



**ITEM:12**

**REPORT TO: AUDIT COMMITTEE**

**DATE: 27 FEBRUARY 2020**

**REPORT TITLE: TREASURY MANAGEMENT STRATEGY 2020/21 AND UPDATE ON CURRENT PERFORMANCE**

**DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT AND CORPORATE SERVICES**

**AUTHOR: STEPHEN FINNEGAN, FINANCIAL ACCOUNTANT**

#### **Purpose of Report**

- 1 The Chartered Institute of Public Finance and Accountancy's, (CIPFA), Treasury Management in the Public Services Code of Practice, requires the authority to approve a Treasury Management Strategy before the start of each financial year. The 2020/21 Strategy was approved by the WECA Committee, (as part of the Capital Strategy), on 31 January 2020 and is now presented to the audit committee for consideration and review.

#### **Recommendation**

- To note the WECA Treasury Management Strategy for 2020/21 and update on the current investment portfolio and performance.

#### **Background / Issues for Consideration**

- 2 The 2019/20 Treasury Management Strategy, as informed through our Treasury advisors, ArlingClose, was approved by the WECA Committee on 21 February 2019. The 2020/21 Strategy builds on the foundations of the previous year and has been updated to reflect economic factors, credit risk and cash flow forecasts.
- 2.1 WECA's Treasury Transactions are entirely investment based at present with the authority being debt free with no identified need for borrowing within the immediate future. From April 2019, WECA took on responsibility for managing its own investment portfolio, a service that was previously managed on our behalf by Bath and North East Somerset, (BANCES), Council.
- 2.2 In the early years of operation, WECA has continued to maintain significant cash balances as detailed business cases and feasibility studies are developed. The focus of Treasury Management is to protect the security of public funding whilst continuing

to generate healthy financial returns from our cash holdings.

- 2.3 The 2020/21 Treasury Management Strategy, and update on 2019/20 performance, is detailed as Appendix 1 to this report.

### **Consultation**

3. Decisions on treasury management investment and borrowing are made daily as delegated to the Director of Investment and Corporate Services, (and designated staff), who must act in compliance with the Treasury Management Strategy. Reports on treasury management activity are presented to the WECA Committee, with the Audit Committee being responsible for scrutinising the governance framework that drives treasury management decisions.
- 3.1 Regular dialogue is maintained with our treasury advisor's, ArlingClose, particularly in relation to the consideration of longer-term investment opportunities.

### **Other Options Considered**

- 4 Consideration was given to maintaining the operational Treasury management contract with BANES which provided all of our day to day treasury transactions. However, our investment portfolio, and needs, as a Combined Authority, are significantly different to those of a Unitary Council and, as such, WECA took the service 'in house' with effect from April 2019.

### **Risk Management/Assessment**

- 5 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code).
- 5.1 The primary objective of the strategy is to safeguard public funding whilst generating reasonable financial returns from cash balances held. Within the strategy, there is a list of approved investment options with financial values and durations firmly linked to the credit worthiness, and risk, of each investment option.
- 5.2 ArlingClose provide regular updates in terms of changes to individual credit ratings and/or economic outlooks which might impact on current or future investment holdings.

### **Public Sector Equality Duties**

- 6 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
  - Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - Foster good relations between people who share a protected characteristic and those who do not.

- 6.1 The Act explains that having due regard for advancing equality involves:
- Removing or minimising disadvantages suffered by people due to their protected characteristics.
  - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
  - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
- 6.2 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.
- 6.3 The authority's Treasury Management Strategy can be made available in different formats and / or languages, as required, in order to improve ease of access.

**Finance Implications, including economic impact assessment where appropriate:**

- 7 The base budget for income generated from investments is £520k per annum. For 2019/20 this was increased to £820k, and further increased to £1,020k for 2020/21, in recognition of the high level of cash balances held and increased returns gained through diversifying the authority's investment portfolio.

*Advice given by: Malcolm Coe, Director of Investment and Corporate Services*

**Legal Implications:**

- 8 Treasury management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

*Advice given by: Shahzia Daya, Director of Legal Services*

**Climate Change Implications**

- 9 On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision-making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

\* The emission of climate changing gases?

- \* The region's resilience to the effects of climate change?
- \* Consumption of non-renewable resources?
- \* Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

- 9.1 The majority of the authority's current investment portfolio is held through loans to other local authorities. The ethical nature of an external organisation is considered prior to entering into any longer-term investments.

**Appendices:**

Appendix 1 – WECA Treasury Management Strategy 2020/21

**Background papers:**

WECA Treasury Management Strategy 2019/20 – approved by WECA Committee on 21 February 2019

WECA Capital Strategy (incorporating the WECA Investment Strategy and Treasury Management Strategy) – approved by the WECA Committee on 31 January 2020.

**West of England Combined Authority Contact:**

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)