

<b>Meeting of:</b>	<b>CABINET</b>
<b>Date of Meeting:</b>	<b>20 FEBRUARY 2024</b>
<b>Report Title:</b>	<b>TREASURY MANAGEMENT STRATEGY 2024-25</b>
<b>Report Owner / Corporate Director:</b>	<b>CHIEF OFFICER – FINANCE, HOUSING AND CHANGE</b>
<b>Responsible Officer:</b>	<b>NIGEL SMITH, GROUP MANAGER – CHIEF ACCOUNTANT</b>
<b>Policy Framework and Procedure Rules:</b>	Paragraph 22.2 of the Finance Procedure Rules (FPRs) requires that the Chief Finance Officer is responsible for preparing and presenting an annual Treasury Management Strategy to Cabinet prior to submission to Council for approval, in advance of the start of each financial year. Paragraph 22.3 of the 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.
<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 Council’s treasury activities are regulated by legislation 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 Cabinet the Treasury Management Strategy (TMS) 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.

The proposed Treasury Management Strategy is attached at **Appendix A** and will be presented to Council for approval on 28 February 2024.

## 2. Background

- 2.1 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.
- 2.2 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.
- 2.3 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 Treasury Management Strategy will be presented for approval to Council on 28 February 2024. The Capital Strategy and Treasury Management Strategy are interlinked as borrowing and investments are directly impacted by capital plans.

## 3. Current situation / proposal

- 3.1 The Treasury Management Strategy 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 Treasury Management Strategy has been updated to reflect the current economic context, including the impact of higher inflation and interest rates which remained at 5.25% following the Bank of England's Monetary Policy Committee meeting of 1 February 2024.
- 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 based on the position reported as part of the Medium Term Financial Strategy. It is possible that schemes within the capital programme may change, both in terms of cost and timing, and as a result, the timing of when there is a need to borrow will also change. 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 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 Treasury Management Strategy 2024-25 will be presented to Council for approval on 28 February 2024.

#### **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 Act provides the basis for driving a different kind of public service in Wales, with 5 ways of working to guide how public services should work to deliver for people. The following is a summary to show how the 5 ways of working to achieve the well-being goals have been used to formulate the recommendations within this report:

- **Long-term:** the consideration and approval of this report will assist in the treasury management activities in both the short and long-term. The Prudential Indicators are forward looking and are set to support future sustainability.
- **Prevention:** ensuring the Council has in place an approved Treasury Management Strategy will ensure that the Council manages its cash flows appropriately.
- **Integration:** the report supports all the well-being objectives.
- **Collaboration:** the Treasury Management Strategy ensures that funding is available to deliver services across the Council, including those jointly with other organisations. Ensuring effective cash management is crucial to the delivery of services.

- **Involvement:** publication of the report ensures that the public and stakeholders can review the strategy. The Treasury Management Strategy is scrutinised by the Governance and Audit Committee as part of its role of the scrutiny of Treasury Management activities.

## **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 The financial implications are reflected within the report.

## **9. Recommendation**

- 9.1 It is recommended that Cabinet:
- Consider the Treasury Management Strategy for 2024-25; and
  - Recommend that the Treasury Management Strategy be presented to Council for approval on 28 February 2024.

## **Background documents**

None