

**REPORT TO EXECUTIVE**

<b>DATE</b>	<b>13 February 2023</b>
<b>PORTFOLIO</b>	<b>Resources &amp; Performance Management</b>
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**2023/24 Treasury Management Strategy and 2023/24 – 2025/26 Prudential and Treasury Indicators****PURPOSE**

1.
  - a) To comply with the amended Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management 2021.
  - b) To outline a Treasury Management Strategy Statement for the financial year 2023/24.
  - c) To set out prudential indicators for the financial years 2023/26 in line with the CIPFA’s Prudential Code 2021.
  - d) To seek approval for the Council’s Minimum Revenue Provision (MRP) Policy Statement for the financial year 2023/24 in accordance with Government regulations.

**RECOMMENDATION**

2. That the Executive recommend to Full Council approval of:
  - a) The Treasury Management Strategy Statement for 2023/24 as set out in Appendix 1
  - b) The prudential and treasury indicators for 2023/24 to 2025/2026 per Appendix 2 including the authorised limit for external debt of £96.918m in 2023/24.
  - c) The list of Counterparties for Deposits outlined within Appendix 3.
  - d) The Council’s MRP Statement for 2023/24 as set out in Appendix 4 of this report.

## REASONS FOR RECOMMENDATION

- 3 a) To provide the proper basis required by current Government regulations and guidance to make charges for debt repayment (MRP) to the Council's revenue account.
- 3 b) To fulfil statutory and regulatory requirements and to provide a clear framework for local authority capital finance and treasury management.

## SUMMARY OF KEY POINTS

### 4. **Background**

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations is to ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering maximising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

*As a consequence, treasury management is defined as:*

"The management of the local authority's borrowing, 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."

### 5. **Treasury Management Statutory & Regulatory Requirements**

The Council is required to adopt a Treasury Management Strategy each year in advance of the forthcoming year. This report sets out the Treasury Management Strategy Statement for 2023/24 in Appendix 1 as well as the Prudential and Treasury Indicators for 2023/24 to 2025/26 in Appendix 2.

The primary requirements of the Code are as follows:

The Council is required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- Treasury strategy and prudential and treasury indicators (this report) covering:
  1. the capital plans (including prudential indicators);
  2. a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
  3. the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
  4. an investment strategy (the parameters on how investments are to be managed).
- A mid-year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is being met or whether any policies require revision.
- An annual 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 during the previous year.

Quarterly Reports - In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council but do require to be adequately scrutinised. This role is undertaken by the Executive Committee. The reports, specifically, will comprise updated Treasury/Prudential Indicators.

Scrutiny

Full Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Executive, and for the execution and administration of treasury management decisions to the Head of Finance & Property, who will act in accordance with the Council's policy statement and Treasury Management Practices (TMP's) and CIPFA's Standard of Professional Practice on Treasury Management.

Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require, for 2023-24, all local authorities to prepare a Capital Strategy report, which will provide the following;

- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- An overview of how the associated risk is managed
- The implications for future financial sustainability

The aim of this capital strategy report is to ensure that all elected members on the Full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite entailed by this Strategy.

The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

#### Increase in Borrowing Requirement

Tables 1 and 2 in Appendix 1 show an increase in the council's borrowing need for 2023/24 reducing in 2024/25 and 2025/26. This is largely due to the Pioneer Place development.

#### List of Counterparties

Appendix 3 summarises the proposed limits and methodology for choosing counterparties for deposits.

#### Minimum Revenue Provision (MRP)

Attached in Appendix 4 is the Council's annual policy statement for making minimum revenue provision on outstanding debt.

#### Economic Update

Appendix 5 shows an abridged version of Link Asset Services, the Council's treasury management advisors, view of the current economic climate and the prospects for interest rates.

#### Scheme of Delegation

Appendix 6 contains the council's Treasury Management Scheme of delegation.

#### Role of the Section 151 Officer

Appendix 7 lists the Treasury Management role of the Section 151 Officer.

### **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

6.
  - The maximum value of deposits over 364 days and up to 2 years is to be £4m (with a maximum of £2m with any one counterparty, with the exception of the banking institutions whose individual limit is £4m). See Appendix 3.
  - The new limits for external debt for 2023/24 will be £88.107m for the operational boundary and £96.918m for the authorised limit (2022/23 = £95.346m).

### **POLICY IMPLICATIONS**

7. Compliance with the revised CIPFA Code of Practice on Treasury Management.

### **DETAILS OF CONSULTATION**

8. None

**BACKGROUND PAPERS**

9. None

**FURTHER INFORMATION**

**PLEASE CONTACT:**

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