

**GOVERNANCE AND AUDIT COMMITTEE:
25 January 2022**

DRAFT TREASURY MANAGEMENT STRATEGY 2022/23

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 11.1

Reason for this Report

1. The Governance and Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices.
2. A Treasury Management Strategy for 2022/23 is required to be approved as part of the Budget Report to Council in March 2022. This report has been prepared to provide Governance and Audit Committee Members with the draft Treasury Management Strategy for 2022/23.

The Draft Treasury Management Strategy

3. The strategy is included at Appendix 1 and covers the following areas:-
 - Introduction to the Capital Strategy, Capital Financing Requirement and Treasury Strategy
 - The current treasury position
 - Economic background and prospects for interest rates
 - Borrowing, including:-
 - Policy
 - Annual Minimum Revenue Provision (MRP) Policy Statement
 - Council borrowing requirement
 - Borrowing Strategy and choice between internal and external borrowing
 - Treasury management indicators and limits for 2022/23 to 2026/27
 - Treasury investment policy and strategy, including security and investments approved for use
 - Treasury Management Code 2021 Update
 - Non Treasury investments – Service investment and investment primarily for yield
 - The Treasury Function
 - A glossary of terms.

4. It should be noted by the Committee that the Treasury forecasts and many of the indicators included in this draft are dependent on the final Capital Programme, which will be determined at Council in March 2022 and also the updated Month 9 monitoring position for 2021/22, to be considered in February 2022.
5. The main points to note in the draft Treasury Management Strategy are:
 - It is a single integrated strategy for the Council as a whole rather than separate strategies for the Housing Revenue Account and the Council's General Fund.
 - The strategy is required to be drafted in accordance with Welsh Government guidance on investments and the requirements of the CIPFA Treasury Management Code.
 - The main areas of investment resulting in an increase in the Capital Financing Requirement are highlighted in the draft strategy.
 - Maintaining the previously agreed approach to provision for debt repayment of debt and particularly for supported borrowing.
 - The timing of borrowing decisions, associated risks and financial implications will be important in order to achieve a balance between using temporary cash balances held (internal borrowing) in the short term and securing parts of the Council's long term borrowing requirement.
 - The priority for Treasury investments remains security, liquidity then yield, with the Strategy retaining the potential use of a range of investment options to increase diversification and increase individual limits to support the management of cash in a low interest environment. Joint Ccommittee temporary cash will be managed within criteria and parameters set out in the strategy.
 - Strong credit criteria are set for investments undertaken by the Council based on Fitch Credit Criteria.
 - The Treasury Management Strategy will apply from the date of approval by Council in March 2022.
 - The Council is progressing significant capital projects which could have significant Treasury Management Implications. The impact on the Council as a result of these schemes and governance arrangements in place to deliver them will need to be closely monitored to ensure no adverse financial implications for the Council.
 - CIPFA recently completed the second round of consultation on the proposed changes to the current editions of the Treasury Management Code and Prudential Code. The revised editions of these Codes were published on the 20 December 2021. The Council has to have to have regard to these codes of practice when we prepare the Treasury Management Strategy Statement and related in-year reports taken to Full Council for approval. CIPFA has agreed a soft launch approach with formal reporting requirements deferred until 2023/24 financial year. The Council will need to set in place an approach to ensure that new requirements are implemented on or before the 1st April 2023.

- As part of these changes, the Council is required to adopt a a number of changes, which are outlined in the strategy. Whilst the reporting requirements do not formally need to be adopted until 2023/24, the Codes are now in force and should be followed when decisions on capital expenditure, treasury, service and commercial investment are being taken.

Reason for Report

6. To note the proposed Draft Treasury Management Strategy for 2022/23 and provide any comments as necessary to be considered as part of the final document.

Legal Implications

7. No direct legal implications arise from this report.

Financial Implications

8. The Treasury Management Strategy does have financial implications which will need to be consistent with and form part of the budget proposals for 2022/23, Medium Term Financial Plan and Capital Strategy to be considered by Council in March 2022.
9. In approving the Capital Strategy and Treasury Management Strategy, Council Members will need to consider the affordability, prudence and sustainability of an increasing borrowing requirement in line with the Prudential Code. This will need to include a range of financial and procedural mitigations to support an expanding investment programme and mitigate against risks to affordability.

RECOMMENDATION

10. That Audit Committee note the Draft Treasury Management Strategy for 2022/23 and provide comments as necessary with any amendments being considered for inclusion in the final strategy which will be considered by Cabinet prior to approval by Council as part of the 2022/23 Budget Proposals Report.

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CORPORATE DIRECTOR RESOURCES
25 January 2022

The following appendices are attached
Appendix 1 – Draft Treasury Management Strategy 2022/23