

AGENDA NO: 9b



INDEPENDENT AUDIT COMMITTEE – 11 December 2018

TREASURY MANAGEMENT & INVESTMENT STRATEGY 2019/20 – DORSET PCC

REPORT BY ALEXIS GARLICK, CHIEF FINANCE OFFICER, DORSET OPCC

PURPOSE OF THE REPORT

The draft Treasury Management and Investment Strategy for 2019/20 including the Prudential Indicators and the Minimum Revenue Provision Policy Statement is appended to this report, for consideration and comment by the Independent Audit Committee before being finalised.

1.0 INTRODUCTION

- 1.1 The Police and Crime Commissioner has adopted CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), which requires, as a minimum, a Treasury Management and Investment Strategy to be approved before the start of each financial year, a mid-year stewardship report, and an annual report after the year end.
- 1.2 The Independent Audit Committee is responsible for scrutinising the Treasury Management Strategy and making recommendations to the Police and Crime Commissioner, before the Treasury Management Strategy is approved.
- 1.3 Any comments made will be considered by the Dorset Joint Executive Board, prior to approval by the Police and Crime Commissioner who is ultimately responsible for approving the Annual Treasury Management and Investment Strategy.
- 1.4 The Treasury Management and Investment Strategy is intrinsic to the annual Budget and Medium Term Financial Strategy which is considered by the Police and Crime Panel each year as part of the Police & Crime Commissioner's annual precept setting process. This is further supported by the Capital Strategy, and the Reserves Strategy (both being considered elsewhere on the agenda).

2.0 ALIGNMENT

- 2.1 The Alliance Finance function provides an operational treasury management service for both Devon & Cornwall and Dorset, which includes the management of cash balances and the investment of surplus cash or sourcing of borrowing in accordance with the agreed Treasury Management Strategies and the supporting Treasury Management Practices (considered elsewhere on this agenda). This is overseen by the respective Treasurers who have delegated responsibility from the PCCs for the execution and administration of treasury management decisions.

- 2.2 For 2018/19 the Treasury Management Strategy was produced as one document for both organisations. For 2019/20 these have been produced independently (following the decision not to progress the proposed merge).

3.0 GUIDANCE

- 3.1 PCC treasury management activities are prescribed by statute. A [local authority in England or Wales] may borrow or invest for any purpose relevant to its functions, for the purpose of the prudent management of its financial affairs.
- 3.2 Investment strategies are required to give primacy to security, before liquidity and finally yield (SLY) i.e. the return of the principal sum invested must be ensured, followed by having funds available when needed, and only when these two requirements are satisfied should the return on the investment be considered.
- 3.3 Borrowing plans should be affordable sustainable and prudent. Where capital expenditure is financed by debt, regulations stipulate that an annual contribution from the revenue account must be made to make prudent provision for the repayment of debt in later years. This provision is termed Minimum Revenue Provision (MRP). To support this, an MRP policy is required to be set each year.

4.0 CHANGES TO THE CODE

- 4.1 CIPFA published a revised edition of Treasury Management in the Public Services: Code of Practice and Cross-sectoral Notes at the end of 2017 and Prudential Code for Capital Finance in Local Authorities. These new Codes, along with the Treasury Management Code Guidance Notes which include the Treasury Management Indicators and the new MHCLG Guidance form the new regulatory framework for treasury management. The 2019/20 Strategy fully reflects this guidance as appropriate.

5.0 DRAFT STRATEGY

- 5.1 The timetable for the production of the draft Treasury Management and Investment Strategy has been brought forward for 2019/20, in order to allow for scrutiny in advance of the finalisation of the budget in February. In support of this members of the Committee have received treasury management training in November from our treasury management advisers, Arlingclose.
- 5.2 Consequently it has been necessary to produce this draft document at an earlier stage in the budget timetable, before all of the figures have been finalised. This means that some of the figures will be subject to change and some are not yet available.
- 5.3 One significant change, yet to be assessed and included, is the impact of the Transforming Forensics project for which Dorset became the lead during 2018/19. The impact of this on treasury management will include some capital expenditure financed by government grants and lower available working capital /cash flow due to the process of claiming grant after expenditure has been incurred. Work is ongoing to calculate the impact of this, which will be incorporated into the prudential indicators etc. before the document is finalised.

6.0 RISK/THREAT ASSESSMENT

6.1 Financial/Resource/Value for Money Implications

Effective treasury management supports the prudent management of the financial affairs of the PCC.

6.2 Legal Implications

The draft Treasury Management Strategy follows the latest MHCLG and CIPFA guidance.

6.3 Implications for Policing Outcomes

Effective treasury management supports all aspects for effective policing outcomes.

6.4 Equality

No direct implications.

7.0 RECOMMENDATION

- 7.1 It is recommended that the Independent Audit Committee considers the draft Treasury Management and Investment Strategy Appended and provides any comments prior to approval by the PCC.

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