

GOVERNANCE AND AUDIT COMMITTEE:

24 January 2023

DRAFT TREASURY MANAGEMENT STRATEGY 2023/24

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 9.1

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 2023/24 is required to be approved as part of the Budget Report to Council in March 2023. This report has been prepared to provide Governance and Audit Committee Members with the Draft Treasury Management Strategy for 2023/24.

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 2023/24 to 2027/28
 - Treasury investment policy and strategy, including security and investments approved for use
 - 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 budget report including capital investment programme, which will be determined at Council in March 2023 and the updated Month 9 monitoring position for 2022/23, to be considered by Cabinet in February 2023.
5. The main points to note in the draft Treasury Management Strategy are:
 - It is currently 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 updated requirements of the CIPFA Treasury Management Code which include development of an additional indicator for 2023/24, the Liability Benchmark.
 - The main areas of investment resulting in an increase in the Capital Financing Requirement are highlighted in the draft strategy, but are to be finalised as part of the approved Capital Strategy in March 2023.
 - Maintaining the previously agreed approach to making prudent provision for debt repayment of debt.
 - 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.
 - There is little change to the Investment Section with the priority for Treasury investments being 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 critetria are set for investments undertaken by the Council based on Fitch Credit Criteria.
 - The Treasury Management Strategy is intended to apply from the date of approval by Council in March 2023.
 - 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.

Reason for Report

6. To note the proposed Draft Treasury Management Strategy for 2023/24 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 is the outcome of decisions taken as part of Council's budget proposals and its financial position. It does have financial implications which will need to be consistent with and form part of the budget proposals for 2023/24, Medium Term Financial Plan and Capital Strategy to be considered by Council in March 2023.
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 Governance and Audit Committee note the Draft Treasury Management Strategy for 2023/24 and provide comments as necessary with any amendments being considered for inclusion in the final strategy to be recommended by Cabinet for Council approval as part of the 2023/24 Budget Proposals Report.

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CORPORATE DIRECTOR RESOURCES
24 January 2023

The following appendices are attached
Appendix 1 – Draft Treasury Management Strategy 2023/24