

# Treasury Management Policy Statement

## 1. INTRODUCTION AND BACKGROUND

- 1.1 Eastleigh Borough Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.
- 1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:
  - A Treasury Management Policy Statement stating the policies, objectives, and approach to risk management of its treasury management activities.
  - Suitable treasury management practices (TMPs), setting out the way the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
  - Investment management practices (IMPs) for investments that are not for treasury management purposes.
- 1.3 The Council's Council (i.e., full Council) will receive reports on its treasury and investment management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs and IMPs.
- 1.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Cabinet and for the execution and administration of treasury management decisions to the Chief Financial Officer, who will act in accordance with the Council's policy statement and TMPs, IMPs and CIPFA's Standard of Professional Practice on treasury management.
- 1.5 The Council nominates the Audit and Resources Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

## 2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

- 2.1 Eastleigh Borough Council defines its treasury management activities as the management of the Council's borrowing, investments, and cash flows, including 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.
- 2.2 Eastleigh Borough Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury

management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.

- 2.3 Eastleigh Borough Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- 2.4 Eastleigh Borough Council's borrowing will be affordable, sustainable, and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source of borrowing and the type of borrowing should allow the Council transparency and control over its debt.
- 2.5 Eastleigh Borough Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
- 2.5 Eastleigh Borough Council's priority in relation to its treasury investments is the security of capital and liquidity (or accessibility) of these investments.
- 2.6 Eastleigh Borough Council's objective when investing treasury monies is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve, where appropriate, a total return that is equal or higher than the prevailing rate of inflation to maintain the spending power of the sum invested.