

# EAST STAFFORDSHIRE BOROUGH COUNCIL

## REPORT COVER SHEET

Title of Report:	Treasury Management Strategy Statement and Annual Investment Strategy 2022/23
Meeting of:	Scrutiny (Audit and Value for Money Council Services) Committee
Date:	9 <sup>th</sup> February 2022
Is this an Executive Decision:	NO
Is this a Key Decision:	NO
Is the report Confidential:	NO
If so, please state relevant paragraph from Schedule 12A LGA 1972:	[ ]
<b>Essential Signatories:</b> <b>ALL REPORTS MUST BE IN THE NAME OF A HEAD OF SERVICE</b>  Interim Monitoring Officer – Chris Ebberley  Date ..... Signature .....  Head of Service – Sal Khan  Date ..... Signature .....	

**EAST STAFFORDSHIRE BOROUGH COUNCIL**

Report to: Scrutiny (Audit and Value for Money Council Services) Committee

Date: 9/2/22

<b>TITLE:</b>	Treasury Management Strategy Statement and Annual Investment Strategy 2022/23
<b>PORTFOLIO:</b>	Leader of the Council - Finance
<b>HEAD OF SERVICE:</b>	Sal Khan
<b>CONTACT OFFICER:</b>	Lisa Turner – Chief Accountant ext. 1399
<b>WARD(S) AFFECTED:</b>	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 low risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return. 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;
- 3.2 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. Highlights, key issues and notable changes for 2022/23 are set out below:-
- 3.3 The Capital Financing Requirement (CFR) (the council's underlying need to borrow) is forecast to initial increase in 2021/22 and then reduce for 2022/23 before further increases in 2024/25 onwards. This reflect 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 and subsequently a commitment to provide additional support to the Towns Fund High Street project from prudential borrowing. The planned borrowing to support the High Street project will increase capital financing costs by up to £0.5m by 2026/27, which is reflected in the MTFS. The affordability indicators show this being partially offset by increases in relation to investment returns, as prospects have improved significantly in recent months.
- 3.4 It should also be noted that the new Accounting Standard that was initially coming into force from 1<sup>st</sup> April 2020 is due to come into force from 1<sup>st</sup> 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 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. This is a large piece of work for the finance team, as the Council has a large number of property leases, as such work is ongoing. The strategy and associated limits will be updated in due course to reflect this change.
- 3.5 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 is not required until the 2023/24 financial year. The Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and

Annual Investment Strategy reports during the financial year, which are taken to Full Council for approval. Schedule 6 outlines the implications of the revised codes.

#### **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 To recommend 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.