Classification	Item No.
Open	

Meeting:	Cabinet
Meeting date:	1st September 2021
Title of report:	Treasury Management Outturn 2020/21
Report by:	Leader of the Council and Cabinet Member for Finance and Growth
Decision Type:	**Non- Key Decision**
Ward(s) to which report relates	**All**

Executive Summary:

1.1 The report outlines the financial position and provides an update on the following aspects of the Treasury management function throughout 2020/21. The report covers:

- the Council's capital expenditure and financing;
- the treasury position as 31st March 2021;
- the investment and borrowing strategy and
- borrowing and investment Outturn.

1.2 The Council is required by legislation to produce an annual Treasury Management review of activities and the actual prudential and treasury indicators for the year. This report meets both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

Recommendation(s)

Overview and Scrutiny Committee is asked to note the report.

Cabinet is requested to approve, for onward submission to Council in September, the:

- 2020/21 Prudential and Treasury Indicators
- Treasury Management 2020/21 Outturn Report

Reasons for the Decision:

It is a requirement of the CIPFA Code that the Council receives an annual Treasury Management Outturn Report.

2 Introduction

2.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

2.2 During 2020/21 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (approved 26/02/2020)
- a mid-year, (minimum), treasury update report (approved 25/11/2020)
- an annual review following the end of the year describing the activity compared to the strategy, (this report)

2.3 In addition, this Council has received quarterly treasury management update reports on the following dates:-
29th July 2020
24th November 2020
23rd February 2021

2.4 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

2.5 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by Cabinet before they were reported to the full Council.

3 The Council's Capital Expenditure and Financing

3.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

3.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual expenditure and how this was financed.

	2019/20 Actual £M	2020/21 Revised Budget £M	2020/21 Actual £M
Capital Expenditure:			
Non-HRA	25.017	43.546	19.069
HRA	7.666	9.830	7.841
TOTAL CAPITAL EXPENDITURE	**32.683**	**53.376**	**26.910**
Resourced By:			
Capital Receipts	1.931	0.609	1.544
Capital Grants	11.772	14.978	9.388
HRA	7.136	9.830	7.841
Revenue	2.568	3.889	2.475
Unfinanced capital expenditure	**9.276**	**24.069**	**5.663**

4 The Council's Overall Borrowing need

4.1 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

4.2 To ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2020/21) plus the estimates of any additional capital financing requirement for the current (2021/22) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2020/21.

4.3 The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31st March 2020 Actual £M	31st March 2021 Budget £M	31st March 2021 Actual £M
Gross borrowing position	215.902	237.188	206.016
CFR	259.305	287.266	264.967
(Under) / over funding of CFR	(43.403)	(50.077)	(58.951)

4.4 The authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2020/21 the Council has maintained gross borrowing within its authorised limit.

4.5 The operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

4.6 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

	2020/21 £M
Authorised limit	305.000
Maximum gross borrowing position	215.994
Operational Boundary	270.000
Average gross borrowing position	196.224
Financing costs as a proportion of net revenue stream:-	
Non - HRA	3.01%
HRA	14.96%

5. Treasury Position as at 31st March 2021

5.1 The Council's treasury position at the end of 2019/20 and 2020/21 (excluding borrowing by PFA and finance leases), position was as follows:

		31st March 2020			31st March 2021		
		Principal		Avg.	Principal		Avg.
		£M	£M	Rate	£M	£M	Rate
Fixed rate funding							
	PWLB Bury	134.071			133.885		
	PWLB Airport	11.828			11.828		
	Market Bury	49.000	194.899		60.300	206.013	
Variable rate funding							
	PWLB Bury						
	Market Bury		0.000			0.000	
Temporary Loans / Bonds		21.003	21.003		0.003	0.003	
Total Debt			**215.902**	**3.95%**		**206.016**	**3.70%**
Total Investments			**29.410**	**0.61%**		**15.928**	**0.13%**
Net Debt			**186.492**			**190.088**	

5.2 The maturity structure of the debt portfolio was as follows:

Maturity structure of fixed rate borrowing	2019/20 Actual £M	2019/20 Actual %	2020/21 Actual £M	2020/21 Actual %
Under 12 months	22.186	10.28%	5.190	2.52%
12 months and within 24 months	5.000	2.32%	13.000	6.31%
24 months and within 5 years	8.000	3.71%	7.300	3.54%
5 years and within 10 years	5.550	2.57%	31.550	15.31%
10 years and within 15 years	26.000	12.04%	0.000	0.00%
15 years and over	149.166	69.09%	148.976	72.31%
Total Debt	**215.902**	**1.00**	**206.016**	**1.00**

5.3 The Council's investment portfolio was as shown below:

	Investment balance at 31/03/2020 £M	Amount Invested in year £M	Investments realised in year £M	Investment balance at 31/03/2021 £M
Fixed Rate Investments	0.000	0.000	0.000	0.000
Total - Fixed rate	**0.000**	**0.000**	**0.000**	**0.000**
Notice Accounts				
Barclays Bank - 32 day Notice account	1.000		(0.750)	0.250
Barclays Bank - 95 day Notice account	0.250			0.250
Lloyds - 32 day Notice account	3.000	0.000	(3.000)	0.000
Santander - 31 day Notice account	0.000	7.000	(7.000)	0.000
Santander - 35 day Notice account	1.000	15.000	(16.000)	0.000
Santander - 60 day Notice account	0.000	3.000	(3.000)	0.000
Total - Notice accounts	**5.250**	**25.000**	**(29.750)**	**0.500**
Call Accounts				
Barclays Bank - Flexible Interest Bearing Current Account	24.160	319.330	(328.070)	15.420
Bank of Scotland - Call Account	0.000	3.000	(3.000)	0.000
Total Investments	**29.410**	**347.330**	**(360.820)**	**15.920**

5.4 All of the Council's investments are held for a period of up to 1 year.

6. The Strategy for 2020/21

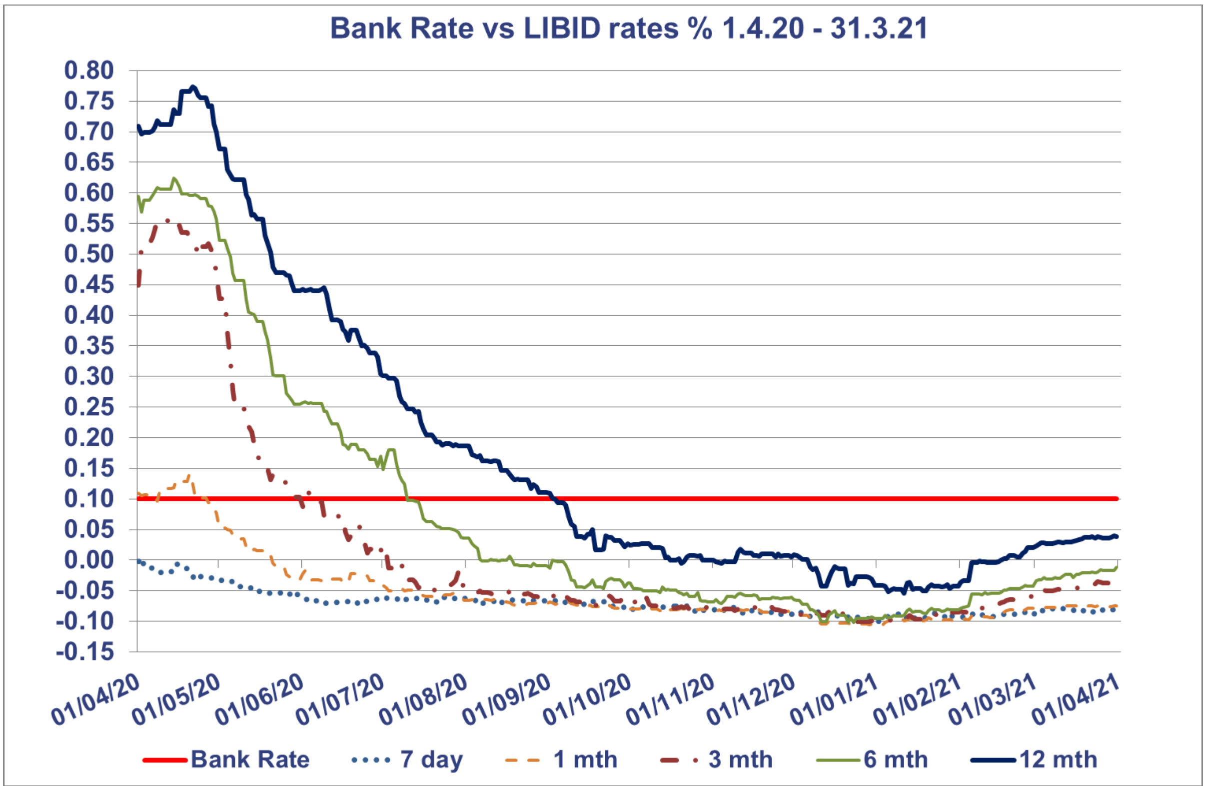
6.1 Investment strategy and control of interest rate risk

6.1.1 Investment returns which had been low during 2019/20, plunged during 2020/21 to near zero or even into negative territory. Most local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic bursting onto the scene in March 2020 which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy. The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.

6.1.2 This authority does not have sufficient cash balances to be able to place deposits for more than a month so as to earn higher rates from longer deposits. While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

6.1.3 Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.

6.1.4 The information below show Bank and London Interbank Bid Rates (LIBID) for a selection of periods, the average interest rates, the high and low points in rates, spreads and individual rates at dates through and at the end of the financial year.



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.10	0.00	0.14	0.56	0.62	0.77
High Date	01/04/2020	02/04/2020	20/04/2020	08/04/2020	14/04/2020	21/04/2020
Low	0.10	-0.10	-0.11	-0.10	-0.10	-0.05
Low Date	01/04/2020	31/12/2020	29/12/2020	23/12/2020	21/12/2020	11/01/2021
Average	0.10	-0.07	-0.05	0.01	0.07	0.17
Spread	0.00	0.10	0.25	0.66	0.73	0.83

6.2 Borrowing strategy and control of interest rate risk

6.2.1 During 2020-21, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were very low and minimising counterparty risk on placing investments also needed to be considered.

6.2.2 A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

6.2.3 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

6.2.4 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Director of Finance therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.

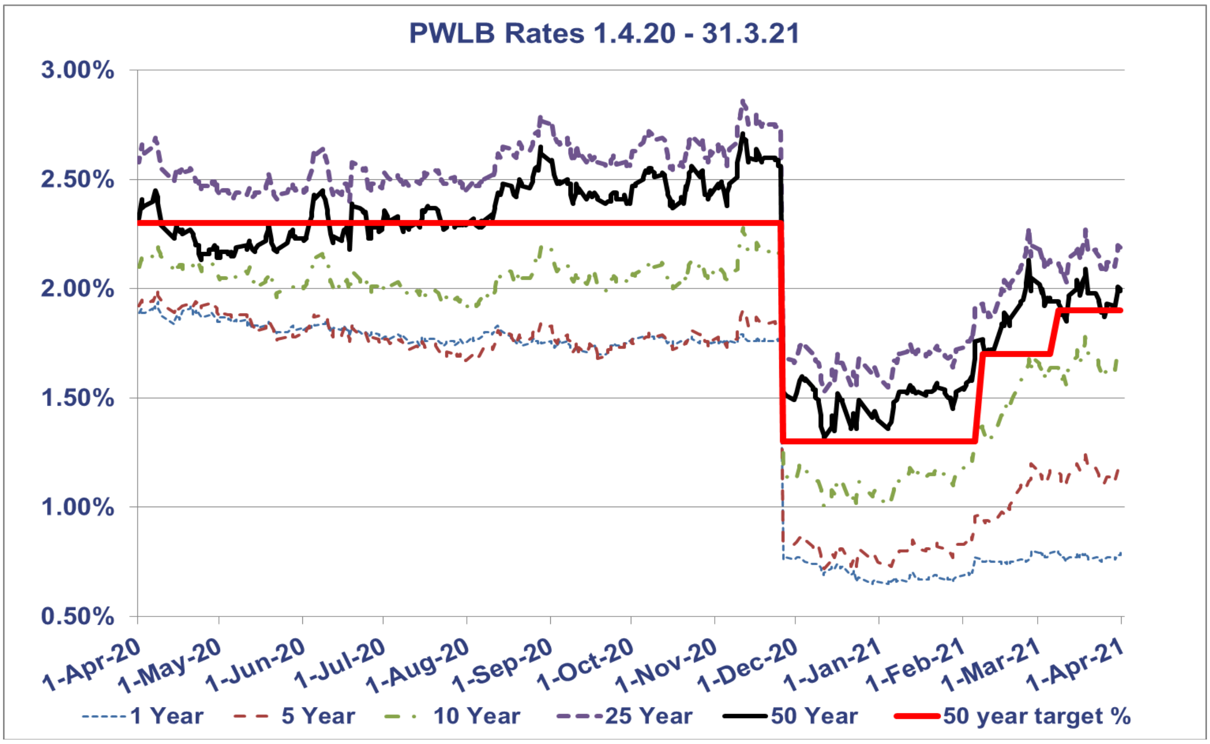
- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

6.2.5 Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2020/21 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

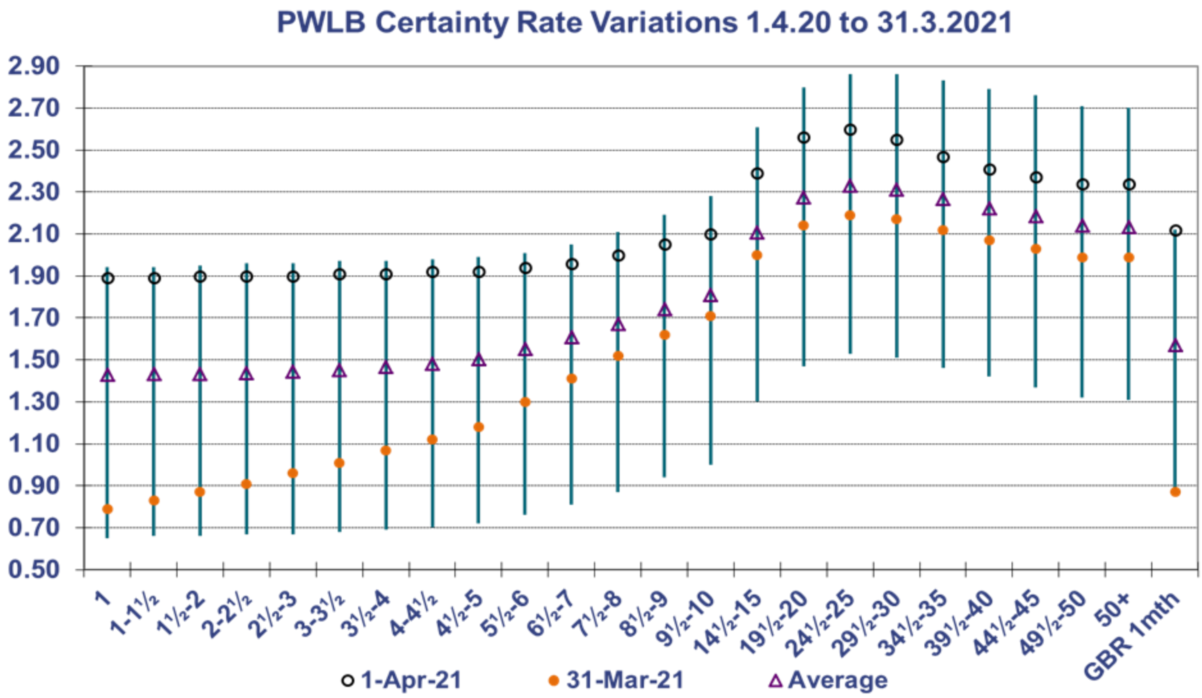
6.2.6 The table below shows the interest rate forecast as at mid-year 2020/21

Link Group Interest Rate View	9.11.20													
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	1.80	1.80	1.80	1.80	1.80	1.90	1.90	1.90	1.90	1.90	2.00	2.00	2.00	2.00
10 yr PWLB	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30
25 yr PWLB	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70	2.70	2.70	2.80	2.80	2.80	2.80
50 yr PWLB	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.60	2.60	2.60	2.60

6.2.7 The information below show PWLB rates for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates, at dates through and at the end of the financial year.



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.65%	0.72%	1.00%	1.53%	1.32%
Date	04/01/2021	11/12/2020	11/12/2020	11/12/2020	11/12/2020
High	1.94%	1.99%	2.28%	2.86%	2.71%
Date	08/04/2020	08/04/2020	11/11/2020	11/11/2020	11/11/2020
Average	1.43%	1.50%	1.81%	2.33%	2.14%
Spread	1.29%	1.27%	1.28%	1.33%	1.39%



6.2.8 PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not **need to** raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have seen over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession.

6.2.9 Gilt yields fell sharply from the start of 2020 and then spiked up during a financial markets melt down in March caused by the pandemic hitting western countries; this was rapidly countered by central banks flooding the markets with liquidity. While US treasury yields do exert influence on UK gilt yields so that the two often move in tandem, they have diverged during the first three quarters of 2020/21 but then converged in the final quarter. Expectations of economic recovery started earlier in the US than the UK but once the UK vaccination programme started making rapid progress in the new year of 2021, gilt yields and PWLB rates started rising sharply as confidence in economic recovery rebounded. Financial markets also expected Bank Rate to rise quicker than in the forecast tables in this report.

6.2.10 At the close of the day on 31 March 2021, all gilt yields from 1 to 5 years were between 0.19 – 0.58% while the 10-year and 25-year yields were at 1.11% and 1.59%.

6.2.11 HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019/20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11th March 2020, but not for mainstream non-HRA capital schemes. A consultation was then held with local authorities and on 25th November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -

- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)
- PWLB HRA Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB HRA Certainty Rate is gilt plus 80bps (G+80bps)
- Local Infrastructure Rate is gilt plus 60bps (G+60bps)

6.2.12 There is likely to be only a gentle rise in gilt yields and PWLB rates over the next three years as Bank Rate is not forecast to rise from 0.10% by March 2024 as the Bank of England has clearly stated that it will not raise rates until inflation is sustainably above its target of 2%; this sets a high bar for Bank Rate to start rising.

7 Borrowing Outturn

7.2 Treasury Borrowing

7.2.1 The Council has taken out market loans totalling £12.3m during 2020/21. The borrowing was undertaken to replace temporary loans with short term loans, thereby locking in lower rates for a longer period.

	Balance at 31st March 2020 £M	Loans raised in year £M	Loans repaid in year £M	Balance at 31st March 2021 £M
PWLB	134.071	0.000	(0.186)	133.885
Market	49.000	12.300	(1.000)	60.300
Temporary Loans	21.000	0.000	(21.000)	0.000
Other loans	0.003	0.000	0.000	0.003
Bury MBC Debt	**204.074**	**12.300**	**(22.186)**	**194.188**
Airport PWLB Debt	11.828	0.000	0.000	11.828
Total Debt	**215.902**	**12.300**	**(22.186)**	**206.016**

7.3 Debt Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

7.4 Borrowing in advance of need

The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

7.4 Repayment of Debt

During 2020/21 the Council made a net loan repayment of £9.886m, at an average loan rate of 2.06%.

7.5 Summary of debt transactions

Management of the debt portfolio resulted in a fall in the average interest rate of 0.17%, representing net General Fund savings of £0.339m p.a.

8 Investment Outturn

8.1 Investment Policy

8.1.1 The Council's investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 26/02/2020. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

8.1.2 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

8.2 Resources

8.2.3 The Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

Balance Sheet Resources	31 March 2020 £M	31 March 2021 £M
Balances General Fund	**6.990**	**34.241**
Balances HRA	**8.393**	**10.422**
Earmarked reserves	**52.626**	**104.474**
Provisions	**13.996**	**11.835**
Usable capital receipts	**6.974**	**4.890**
Total	**88.979**	**165.862**

8.3 Investments held at 31 March 2021

8.3.1 The Council managed all of its investments in house with the institutions listed in the Council's approved lending list. At the end of the financial year the Council had £15.920m of investments as follows:

Type	Institution	Amount £M	Term Days	Rate %
Call Accounts	Barclays Bank	15.420	0	0.05%
Total Call Accounts		**15.420**		
Notice Accounts	Barclays Bank	0.250	32	0.09%
	Barclays Bank	0.250	95	0.26%
Total Notice Accounts		**0.500**		
Total Investments		**15.920**		

8.3.2 The Council maintained an average balance of £31.729m of internally managed funds and earned an average rate of return of 0.13%. The comparable performance indicator is the average 7 day LIBID rate which was 0.07%.

Community impact / Contribution to the Bury 2030 Strategy

Delivery of the Bury 2030 strategy is dependent upon resources being available. The delivery of the strategy may be impacted by changes in funding and spending.

Equality Impact and considerations:

Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -
(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

25. *The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.*

Assessment of Risk:

The following risks apply to the decision:

Risk / opportunity	**Mitigation**
There are considerable risks to the security of the Authority's resources if appropriate treasury management strategies and policies are not adopted and followed.	Regular monitoring and reporting ensures that any changes in the financial position are quickly identified and action can be taken to manage the overall position.

Consultation:

There are no consultation requirements arising from this report.

Legal Implications:

There are no specific legal implications in this report. The S 151 officer has confirmed that the report meets the requirements of the CIPFA code of practice on Treasury management and the CIPFA prudential code for Capital finance in Local Authorities.

Financial Implications:

The financial implications are set out in the report. The continuation of the Covid pandemic has impacted significantly on both the revenue and capital budgets across the whole of the Council and needs to be carefully monitored. The in-year position will be reflected in an updated medium term financial strategy and will inform the budget setting process for the 2022/23 financial year.

Report Author and Contact Details:

Sam Evans
Executive Director of Finance (S151 Officer)

Background papers:

The Council's Financial Position as at 31 December 2020
Capital Strategy and Capital Programme 2021 – 2022/23
Treasury Management Strategy and Prudential Indicators 2020/21
Treasury Management Outturn Report 2019/20

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning

APPENDIX 1: Approved countries for investments as at 31st March 2021

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- U.K.

(note the Council only invests in the highest rated UK institutions)

APPENDIX 2: DELEGATION AND RESPONSIBILITY

The following personnel are involved on a regular basis in Treasury Management: -

Executive Director of Finance (Section 151) Officer	Overall supervision of Treasury Management function and cash flow. Regular reviews of Treasury Management Strategy and monitor performance.
Head of Management Accountancy	Manage and undertake day to day Treasury Management Activities in accordance with Treasury Strategy and Policy Statement.
Senior Accountant	Deputise for Head of Management Accountancy in their duties as required.

APPENDIX 3: Treasury management scheme of delegation

(i) Full council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Boards/committees/Council/responsible body

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Body/person(s) with responsibility for scrutiny

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

APPENDIX 4: The treasury management role of the section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

The above list of specific responsibilities of the S151 officer in the 2017 Treasury Management Code has not changed. However, implicit in the changes in both codes, is a major extension of the functions of this role, especially in respect of non-financial investments, (which CIPFA has defined as being part of treasury management).

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following *(TM Code p54): -*
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
    - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
    - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*

- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*