

EAST STAFFORDSHIRE BOROUGH COUNCIL

Council

Date: 7/3/22

TITLE:	Treasury Management Strategy Statement and Annual Investment Strategy 2022/23
PORTFOLIO:	Leader of the Council - Finance
HEAD OF SERVICE:	Sal Khan
CONTACT OFFICER:	Lisa Turner – Chief Accountant ext. 1399
WARD(S) AFFECTED:	All

1. Purpose of the Report

- 1.1 The Treasury Management Strategy Statement fulfils various statutory requirements and best practice guidelines in respect of the Council's treasury activities and also its capital investment plans.

2. Contribution to Corporate Priorities

- 2.1 The treasury management strategy contributes to all corporate priorities by minimising the cost to the Council of borrowing to finance its Capital Programme, whilst at the same time maximising the Council's income from the investment of surplus funds whilst maintaining the security and liquidity of investments.

3. The Treasury Management Strategy Statement and Annual Investment Strategy

- 3.1 The Council is required to operate a balanced budget, which means that income raised during the year will meet expenditure. Part of the treasury management operation is to ensure that the flow of cash is adequately planned, with cash being available when it is needed. Surplus monies are invested in suitable counterparties, providing adequate liquidity initially before considering investment return.

- 3.2 The strategy has been considered by the Scrutiny (Audit and Value for Money Council Services) Committee and the Committee recommended that full Council approve the Strategy. The strategy at Appendix A has been revised and updated to reflect the latest proposals in relation to the capital programme (outlined elsewhere on the agenda), otherwise the underlying principles remain consistent with the report considered by the Committee. Further details on the treasury function are set out within the strategy which covers:
- the role of Treasury Management;
 - risk management (in the context of treasury management)
 - capital plans and prudential indicators
 - the Minimum Revenue Provision (MRP) policy.
 - the Council's current treasury position;
 - treasury indicators;
 - prospects for interest rates;
 - borrowing strategy;
 - investment strategy and creditworthiness policy;
- 3.3 The underlying principles within the strategy are largely consistent with the previous year and the prudential indicators reflect the spending proposals set out within the Medium Term Financial Strategy (elsewhere on the agenda). Highlights, key issues and notable changes for 2022/23 are set out below:-
- 3.4 The Capital Financing Requirement (CFR), the council's underlying need to borrow, is forecast to initially increase in 2021/22 and then reduce over the medium term. This reflects commitments in the Medium Term Financial Strategy, initially for the Council's fleet replacement to be met from borrowing in 2021/22, with planned capital receipts utilised to reduce the CFR in 2022/23 alongside statutory repayments in line with the minimum revenue provision policy.
- 3.5 It should also be noted that the new Accounting Standard that was initially coming into force from 1st April 2020 is due to come into force from 1st April 2022 for Local Authorities (IFRS16) in relation to leases. When this does come into force it will require the vast majority of assets leased in by the Council to be brought onto the balance sheet and an associated asset and liability recognised. Whilst it is not anticipated that this will impact on the budget it will impact on the prudential indicators, including the Capital Financing Requirement and the forecasts and limits set out with the Treasury Management Strategy. A consultation has been recently published which proposes a further delay to this standard coming into force. The strategy and associated limits will be revised, as necessary, and a report brought forward for consideration at the relevant time.
- 3.6 The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the Prudential Code for Capital Finance in Local Authorities and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. These indicators are shown

and explained throughout the strategy statement. In December 2021 CIPFA published revised Treasury Management and Prudential Codes and has stated that formal adoption for reporting purposes is not required until the 2023/24 financial year.

4. Financial Considerations

4.1 This report deals solely with financial matters.

5. Risk Assessment and Management

5.1 The main risks to this report and the council achieving its objectives are set out within section 2 of the strategy statement. These cover interest rate risk, inflation risk, market/credit risk and liquidity risk.

5.2 The risks are referred to in the Risk Register.

6. Legal Considerations

This section has been approved by the following member of the Legal Team: Glen McCusker.

6.1 The Local Government Act 2003 requires local authorities to have regard to the prudential code for capital finance. In addition the Capital Finance Amendment Regulations (S.I 2008/414) requires the authority to determine a Minimum Revenue Provision policy each year. This report supports these statutory requirements.

7. Equality and Health

7.1 **Equality impacts:** An equality and health impact assessment is not required.

7.2 **Health impacts:** An equality and health impact assessment is not required.

8. Human Rights

8.1 There are no Human Rights issues arising from this Report.

9. Sustainability (including climate change & change adaptation measures)

9.1 Does the proposal result in an overall positive effect in terms of sustainability (including climate change and change adaptation measures) No

10. Recommendation

10.1 That full Council approve the Treasury Management Strategy Statement, Minimum Revenue Provision Policy, and Annual Investment Strategy 2022/23 set out in Appendix A to this report.

11. Background papers

11.1 n/a

12. Appendix

Treasury Management Strategy Statement and Annual Investment Strategy 2022/23 – Appendix A.