**CLLR A O'SULLIVAN
CHAIRMAN**