

<b>Title of Report</b>	<b>PRUDENTIAL INDICATORS AND TREASURY STRATEGIES 2022-23</b>	
<b>Presented by</b>	Councillor Nicholas Rushton Corporate Portfolio Holder	
<b>Background Papers</b>	<p><a href="#">Budget and Council Tax 2021/22</a> – Council 23 February 2021</p> <p><a href="#">Investment Strategy – Service and Commercial 2021/22</a> – Council 23 February 2021</p> <p><a href="#">Treasury Management Strategy Statement 2021/22 and Prudential Indicators 2021/22-2023/34</a> – Council 23 February 2021</p> <p><a href="#">Draft Minutes</a> – Corporate Scrutiny Committee 5 January 2022</p> <p><a href="#">Draft Minutes</a> – Cabinet 1 February 2022</p>	<b>Public Report: Yes</b>
<b>Financial Implications</b>	Although this is a finance report, there are no direct financial implications contained within this report. These are fully considered in the Budget and Council Tax 2022/23 report on the same agenda as this item.	
	<b>Signed off by the Section 151 Officer: Yes</b>	
<b>Legal Implications</b>	There are no direct legal implications contained within this report.	
	<b>Signed off by the Monitoring Officer: Yes</b>	
<b>Staffing and Corporate Implications</b>	None	
	<b>Signed off by the Head of Paid Service: Yes</b>	
<b>Purpose of Report</b>	To approve the Prudential Indicators and Treasury Strategies for 2022/23.	
<b>Recommendations</b>	<b>COUNCIL ARE REQUESTED TO APPROVE:</b>	

	<ol style="list-style-type: none"> <li>1. THE CAPITAL STRATEGY 2022-23 (APPENDIX 1)</li> <li>2. THE TREASURY MANAGEMENT STATEMENT 2022-23 (APPENDIX 2)</li> <li>3. THE MINIMUM REVENUE PROVISION (MRP) STATEMENT 2022-23 (APPENDIX 3) AND</li> <li>4. THE INVESTMENT STRATEGY 2022-23 (APPENDIX 4)</li> </ol>
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**1.0 BACKGROUND**

1.1 The Local Government Act 2002 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 prudential indicators and 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, which broadly means that cash raised during the year will meet cash expenditure. Part of 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 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 and 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 Strategy which requires Member approval.

1.6 The Council's treasury activities are strictly regulated by statutory requirements and guidance, including:

- CIPFA Prudential Code for Capital Finance in Local Government
- CIPFA Treasury Management Code of Practice
- MHCLG Investment Guidance
- MHCLG Minimum Revenue Provision (MRP) Guidance.

1.7 During 2021 CIPFA have undertaken consultations on revisions to both the Treasury Management Code and the Prudential Code and the revised codes were published in December 2021. The Strategies for approval have considered the requirements of the revised codes.

1.8 The Department for Levelling Up, Housing and Communities (DLUHC) published a consultation at the end of November on proposed changes to capital finance regulations in respect of Minimum Revenue Provision (MRP). The closing date for the consultation is the 8 February 2022, there are two main changes proposed to take effect from 2023/24. The two main changes are in relation to exclusion of certain assets from MRP and use of capital receipts. We are still assessing the impact of the changes but on initial review there does not appear to be any significant impact.

1.9 The Council's Constitution (via the Financial Procedure Rules) requires full Council to approve the Treasury Management Policy statement for the forthcoming year at or before the start of the year. The statement is proposed to the full Council by the Cabinet. The Head of Finance has delegated responsibility for implementing and monitoring the statement. The Head of Finance is responsible for reporting annually to the Cabinet on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. Reports on treasury management are also required by be adequately scrutinised and this role is undertaken by the Audit & Governance Committee.

## **2.0 PRUDENTIAL INDICATORS AND TREASURY STRATEGIES 2022/23**

2.1 The following strategies are attached as appendices for Cabinet to recommend to Council on the 24 February for approval:

- Appendix 1 – Capital Strategy 2022/23 which includes the Prudential Indicators for 2022/23-2024/25;
- Appendix 2 – Treasury Management Strategy 2022/23 which includes the Treasury Indicators for 2022/23-2024/25;
- Appendix 3 – Minimum Revenue Provision (MRP) Statement 2022/23; and
- Appendix 4 – Investment Strategy 2022/23.

2.2 The above strategies were reported to Corporate Scrutiny on 5 January 2022 and reviewed and recommended for approval by Cabinet on 1 February 2022 and a link to the draft minutes is included in the background papers. There have been no changes to the strategies that were presented to Cabinet on the 1 February 2022.

<b>Policies and other considerations, as appropriate</b>	
Council Priorities:	The Treasury Strategies and Prudential Indicators help the Council achieve all its properties.
Policy Considerations:	None
Safeguarding:	Not applicable
Equalities/Diversity:	Not applicable
Customer Impact:	Not applicable
Economic and Social Impact:	Not applicable
Environment and Climate Change:	Not applicable
Consultation/Community Engagement:	Corporate Scrutiny Committee – 6 January 2022 Cabinet – 1 February 2022
Risks:	Borrowing and investment both carry an element of risk. This risk is moderated through the adoption of Treasury and Investment Strategies, compliance with the CIPFA Code of Treasury Management and the retention of Treasury Management advisors (Arlingclose) to offer expert advice.
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