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Audit Committee

Report for:	Audit Committee
Title of report:	Treasury Management Strategy 2024/25 and Quarter 3 2023/24 Prudential Indicators
Date:	14 th February 2024
Report on behalf of:	Cllr Ron Tindall, Leader of the Council and Portfolio Holder, Corporate and Commercial Services
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A Treasury Management Strategy 2024/25 Appendix B Prudential Indicators Update Q3 2023/24
Background papers:	None.
Glossary of acronyms and any other abbreviations used in this report:	None.

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Corporate Priorities	Ensuring efficient, effective and modern service delivery
Wards affected	All
Purpose of the report:	<ol style="list-style-type: none"> 1. To present the proposed Treasury Management Strategy for 2024/25. 2. To provide an update on performance against the Council's Prudential Indicators as at Quarter 3 2023/24
Recommendation (s) to the decision maker (s):	<ol style="list-style-type: none"> 1. That Committee provide comments and feedback on the Treasury Management Strategy 2023/24 and the performance against the Council's prudential indicators.
Period for post policy/project review:	Performance against the Council's treasury management strategy will be reported to Cabinet on a quarterly basis as a minimum during 2024/25.

1 Background- Treasury Management Strategy

The Treasury Management Strategy 2024/25 for the Council is attached at appendix A.

Scope and statutory framework

CIPFA offers the following definition of treasury management activities as they apply to public sector organisations and their use of capital financing, borrowings and all investments:

- The management of an organisation's
 - investment and cash flows
 - banking
 - money market and capital market transactions
- The effective control of the risks associated with those activities
- The pursuit of optimum performance consistent with those risks

The Council's Treasury Management arrangements from 1 April 2024 onwards are required to be compliant with CIPFA's Treasury Management Code (2021). This Code identifies the prime policy objectives of local authority investment activities as the security and liquidity of its funds. Return on investments should be considered but not at the expense of security and liquidity. This requires the Council to have a sound approach to the risk management of its treasury management activities.

The Council is currently required to receive and approve, various reports each year, which incorporate a variety of policies, estimates and actuals.

Treasury Management Strategy (Appendix A) - The first, and most important report, covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);

- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid- year treasury management report (Quarter 2) – This is primarily a progress report and will update members on the capital position and amend prudential indicators and policies as necessary.

An annual treasury report (Quarter 4) – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Prudential Indicators monitoring report – an update on treasury management performance and all forward-looking prudential indicators will be formally reported on at least two further occasions during the financial year.

The annual strategy is supported by Treasury Management Principles and Practices (TMPPs). These set out the manner in which the Council will seek to achieve those policies and objectives in the strategy and how it will manage and control treasury management activities.

There are no significant changes in treasury management approach proposed in the Treasury Management Strategy 2024/25 from the current strategy. The 2024/25 strategy includes updated capital expenditure information (actual and forecast), which informs updated targets associated with the Council’s Prudential Indicators for 2024/25. Section 3 below provided more information on the Council’s Prudential Indicators.

2 Quarter 3 Performance against the Council’s Prudential Indicators

Prudential indicators are set yearly as part of the Council’s Treasury Management Strategy. They set the annual limits on borrowing, and provide a basis for assessing the affordability of financing costs, external debt and capital expenditure.

The Council is required to report quarterly on a variety of prudential indicators. An update on performance against these indicators as at quarter 3 2023/24 (31st December 2023) is included at Appendix B to this report. This update and covers three areas:

- Capital financing
- Affordability of borrowing
- Treasury activity

Capital financing indicators demonstrate the affordability and sustainability of the Council’s capital programme. The Council’s council expenditure forecast and capital financing requirement (borrowing requirement) for 2023/24 have reduced since the budget was set due to slippage on the Council’s capital programme. Slippage is where capital expenditure that is expected to be incurred in one financial year/ period is delayed until a subsequent year/ period.

Affordability indicators demonstrate the affordability of the Council’s borrowing and the impact on its revenue position. These indicators typically look at costs such as interest payable on loans held by the Council and how this compares to the funds available to the Council to meet these costs.

Treasury activity indicators aim to demonstrate whether or not borrowing is within authorised limits and avoids large repayments being at the same time. Limits on investments act to secure the Council’s cash.

3 Financial and value for money implications:

Where relevant, financial and value for money implications associated with the strategy are set out within Appendix A.

4 Legal Implications

Where relevant, legal implications are set out within Appendix A.

5 Risk implications:

Contained within Appendix A.

6 Equalities, Community Impact and Human Rights

A Community Impact Assessment is not required for this report. There are no Human Rights Implications arising from this report.

7 Sustainability implications (including climate change, health and wellbeing, community safety)

There are no direct sustainability implications arising from this report.

8 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

There are no direct Council infrastructure implications arising from this report

9 Conclusions

The draft Treasury Management Strategy 2024/25 at Appendix A sets out the Council's proposed approach to its treasury management activities for the new financial year. The quarter 3 2023/24 prudential indicators update shows that the Council is currently compliant with key indicators. Slippage on the Council's capital programme and strong investment income performance largely explain where current year performance differs to targets set at the start of the financial year.