

CABINET

Treasury Management Strategy

2024/25

6 February 2024

Report of Chief Finance Officer

PURPOSE OF REPORT				
To present to Cabinet the draft Treasury Management Strategy and associated documents for 2024/25 and to provide an opportunity for consideration and comment ahead of formal presentation to Budget & Performance Panel for their consideration and comment.				
Key Decision	X	Non-Key Decision		Referral from Cabinet Member
Date of notice of forthcoming key decision				8 th December 2023

RECOMMENDATION OF COUNCILLOR HAMILTON - COX

1. That Cabinet recommends the following for consideration and comment by Budget & Performance Panel:
 - the Treasury Management Strategy 2024/25 and its Appendices A to C

1.0 INTRODUCTION

- 1.1 The Code of Practice on Treasury Management (“the Code”) requires that a strategy outlining the expected treasury activity for the forthcoming 3 years be adopted, but that it be reviewed at least annually. It needs to reflect treasury policy and cover various forecasts and activities, to incorporate the Council’s spending and income plans with decisions about investing and borrowing.
- 1.2 Cabinet is asked to consideration to the Treasury Management strategy and associated attachments in line with their Constitutional Terms of Reference. If satisfied, then to refer the strategy to Budget & Performance Panel for scrutiny and comment. Cabinet will have the opportunity to consider any comments at its meeting 20th February where it will be asked to recommend the strategy to Full Council for approval at its accordance with the Constitution.

2.0 TREASURY MANAGEMENT FRAMEWORK 2024/25

- 2.1 The Council’s Treasury Management Activities are regulated the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) issued under the Local Government Act 2003.
- 2.2 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. During 2024/25 the minimum reporting requirements are that the Full Council should receive the following reports:
 - an annual treasury strategy in advance of the year (this report)
 - a mid-year (minimum) treasury update report
 - an annual review following the end of the year describing the activity compared to the strategy

3.0 TREASURY MANAGEMENT STRATEGY

- 3.1 Treasury management activities represent the placement of residual cash held in the bank resulting from the authority's day to day activities in relation to s12 Local Government Act investment powers. The Treasury Management Strategy, therefore, deals principally with investments and borrowing which are considered below.
- 3.2 CIPFA published an updated Treasury Management (the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes) and Prudential Code on 20 December 2021. These apply with immediate effect, however, CIPFA has stated that there will be a soft introduction of the codes with any change to reporting requirements deferred until the 2023/24 financial year.
- 3.3 It should also be noted that the DLUHC has tighten up regulations around local authorities financing capital expenditure on investments in commercial projects for yield and has already closed access to all PWLB borrowing if such schemes are included in an authority's capital programme. The new CIPFA codes have also adopted a similar set of restrictions to discourage further capital expenditure on commercial investments for yield.
- 3.4 The proposed Strategy for 2024/25 to 2027/28 is set out at **Appendix A**. The document contains the necessary details to comply with both the Code and Government investment guidance. Responsibilities for treasury management are set out at **Appendix B** and the policy statement is presented at **Appendix C**.

4.0 DETAILS OF CONSULTATION

- 4.1 Consultation has been undertaken with the Council's external Treasury Management Advisors, Link Group and in line with the Council's constitution Budget & Performance Panel will consider the strategy at its meeting 14 February 2024.
- 4.2 To assist Budget & Performance Panel in its scrutiny a training session will be held prior to the meeting, this will be open to all Members.
- 4.3 Cabinet will have the opportunity to consider any comments at its meeting 20th February where it will be asked to recommend the strategy to Full Council for approval at its accordance with the Constitution.

5.0 OPTIONS & OPTIONS ANALYSIS

- 5.1 Cabinet may put forward alternative proposals or amendments to the proposed Strategy ahead of consideration by Budget & Performance Panel, but these would have to be considered in light of legislative, professional, and economic factors, and importantly, any alternative views regarding the Council's risk appetite. As such no further options analysis is available currently.
- 5.2 Furthermore, the Strategy must fit with other aspects of Cabinet's budget proposals, such as deposit interest estimates and underlying prudential borrowing assumptions, feeding into Prudential and Treasury Management Indicators. There are no options available regarding other components of the overall framework.

6.0 OFFICER PREFERRED OPTION (AND COMMENTS)

- 6.1 To consider the framework as attached and refer it to Budget and Performance Panel for review.

7.0 CONCLUSION

- 7.1 This report addresses the actions required to complete the budget setting process for Treasury Management, and for updating the Council's associated financial strategy. This is based on the Council continuing to have a comparatively low risk appetite regarding the security and liquidity of investments particularly, but recognising that some flexibility should help improve returns, whilst still effectively mitigating risk. It is stressed that in terms of treasury activity, there is no risk free approach. It is felt, however, that the measures set out above provide a fit for purpose framework within which to work, pending any update during the course of next year.
- 7.2 If Cabinet, or Budget Council changes its Capital Programme from that which is proposed in this report then this would require a change in the prudential indicators which are part of the Treasury Management Strategy.

RELATIONSHIP TO POLICY FRAMEWORK

Treasury Management forms part of the Councils budget framework

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability etc)
Effective Treasury Management and use of the Councils' resources is fundamental to the delivery of its priorities and outcomes

FINANCIAL IMPLICATIONS

The Treasury Management Strategy is in support of achieving the borrowing cost and investment interest estimates included in the budget.

S151 OFFICER COMMENTS

The s151 Officer has contributed to the writing of this report and Appendices, however, he wishes to draw Members attention to the following.

The Council's Constitution (Part 3 Section 5 – Budget & Policy Framework), where either a new or existing plan/strategy/budget is being considered, the Overview and Scrutiny Committee or Budget and Performance Panel will have an opportunity to comment. If it considers it appropriate, Cabinet may then amend its proposals before submitting them to Council for consideration.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

Appendix A - Council Responsibility
Appendix B - TM Policy
Appendix C - Treasury Management Strategy 2024-25

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