

Chichester District Council

Corporate Governance and Audit Committee

10 January 2022

Draft Treasury Management, Investment and Capital Strategies

1. Contacts

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2. Recommendation

- 2.1. **That the Committee considers the Treasury Management Policy Statement, the Treasury Management Strategy Statement, the Investment Strategy and relevant Indicators for 2022-23, and**
- 2.2. **That the Committee considers the Council's Capital Strategy for 2022-23 to 2026-27.**
- 2.3. **That the documents in 2.1 and 2.2 are recommended to Cabinet and Council for approval**

3. Background

- 3.1. Local authorities' treasury management activities are prescribed by the Local Government Act 2003 and Regulations issued under this Act. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice (the Code) derives its legal status from these statutory Regulations.
- 3.2. The Treasury Management Code was last updated in 2017. CIPFA's view is that, since then, the landscape for public services has changed. The increasing profile of the role of treasury management as a result of the pandemic, the disciplines and skills required to meet the advances brought forward by issues such as the Markets in Financial Instruments Directive, known as MIFID II, and the increasing complexity of transactions in the sector has underlined the importance of the Treasury Management Code and its guidance. Alongside this, the rise in commercial non-treasury investments nationally is felt to be a contributing factor behind the need to strengthen its provisions to ensure that they are fit for the 21st century.
- 3.3. CIPFA plans to update its Treasury Management and Prudential Codes following consultations during 2021. As these Codes have not been issued in due time for their inclusion in the Council's consideration of its 2022-23 strategies, the documents before Committee today are based on officers best understanding of what will be required for 2022-23. Once the final Codes are issued, a considered approach to responding to them will be taken and updated requirements will be incorporated into strategies for 2023-24 as necessary.

- 3.4. The Council is also required by the Code to produce a Capital Strategy which aims to provide a high-level overview of how capital and treasury intentions contribute to the provision of local services and describe how risks to future financial sustainability are managed. A draft capital Strategy is included in this report at appendix 3.
- 3.5. Although every attempt has been made to reduce the technical content of this report, by its very nature the report is specialised in parts and the glossary of terms in Appendix 5 aims to aid members understanding of some terms used.

4. Outcomes to be achieved

- 4.1. The Treasury Management and Investment Strategies for 2022-23 and the Council's Capital Strategy are approved before 1 April 2022 in accordance with CIPFA's Treasury Management in the Public Services: Code of Practice and the DLUHC's Investment Regulations.

5. Alternatives that have been considered

- 5.1. The Treasury Strategy contains details of alternatives that have been considered. There is no 'do nothing' option as the Council is required to approve a Treasury and Investment Policy as its Capital Strategy before the start of the new financial year.

6. Resource and legal implications

- 6.1. The Council may be putting its financial standing at risk, as well as failing to meet the requirements of the Local Government Act 2003, if it failed to follow the revised Treasury Management Code and the Investment Guidance. Acceptance of the recommendations in this report would not only help avoid this risk, but would demonstrate that the Council's financial matters continue to be managed prudently
- 6.2. The Treasury Management Strategy and the Prudential Indicators reflect various assumptions of future interest rate movements and Government support for capital expenditure. These assumptions have been taken into account in the 5 year model under pinning the Council's Financial Strategy and resources statement.
- 6.3. Due to differences in timing between the deadlines for this report and the Council's annual budget and capital strategies, the information contained in the documents at appendices 2 and 3 is based on that available as at November 2021. There will inevitably be some difference between these figures and the final approved budget, capital programme and corporate priorities but these will be captured as part of future iterations of these documents.
- 6.4. Appendix A to the Treasury Strategy contains details of the interest rate assumptions that have been used in developing this strategy.

7. Consultation

- 7.1. The forthcoming financial year's Treasury Management Strategy, Investment Strategy and Capital Strategy documents will also be considered by Cabinet before being presented to Full Council for approval.
- 7.2. Members were also briefed on the background to this strategy and report at a workshop on 2 December.

8. Community impact and corporate risks

- 8.1. The statutory and regulatory framework under which the treasury management function operates is very stringent, and each authority has to decide its own appetite for risk and the rate of return it could achieve.
- 8.2. Risk management is covered within the Treasury Management Strategy and specifically within TMP 1, an extract of which is shown in appendix 4.

9. Other Implications

	Yes	No
Crime & Disorder		✓
Climate Change 1. Ethical, Social and Governance (ESG) factors are increasingly being recognised as a factor in the wider Treasury sector. The strategies accompanying this report includes sections on responsible investing and carbon reduction.	✓	
Human Rights and Equality Impact		✓
Safeguarding and Early Help		✓
General Data Protection Regulations (GDPR)		✓
Health and Wellbeing		✓
Other (Please specify): 1. Compliance with the Local Government Act 2003 2. Non-compliance or loss of an investment due to default by a counterparty could affect the financial wellbeing of the council dependent on the size of the loss and the ability to fund losses from its unallocated reserves.	✓	

10. Appendices

- 10.1. Appendix 1 – Summary of main amendments between 2021-22 and 2022-23
- 10.2. Appendix 2- Treasury Management Policy Statement, Treasury Management Strategy Statement, Treasury Prudential Indicators and Annual Investment Strategy for 2022-23.
- 10.3. Appendix 3 – Capital Strategy 2022-23 to 2026-27
- 10.4. Appendix 4 - Treasury Management Practices (TMP's) Extract of TMP 1 Risk Management.
- 10.5. Appendix 5 - Glossary

11. Background Papers

- 11.1. None.