

**REPORT TO: AUDIT COMMITTEE**

**DATE: 09 DECEMBER 2021**

**REPORT TITLE: TREASURY MANAGEMENT STRATEGY 2022/23 AND  
TREASURY MANAGEMENT 2021/22 MONITORING UPDATE**

**DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT &  
CORPORATE SERVICES (s73 OFFICER)**

**AUTHOR: STEVE FINNEGAN**

#### **Purpose of Report**

1. The Chartered Institute of Public Finance and Accountancy's, (CIPFA), Treasury Management in the Public Services Code of Practice, requires the authority to approve a Treasury Management Strategy before the start of each financial year. The 2022/23 Strategy will be submitted to the January 2022 WECA Committee for approval alongside the 2022/23 budget papers.

#### **Impact of Covid-19 pandemic**

2. The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on or are addressed through this report are as follows:
  - The impact of Covid on the financial markets means that returns achievable on cash investments are at a historically low level;
  - WECA, through their Treasury Management advisors, ArlingClose, will regularly review the stability and security of all investments made.

#### **Recommendations. That the committee:**

- (a) **note the Treasury Management Strategy for 2022/23 and recommend any amendments prior to it being submitted to the January 2022 WECA Committee for approval;**
- (b) **note the 2021/22 Treasury Management monitoring update as detailed at the end of Appendix 1.**

## **Background / Issues for Consideration**

3. The 2021/22 Treasury Management Strategy, as informed through our Treasury advisors, ArlingClose, was approved by the WECA Committee on 29 January 2021. The 2022/23 Strategy builds on the foundations of the previous year and has been updated to reflect Covid and economic factors, credit risk and cash flow forecasts.
4. WECA's Treasury Transactions are entirely investment based at present with the authority being debt free with no identified need for long term borrowing within the immediate future. Short term borrowing will be considered as part of normal cashflow operations where appropriate.
5. From April 2019, WECA took on responsibility for managing its own investment portfolio, a service that was previously managed on our behalf by Bath and North East Somerset, (BANES), Council.
6. In the early years of operation, WECA has continued to maintain significant cash balances as detailed business cases and feasibility studies are developed. The focus of Treasury Management is to protect the security of public funding whilst continuing to generate healthy financial returns from our cash holdings which has become increasingly challenging in the current economic climate.
7. The 2022/23 Treasury Management Strategy, and update on 2021/22 performance, is detailed as Appendix 1 to this report.

## **Consultation**

8. Decisions on treasury management investments and borrowing are made daily as delegated to the Director of Investment and Corporate Services, (and designated staff), who must act in compliance with the Treasury Management Strategy. Reports on treasury management performance are presented to the WECA Committee, with the Audit Committee being responsible for scrutinising the governance framework that drives treasury management decisions.
9. Regular dialogue is maintained with our treasury advisor's, ArlingClose, particularly in relation to the consideration of longer-term investment opportunities.

## **Risk Management/Assessment**

10. Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code).
11. The primary objective of the strategy is to safeguard public funding whilst generating reasonable financial returns from cash balances held. Within the strategy, there is a list of approved investment options with financial values and durations firmly linked to the credit worthiness, and risk, of each investment option.
12. ArlingClose provide regular updates in terms of changes to individual credit ratings and/or economic outlooks which might impact on current or future investment holdings.

## **Public Sector Equality Duties**

13. The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
  - Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
  - Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - Foster good relations between people who share a protected characteristic and those who do not.
  
14. The Act explains that having due regard for advancing equality involves:
  - Removing or minimising disadvantages suffered by people due to their protected characteristics.
  - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
  - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
  
15. The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.
  
16. There are no direct implications arising from this report.

## **Finance Implications, including economic impact assessment where appropriate:**

17. The base budget for the income generated from WECA investments is £670k per annum for 2022/23. As per 2021/22 we are predicting to exceed this base budget next financial year due to
  - (a) the holding of high cash balances and
  - (b) generating financial returns over and above the budgeted level through 'forward deals' and diversifying the authority's investment portfolio.
  
18. Any surpluses generated in 2022/23 will be transferred to a specific Treasury Management earmarked reserves in order to address predicted shortfalls in investment income in future years.

## **Legal Implications:**

19. Treasury management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code

**Appendices:**

Appendix 1 – WECA Treasury Management Strategy for 2022/23 and Monitoring update for 2021/22

**Background papers:**

WECA Treasury Management Strategy 2021/22 – approved by WECA Committee on 29 January 2021

**West of England Combined Authority Contact:**

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)