



AGENDA NO: 10

INDEPENDENT AUDIT COMMITTEE – 13 March 2018

TREASURY MANAGEMENT STRATEGY FOR 2018/19

REPORT BY ALEXIS GARLICK, CHIEF FINANCE OFFICER, DORSET OFFICE OF THE POLICE AND CRIME COMMISSIONER, & NICOLA ALLEN, TREASURER, DEVON AND CORNWALL OFFICE OF THE POLICE AND CRIME COMMISSIONER.

PURPOSE OF THE REPORT

The draft Treasury Management Strategy for 2018/19 including the Annual Investment Strategy, the Prudential Indicators and the Minimum Revenue Provision Policy Statement, for both Dorset and Devon and Cornwall are appended to this report, for consideration and comment by the Audit Committee before being finalised.

1.0 INTRODUCTION

- 1.1 The Police and Crime Commissioners have adopted CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), which requires, as a minimum, a Treasury Management 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 respective Management Boards of the organisations, prior to approval by the Police and Crime Commissioners who are ultimately responsible for approving the Annual Treasury Management Strategy Statements.

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 Strategy and the supporting Treasury Management Practices. 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 has been produced as one document for both organisations.

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 FUTURE CHANGES TO THE CODE

- 4.1 CIPFA consulted on changes to the Code in 2017, and published its new 2017 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 CLG Guidance (neither of which are yet available) form the new regulatory framework for treasury management. The 2018/19 Strategy has been produced with reference to these Codes; once the relevant guidance is available the 2019/20 strategy will reflect this guidance as appropriate.

5.0 RISK/THREAT ASSESSMENT

5.1 Financial/Resource/Value for Money Implications

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

5.2 Legal Implications

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

5.3 Implications for Policing Outcomes

Effective treasury management supports all aspects for effective policing outcomes.

- 5.4 Equality
No direct implications.

6.0 RECOMMENDATIONS

- 6.1 It is recommended that the Internal Audit Committee considers the draft Treasury Management Strategy Statement and associated documents provided at Appendix B and provides any comments for consideration by the prior to approval by the PCCs.

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