



**REPORT of
DIRECTOR OF RESOURCES**

to
STRATEGY AND RESOURCES COMMITTEE
3 FEBRUARY 2022

TREASURY MANAGEMENT STRATEGY 2022 / 23

1. PURPOSE OF THE REPORT

- 1.1 The Code of Practice for Treasury Management (CIPFA) requires the Council to approve a Treasury Management Strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. Members are therefore asked to consider and recommend to Council the Treasury Management Strategy for 2022 / 23.

2. RECOMMENDATIONS

To the Council:

- (i) That the Treasury Management Strategy 2022 / 23 be approved, along with the following amendments:
- The counterparty limit for Operational Banking be increased from £2m to £3m to allow for larger value transactions to be managed within the counterparty limit, as per Table 3 at **APPENDIX 1**.
 - The sector limit for Money Market Funds be increased from £12m to £20m to allow for larger investment within this safe and flexible sector without exceeding the sector limit, as per Tables 3 and 4 at **APPENDIX 1**.
- (ii) That the Treasury Management Policy (TMP 5) amendment be noted as being brought into line with the Treasury Management Strategy as per TMP 5 at **APPENDIX 2**.

3. SUMMARY OF KEY ISSUES

- 3.1 The Treasury Management Strategy for 2022 / 23 is attached at **APPENDIX 1** and the supporting Treasury Management Practices are attached at **APPENDIX 2**.
- 3.2 The Strategy has been reviewed by the Council's Treasury Advisor, Arlingclose Ltd and includes their latest Interest Rate and Economic Outlooks at the time of writing in December 2021.
- 3.3 The strategy is unchanged from the 2021 / 22 Treasury Management Strategy except for the two following proposed amendments.
- 3.4 The Council now regularly receives large amounts of funds, including relief grants for defrayal to businesses, over and above the other large regular receipts for Council Tax and Housing Benefit Subsidy. This puts the Council more at risk of exceeding its

£2m operational bank counterparty limit before the funds can be moved to other investments. Therefore, it is proposed to increase this limit to £3m (as per table 3 at **APPENDIX 1**), which is a much more manageable limit to keep the Council's operational bank account within.

- 3.5 Money Market Funds (MMF) are a low risk, low return, on-call investment sector, with a current sector limit of £12m. In recent years the Council's overall Investment portfolio has been increasing in value. This has meant that the Council now regularly reaches this limit. With interest rates still very low and there being much uncertainty in the financial markets, the current economic climate is a good one for MMF investments. Therefore, it is proposed to increase this sector limit from £12m to £20m as per the above table. This will enable the Council to invest more in this sector instead of needing to look to fixed term or higher risk sectors to invest.
- 3.6 The Treasury Management Policy (TMP) is unchanged from 2021 / 22, although TMP 5 has been edited to remove the '£3m' transaction limit figure (which is not represented by the Council's counterparty limits) and clarify that it is subject to the Treasury Management Strategy, which sets a range from £2m to £5m for transactional limits. This is not an amendment but rather the removal of an ambiguity and a clarification of the policy.

4. CONCLUSION

- 4.1 The Treasury Management Strategy has been updated in line with statutory requirements and good practice, having regard to the Council's financial position, links to wider strategies, plans and aims and the advice of the Council's external treasury advisor.

5. IMPACT ON STRATEGIC THEMES

- 5.1 This Strategy links to the Council's organisational focus on performance and efficiency.

6. IMPLICATIONS

- (i) **Impact on Customers** – None.
- (ii) **Impact on Equalities** – None.
- (iii) **Impact on Risk** – A key element of the strategy is effective control of the risks associated with treasury management activities.
- (iv) **Impact on Resources (financial)** – Investment interest received is a financial resource available to support spending on service provision. Appropriately qualified and trained staff are involved in the day-to-day operation of the Treasury Management function.
- (v) **Impact on Resources (human)** – None directly.
- (vi) **Impact on the Environment** – None.

Background papers:

Economic Background and Outlook and Interest Rate Forecasts provided by Arlingclose Ltd, the Council's treasury management advisors.

Enquiries to: Lance Porteous, Lead Specialist, Finance.