

<b>Meeting of:</b>	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
<b>Date of Meeting:</b>	<b>25 JANUARY 2024</b>
<b>Report Title:</b>	<b>TREASURY MANAGEMENT STRATEGY 2024-25</b>
<b>Report Owner / Corporate Director:</b>	<b>CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE</b>
<b>Responsible Officer:</b>	<b>NIGEL SMITH, GROUP MANAGER – CHIEF ACCOUNTANT</b>
<b>Policy Framework and Procedure Rules:</b>	<b>Paragraph 22.3 of the Finance Procedure Rules (FPRs) within the Council’s Constitution requires that all investments and borrowing transactions shall be undertaken in accordance with the Council’s Treasury Management Strategy as approved by Council. Paragraph 22.8 of the FPRs sets the Governance and Audit Committee’s responsibility to ensure the effective scrutiny of the Treasury Management policies and practices.</b>
<b>Executive Summary:</b>	<ul style="list-style-type: none"> <li>• The Treasury Management Strategy 2024-25 (TMS) incorporates the Borrowing Strategy, Investment Strategy and Treasury Management Indicators.</li> <li>• The role of the Governance and Audit Committee is to ensure effective scrutiny of the TMS and the associated performance indicators.</li> <li>• The Council’s treasury activities are regulated by regulation and the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice. The Council operates within these requirements.</li> <li>• Council is required to approve the TMS in advance of the financial year. The TMS will be presented to Council on 28 February 2024.</li> </ul>

## **1. Purpose of Report**

1.1 The purpose of this report is to present to the Governance and Audit Committee the draft Treasury Management Strategy 2024-25, which includes the:

- Borrowing Strategy 2024-25
- Treasury Investment Strategy 2024-25
- Treasury Management Indicators for the period 2024-25 to 2026-27.

## 2. Background

- 2.1 To ensure effective scrutiny of treasury management in accordance with the Treasury Management Strategy (TMS), the Governance and Audit Committee has been nominated to be responsible for ensuring effective scrutiny of the TMS and policies in accordance with the Treasury Policy Statement and Treasury Management Prudential Indicators.
- 2.2 The Council's treasury management activities are regulated by the Local Government Act 2003 which provides the powers to borrow and invest as well as providing controls and limits on this activity. The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 as amended, develops the controls and powers within the Act. This requires the Council to undertake any borrowing activity with regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities (2021) and to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services (2021) (TM Code). This includes a requirement for the Council to approve a TMS before the start of each financial year which sets out the Council's and Chief Financial Officer's responsibilities, delegation, and reporting arrangements.
- 2.3 In addition the Welsh Government (WG) issued revised Guidance on Local Authority Investments in November 2019, which requires the Council to approve an Investment Strategy prior to the start of each financial year.
- 2.4 Treasury investments covers all of the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. The Prudential Code for Capital Finance in Local Authorities (the Prudential Code) 2021 includes a requirement for local authorities to provide a Capital Strategy, which is a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy and TMS will be presented for approval by Council on 28 February 2024. The Capital Strategy and TMS are interlinked as borrowing and investments are directly impacted by capital plans.

## 3. Current situation / proposal

- 3.1 The draft TMS 2024-25 at **Appendix A** confirms the Council's compliance with the CIPFA Treasury Management in the Public Services: Code of Practice (2021), which requires that formal and comprehensive objectives, policies and practices, strategies and reporting arrangements are in place for the effective management and control of treasury management activities, and that the effective management and control of risk are the prime objectives of these activities.
- 3.2 The TMS has been updated to reflect the current economic context, including the impact of higher inflation and higher interest rates which for January is 5.25%.
- 3.3 The maturity of long-term debt has been included, and the forecast is that the Council may need to borrow over the next 3 years to support the Capital Programme. However, this is based on the capital programme position as at quarter 2, as reported to Council on 18 October 2023, and the anticipated use of earmarked reserves at that time. It is likely that the capital programme position as at quarter 3 will show slippage

of a number of schemes. As a result, the timing at when there is a need to borrow will also slip. To date the Council has been able to use reserves to support its capital expenditure, known as internal borrowing. As the capital programme includes a number of schemes that are still in development stages, it is likely that forecast expenditure will slip as will the forecast use of reserves. The use of reserves to fund capital expenditure is a short-term position and as reserves are used and balances reduced, it will be necessary to borrow. This will be closely monitored during the year as changes to the Capital Programme influence the use of reserves.

- 3.4 The CIPFA Prudential Code for Capital Finance in Local Authorities (2021) (the Prudential Code) states that, in order to comply with the Code, an authority must not borrow to invest primarily for financial return. The Code does not require existing commercial investments, including property, to be sold, however, it does set out that authorities who have a need to borrow should review options for exiting their financial investments for commercial purposes. The Council's investment properties are valued annually, to ensure that their values are reflected fairly within the Statement of Accounts. It is considered that the level of these investments is reasonable, and the Council does not intend to invest further purely for financial return.
- 3.5 The TMS 2024-25 will be presented to Council for approval on 28 February 2024 and, whilst the main body will remain unchanged, there may be variations to some of the figures as a result of changes to the capital programme and forecast use of reserves, to reflect the most up to date information.

#### **4. Equality implications (including Socio-economic Duty and Welsh Language)**

- 4.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

#### **5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives**

- 5.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives because of this report.

#### **6. Climate Change Implications**

- 6.1 The Climate Change implications were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the environment because of this report.

#### **7. Safeguarding and Corporate Parent Implications**

- 7.1 The Safeguarding and Corporate Parenting implications were considered in the preparation of this report. It is considered that there will be no significant or

unacceptable impacts upon Safeguarding and Corporate parenting because of this report.

## **8. Financial Implications**

8.1 There are no financial implications arising from this report.

## **9. Recommendation**

9.1 It is recommended that the Committee:

- Consider the draft Treasury Management Strategy for 2024-25; and
- Recommend that the final updated Treasury Management Strategy, reflecting the latest financial information available as at 31 December 2023, be presented to Council for approval on 28 February 2024.

## **Background documents**

None