

Meeting date: 9th January 2023

Report to: Audit Committee

Report title: Treasury Management Strategy 2023/24 to 2032/33

Report from: Director of Resources and Deputy Chief Executive

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Wards affected:

- All Wards | Bickenhill | Blythe | Castle Bromwich | Chelmsley Wood |
 Dorridge/Hockley Heath | Elmdon | Kingshurst/Fordbridge | Knowle |
 Lyndon | Meriden | Olton | Shirley East | Shirley South |
 Shirley West | Silhill | Smith's Wood | St Alphege
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Public/private report: Public

Exempt by virtue of paragraph: N/A

1. Executive Summary

- 1.1 To formally recommend that Full Council approves the Treasury Management Strategy (Appendix A) for 2023/24 to 2032/33 including Treasury and Prudential indicators.
- 1.2 To note the extract from the Corporate Capital Strategy 2023/24 to 2032/33 (Appendix B) in relation to a number of further Prudential Indicators and the Minimum Revenue Provision (MRP) Policy Statement which Full Cabinet, at its meeting on the 9th February 2023 will be asked to recommend to Full Council for approval.

2. Decision(s) Recommended

- 2.1 The Committee is asked to recommend that Full Council approves:-
- 2.2 The Treasury Management Strategy 2023/24 to 2032/33 (Appendix A) including the Debt and Investment Strategy and Treasury and Prudential indicators contained within

and specifically;

- 2.3 The Authorised Limit Prudential Indicator detailed within paragraph 3.2.2 of Appendix A;
- 2.4 The further Prudential Indicators for 2023/24 to 2032/33 contained within the extract from the Corporate Capital Strategy 2023/24 to 2032/33 (Appendix B);
- 2.5 The Minimum Revenue Provision (MRP) Policy Statement contained within the extract from the Corporate Capital Strategy 2023/24 to 2032/33 (Appendix B).

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3. Matters for Consideration

- 3.1 This report and associated appendices fulfil a number of legislative requirements governed by the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code which were both revised in December 2021.
- 3.2 The revised codes require the following to be taken into consideration from 2023/24:
- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
 - creation of new Investment Practices to manage risks associated with non-treasury investment;
 - amendment to treasury practices to address environment, social and governance (ESG) policy within the treasury management risk framework;
 - amendment to the knowledge and skills register for individuals involved in the treasury management function;
 - a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing).
- 3.3 The above items have been taken into consideration when producing this year's treasury and capital strategies.
- 3.4 In addition to the Treasury Management Strategy Local Authorities should have in place a Capital Strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. To comply with the Prudential Code the Corporate Capital Strategy includes a ten-year capital programme. It is considered that longer-term forecasts are not easily predicted and the accuracy of all financial estimates will be limited.
- 3.5 From 2018/19 the Corporate Capital Strategy included the Councils minimum revenue provision (MRP) policy statement and key prudential indicators relating to the cost and affordability of the Councils capital plans which were historically reported as part of the Treasury Management Strategy. There are strong links between the two strategies, as the Council's approach to treasury management, which represents a key influence on the capital programme, is a critical component of its capital planning. Audit Committee retain a role in scrutinising these policies and indicators and therefore these elements of the Corporate Capital Strategy are being reported alongside the Treasury Management Strategy as Appendix B to this report.
- 3.6 The Treasury Management and Corporate Capital Strategy jointly demonstrate how the Council's treasury service will support corporate capital decisions made as part of a 10-year capital programme and the funding thereof, the day-to-day treasury management activities and the limitations on borrowing activity through treasury and

prudential indicators and limits. In addition, the Treasury Management and Corporate Capital Strategy will be incorporated alongside the Councils revenue strategy to form an overall financial Medium Term Financial Strategy (MTFS) which will be reported to Full Cabinet on the 9th February 2023 before being approved by Full Council on the 23rd February 2023.

- 3.7 The key prudential indicator is the Authorised Limit, the maximum amount of debt the Council can enter into in accordance with the CIPFA Prudential Code. Other prudential and treasury indicators are contained within either the Treasury Management Strategy or the Corporate Capital Strategy where appropriate in accordance with the CIPFA Prudential Code or the CIPFA Treasury Management Code.
- 3.8 The Strategies outlined above provide the approved framework within which the officers undertake the day-to-day capital and treasury activities.
- 3.9 Audit Committee are responsible for considering the Treasury Management Strategy in full as well as some elements of the Corporate Capital Strategy (in relation to prudential indicators and MRP policy), and are being requested to recommend these elements for approval for Full Council.
- 3.10 Full Cabinet have responsibility for the Corporate Capital Strategy, which they are being asked to recommend to Full Council at its meeting on the 9th February 2023.

4. What options have been considered and what is the evidence telling us about them?

4.1 N/A

5. Reasons for recommending preferred option

5.1 N/A

6. Implications and Considerations

6.1 State how the proposals in this report contribute to the priorities in the [Council Plan](#):

| Priority: | Contribution: |
|---|--|
| <p>People and Communities:</p> <ol style="list-style-type: none"> 1. Improving outcomes for children and young people in Solihull. 2. Good quality, responsive, and dignified care and support for Adults in Solihull when they need it. 3. Take action to improve life chances and health outcomes in our most disadvantaged communities. | <p>The Treasury Management Strategy provides the framework to ensure Council funds are managed in an appropriate manner, thus supporting the delivery of the Council Plan priorities</p> |

| Priority: | Contribution: |
|--|---------------|
| 4. Enable communities to thrive. | |
| Economy: 5. Develop and promote the borough's economy, with a focus on revitalising our town and local centres. 6. Maximising the opportunities of UK Central and HS2. 7. Increase the supply of affordable and social housing that is environmentally sustainable. | As above |
| Environment: 8. Enhance our natural environment, improve air quality and reduce net carbon emissions. | As above |
| 9. Promote employee wellbeing | As above |

6.2 Consultation and Scrutiny:

6.2.1 Audit Committee fulfils the scrutiny role for all treasury activity undertaken by the council.

6.3 Financial implications:

6.3.1 As set out in the report and appendices.

6.4 Legal implications:

6.4.1 Statutory requirements are set out in the report and appendices.

6.5 Risk implications, including Risk Appetite:

6.5.1 The Council's Treasury Management Strategy provides a robust framework for managing all of the risks associated with the Treasury Management function. The Council maintains a low-risk appetite in its treasury activities and its approach is consistent with Department for Levelling Up, Housing and Communities (DLUHC) guidance that security of principal must be the primary concern when making investments. Any breaches of Treasury limits must be reported to members.

6.6 Equality implications:

6.6.1 There are no direct equality or diversity implications.

6.7 Linkages to our work with the West Midlands Combined Authority (WMCA), Local

Enterprise Partnership or the Birmingham & Solihull Integrated Care System (ICS):

6.7.1 N/A

7. List of appendices referred to

7.1 Appendix A – Treasury Management Strategy 2023/24 – 2032/33

7.2 Appendix B – Extract from the Corporate Capital Strategy 2023/24– 2032/33 – Prudential Indicators and MRP Policy Statement

8. Background papers used to compile this report

8.1 None

9. List of Other Relevant Documents

9.1 None