

Report to Cabinet

18 January 2023

Subject:	Treasury Management Mid-Year Review 2022/23
Cabinet Member:	Finance and Resources, Cllr Bob Piper
Director:	Director of Finance Simone Hines
Key Decision:	Yes Financial implications > £1m
Contact Officer:	Simone Hines Director of Finance simone_hines@sandwell.gov.uk

1 Recommendations







- 1.1 That the Council be recommended to approve the Treasury Management Mid-Year Review 2022/23 and revised Minimum Revenue Provision Policy.

2 Reasons for Recommendations

- 2.1 To comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management.
- 2.2 To ensure the Council's Minimum Revenue Provision Policy is prudent.



3 How does this deliver objectives of the Corporate Plan?

	The Best Start in Life for Children and Young People
	People Live Well and Age Well
	Strong Resilient Communities
	Quality Homes in Thriving Neighbourhoods
	A Strong and Inclusive Economy
	A Connected and Accessible Sandwell

4 Context and Key Issues

- 4.1 The Council is required to consider the performance of the Treasury Management function in order to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021).
- 4.2 Appendix A to the report sets out the Treasury Management performance for the first half of 2022/23 as required by the Code. It outlines
- An economic update for the first six months of 2022/23;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
 - A review of the Council's investment portfolio for 2022/23;
 - A review of the Council's borrowing strategy for 2022/23;
 - A review of compliance with Treasury and Prudential Limits for 2022/23.



- 4.3 Alongside the mid-year review, officers have also reviewed the Council's Minimum Revenue Provision (MRP) policy. The Council is required to pay a revenue charge annually, known as MRP, for the repayment of borrowing used to finance the Capital Programme. The Council must have an MRP Policy in place which sets out a methodology for how the charge will be calculated to ensure that the Council's debt repayment position remains prudent. There are a number of different approaches that can be taken when setting an MRP Policy and the Council's Treasury Advisors, Link has recently supported the Council in reviewing the most appropriate methodology to be used. The outcome of this review has then been through an internal due diligence process resulting in a recommended change to the Council's current policy. The revised approach is also compliant with CIPFA guidance.
- 4.4 The proposed changes are set out at Appendix B to this report. It is recommended that option D be adopted and applied from the 2022/23 financial year. This will generate savings for 25 years, including an in-year saving of £4.5m and a 2023/24 saving of £4.2m (£3m of which has already been included in the draft budget assumptions). A revised MRP Policy Statement is attached for approval at Appendix C.
- 4.4 The code requires the Treasury Management Strategy, MRP Policy and mid-year review to be approved by full Council.

5 Alternative Options

- 5.1 If the Mid-Year Review report is not approved then the Council would not be compliant with the CIPFA Code.
- 5.2 Cabinet could choose not to adopt the revised MRP Policy, but this will forgo savings of over £4m in 2022/23 and 2023/24 and savings for the next 25 years.



6 Implications

Resources:	The Mid-Year Review report sets out the Council's Treasury performance for the first half of 2022/23. The MRP Policy amendment generates a saving of £4.5m in 2022/23.
Legal and Governance:	The Council will not be compliant with the CIPFA Code of Practice if a Mid-Year Review report is not presented and approved. The Council is also required to have a prudent MRP Policy in place.
Risk:	The Council's Treasury Management Strategy and MRP Policy ensures security of the Council's investments and borrowings and a prudent repayment of debt.
Equality:	N/A
Health and Wellbeing:	N/A
Social Value:	N/A
Climate Change:	N/A

7. Appendices

- Appendix A – Mid-Year Review
- Appendix B – MRP policy amendment
- Appendix C – Updated MRP Policy Statement

8. Background Papers

None

