



Audit Committee

Report for:	Audit Committee
Title of report:	Draft Treasury Management Strategy 2023/34
Date:	8 th February 2023
Report on behalf of:	Cllr Graeme Elliot, Portfolio Holder Finance & Resources
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A Draft Treasury Management Strategy 2023/24
Background papers:	None.
Glossary of acronyms and any other abbreviations used in this report:	None.

Report Author/ Responsible Officer

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Corporate Priorities	Ensuring efficient, effective and modern service delivery
Wards affected	All
Purpose of the report:	<ol style="list-style-type: none">1. To present the proposed Treasury Management Strategy for 2023/24.2. To highlight additional reporting and operational requirements for treasury management arrangements from 1 April 2023 onwards.

Recommendation (s) to the decision maker (s):	1. That Committee provide comments and feedback on the strategy for Cabinet to consider when it approves the strategy at its February meeting.
Period for post policy/project review:	Performance against the Council's treasury management strategy will be reported to Cabinet on a quarterly basis as a minimum during 2023/24.

1 Background:

The draft Treasury Management Strategy for the Council is attached at appendix A.

Scope and statutory framework

CIPFA offers the following definition of treasury management activities as they apply to public sector organisations and their use of capital financing, borrowings and all investments:

- The management of an organisation's
 - investment and cash flows
 - banking
 - money market and capital market transactions
- The effective control of the risks associated with those activities
- The pursuit of optimum performance consistent with those risks

The Council's Treasury Management arrangements from 1 April 2023 onwards are required to be compliant with CIPFA's Treasury Management Code (2021). This Code identifies the prime policy objectives of local authority investment activities as the security and liquidity of its funds. Return on investments should be considered but not at the expense of security and liquidity. This requires the Council to have a sound approach to the risk management of its treasury management activities.

The Council is currently required to receive and approve, various reports each year, which incorporate a variety of policies, estimates and actuals.

Treasury Management Strategy Statement (Appendix A) - The first, and most important report, covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid- year treasury management report (Quarter 2) – This is primarily a progress report and will update members on the capital position and amend prudential indicators and policies as necessary.

An annual treasury report (Quarter 4) – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Financial monitoring report (new from 1 April 2023) – an update on treasury management performance and all forward-looking prudential indicators will be formally reported on at least two further occasions during the financial year, via the Council's quarterly Financial Monitoring reporting process.

The annual strategy is supported by Treasury Management Principles and Practices (TMPPs). These set out the manner in which the Council will seek to achieve those policies and objectives in the strategy and how it will manage and control treasury management activities.

Council treasury investments are either 'specified' or 'non – specified'. All specified investments are sterling investments of not more than one year in maturity and meeting the minimum 'high' rating criteria. All other investments are 'non- specified investments'.

As part of the proposed strategy, it is recommended that limits on investment products of over 12 months are increased to the maximum of the lower of 50% of the investment portfolio or £40m (currently the maximum of the lower of 50% of the investment portfolio or £40m). The purpose of this is to help maximise the return on the Council's investments whilst maintaining current high requirements around creditworthiness in our current investment portfolio.

2 Treasury Management Strategy 2023/24– new requirements

The CIPFA 2021 TM Code places the following new requirements on the Council, with effect from 1 April 2023:

- Reporting- In addition to the 3 existing annual reports, reports will be required on performance of TM and prudential indicators to ensure treasury management performance is reported on a quarterly basis as a minimum.
- Prudential indicators-A new liability benchmark indicator needs to be included within the Council's suite of prudential indicators. Prudential indicators set the annual limits on borrowing, and provide a basis for assessing the affordability of financing costs, external debt and capital expenditure. They are included as part of the Council's TM strategy.
- Treasury Management Practices- a statement on Environmental, Social and Governance matters is to be included within an authority's Treasury Management Practices.
- Skills- knowledge and skills register for staff and Members involved in the treasury management function is to be proportionate to the size and complexity of the Council's treasury management function.

3 Financial and value for money implications:

Where relevant, financial and value for money implications associated with the strategy are set out within Appendix A.

4 Legal Implications

Where relevant, legal implications are set out within Appendix A.

5 Risk implications:

Contained within Appendix A.

6 Equalities, Community Impact and Human Rights

A Community Impact Assessment is not required for this report. There are no Human Rights Implications arising from this report.

7 Sustainability implications (including climate change, health and wellbeing, community safety)

There are no direct sustainability implications arising from this report.

8 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

There are no direct Council infrastructure implications arising from this report

9 Conclusions

The draft Treasury Management Strategy 2023/24 at Appendix A sets out the Council's proposed approach to its treasury management activities for the new financial year. Comments are invited on the strategy.