



Title	Treasury Management Strategy Statement 2024/25 Amendment
Purpose of the report	To make a decision
Report status	Public report
Report author	Stuart Donnelly, Financial Planning & Strategy Manager
Lead Councillor	Councillor Terry, Leader of the Council
Corporate priority	Not applicable, but still requires a decision
Recommendations	That Council approve: 1. The Treasury Management Strategy Statement 2024/25 (Amended) as set out in Appendix 1;

1. Executive Summary

- 1.1. The Council's Treasury Management Strategy Statement (TMSS) 2024/24, which was approved by Council on 27th February 2024, sets out the parameters for the Council's planned treasury activity during 2024/25 under which the Council's Treasury Team will manage day to day activity.
- 1.2. The approved Treasury Management Strategy Statement 2024/25 included an upper limit of 20% on the maturity structure of fixed rate borrowing for 2024/25 in relation to loans maturing in under 12 months time. In order to give a greater degree of flexibility and to align with the approved Borrowing Strategy of currently utilising temporary and short term borrowing in lieu of taking out longer term fixed borrowing whilst interest rates remain high, it is recommended that this upper should be amended to 100%. The remainder of the Treasury Management Strategy Statement 2024/25 remains unchanged from the version approved by Council on 27th February 2024.

2. Policy Context

- 2.1. In accordance with the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 and the CIPFA Prudential Code for capital finance in local authorities (2021), the Council is required to approve a Treasury Management Strategy before the start of each financial year. Any amendments to this strategy are required to be considered and approved by Council.

3. The Proposal

- 3.1. The Borrowing Strategy, set out within the Treasury Management Strategy Statement 2024/25 stated:

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation

concerns are addressed by tighter near-term monetary policy. That is, Bank Rate remains elevated through to the second half of 2024.

The most cost effective borrowing currently is internal borrowing which involves running down cash balances and foregoing interest earned (at historically low rates), in lieu of taking out new borrowing at a higher rate. The Council will look to utilise temporary and short term borrowing, if a borrowing need arises, as this is a cheaper option than long term borrowing at present.

- 3.2. The timing of when the Council enters into long-term borrowing is important because interest rates are fixed for the length of the loan. Interest rates are currently higher than the norm, and are expecting to fall in the future, so the Council is currently using cash reserves and short-term borrowing to finance day to day transactions, until such time as interest rates reduce. The removal of any upper limit on short-term borrowing provides officers with maximum flexibility in the timing of when the long-term borrowing is taken.
- 3.3. Additionally, within the Capital Prudential and Treasury Indicators 2024/25-2026/27, a set of lower and upper limits relating to the maturity structure of both fixed and variable rate borrowing were approved as set out below. These gross limits are set to reduce the Council’s exposure to large, fixed rate sums falling due for refinancing.

Table 1. Approved Maturity Structure Limits

Maturity structure of fixed interest rate borrowing 2024/25		
	Lower	Upper
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	20%
5 years to 10 years	0%	30%
10 years to 20 years	0%	40%
20 years to 30 years	0%	50%
30 years to 40 years	0%	60%
40 years to 50 years	0%	60%
Maturity structure of variable interest rate borrowing 2024/25		
	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%

- 3.4. As set out above, there is an approved upper limit of 20% on the maturity structure of fixed rate borrowing for 2024/25 in relation to loans maturing in under 12 months time.
- 3.5. In order to give a greater degree of flexibility and to align with the approved Borrowing Strategy of currently utilising temporary and short term borrowing in lieu of taking out longer term fixed borrowing whilst interest rates remain high, it is recommended that this upper should be amended to 100%. This matter was discussed with the Council’s Treasury Management advisors who agreed that there was no benefit in having a limit lower than 100% for under 12 month borrowing.
- 3.6. The revised limits that Council is recommended to approve are set out below and are included within the Treasury Management Strategy Statement 2024/25 (Amended) which is attached as Appendix 1.

Table 2. Recommended Amended Maturity Structure Limits

Maturity structure of fixed interest rate borrowing 2024/25		
	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	20%
2 years to 5 years	0%	20%
5 years to 10 years	0%	30%
10 years to 20 years	0%	40%
20 years to 30 years	0%	50%
30 years to 40 years	0%	60%
40 years to 50 years	0%	60%
Maturity structure of variable interest rate borrowing 2024/25		
	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%

- 3.7. The remainder of the Treasury Management Strategy Statement 2024/25 remains unchanged from the version approved by Council on 27th February 2024.

4. Contribution to Strategic Aims

- 4.1. Full details of the Council's Corporate Plan and the projects which will deliver these priorities are published on the Council's website. These priorities and the Corporate Plan demonstrate how the Council meets its legal obligation to be efficient, effective, and economical. The updated Corporate Plan is presented to Council elsewhere on this agenda.
- 4.2. Delivery of the Council's revenue and capital budgets is essential to ensuring the Council meets its strategic aims and remains financially sustainable going forward. The treasury management functions are crucial in ensuring that the Council has access to funds when required and in investing surplus funds in secure investments.

5. Environmental and Climate Implications

- 5.1. There are no environmental implications arising directly from this report.
- 5.2. As set out in the Council's Annual Investment Strategy (Appendix 1 paragraph 6.18), the Council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council's Corporate Plan and values. This would include institutions with material links to environmentally harmful activities (e.g. pollution, destruction of habitat, fossil fuels).

6. Community Engagement

- 6.1. Budget-related communications and consultations will continue to be a priority over the next three years as we work to identify savings.

7. Equality Implications

7.1. Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

7.2. There are no equality implications arising directly from this report.

8. Other Relevant Considerations

8.1. There are none.

9. Legal Implications

9.1. This report assists the Council in fulfilling its statutory obligation to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy for the coming year setting out the Council's policies for managing its borrowing and investments and giving priority to the security and liquidity of those investments.

10. Financial Implications

10.1. The financial implications are set out within the main body of this report and Appendix 1.

11. Timetable for Implementation

11.1. Not applicable.

12. Background Papers

12.1. There are none.

Appendices

1. **Treasury Management Strategy Statement 2024/25 (Amended)**