

AUDIT COMMITTEE:

26 January 2021

DRAFT TREASURY MANAGEMENT STRATEGY 2021/22

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 11.2

Reason for this Report

1. The 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 2021/22 is required to be approved as part of the Budget Report to Council in March 2021. This report has been prepared to provide Audit Committee Members with the draft Treasury Management Strategy for 2021/22.

The Draft Treasury Management Strategy

1. 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 2021/22 to 2025/26
 - Treasury investment policy and strategy, including security and investments approved for use
 - Approach to Non Treasury investments
 - Training
 - A glossary of terms.
2. 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 only be determined at Council in March 2021. The figures included in this draft represent potential commitments that will also

be subject to change for the updated capital monitoring position at Month 9.

3. The strategy includes any suggested recommendations arising from the independent review undertaken and reported to Audit Committee in November 2019. 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 drafted in accordance with the requirements of the CIPFA Treasury Management Code (2017) and Welsh Government guidance on investments updated in 2019.
- Consistent with previous years, the strategy shows a significant increase in the Council's underlying need to borrow to meet capital expenditure commitments approved as part of the capital investment programme in the medium term. The main areas of investment resulting in an increase in the Capital Financing Requirement are highlighted in the draft strategy.
- Maintaining the approach to provision for debt repayment of debt and particularly for supported borrowing as considered by Audit Committee in January 2020.
- 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 at what are currently historically low rates of interest.
- 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 Committee 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 Strategy will apply from the date of approval by Council in March 2021.
- 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

4. To note the proposed Draft Treasury Management Strategy for 2021/22 and provide any comments as necessary to be considered as part of the final document.

Legal Implications

5. No direct legal implications arise from this report.

Financial Implications

6. The Treasury Management Strategy does have financial implications which will need to be consistent with and form part of the budget proposals for 2021/22, Medium Term Financial Plan and Capital Strategy to be considered by Council in March 2021.
7. 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

8. That Audit Committee note the proposed Treasury Management Strategy for 2021/22 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 2021/22 Budget Proposals Report.

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CORPORATE DIRECTOR RESOURCES
26 January 2021

The following appendices are attached
Appendix 1 – Draft Treasury Management Strategy 2021/22