

## **Treasury Management Strategy Mid-Year Report 2022-23**

The Chief Finance Officer explained that the report provided an update on the performance of the Council's treasury management activities for the first half of the current financial year. The report formed part of formal reporting requirements under the CIPFA Code of Practice on Treasury Management.

Overall, the report confirmed that treasury management activity for the current year was on track and complied with the limits that Members previously approved.

There was one minor non-compliance that was highlighted in the report, an occasion when funds were held in an investment account for one day more than the timescale specified in the Strategy. There were no impacts arising from this breach and action had been taken to improve controls to avoid recurrence. Additionally, an anomaly had also been identified within the Strategy that had been approved earlier in the year, which would be remedied when this was reviewed in March 2023.

In response to a member question regarding Table 3 (page 20 of the report) where it appeared that the Council's Capital Financing Requirement (CFR) was forecast to exceed the Operational Boundary, it was explained that the Operational Boundary for External Debt was defined as being the limit beyond which external debt was not normally expected to exceed. It was based on the forecast Capital Financing Requirement (CFR) which was the difference between forecast Capital Programme expenditure and the available resources to fund it. In typical circumstances the Council would be expected to take out external borrowing to fund the CFR.

While this situation would ordinarily require a request to Executive and Council to seek approval to increase the Operational Boundary to ensure continued compliance, this authority did not yet have any external borrowing as it continued to call on available cash balances to finance expenditure. Therefore the Boundary was not actually at risk of breach.

The main reason for the higher than forecast CFR was a change to the timing of receipt of a £34.000 million capital receipt from the Marketfield Way development.

While the majority of the Treasury Management Strategy Report 2022/23 was noted, Committee Members expressed strong reservations about the information presented at Table 5: Investment Portfolio – Non-Treasury Investments. Specifically, the limitations of the information provided in this report about the current and forecast value of the Council's investments in Horley Business Park LLP, Greensand Holdings Limited and Pathway for Care Limited.

The Committee recommended that the Executive query with the report owner and the report template provider (Link), whether it would be prudent and suitable to revise the table in light of the latest asset valuation information.

Committee Members also asked officers to provide more detailed briefings on the current trading position of the Council's companies and the risks of having to write off

investment losses. They also asked for assurance on the Executive's plans to mitigate any risks identified.

In terms of risk and the Council's investments, members were asked to refer to the response given to question 12 of the advance questions, which explained that investments in general carried risks. While there were a variety of matters that were of current concern relating to the company investments, these had been identified and were being addressed through the Council's governance arrangements. This treasury report presented a narrow snapshot of the information required to be presented as part of the treasury reporting and the value of the underlying assets should be looked in the round within the Council's statutory accounts.

Further discussion on this item took place within the exempt part of the meeting.

**RESOLVED** that:

- i. The Committee notes the report and asks officers to provide more information and/or clarification on any specific points (Option 2 in the report);
- ii. Feedback from the Committee to be provided to the Executive for consideration at its meeting on 15 December;
- iii. Training be arranged for members with the Council's treasury advisors prior to the next Audit Committee meeting in March when the Treasury Management Strategy for 2023/24 is to be considered; and
- iv. A briefing to be provided for Audit Committee Members on the Council's company investments.