



**West
Northamptonshire
Council**

West Northamptonshire Council

**Corporate Overview and Scrutiny
Committee**

Treasury Management Strategy Review

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Chair's Foreword

Corporate Overview and Scrutiny Committee approved its Work Programme for 2021/2022 and included a Review of the Council's Treasury Management processes.

As highlighted in the report, CIPFA states that *"effective scrutiny of treasury management is an important requirement of the Treasury Management Code of Practice. It supports good treasury management practice and better governance. It is a challenging task, and will require support, training and guidance."* The Review could not commence until the annual training on Treasury Management had been delivered for Councillors of West Northamptonshire Council. The Review commenced shortly after the training had been delivered.

The objective of the Task and Finish Group was to scrutinise the Council's Treasury Management Strategy and monitor progress on treasury management in accordance with CIPFA codes of practice.

Key lines of enquiry

- To be appraised on the delivery of the Council's Treasury Management Strategy and review how the Council has complied with all elements of the Treasury Management Strategy Statement.
- To examine the policies, objectives and approach to risk management in accordance with the treasury management activities.
- To examine the treasury management practices that set out how the Council seeks to achieve the policies and objectives in the Treasury Management Policy statement

The Overview and Scrutiny Task and Finish Group, comprising myself as Chair together with Councillors Sally Beardsworth and Keith Holland-Delamere was set up.

The Review took place between June 2022 and November 2022.

It was a very interesting and informative Review; with clear evidence received. I thank the Officers who provided clear and explanatory material to inform the key lines of enquiry of this Review.



Councillor Danielle Stone

Chair, Task and Finish Group – Treasury Management Strategy

Acknowledgements to all those who took part in the Review: -

- Councillors Sally Beardsworth and Keith Holland-Delamere who sat with me on this Review
- Audra Statham Assistant Director – Finance (Accountancy), Richard Hughes – Strategic Finance Business Partner, Biyi Adegbola – Senior Finance Business Partner for providing data and materials to inform this Review

EXECUTIVE SUMMARY

The purpose of the review was to scrutinise the Council's Treasury Management Strategy and monitor progress on treasury management in accordance with CIPFA codes of practice.

Key lines of enquiry

- To be appraised on the delivery of the Council's Treasury Management Strategy and review how the Council has complied with all elements of the Treasury Management Strategy Statement.
- To examine the policies, objectives and approach to risk management in accordance with the treasury management activities.
- To examine the treasury management practices that set out how the Council seeks to achieve the policies and objectives in the Treasury Management Policy statement

2 Context and Background

- 2.1 Following approval of its work programme for 2021/2022, Corporate Overview and Scrutiny Committee commissioned the Task and Finish Group to undertake the review – Treasury Management Strategy. A Review commenced in June 2022 and concluded in November 2022.
- 2.2 A Task and Finish Group was established comprising Councillor Stone (Chair); and Councillors Beardsworth and Keith Holland-Delamare.

Corporate Priorities

- 2.3 This review links to the Council's corporate priorities, particularly corporate priority - Robust resource management.

CONCLUSIONS AND KEY FINDINGS

A significant amount of evidence was heard, details of which are contained in the report. After gathering evidence, the Task and Finish Group established that: -

- 4.1 After all of the evidence was collated the following conclusions were drawn:

CIPFA states that *“effective scrutiny of treasury management is an important requirement of the Treasury Management Code of Practice. It supports good treasury management practice and better governance. It is a challenging task, and will require support, training and guidance.”* Therefore, having considered all of the evidence, the Task and Finish Group agrees that it has completed its key lines of inquiry of this review and is satisfied that the evidence highlights that the Council is undertaking Treasury Management in accordance with the CIPFA Treasury Management Code of Conduct.

Delivery of the Council's Treasury Management Strategy

- 4.2 The Task and Finish Group acknowledges that there are a number of unfilled job vacancies across Finance Services and this is not presently having a detrimental impact upon the delivery of Treasury Management Activities.

Treasury Management Strategies, Statement and Policies

- 4.3 The importance of Members gaining a comprehensive understanding of Treasury Management Activities was recognised and the Task and Finish Group felt there is a need for Members to be aware of Treasury Management Strategies, Statement and Policies in full, details of which could be promoted in a weekly edition of the Member bulletin.
- 4.4 The review commenced shortly after the annual training on Treasury Management had been delivered for Councillors of West Northamptonshire Council. The Task and Finish Group highlights the importance and the need for the annual training for Members on Treasury Management.
- 4.5 The Task and Finish Group notes that the segregation of responsibilities between statutory officers, finance officers, and democratic functions such as Cabinet and Full Council existed as a rigorous financial safeguard of policies and procedures to ensure that no single Officer can be responsible for any money leaving the Council.

Risk Management - Approach and Policies

- 4.6 After considering the evidence provided, the Task and Finish Group is satisfied that the right approach and Policies are in place in relation to risk management in accordance with the Treasury Management activities.

ESGs (environmental, social and governance) classification and sustainable finance

- 4.7 The Task and Finish Group acknowledges there is a need for ESG's (environmental, social and governance) classification and sustainable finance to be reviewed in a year's time. It will therefore request that Corporate Overview and Scrutiny Committee considers including a review of ESG classification and how the Council's investment policies and treasury management practices meet these issues on its work programme for 2023/2024.

RECOMMENDATIONS

The above overall findings have formed the basis for the following recommendations: -

- 5.1 The Treasury Management Strategy Task and Finish Group recommends that:
- 5.1.1 The Cabinet Member for Finance is informed that after considering the evidence provided, the Task and Finish Group is satisfied that the Council is undertaking Treasury Management in accordance with the CIPFA Treasury Management Code of Conduct and the right approach and

Policies are in place in relation to risk management in accordance with the Treasury Management activities.

- 5.1.2 That the Treasury Management Strategy Task and Finish Group recommends to the Cabinet Member for Finance that in order to increase awareness of the detail and intricacies of Treasury Management activity, all Members are encouraged to read the Treasury Management Strategy in full and gain a full understanding of its detail in order to maintain this understanding; details of which could be promoted in a weekly edition of the Member bulletin.

. **Corporate Overview and Scrutiny Committee**

- 5.1.3 Corporate Overview and Scrutiny Committee is asked to consider including a review of ESG classification and how the Council's investment policies and treasury management practices meet these issues on its work programme for 2023/2024.

West Northamptonshire Council

Corporate Overview and Scrutiny Committee

Report of the Treasury Management Strategy Task and Finish Group

1 Purposes and Rationale

- 1.1 The purpose of the review was to scrutinise the Council's Treasury Management Strategy and monitor progress on treasury management in accordance with CIPFA codes of practice and the Council's corporate priorities, in particular robust resource management.

Key lines of enquiry

- To be appraised on the delivery of the Council's Treasury Management Strategy and review how the Council has complied with all elements of the Treasury Management Strategy Statement.
- To examine the policies, objectives and approach to risk management in accordance with the treasury management activities.
- To examine the treasury management practices that set out how the Council seeks to achieve the policies and objectives in the Treasury Management Policy statement.

A copy of the scope of the review is attached at Appendix A.

2 Context and Background

- 2.1 Following approval of its work programme for 2021/2022, Corporate Overview and Scrutiny Committee commissioned the Task and Finish Group to undertake the review – Treasury Management Strategy. A review commenced in June 2022 and concluded in November 2022.
- 2.2 A Task and Finish Group was established comprising Councillor Stone (Chair); and Councillors Beardsworth and Keith Holland-Delamare.

Corporate Priorities

- 2.3 This review links to the Council's corporate priorities, particularly corporate priority - Robust resource management.
- 2.4 The Task and Finish Group agreed that the following needed to be investigated and linked to the realisation of the Council's corporate priorities:

Background data, including:

- Scene-setting presentation – To apprise the Task and Finish Group of the elements of the Treasury Management Strategy
- Council's Treasury Management Strategy

- Council’s Treasury Management Policy Statement
 - Minimum Revenue Provision Policy
 - Treasury indicators
 - Risk management
- CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) (2021)
- Presentation material from the Treasury Management Training session (May 2022)

3 Methodology and Evidence Collection

3.1 For this Review, evidence was collected from senior Officers of the Council.

3.1.1 Presentation to set the scene – Treasury Management Strategy and Activities

Salient points:

The purpose of the Treasury Management Strategy is to ensure effective and efficient management of the Council’s finances and investment portfolio to ensure compliance with legislative, regulatory, and best practice regimes.

The Council has a duty to balance risk against reward in the best interests of managing the public finances.

In setting out new areas for inclusion in the Treasury Management Strategy for the next financial year, there will be increased focus on:

- adapting the liability benchmark to support the financing risk of Capital Finance Requirements,
- creating new practices for non-treasury investments, addressing environmental, social and governance matters within the Treasury Management Risk Framework,
- amending the knowledge and skills register for Treasury Management staff to ensure proportionality around skills and training,
- implementing a new requirement to clarify reporting requirements for service and commercial investments, and
- implementing a business model to support long-term treasury investments.

The requirements underpinning the Council’s Treasury Management activities cover the power to borrow, the control of borrowing, affordable borrowing limits, and investments.

In undertaking its activities, the Council abides by legislation, government guidance, and CIPFA professional codes in order to maximise best practice and good governance.

The Treasury Management function was audited by both internal audit and external audit. Audit requirements, regulations and legislative requirements strengthened substantially following the 2008 financial crash.

3.1.2 **Presentation - Policies, Objectives and approach to Risk Management**

Key points:

The key risks in treasury activities were credit and counterparty risk, liquidity risk, interest rate risk, exchange rate risk, refinancing risk and legal & regulatory risk. Some of these risks, such as interest rates, are external and therefore outside the Council's control. The objectives of effective treasury risk management are to ensure the Council is best placed to respond to turbulent market conditions.

The Council has a policy of having no investments or loans that are not settled in pound sterling, negating any risks posed by variable and uncertain exchange rates.

Liquidity risk relates to the minimum liquid cashflow available to the Council at any given time and sets a minimum limit as the lowest level of liquid cash required to be available on any given day, to ensure the Council has adequate funds to discharge its functions.

The Council has access to short-term borrowing via local authority lending markets if required.

The Council has a portfolio of secure investments held with other Local Authorities across the country, which are constantly monitored and are not at any risk in respect of the financial situations of the Authorities in which money was invested.

3.1.3 **Presentation - Treasury Management Policy Statement**

Salient points:

The Council's Treasury Management Practices (TMPs) are divided into two key themes:

Main Principles

The Council's TMP Main Principles follows the wording recommended by the latest edition of the CIPFA Treasury Management Code and are reviewed annually and approved by the Council's Section 151 Officer.

Schedules

Schedules set out specific details of the systems and routines in place. The records to be maintained are set out in the schedules to the Council's TMPs which detail how the Council will apply the TMP Main Principles in carrying out its operational treasury activities. It further sets out how the Council seeks to achieve its treasury management policies and objectives and prescribes how the Council manages and controls those activities.

TMP Schedules are drafted in accordance with the treasury management framework and reviewed annually by the Council's Section 151 Officer.

TMP 5 centres on organisation, clarity and segregation of responsibilities and dealing arrangements.

TMP 6 focusses on reporting requirements and the management information arrangements.

4 **Conclusions and Key Findings**

4.1 After all of the evidence was collated the following conclusions were drawn:

CIPFA states that *“effective scrutiny of treasury management is an important requirement of the Treasury Management Code of Practice. It supports good treasury management practice and better governance. It is a challenging task, and will require support, training and guidance.”* Therefore, having considered all of the evidence, the Task and Finish Group agrees that it has completed its key lines of inquiry of this review and is satisfied that the evidence highlights that the Council is undertaking Treasury Management in accordance with the CIPFA Treasury Management Code of Conduct.

Delivery of the Council's Treasury Management Strategy

4.2 The Task and Finish Group acknowledges that there are a number of unfilled job vacancies across Finance Services and this is not presently having a detrimental impact upon the delivery of Treasury Management Activities.

Treasury Management Strategies, Statement and Policies

4.3 The importance of Members gaining a comprehensive understanding of Treasury Management Activities was recognised and the Task and Finish Group felt there is a need for Members to be aware of Treasury Management Strategies, Statement and Policies in full, details of which could be promoted in a weekly edition of the Member bulletin.

4.4 The review commenced shortly after the annual training on Treasury Management had been delivered for Councillors of West Northamptonshire Council. The Task and Finish Group highlights the importance and the need for the annual training for Members on Treasury Management.

4.5 The Task and Finish Group notes that the segregation of responsibilities between statutory officers, finance officers, and democratic functions such as Cabinet and Full Council existed as a rigorous financial safeguard of policies and procedures to ensure that no single Officer can be responsible for any money leaving the Council.

Risk Management - Approach and Policies

- 4.6 After considering the evidence provided, the Task and Finish Group is satisfied that the right approach and Policies are in place in relation to risk management in accordance with the Treasury Management activities.

ESGs (environmental, social and governance) classification and sustainable finance

- 4.7 The Task and Finish Group acknowledges there is a need for ESG's (environmental, social and governance) classification and sustainable finance to be reviewed in a year's time. It will therefore request that Corporate Overview and Scrutiny Committee considers including a review of ESG classification and how the Council's investment policies and treasury management practices meet these issues on its work programme for 2023/2024.

Recommendations

5

- 5.1 The Treasury Management Strategy Task and Finish Group recommends that:
- 5.1.1 The Cabinet Member for Finance is informed that after considering the evidence provided, the Task and Finish Group is satisfied that the Council is undertaking Treasury Management in accordance with the CIPFA Treasury Management Code of Conduct and the right approach and Policies are in place in relation to risk management in accordance with the Treasury Management activities.
- 5.1.2 That the Treasury Management Strategy Task and Finish Group recommends to the Cabinet Member for Finance that in order to increase awareness of the detail and intricacies of Treasury Management activity, all Members are encouraged to read the Treasury Management Strategy in full and gain a full understanding of its detail in order to maintain this understanding; details of which could be promoted in a weekly edition of the Member bulletin.

Corporate Overview and Scrutiny Committee

- 5.1.3 Corporate Overview and Scrutiny Committee is asked to consider including a review of ESG classification and how the Council's investment policies and treasury management practices meet these issues on its work programme for 2023/2024.

APPENDICES

Appendix A



OVERVIEW AND SCRUTINY

CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

TREASURY MANAGEMENT STRATEGY TASK AND FINISH SCRUTINY REVIEW – SCOPE

1. Topic – Treasury Management Strategy

2. Responsible Overview and Scrutiny Committee

Corporate Overview and Scrutiny Committee (OSC)

3. Purpose of the scrutiny review

The purpose of this Scrutiny review is to:

To scrutinise the Council's Treasury Management Strategy and monitor progress on treasury management in accordance with CIPFA codes of practice and the Council's corporate priorities, in particular Robust Resource Management.

Key lines of enquiry

- To be appraised on the delivery of the Council's Treasury Management Strategy and review how the Council has complied with all elements of the Treasury Management Strategy Statement.
- To examine the policies, objectives and approach to risk management in accordance with the treasury management activities.
- To examine the treasury management practices that set out how the Council seeks to achieve the policies and objectives in the Treasury Management Policy statement.

4. Outcomes

To make evidenced based recommendations to inform the Council's Treasury Management Strategy.

5. Approach

The scrutiny review will be carried out by a Task and Finish Group made up of the following councillors:

1. Councillor Sally Beardsworth
2. Councillor Keith Holland-Delamere
3. Councillor Danielle Stone (Chair)

Co-optees: None.

The Task and Finish Group will make use of the standard working methods applicable to scrutiny reviews, including evidence-gathering meetings (either in-person or virtual); desktop research; targeted evidence-gathering by individual members; and site visits, as appropriate.

6. Information required

Background data

- Scene-setting presentation – To apprise the Task and Finish Group of the elements of the Treasury Management Strategy
- Council's Treasury Management Strategy
- Council's Treasury Management Policy Statement
 - Minimum Revenue Provision Policy
 - Treasury indicators
 - Risk management
- CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) (2021)
- Slides from the Treasury Management Training Session (May 2022)

Views from internal expert advisors

- Cabinet Member for Finance
- Audra Statham – Assistant Director - Accountancy
- Richard Hughes – Strategic Finance Business Partner
- Biyi Adegbola – Senior Finance business Partner
 - Chair of the Audit Committee
 - Finance Spokesperson for Liberal Democrat Group

Views from external expert advisors

- Link Asset Management Services

7. Resources and support

- Audra Statham, Assistant Director - Finance
- Tracy Tiff, Deputy Democratic Services Manager for evidence-gathering and for production of the scrutiny review report

8. Timetable and key dates

	Date
Inaugural Task and Finish Group meeting	6 June 2022 (remote over Zoom)
Confirmation of the scope of the review by the Corporate OSC	4 July 2022
Evidence-gathering (specific dates for meetings and other activity to be set by the Task and Finish Group)	July to October 2022
Approval of draft report by the Task and Finish Group	
Agreement of draft report by the Corporate OSC	7 November/16 January 2023
Chair of the Corporate OSC to present the final report to WNC Cabinet	January 2023

9. Follow-up/Monitoring

Corporate OSC will review the impact of the scrutiny review 6 months after the presentation of the final report to decision-makers.

NB: Each OSC will have a monitoring Work Programme to monitor the impact of the accepted recommendations