

Report

Report to: **South Lanarkshire Council**
Date of Meeting: **10 March 2021**
Report by: **Chief Executive**

Subject: **Recommendations Referred by Executive Committee**

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ request approval of the following recommendations referred to the Council by the Executive Committee of 10 February 2021:-
 - ◆ that the Prudential Code indicators for 2021/2022 to 2023/2024 be approved
 - ◆ that the 2021/2022 Treasury Management Strategy be approved
 - ◆ that the Annual Investment Strategy, which included the change to counterparty limits as detailed in the report, be approved

2. Recommendation(s)

2.1. The Council is asked to approve the following recommendation(s):-

- (1) that the Prudential Code indicators for 2021/2022 to 2023/2024 be approved;
- (2) that the 2021/2022 Treasury Management Strategy be approved; and
- (3) that the Annual Investment Strategy, which included the change to counterparty limits as detailed in the report, be approved.

3. Background

3.1. **Recommendations Referred by Executive Committee of 10 February 2021 – Prudential Indicators, Treasury Management Strategy and Annual Investment Strategy 2021/2022 – Extract of Minute**

A report dated 7 January 2021 by the Executive Director (Finance and Corporate Resources) was submitted on the:-

- ◆ Prudential Code indicators for 2021/2022 to 2023/2024
- ◆ Council's Treasury Management Strategy for 2021/2022
- ◆ Council's Annual Investment Strategy for 2021/2022

The Prudential Code for Capital Finance in Local Authorities was introduced through the Local Government (Scotland) Act 2003 with the aim of supporting strategic planning for capital investment at a local level.

The key objectives of the Prudential Code were to ensure, within a clear framework, that:-

- ◆ local authorities' capital expenditure plans were affordable, prudent and sustainable
- ◆ treasury management decisions were taken in accordance with good professional practice and in full understanding of the risks involved and how those risks would be managed to levels that were acceptable to the organisation

Details were provided on the Prudential Code Indicators for 2021/2022 to 2023/2024 which had been categorised as follows:-

- ◆ capital expenditure and external debt
- ◆ affordability

The Prudential Code also recognised that, in making capital investment decisions, the authority should be informed by sound asset management planning and options appraisal.

The Prudential Indicators for 2021/2022 to 2023/2024 were shown in Appendix 1 to the report together with explanations for each indicator. An updated position for 2020/2021 was also included.

In terms of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in Public Services Code of Practice and the Council's Financial Regulations, a Treasury Management Strategy required to be submitted to Committee every year for approval. The Treasury Management Strategy for 2021/2022 was detailed in Appendix 2 to the report.

The main areas covered by the Strategy were:-

- ◆ debt and investment projections
- ◆ expected movement in interest rates
- ◆ borrowing strategies
- ◆ statutory repayment of loans fund advances

The Local Government Investments (Scotland) Regulations 2010 provided a formal investment framework for councils. While the regulatory framework provided greater freedom for local authorities in their investment activities, there was an onus on local authorities to act prudently in relation to their investment and treasury management activities.

The 2 fundamental principles of the Investment Regulations were that councils were:-

- ◆ required to manage their investments and deposits in a way that minimised the risk to the capital sum and optimised the return on the funds, consistent with those risks. Security should be considered first, then liquidity, and lastly the yield or return
- ◆ able to determine what investments they made, including both the type and duration of the investment

In terms of the Regulations, the Council was required to prepare an Annual Investment Strategy prior to the start of the financial year. The Annual Investment Strategy for 2021/2022, attached as Appendix 3 to the report, covered the following areas:-

- | | |
|----------------------------------|---|
| ◆ investment policy and strategy | ◆ borrowing in advance |
| ◆ treasury management risks | ◆ investment projection 2021/2022 and 2023/2024 |
| ◆ permitted investments | ◆ prudential indicators |
| ◆ risk management | ◆ Common Good investments |

Officers responded to members' questions on various aspects of the report.

The Committee recommended to the Council:

- (1) that the Prudential Code indicators for 2021/2022 to 2023/2024 be approved;
- (2) that the 2021/2022 Treasury Management Strategy be approved; and
- (3) that the Annual Investment Strategy, which included the change to counterparty limits as detailed in the report, be approved.

[Reference: Minutes of 21 November 2018 (Paragraph 9) and 4 November 2020 (Paragraph 6)]

- 3.2. A link to the report submitted to the Executive Committee of 10 February 2021 is provided below for information

[Prudential Indicators, Treasury Management Strategy and Annual Investment Strategy 2021/2022](#)

4. Employee Implications

- 4.1. None.

5. Financial Implications

- 5.1. All financial implications have been highlighted as part of the original report to the Executive Committee.

6 Climate Change, Sustainability and Environmental Implications

- 6.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

7. Other Implications

- 7.1. Any implications in terms of risk have been highlighted as part of the original report to the Executive Committee.

8. Equality Impact Assessment and Consultation Arrangements

- 8.1. No equality impact assessment or consultation is required in terms of the proposals contained within this report.

8.2. No consultation was required in terms of the proposals contained within this report.

Cleland Sneddon
Chief Executive

23 February 2021

Link(s) to Council Values/Ambitions/Objectives

- ◆ Fair, open and sustainable
- ◆ Accountable, effective, efficient and transparent

Previous References

- ◆ Executive Committee, 10 February 2021

List of Background Papers

None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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