

Report to: Audit & Governance Committee Meeting 1 February 2023

Director or Business Manager Lead: Sanjiv Kohli Deputy Chief Executive / Director – Resources - Section 151 Officer

Lead Officer: Andrew Snape, Assistant Business Manager Financial Services on ext 5523

Report Summary	
Report Title	Treasury Management Strategy 2023/24
Purpose of Report	This report seeks approval for the Treasury Management Strategy, which incorporates the Borrowing Strategy, Investment Strategy, and Treasury Prudential Indicators, updated in accordance with latest guidance.
Recommendations	<p>That Committee approves each of the following key elements and recommends these to Full Council on 9 March 2023 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter:</p> <ul style="list-style-type: none"> • The Treasury Management Strategy 2023/24, incorporating the Borrowing Strategy and the Annual Investment Strategy (Appendix A). • The Treasury Prudential Indicators and Limits, contained within Appendix A. • The Authorised Limit Treasury Prudential Indicator contained within Appendix A.
Reason for Recommendation	Not to approve these policies would contravene the requirements of both legislation and good practice. In addition, the Mazars External Auditors may pass comment in their Report to those charged with governance (ISA260).

1.0 Background

1.1 Treasury Management is defined 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.”

1.2 Statutory Requirements:

- The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes to set Treasury Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- The Act therefore requires the Council to set out its Treasury Strategy for Borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act). This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

1.3 CIPFA Requirements:

The primary requirements of the Code are as follows:

- The creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities;
- The creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;
- Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy, a Mid-year Review Report and an Annual Report covering activities during the previous year;

1.4 This report seeks approval for the Treasury Management Strategy 2023/24 (Appendix A), which encompasses the Treasury Prudential Indicators, the Borrowing Strategy, and the Annual Investment Strategy, in accordance with latest guidance as follows:

2.0 **Summary of Investment Limits and Indicators**

2.1 The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). No investment limits have been amended for the financial year 2023/24. Also, it is proposed to use the same prudential indicators for the investing activity, further details are in the **Appendix**.

3.0 **Summary of Borrowing Limits and Indicators**

3.1 The Council's borrowing limits are directly affected by the Council's approved capital programme and any capital expenditure financed by borrowing will therefore increase the Capital Financing Requirement (CFR). In respect of the tables within the documents, these reflect the proposed capital programme that will be presented to Cabinet on 21 February 2023 to be approved at Council on 9 March 2023. Where changes occur, these will be reflected in the documents as appropriate. The CFR is the level of expected

borrowing and when compared to the actual external debt the variance represents the over or under borrowing position.

- 3.2 The Council is currently in an under borrowed position which means that previous capital expenditure financed by borrowing hasn't yet required actual external debt due to the timing of cash backed reserves that haven't yet been utilised. However, this is always a temporary position as ultimately when the cash backed reserves are used there will be a requirement for actual external borrowing.
- 3.3 The table below shows the Councils increasing CFR due to capital expenditure financed by borrowing less the actual external debt, with no new borrowing assumptions, less the cash backed reserves and working capital (debtors less creditors), further details are in **Appendix A**.

	2023/24 Forecast £'000	2024/25 Forecast £'000	2025/26 Forecast £'000
Loans CFR	178,598	180,874	174,669
Less: External borrowing	-84,935	-81,901	-76,860
Internal (over) borrowing	93,663	98,973	97,809
Less: Usable reserves	-58,774	-68,497	-57,163
Less: Working capital	-10,500	-10,500	-10,500
Investments (or New borrowing)	-24,389	-19,976	-30,146

The table indicates that over the next forecasted three year period there will potentially be a minimum requirement to borrow an additional £30m.

- 3.4 Within the borrowing strategy the following limits are proposed for the operational boundary and authorised limit over the three year period, further details in **Appendix A**.

	2023/24 £'000	2024/25 £'000	2025/26 £'000
Operational Boundary	184,222	186,498	180,293
Authorised Limit	191,422	193,698	187,493

Background Papers and Published Documents

CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2011 Edition and the 2017 revised Edition

CIPFA Prudential Code Local Government Act 2003

CIPFA Standard of Professional Practice on Treasury Management