

Committee Report

ISLE OF WIGHT COUNCIL

Meeting	AUDIT AND GOVERNANCE COMMITTEE
Date	18 MARCH 2024
Title	TREASURY MANAGEMENT STRATEGY 2024-25
Report of	CABINET MEMBER FOR HOUSING & FINANCE

Executive Summary

1. This report presents the Treasury Management Strategy (TMS) 2024-25.
2. The committee is asked to adopt the Treasury Management Strategy for 2024-25.

Recommendation

3. That the committee adopt the Treasury Management Strategy for 2024-25

Background

4. The council has delegated the review of the annual Treasury Management Strategy to the Audit and Governance Committee. As such, all references to the council adopting the various requirements of a Treasury Management Strategy (TMS) in the following paragraphs, are delegated to the audit and governance committee.
5. The Local Government Act 2003 (the act) and subsequent regulations require the council to set out its annual strategy with regard to both borrowing and the repayment of external debt. This is set out in the borrowing strategy (section 4 of the attached TMS).
6. The council must also approve an annual investment strategy in compliance with government guidance on local government investments. Section 5 of the attached TMS sets out the council's policy for managing its treasury investments and for giving priority to the security and liquidity of those investments.

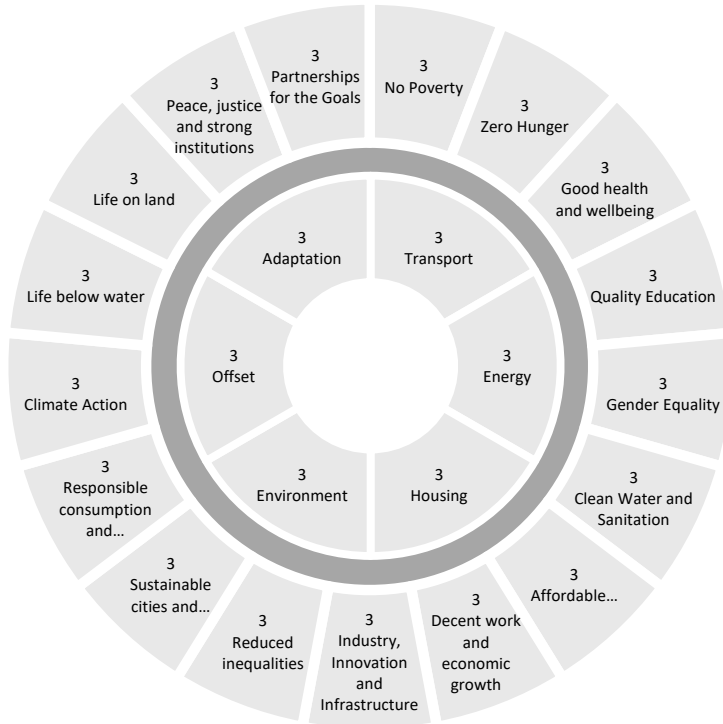
7. The act and subsequent regulations require the council to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code), and Treasury Management Practices (TMPs).
8. The council's constitution specifies that the Chief Financial Officer, namely the Director of Finance and section 151 officer, has responsibility for treasury management and all banking arrangements. This includes the development and review of the council's treasury management practices (TMPs), which detail the way in which the council delivers the Treasury Management Strategy.
9. The TMPs specifically cover the following areas:
 - TMP 1 – Risk management.
 - TMP 2 – Performance measurement.
 - TMP 3 – Decision making and analysis.
 - TMP 4 – Approved instruments, methods and techniques.
 - TMP 5 – Organisation, clarity and segregation of responsibilities, and dealing arrangements.
 - TMP 6 – Reporting requirements and management information arrangements.
 - TMP 7 – Budgeting, accounting and audit arrangements.
 - TMP 8 – Cash and cash flow management.
 - TMP 9 – Money laundering.
 - TMP 10 – Training and qualifications.
 - TMP 11 – Use of external service providers.
 - TMP 12 – Corporate governance.
 - TMP 13 – Non-treasury investments
10. It is proposed to undertake a full review of the TMP's during 2024-25. No changes have been made prior to this report being published.
11. In accordance with TMP 6, the Audit and Governance Committee will receive an annual report on the compliance with the 2023-24 TMS at its meeting in July 2024, and regular progress reports regarding the 2024-25 TMS at the September 2024, December 2024 and March 2025 meetings.

Corporate Priorities and Strategic Context

12. The strategy specifically supports the council's capital programme and the [Corporate Plan 2021 – 2025](#) ensuring the key priorities of the council are deliverable within the reduced resources available to the council.

Responding to climate change and enhancing the biosphere

13. Through its treasury management activity, the council invests in a combination of money market funds, call accounts maintained by banks and in other local authorities. The council undertook a review of these investments in relation to their impact on the council's Climate and Environment Strategy



14. As can be seen above the treasury activities that are included in this report have a neutral impact on the climate change and environmental goals of the council

Economic Recovery and Reducing Poverty

15. Although there is no direct impact within the report at Appendix 1 relating to this corporate priority, the Treasury Management Strategy and the prudential indicators that are set, enable the council to contribute towards reducing the numbers of residents, and especially children, who are living in poverty

Impact on Young People and Future Generations

16. Although there is no direct impact within the report at Appendix 1 relating to this corporate priority, the Treasury Management Strategy and the prudential indicators that are set, enable the council to contribute towards the future sustainability of the council.

Corporate Aims

17. The reporting of the treasury management activity of the council is in alignment with the aspiration of transparency and disclosure of council investments and debts as detailed in the [Corporate Plan 2021 - 2025](#).

Consultation

18. There has been no external consultation in the preparation of this report, but it has been prepared using a template provided by Arlingclose Limited, the council's investment consultants.

19. This template provides us with the information that is required so that we are compliant with the requirements of the CIPFA code.
20. The treasury management strategy for 2024-25, has been considered by senior accountants within the Financial Management team, including both the Director of Finance and the Service Director Finance.

Financial / Budget Implications

21. The financial and budgetary implications arising from the recommendations to adopt the Treasury Management Strategy and policy are reflected within the approved Revenue Budget 2024-25.
22. The establishment of effective arrangements for the regular monitoring and review of the council's treasury management arrangements is a key part of the effective budget management of the council. During 2024-25, the average investment portfolio is forecast to be £3 million, and the average debt portfolio is forecast to be £182 million.
23. If actual levels of investments and borrowing, as well as actual interest rates, differ from that forecast, performance against budget will be correspondingly different.

Legal Implications

24. The Local Government Act 2003 and subsequent regulations require the council to set out its annual strategy with regard to both borrowing and the repayment of external debt. The act and subsequent regulations require the council to have regard to CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes (the TM Code) and The Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

Equality and Diversity

25. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
26. The Treasury Management Strategy is not considered to have any impacts on the protected characteristics.

Property Implications

27. There are no property implications relating to the report at Appendix 1.

Risk Management

28. This Treasury management activities have a high level of risk as they comprise transactions that can amount to several million pounds which are undertaken with external bodies. When the council has surplus monies to invest, there are risks, if those organisations to whom it lends, default on repayment (counterparty risk). The costs to the council of its treasury management activities are dependent on fluctuating interest rates.
29. The overall strategy of borrowing short-term and avoiding long-term debt carries the risk that, if interest rates suddenly rise, when longer term debt is eventually required, it will cost more (refinancing risk).
30. The council manages the counterparty risk by adopting a treasury management strategy which includes maintaining a limited list of organisations to which it is authorised to lend and restricting the maximum amount to be invested with each organisation, based on advice obtained from its external treasury management advisor, Arlingclose Limited.
31. The refinancing risk is mitigated by maintaining a combination of both short-term and long-term borrowing, which is regularly reviewed, based on interest rate projections provided by Arlingclose Limited.
32. It also operates protocols for maintaining financial controls. The treasury management function is reviewed by the council's internal auditors on a periodic basis. The most recent review which was based on the 2019-20 transactions provided the highest level of assurance on the operation of these controls.
33. The council is obliged under section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs. Failure to comply with the code could result in adverse comments being raised by the council's external auditors.
34. The committee's overview of the council's treasury management arrangements plays an important part in the council's overall governance regime. It has an important role to play in the monitoring of treasury management activities, including overview of the risks faced by this function both internally, which are directly controllable through segregation of duties and reporting arrangements, and externally, controllable through the monitoring of counterparties and lending limits, and also regular monitoring of general economic factors.

Evaluation

35. The Treasury Management Strategy has been produced in order for the council to be compliant with the CIPFA Code of Practice on Treasury Management.
36. It lays out the parameters within which the treasury management will operate during the year 2024-25, in order to limit the risks that are set out above.

Appendices Attached

37. Appendix 1 - Treasury Management Strategy 2024-25.

Background Papers

38. Treasury Management Practices

<https://www.iow.gov.uk/Meetings/committees/Audit%20Committee/18-2-19/PaperF-AppendixB-TreasuryManagementPractices.pdf>.

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