

Report to the Audit & Governance Committee



Epping Forest
District Council

Date of meeting: 17 January 2022

Portfolio: Finance, Qualis Client & Economic Development

Subject: Treasury Management Strategy (including Investment Strategy) 2022/23

Responsible Officer: Andrew Small (01992 564278)

Democratic Services: Laura Kirman (01992 564243)

Recommendations/Decisions Required:

- (1)** To consider and recommend for approval by full Council, the draft Treasury Management Strategy 2022/23 attached at **Appendix A**
- (2)** To consider and recommend for approval by full Council, the draft Investment Strategy 2022/23 attached at **Appendix C**; and
- (3)** That delegated authority be given to the Section 151 Officer, in consultation with the Chairman of the Committee, to make any necessary late adjustments to the financial information, as necessitated by finalisation of the Budget for 2022/23, prior to presentation of the final draft Strategy to full Council on 24th February 2022.

Executive Summary:

The preparation of an annual Treasury Management Strategy is a requirement of CIPFA's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) and generally accepted good practice. It covers planned treasury activity for the financial year 2022/23 and is attached at **Appendix A**.

In addition, following the issue of (MHCLG) statutory guidance on Local Government Investments in 2018, the Council is now recommended to produce an annual Investment Strategy, covering the Council's wider investment activities. The 2022/23 Strategy is attached at **Appendix C**.

The overriding position that this report presents in the year ahead is a further rise in Borrowing activity as the Council continues to roll out its capital investment plans. Conversely Investment activity is expected to be very limited.

Both Borrowing and Investing is taking place against a backdrop of historically low interest rates, which are still expected to continue for some time.

The purpose of this report is to allow the Audit and Governance Committee to consider and comment on both strategies, before making appropriate recommendations to full Council on 24th February 2022.

Members should note that CIPFA published both its revised Prudential and Treasury Management codes on 20th December 2021 (although the supporting Guidance Notes have yet to be published at the time of preparing this report). The foreword to the new codes states that they take immediate effect, except that authorities may defer introducing the revised reporting requirements (e.g. strategy reports) until the 2023/24 financial year.

This updated Treasury Management Strategy therefore technically achieves full compliance with the 2017 Code only. A fully updated Strategy will be prepared for 2023/24 in full compliance with the 2021 Treasury Management Code.

It should further be noted that the data presented reflects draft Budget information for 2022/23 as presented to Cabinet in December 2021 (including the anticipated Capital Outturn for 2021/22 as at the end of 30th September 2021 i.e. the "Quarter 2" position). It is therefore likely that some small adjustments will be required to the financial information presented in the draft Strategy – to reflect the final Budget proposals for 2022/23 and the latest outturn projections for 2021/22 – prior to presentation for approval by full Council.

This report therefore also seeks delegated authority for any late adjustments required to be presented to, and agreed by, the Section 151 officer in consultation with the Chairman of the Audit & Governance Committee prior to presentation of the draft Strategy to full Council on 24th February 2022. In addition, any agreed amendments will be presented to this Committee on 17th March 2022.

Reasons for Proposed Decision:

To provide assurance to full Council that the risks associated with treasury management and investments are being appropriately managed.

Legal and Governance Implications:

CIPFA's the CIPFA Code) requires the Council to prepare for approval by full Council, an annual Treasury Management Strategy.

The Government (MHCLG) issued Investment Guidance in 2018, recommending the preparation (at least annually) of an Investment Strategy for approval by full Council.

The role of the Audit and Governance Committee is to consider this report – covering both the Treasury Management and Investment strategies – and make recommendations to full Council.

Safer, Cleaner and Greener (SCG) Implications:

None.

Background Papers:

Treasury Management in the Public Services: Code of Practice 2017 Edition published by CIPFA.

(MHCLG) Statutory Guidance on Local Government Investments (3rd Edition). Issued under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1st April 2018.

Arlingclose Technical Update (revised Prudential and Treasury Management Codes) issued 22nd December 2021.

Risk Management:

There are a range of inherent financial risks associated with Treasury Management activity; not least the potential for loss of interest and/or deposits. The Council therefore engages the services of external Treasury Management advisors, Arlingclose Ltd.

Borrowing and Investment decisions are made in accordance with the Council's formally adopted Treasury Management Strategy. The Strategy includes several Risk Management features, including – for example – the overriding priority that security of deposit takes precedence over return on investment.