



Report to: Audit & Governance Committee Meeting 21 February 2024

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Lead Officer: Nick Wilson, Business Manager Financial Services on ext 5317

Report Summary	
<b>Report Title</b>	Treasury Management Strategy 2024/25
<b>Purpose of Report</b>	This report seeks approval for the Treasury Management Strategy, which incorporates the Borrowing Strategy, Investment Strategy, and Treasury Prudential Indicators, updated in accordance with latest guidance.
<b>Recommendations</b>	<p>That Committee approves each of the following key elements and recommends these to Full Council on 8 March 2023 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter:</p> <ul style="list-style-type: none"><li>• The Treasury Management Strategy 2024/25, incorporating the Borrowing Strategy and the Annual Investment Strategy (<b>Appendix A</b>).</li><li>• The Treasury Prudential Indicators and Limits, contained within <b>Appendix A</b>.</li><li>• The Authorised Limit Treasury Prudential Indicator contained within <b>Appendix A</b>.</li></ul>
<b>Reason for Recommendation</b>	To ensure that the Committee discharges its responsibilities as per its delegated authority within the Councils constitution.

## 1.0 Background

1.1 Treasury Management 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 risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

### 1.2 Statutory Requirements:

- The Local Government Act 2003 (the Act) and supporting regulations requires the Council to ‘have regard to’ the CIPFA Prudential Code and the CIPFA Treasury

Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes to set Treasury Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

- The Act therefore requires the Council to set out its Treasury Strategy for Borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act). This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

### 1.3 CIPFA Requirements:

The primary requirements of the Code are as follows:

- The creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities;
- The creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;
- Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy, a Mid-year Review Report and an Annual Report covering activities during the previous year;

- 1.4 This report seeks approval for the Treasury Management Strategy 2024/25 (Appendix A), which encompasses the Treasury Prudential Indicators, the Borrowing Strategy, and the Annual Investment Strategy, in accordance with latest guidance as follows:

## 2.0 **Summary of Investment Limits and Indicators**

- 2.1 The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). No investment limits have been amended for the financial year 2024/25. Also, it is proposed to use the same prudential indicators for the investing activity, further details are in the **Appendix**.

## 3.0 **Summary of Borrowing Limits and Indicators**

- 3.1 The Council's borrowing limits are directly affected by the Council's approved capital programme and any capital expenditure financed by borrowing will therefore increase the Capital Financing Requirement (CFR). In respect of the tables within the documents, these reflect the proposed capital programme that will be presented to Cabinet on 20 February 2024 to be approved at Council on 7 March 2024. Where changes occur, these will be reflected in the documents as appropriate. The CFR is the level of expected borrowing and when compared to the actual external debt the variance represents the over or under borrowing position.
- 3.2 The Council is currently in an under borrowed position which means that previous capital expenditure financed by borrowing hasn't yet required actual external debt due

to the timing of cash backed reserves that haven't yet been utilised. However, this is always a temporary position as ultimately when the cash backed reserves are used there will be a requirement for actual external borrowing.

- 3.3 The table below shows the Councils increasing CFR due to capital expenditure financed by borrowing less the actual external debt, with no new borrowing assumptions, less the cash backed reserves and working capital (debtors less creditors), further details are in **Appendix A**.

	<b>2024/25 Forecast £'000</b>	<b>2025/26 Forecast £'000</b>	<b>2026/27 Forecast £'000</b>
<b>Loans CFR</b>	<b>169,975</b>	<b>199,676</b>	<b>206,224</b>
Less: External borrowing	-82,397	-77,357	-74,312
<b>Internal (over) borrowing</b>	<b>87,578</b>	<b>122,319</b>	<b>131,912</b>
Less: Usable reserves	-49,806	-48,436	-44,868
Less: Working capital	-10,500	-10,500	-10,500
<b>Investments (or New borrowing)</b>	<b>-27,272</b>	<b>-63,383</b>	<b>-76,544</b>

The table indicates that over the next forecasted three year period there will potentially be a minimum requirement to borrow an additional £76m.

- 3.4 Within the borrowing strategy the following limits are proposed for the operational boundary and authorised limit over the three year period, further details in **Appendix A**.

	<b>2024/25 Forecast £'000</b>	<b>2025/26 Forecast £'000</b>	<b>2026/27 Forecast £'000</b>
Operational Boundary	<b>176,975</b>	<b>206,676</b>	<b>213,224</b>
Authorised Limit	<b>181,975</b>	<b>211,676</b>	<b>218,224</b>

#### **Background Papers and Published Documents**

CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2011 Edition and the 2017 revised Edition

CIPFA Prudential Code Local Government Act 2003

CIPFA Standard of Professional Practice on Treasury Management