

## **REPORT OF AUDIT COMMITTEE**

**(Meeting held on 26 January 2018)**

### **1. TREASURY MANAGEMENT STRATEGY REPORT 2018/19 – 2020/21 (Minute No 33)**

The Prudential Code for Capital Finance in Local Authorities (The Code) requires Councils to set and monitor prudential indicators to ensure that their plans for the future capital investment are affordable and sustainable.

The Committee has considered the Council's prudential indicators for 2018/19 to 2020/21 that relate to the treasury management function including the expected treasury operations for that period. (A related report, detailing the prudential indicators for 2018/19 to 2020/21 for capital expenditure was considered by the Cabinet on 7 February 2018 and details appear elsewhere on the Council agenda).

The report outlined and recommended the Council's prudential indicators for 2018/19 – 2020/21 that relate to the Treasury Management Function and set out the expected treasury operations for that period.

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

- **Treasury Management Strategy (Annex A to this report)**

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 2018/19 to 2020/21. The day to day treasury management function and the limitations on activity through treasury indicators are also set out in the statement.

There are a number of target indicators but the indicator that must not be breached is the Authorised Limit for External Debt. This is the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term.

The report to the Committee was prepared prior to the finalisation of the Capital Programme for 2018/19 and subsequent years. Therefore the target indicators may be subject to minor variation. Should any increase result in the likelihood of the approved Authorised Limit for External Debt being breached this will be reported at Cabinet in February 2018. Other indicators are targets only and minor adjustments will not be reported.

- **Treasury Management**

The proposed strategy is set out in Annex A in paragraph 5. It sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

The proposed strategy has regard to the Government's Guidance on Local Government Investments and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes.

The above policies and parameters will 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.

Subject to the Council's agreement, the Treasury Management Strategy will take effect from 26 February 2018.

**RECOMMENDED**

- (a) ***That the Treasury Management Strategy 2018/19 to 2020/21 and the Treasury Indicators contained within Annex A be approved; and***
- (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) according to the risk assessment process in the Investment Strategy as appropriate.***

**CLLR A O'SULLIVAN  
CHAIRMAN**

**Attachments:** Annex A