Report to	Governance and Audit Committee
Date of meeting	22 January 2025
Lead Member / Officer	Lead Member for Finance, Performance and Strategic Assets
Report author	Head of Finance and Audit
Title	**1.** Treasury Management Strategy Statement 2025/26 and Prudential Indicators 2025/26 to 2027/28 (Appendix 1) **2.** Treasury Management Update Report Q3 2024/25 (Appendix 2)

1 What is the report about?

1.1 The Treasury Management Strategy Statement (TMSS, Appendix 1) shows how the Council will manage its investments and its borrowing for the coming year and sets the policies within which the Treasury Management (TM) function operates. The TM Update Report (Appendix 2) provides details of the Council's TM activities during quarter 3 of 2024/25.

2 What is the reason for making this report?

2.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management (the "CIPFA TM Code") requires the Council to approve the TMSS and Prudential Indicators annually. The Governance and Audit Committee is required to review this report before it is approved by Council on 28th January 2025. Furthermore, part of the Committee's role is to receive an update on the TM activities four times a year.

3 What are the Recommendations?

3.1 That the Committee reviews the TMSS for 2025/26 and the Prudential Indicators for

2025/26, 2026/27 and 2027/28 (Appendix 1).

3.2 That members note the TM update report (Appendix 2).

3.3 That the Committee confirms that it has read, understood and taken account of the Well-being Impact Assessment (Appendix 3) as part of its consideration.

4 Report details

Background

4.1 TM involves looking after the Council's cash, it is an important part of the Council's finance function as approximately £0.5bn passes through the Council's bank account every year.

4.2 At any one time, the Council can hold up to £40m in cash, so it needs to ensure a rate of return on the investments is achieved within an appropriate risk management framework, which is why money is invested with a number of financial institutions.

When investing, the Council's priorities, ranked in order, are to:

- keep money safe (security);
- make sure that the money comes back when it is needed (liquidity);
- ensure a rate of return is achieved (yield).

TMSS 2025/26

4.3 The TMSS for 2025/26 is set out in Appendix 1. There have been no major changes to the Strategy since last year. This report includes TM Prudential Indicators which set limits on the Council's TM activity as shown in Appendix 1 Annex A.

Quarter 3 TM update report

4.4 The TM update report (Appendix 2) provides details of the Council's TM activities during 2024/25 up to 31st December 2024.

5 How does the decision contribute to the Corporate Priorities?

5.1 An efficient TM strategy allows the Council to minimise its borrowing costs and release funding for its investment priorities.

6 What will it cost and how will it affect other services?

6.1 There are no additional cost implications arising as a result of the setting of Prudential Indicators. The point of the TM Strategy is to obtain the best return within a properly managed risk framework.

6.2 There are costs associated with borrowing, the main cost being interest payable on loans; also brokerage fees, software subscriptions and treasury management advisor fees. These costs are partly offset by interest received on the Council's investments. Interest paid and received are monitored as part of the monthly finance monitoring procedures.

7 What are the main conclusions of the Wellbeing Impact Assessment?

7.1 Financial planning and decision making should ensure that proper regard is given to the requirements of the Wellbeing of Future Generations Act and in particular, proper consideration of the long-term impact of financial decisions, including the payback period and whole life costs of capital investment decisions, properly impact assessed budget proposals and long-term debt and investment (treasury management) strategies. The principles of prudence, affordability and sustainability are already enshrined within the requirements of the Prudential Code and should underpin financial planning and decision making.

7.2 In the context of treasury management, the existing requirements to assess and report on the long-term financial consequences of investment and borrowing decisions using prudential indicators and long-term debt planning support the sustainability goals of the Wellbeing Act.

7.3 The Wellbeing Impact Assessment report is included in Appendix 3 and shows how an efficient Treasury Management strategy promotes the wellbeing goals of the Act.

8 What consultations have been carried out with Scrutiny and others?

8.1 The Council has consulted with its TM consultants, Arlingclose Ltd.

9 Chief Finance Officer Statement

9.1 TM involves looking after significant sums of cash, so it is a vital part of the Council's work. It requires a clear strategy and appropriate controls to safeguard the Council's money, to ensure that reasonable returns on investments are achieved and that debt is effectively and prudently managed.

9.2 It is a requirement of the CIPFA Code of Practice on TM for Council to approve a TMSS each financial year.

10 What risks are there and is there anything we can do to reduce them?

10.1 There are inherent risks involved in any TM activity as outlined in the Strategy Statement. The Council has a risk management policy, but it is impossible to eliminate these risks completely.

11 Power to make the Decision

11.1 The Local Government Act 2003 determines the requirement for local authorities to set Prudential Indicators and requires the Council to comply with the Prudential Code of Capital Finance for Local Authorities that has been produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).