



Full Council

**Thursday, 23
February 2023**

**Matter for
Information and
Decision**

Report Title: Treasury Management Policy and Strategies and Prudential Indicators (2023/24)

**Report Author(s): Tracy Bingham (Strategic Director / Section 151 Officer)
Bev Bull (Head of Finance / Deputy Section 151 Officer)**

Purpose of Report:	<p>This report contains the Capital Strategy and Prudential Indicators which ensure that the capital expenditure plans of local authorities are affordable, prudent, and sustainable.</p> <p>It also contains the Treasury Management Policy, Strategy and Plan including Treasury Management Indicators detailing the expected treasury management operations and impact on the prudential indicators for the forthcoming financial year.</p> <p>It fulfils the key requirements of the:</p> <ul style="list-style-type: none">• Local Government Act 2003;• The CIPFA Prudential Code for Finance in Local Authorities;• The CIPFA Code of Practice for Treasury Management in Public Services;• DLUHC Statutory Guidance on Local Government Investments; and• DLUHC Statutory Guidance on the Minimum Revenue Provision.
Report Summary:	<p>The report contains the Council's:</p> <ul style="list-style-type: none">• Capital Strategy including the Prudential Indicators,• Treasury Management Policy• Treasury Management Strategy and Plan including Treasury Management Indicators• Minimum Revenue Provision (MRP) Statement• Investment Strategy for 2023/24.• Flexible Use of Capital Receipts Strategy.
Recommendation(s):	<p>A. That the Capital Strategy including the Prudential Indicators (as set out in Appendix 1) be approved;</p> <p>B. That the Treasury Management Policy, Treasury Strategy and Plan 2023/24 (as set out in Appendix 2 and 3) be approved;</p> <p>C. That the Minimum Revenue Provision Statement 2023/24 (as set out in Appendix 4) be approved;</p> <p>D. That the Investment Strategy 2023/24 (as set out in Appendix 5) be approved; and</p> <p>E. That the Flexible Use of Capital Receipts Strategy be approved (as set out in Appendix 6).</p>
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	<p>Tracy Bingham (Director/Section 151 Officer) tracy.bingham@oadby-wigston.gov.uk (0116) 257 2649</p> <p>Bev Bull (Head of Finance / Deputy Section 151 Officer)</p>

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Corporate Objectives:	Providing Excellent Services (CO3)
Vision and Values:	"A Stronger Borough Together" (Vision) Accountability (V1) Innovation (V4)
Report Implications:-	
Legal:	There are no implications directly arising from this report.
Financial:	Interest earned on balances and interest paid on external debt impact on the resources available to the Council. The prudential indicators provide a framework for ensuring the Council's capital plans are affordable, prudent and sustainable.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Reputation Damage (CR4) Regulatory Governance (CR6)
Equalities & Equalities Assessment (EA):	There are no implications arising from this report. EA not applicable
Human Rights:	There are no implications arising from this report.
Health and Safety:	There are no implications arising from this report.
Statutory Officers' Comments:-	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	As the author, the report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	None.
Background Papers:	None.
Appendices:	<ol style="list-style-type: none"> 1. Capital Strategy 2023/24 which includes the Prudential Indicators for 2023/24 – 2027/28 2. Treasury Management Policy 2023/24 3. Treasury Management Strategy 2023/24 which includes the Treasury Management Indicators for 2023/24 - 2025/26 4. Minimum Revenue Provision (MRP) Statement 2023/24 5. Investment Strategy 2023/24 6. Flexible Use of Capital Receipts Strategy 2023/24 – 2024/25

1. Introduction

- 1.1 The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice and to prepare, set and publish a Capital Strategy including prudential indicators, and a Treasury Management Policy, Treasury Strategy and Plan including treasury indicators that ensure the Council's capital expenditure plans are affordable, prudent and sustainable in the long- term.
- 1.2 The prudential indicators consider the affordability and impact of capital expenditure plans and set out the Council's overall capital framework. The prudential indicators summarise expected treasury activity, introduce limits upon that activity and reflect the underlying capital programme. As a consequence, a Treasury Management Strategy is prepared which considers the effective funding of the capital expenditure decisions and complements the prudential indicators.
- 1.3 The Council is required to operate a balanced budget, meaning that cash raised during the year will meet cash expenditure. As part of this, the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus moneys are invested in low risk counterparties commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return. The Council is required to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby charges to revenue remain affordable within the projected income of the Council for the foreseeable future. These increases in charges may arise from increases in interest charges and debt repayment caused by increased borrowing to finance additional capital expenditure and any increases in operational running costs from new capital projects.
- 1.4 Treasury Management is, therefore, an important part of the overall financial management of the Council's affairs. Treasury Management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risk associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.5 Specific treasury indicators are prepared and included in the Treasury Management Policy and Strategy which also requires Member approval.
- 1.6 The Annual Investment Strategy for Treasury Management investments, sets the limits for the maximum amounts to be invested and the types of investments the Council may consider.
- 1.7 The Minimum Revenue Provision statement states how the Council will charge revenue for capital expenditure, which is financed by borrowing or credit arrangements. Local Authorities are required each year to set aside some of their revenues as provision for this debt.
- 1.8 The Council's capital and treasury activities are strictly regulated by statutory requirements and guidance, including the CIPFA Prudential Code for Capital Finance in Local Government, CIPFA Treasury Management Code of Practice, Department for Levelling Up Housing and Communities (DLUHC) Investment Guidance and DLUHC Minimum Revenue Provision (MRP) Guidance.
- 1.9 Full Council is required to approve the Capital Strategy and Treasury Management Policy statement for the forthcoming year at or before the start of the year.

1.10 Annual reporting to the Policy Finance and Development Committee (PFD) is required annually to on the activities of the treasury management operation and on the exercise of the Section 151 Officer's delegated treasury management powers.

2. Revised Prudential Code and Treasury Management Code 2021

2.1 In 2021 CIPFA revised the Treasury Management Code and Prudential Code. The new codes are effective from 2023/24.

2.2 To comply with the requirements of the new codes the following additions have been made:

- the inclusion of a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- amendment to Treasury Management Practice 1 within the Treasury Management Policy to address Environmental, Social and Governance policy within the treasury management risk framework;
- Changes to frequency of reporting that is detailed in the Treasury Management Policy and will require reporting to be on quarterly basis.

3. Capital Strategy, Treasury Strategies and Prudential Indicators 2023/24

3.1 The following strategies are recommended by the Policy Finance and Development Committee for approval by Full Council:

- Appendix 1 – Capital Strategy 2023/24 which includes the Prudential Indicators for 2023/24 – 2027/28;
- Appendix 2 – Treasury Management Policy
- Appendix 3 - Treasury Management Strategy 2023/24 which includes the Treasury Management Indicators 2023/24 - 2025/26
- Appendix 4 – Minimum Revenue Provision (MRP) Statement 2023/24;
- Appendix 5 – Investment Strategy 2023/24.
- Appendix 6 – Flexible Use of Capital Receipts Strategy 2023/24 – 2024/25

3.2 The values within these strategies align with the revenue and capital budgets.