



Report for:	<b>Audit Committee</b>
Date of meeting:	<b>9<sup>th</sup> February 2022</b>
Part:	<b>1</b>
If Part II, reason:	N/A

Title of report:	<b>Treasury Management Strategy 2022/23</b>
Contacts:	Nigel Howcutt, Chief Finance Officer Fiona Jump: Group Manager Financial Services
Purpose of Report	To Review and Scrutinise the proposed 2022/23 Treasury Management Strategy, that will form part of the 2022/23 budget.
Recommendation	To review and recommend to cabinet the implementation of the 2022/23 Treasury Management Strategy.
Corporate objectives:	Ensuring efficient, effective and modern service delivery.
Implications:	<u>Financial</u>
'Value for money' implications	<p>The Council defines its treasury management activities as:</p> <p><i>The management of the organisation's borrowing, investments, cash flows, banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.</i></p> <p>The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.</p> <p>The Council acknowledges that effective treasury management will provide support towards the achievement of the Council's business and service objectives. It is therefore committed to</p>

	<p>the principles of achieving value for money in treasury management and employing suitable comprehensive performance measurement techniques, within the context of effective risk management.</p>
Risk implications	<p>The council has a very low risk treasury management strategy and the investment policy follows DLUHC's, and CIPFA guidance as detailed in section 4 of the following report.</p> <p>The council only invests in highly creditworthy counterparties and follows advice and updates on these counterparties provided by the council's treasury management advisers "Link".</p> <p>The council's treasury management principles are based on Security first, liquidity second and finally yield.</p> <p>The security of investment is the key priority, with the risk to principal investments almost entirely removed by the proposed treasury management strategy. Only in extreme macro-economic events would the council be at risk and it is worth noting that the pandemic did not result in any lost investments but did significantly reduce returns on investments.</p>
Monitoring Officer	
S151 Officer	<p>This report is a S151 Officer Report and comments are included in the body of the report.</p>
Community Impact Assessment	<p>Community Impact Assessment not applicable.</p>
Health and safety Implications	<p>N/A</p>
Consultees:	<p>Audit Committee  Nigel Howcutt: Chief Finance Officer.  Fiona Jump: Group Manager Financial Services.  Link Treasury Management advisers.</p>
Background papers:	<p>Treasury Management Strategy 2021/22 February 2021  Cabinet Agenda.</p>
Glossary of acronyms and any other abbreviations used in this report:	<p>PSAA - Public Sector Audit Appointments  NAO - National Audit Office  IFRS - International Financial Reporting Standards  FRC - Financial Reporting Council  CIPFA/LASAAC – Chartered Institute of Public Finance Accounting / Local Authority Accounts Advisory Committee</p>

## **Background.**

1. As part of the Councils statutory requirements there is a requirement to produce an annual Treasury Management strategy that includes;
  - a. Treasury Management Policy,
  - b. Treasury Management Reporting processes,
  - c. Treasury Management Strategy,
  - d. Prudential Indicators
  - e. Borrowing requirements, and
  - f. Investment Strategy.
2. The following attached Treasury Management Strategy 2022/23 outlines these principles and the executive summary below is a brief synopsis.

## **Executive Summary**

3. The attached draft Treasury Management report for 2022/23 provides the statutory required details on how the treasury function will operate in 2022/23.
4. The 2022/23 Treasury Management Strategy does not propose any changes to the current 2021/22 Treasury Management Strategy, policies and approach including prudential indicators.
5. During 2021/22 the security of the council's investments has remained strong but the treasury management function has had a challenging financial year in regards to cash management and return on investments.

## **Cash Balances**

6. The level of cash balances during 2021/22 have increased significantly year on year and as of the end of December 2021 cash balances were at £158m, an increase of £57m.
7. Cash balances have increased due to 3 main reasons;
  - Pre-payment of significant business rates relief from central government,
  - Significant slippage of the capital programme over the last 2 years due to the impact of the pandemic.
  - Significant capital receipt received for Maylands at the start of 2021.

## **Return on Investments.**

8. As a result of the pandemic interest rates have been reduced to historically low levels. The current England base rate, as of December 2021, is at 0.25% following a prolonged period at 0.10%.
9. This has had a profound impact on the returns on cash investment the council has been able to achieve. In the first half of 21/22 the council has achieved a rate of return of 0.07%, year on year a reduction of 0.33% and a reduction of more than 0.7% on 2019/20 performance.

## **2022/23 Treasury Management Strategy.**

10. The challenge at the start of 2022/23 is to ensure the large cash balances are invested securely and safely to spread any risk exposure the council would be open to in line with current policy.
11. To ensure the service has capacity to do this we will expand the volume of counterparties that we invest cash deposits, to spread the investments. This is in line with the current and the proposed treasury management strategy and is something Dacorum has historically done.
12. As per the treasury management policy with S151 approval we are empowered to invest with counterparties outside the UK that have a minimum sovereign credit rating of AA- from Fitch (or equivalent) as appropriate, with durations following the same colour coded criteria, as set out in 4.2. of the treasury Management strategy.