

**REPORT OF: CHIEF FINANCE OFFICER**

**TO: COUNCIL**

**DATE: 24<sup>th</sup> MARCH 2022**

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## **TREASURY MANAGEMENT STRATEGY STATEMENT 2022/23**

### **PURPOSE OF REPORT**

The purpose of the report is to present for approval the Annual Treasury Management Strategy Statement for 2022/23.

### **RECOMMENDATION**

The Council is recommended to approve the Annual Treasury Management Strategy Statement (TMSS) incorporating the Minimum Revenue Provision (MRP) Policy Statement, the Annual Investment Strategy (AIS) and Prudential Indicators for 2022/23 at **Appendix A**.

### **REASON FOR RECOMMENDATION**

To comply with the CIPFA Treasury Management Code of Practice, the Council's Treasury Management Policy and good practice generally.

### **ISSUE**

1. Attached at **Appendix A** is the Council's Annual Treasury Strategy Statement for 2022/23. The Strategy document sets out how the investment and borrowing operations of the Council are to be managed within the framework established by the Treasury Management Policy Statement. The Treasury Strategy Statement should be read in conjunction with the Council's Capital Programme which was approved by the Council on 24<sup>th</sup> February 2022.
2. The Treasury Strategy Statement also reflects the requirements of the Local Government Act 2003 which places a duty on Local Authorities to:-
  - a) determine affordable borrowing limits which are calculated in accordance with the Prudential Code for Capital Finance in Local Authorities. Section 2 and 3 of the Strategy provides more detail of the Prudential Code and the relevant limits proposed for the Council, for 2022/23 and over the medium term period to 2024/25.

- b) comply with Section 15 of the Act which requires local authorities to have regard to such guidance as may be issued by the Secretary of State for Housing, Communities and Local Government.

#### Annual Minimum Revenue Provision Policy Statement

3. The Strategy document also includes, in section 5.2 on page 21 of **Appendix A**, a statement on the Minimum Revenue Provision which is a requirement arising out of the Local Authorities (Capital Finance and Accounting) (England) Regulations.
4. The Minimum Revenue Provision (MRP) is the annual charge to the Council's revenue accounts for the repayment of debt. Prior to the new regulations, the annual MRP was the result of complex calculation based on notional amounts of debt. The regulations simplified and introduced a degree of flexibility to the calculations and also attempted, in the case of unsupported borrowing, to link the MRP charge to the estimated life of the borrowing for specific assets.
5. Since 2008, the calculation of the annual MRP charge has consisted of 2 elements as follows:-
  - Pre-2008 legacy debt – calculated at 2.5% on a straight line basis so that this debt is repaid over a period of 40 years;
  - Post-2008 debt – calculated on an annuity basis such that the debt is repaid over the life of the capital expenditure financed by borrowing.
6. For 2022/23, there are no changes to the MRP Policy Statement. However, the Policy will remain under review as guidance on the calculation of MRP emerges with the aim that the Council's MRP remains prudent and compliant with legislation but affordable to the Council in the context of the ongoing financial challenges.

#### Statement of Prudential Limits

7. Within the range of prudential indicators, there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the Capital Financing Requirement. Table 5 on Page 13 of Appendix A shows that by 2023/24 the actual gross debt will fall below the CFR limit. Should this position change, this matter will be reported to Councillors accordingly.

### **IMPLICATIONS**

#### **Policy**

8. The Annual Treasury Management Strategy has been produced in compliance with the requirements of the Councils' Treasury Management Policy which the Council has previously approved and formally adopted specific clauses as per recommendations in the CIPFA Code of Practice on Treasury Management.

#### **Financial**

9. The financial implications associated with the Annual Treasury Strategy are incorporated in the Council's General Fund Revenue Budget for 2022/23 as approved by Council on 24<sup>th</sup> February 2021.

10. The financial implications for 2022/23 primarily reflect the external interest cost of £677k associated with the Council's outstanding long-term debt and the Minimum Revenue Provision (a mechanism to provide for the repayment of loan principal) of £549k. Investment income for the year has been budgeted at £40k.

## **Legal**

11. In accordance with the Local Government Act 2003, Councillors are required to approve the Annual Treasury Management Strategy incorporating the Annual Investment Strategy, the prudential indicators, and the authorised limit for external debt, which are provided in the Annual Treasury Strategy attached at **Appendix A**.

## **Risk Management**

12. There are no direct risk management implications arising from the contents of this report. Treasury activities are undertaken within the Council's Treasury Management Policy and risk is managed through the application of the requirements of Treasury Management Practice notes.
13. The Strategy includes details of some of the risks associated with the Council's treasury management operations and how these will be managed.

## **Health and Safety**

14. There are no health and safety implications arising directly from the contents of this report.

## **Sustainability Implications**

15. There are no sustainability implications arising directly from this report.

## **Community Safety:**

16. There are no community safety issues arising directly from the contents of this report.

## **Equality and Diversity:**

17. There are no equality and diversity implications arising from the contents of this report.

## **APPENDICES**

**Appendix A** – Treasury Management Strategy Statement including MRP Policy and Annual Investment Strategy 2022/23.

## **LIST OF BACKGROUND PAPERS**

None