

Overview and Scrutiny Committee – 14 March 2024

Draft Minute 79 – Treasury Management Strategy 2024/25

Councillor Lewanski, Deputy Leader and Portfolio Holder for Finance, Governance, and Organisation, gave an overview of the Treasury Management Strategy for 2024/25.

The purpose of the Strategy was to guide all Treasury Management activity for the coming financial year. Due to the technical nature of the subject and the requirements of the treasury regulations, it was inevitably complicated and lengthy.

In summary, the Strategy comprised three sections:

- (i) Treasury Management Strategy Statement (TMSS) – which set out details of the Council's 'traditional' treasury management activities, covering topics such as sources of borrowing, and investment counterparties and limits.

In response to an advance question raised by the Chair of O&S, the Deputy Leader and Portfolio Holder for Finance, Governance, and Organisation confirmed that the Capital Financing Requirement (CFR) that is reported in the Quarter 3 monitoring report that Members considered earlier on this agenda, was originally prepared this time last year when the 2023/24 Treasury Strategy was drafted.

Those CFR forecasts had recently been updated when preparing this latest Treasury Management Strategy to reflect:

- Firstly - the final capital programme outturn position for 2022/23 and 2023/24; and
- Secondly - updated forecasts for capital expenditure and financing over the medium term.

Therefore two separate snapshots were being presented, based on two separate points in time:

- The 2023/23 balances and forecasts in the quarterly performance report that are being used to monitor the current year's treasury position; and
- The updated 2024/25 forecasts in this Strategy report that will be used to monitor next year's treasury activity.

Another key factor to note was the £40 million capital receipt last summer from sale of the accommodation units at The Rise, which has had a beneficial impact on the underlying investment balances and borrowing requirement.

- (ii) Investment Strategy – which covered the Council's investments, including 'traditional' treasury management investments. It also included a summary of any other investments made for service or commercial reasons.

This confirmed that provision had already been made, funded through a call on the Commercial Risks Reserve in previous years, for expected credit losses relating to company loans and shareholdings.

As previously advised, at the point where those losses crystallise, the final accounting entries will be made and the outcome reported in that year's statutory accounts.

- (iii) Capital Strategy – which outlined the Council’s capital expenditure plans and core borrowing (internal or external) and investing activities.

The Strategy also Included the Prudential Indicators that the Council are required to report under CIPFA’s Code of Practice

Both the Government and CIPFA continued to make changes to the regulatory frameworks and guidance that govern how councils borrow and invest. These changes were primarily in response to concerns about the small number of authorities that have borrowed significant amounts over recent years to invest in commercial assets.

While these changes would not have a significant impact on this Council’s treasury management plans, it does mean that some of the options that might have been considered going forward are no longer permitted.

One ongoing area of potential uncertainty related to the outcome of the latest consultation on changes to how the Minimum Revenue Provision (MRP) is calculated and accounted for. The impacts, if the consulted changes are implemented, will need to be reflected through updates to the MRP Policy, attached as an appendix to the Strategy. There was still no information yet about the timescale for making the proposed changes, or indeed whether they would go ahead as set out in the consultation.

Members of the Overview & Scrutiny Committee, along with the Chair of Overview & Scrutiny Committee, and the Deputy Leader and Portfolio Holder for Finance, Governance, and Organisation, had had the opportunity to discuss the underlying drivers for the Strategy with the Finance team and the Council’s Treasury advisors (Arlingclose) on 5th March 2024. This had been a useful update and provided assurance that the Council’s approach to treasury management is appropriate and compliant with good practice.

In response to the questions raised, the following clarifications were provided:

In year balances

A Member noted that this report stated that in year balances were expected to fluctuate to up to £32.4million, whereas the Treasury Management Prudential Indicators stated that in year balances were expected to fluctuate to up to £65.9million. A written response would be provided with further information to provide a reconciliation.

General Fund Capital Financing Requirement (CFR) and General Fund Services

A Member noted that the figures for General Fund CFR on page 74 and General Fund Services on page 84 showed the same figures. A written response would be provided to explain how they reconcile.

Net income from service and commercial investments compared to net revenue stream

The Chief Finance Officer confirmed that these figures were based on a narrow definition for treasury management purposes. A written response would be provided to explain their source and how they reconcile to budget monitoring reporting.

Proportion of Finance costs to net revenue stream

The Chief Finance Officer confirmed that the 2023/24 forecast of £843,000 and the 2024/25 budget of £1.782million related to the overall capital programme, not just Marketfield Way.

Long term borrowing

The Chief Finance Officer confirmed that the Council had no current external long-term borrowing requirement, with the exception of short-term borrowing that may occasionally be needed for cash flow purposes. She also confirmed that a downside of using balances to fund expenditure was that those funds would not be available for investment to generate a return.

RESOLVED that Overview and Scrutiny Committee:

Provided feedback on the following which are to be finalised and submitted for approval by the Executive on 21 March 2024 and Council on 28 March 2024:

- i) Treasury Management Strategy 2024/25;
- ii) Investment Strategy 2024/25; and
- iii) Capital Strategy 2024/25.