

Warwickshire Joint Audit and Standards Committee Report Summary

Meeting Date: 17th March 2020

Subject: Capital and Treasury Management Strategies 2020/21

Contact details: Sara Ansell

Purpose of the Report:

The Warwickshire Office of the Police and Crime Commissioner (WOPCC) is required to produce a capital and treasury management strategy which will both ultimately be approved by the PCC.

The Capital strategy document was introduced last year, but has been fundamentally reviewed for 2020/21 to reflect best practise. It's purpose is to demonstrate that capital expenditure and investment decisions are taken in line with desired outcomes and take account of stewardship, value for money, prudence, sustainability and affordability.

The Capital Strategy is a key document for the Police and Crime Commissioner (PCC) and Warwickshire Police and forms part of the revenue and capital planning process. It provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the delivery of desired outcomes. It also provides an overview of how associated risk is managed and the implications for future financial sustainability. It also includes an overview of the governance processes for approval and monitoring of capital expenditure.

The capital strategy links in with the treasury management strategy in terms of funding strategies particularly borrowing for the capital programme. It is therefore suggested that the two documents are read in tandem.

The Treasury Management Strategy is a more long standing document. Warwickshire must operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Police and Crime Commissioner's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Commissioner's capital plans. These capital plans provide a guide to borrowing need, and longer term cash flow planning to ensure that the WOPCC can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans.

The responsible officer for treasury management is the Chief Finance Officer to the Police & Crime Commissioner (CFO) and the day to day responsibilities for treasury management are delegated to the force in accordance with the corporate governance framework.

CIPFA defines treasury management as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Commissioner receives as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are also shared with the Joint Audit and Standards Committee for scrutiny and consideration.

Treasury management strategy (this report), which includes the prudential limits and prudential indicators.

The report covers:

- ☐ the prudential indicators and borrowing strategy in accordance with the capital programme as included within the budget report, and the capital strategy.
- ☐ The minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time)
- ☐ The treasury limits and overall strategy (how the investments and borrowings are to be organised)
- ☐ The investment strategy (the parameters for managing investments)
- ☐ Information regarding the economic and local context and debt rescheduling.

A mid-year treasury management report – This will update the Commissioner with the position regarding capital spending and financing, including investment and borrowing implications, and the amendment of any prudential indicators as necessary. It also monitors whether the treasury activity is meeting the strategy and whether any policies require revision.

A year end treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

The Commissioner scrutinises and approves the reports as appropriate and relies on the feedback from the Joint Audit and Standards Committee in this endeavour.

Warwickshire OPCC uses Arlingclose as its expert external treasury management advisors, although the OPCC recognises that responsibility for treasury

management decisions remain with the organisation at all times and will ensure that undue reliance is not placed upon our external advisors. However, it also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources.

The CIPFA Code requires that the responsible officer ensures that relevant personnel receive adequate training in treasury management. Given the recent changes in personnel following the transition of services from the Alliance, further training is being sought in the next few months for key personnel.

Recommendation:

The Committee are asked to consider the two separate strategies – Capital strategy and the treasury management strategy for 2020/21 and feedback and comments on them, prior to them being finalised and formally approved by the PCC.