EXECUTIVE **19 FEBRUARY 2024**

SUBJECT:	**PRUDENTIAL INDICATORS 2023/24 TO 2026/27 AND TREASURY MANAGEMENT STRATEGY 2024/25**
DIRECTORATE:	**CHIEF EXECUTIVE AND TOWN CLERK**
REPORT AUTHOR:	**LAURA SHIPLEY, FINANCIAL SERVICES MANAGER**

1. Purpose of Report

1.1 The purpose of the report is for Executive to review and recommend to Council for approval the adoption of the:

- Treasury Management Strategy 2024/25;
- Prudential Indicators;
- Minimum Revenue Provision (MRP) Policy;
- Treasury Management Practices (TMP's).

2. Background

2.1 This report covers the operation of the Council's prudential indicators, its treasury function and its likely activities for the forthcoming year. It incorporates four key Council reporting requirements:

- Prudential and Treasury Indicators – the reporting of the statutory prudential indicators together with local indicators, in accordance with the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities and the CIPFA Treasury Management Code of Practice.

- Minimum Revenue Provision (MRP) Statement – the reporting of the MRP policy which sets out how the Council will pay for capital assets through revenue each year (as required by regulation under the Local Government Act 2003).

- Treasury Management Strategy – which sets out how the Council's treasury activity will support capital decisions, the day-to-day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the Authorised Limit, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the Authorised Borrowing Limit required by s3 of the Local Government Act 2003 and is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code.

- Investment Strategy – this is included within the Treasury Management Strategy and sets out the criteria for choosing investment counterparties and limiting exposure to the risk of loss. It is reported annually (in accordance with

Department for Levelling Up, Housing and Communities (DLUHC) Investment Guidance).

3. Key Prudential Indicators

3.1 The table below summarises the key prudential indicators that have been incorporated into the 2024/25 strategy. The projected capital expenditure will determine the capital financing or borrowing requirement, which will in turn determine the actual level of external borrowing taken and hence, cash balances available for investment.

Key Prudential Indicators	2023/24 Estimated £'000	2024/25 Estimated £'000	2025/26 Estimated £'000	2026/27 Estimated £'000
Capital Expenditure				
General Fund	15,333	17,527	7,562	1,052
HRA	16,120	21,043	15,955	14,834
Total	**31,453**	**38,570**	**23,517**	**15,886**
Capital Financing Requirement (CFR)				
General Fund	71,461	76,810	70,385	69,584
HRA	79,312	79,912	80,512	81,112
Total CFR	**150,773**	**156,723**	**150,897**	**150,696**
Movement in CFR	**4,670**	**5,949**	**-5,825**	**-201**
Actual external debt				
Borrowing at 31st March	109,242	113,017	110,937	110,701
Gross Debt & the CFR				
Under Borrowing	41,531	43,706	39,960	39,995
Operational Boundary for external debt				
Operational Boundary	120,442	124,217	122,137	121,901
Authorised Limit for external debt				
Authorised Limit	124,950	130,165	129,020	125,479
Upper limit for fixed interest rates	100%	100%	100%	100%
Upper limit for variable interest rates	40%	40%	40%	40%
Upper limit for investments >365 days	£7m	£7m	£7m	£7m
Current treasury investments as at 31/12/2023 in excess of 1 year maturing in each year	-	-	-	-

Note: These figures are based on the draft MTFS and may be subject to change based on the final version of the MTFS.

4. Minimum Revenue Provision (MRP) for Debt Repayment

4.1 In accordance with the Local Government Act 2003, the Council is required to pay off an element of accumulated General Fund capital expenditure each year through a revenue charge known as Minimum Revenue Provision (MRP).

The Council is required to determine a level of MRP it considers to be prudent, whilst having regard to the current MRP Guidance issued in 2018 by MHCLG (now renamed DLUHC). The Guidance gives four ready-made options for determining MRP which it considers to be prudent but does not rule out alternative approaches.

The overriding requirement of the Guidance is to set a prudent provision which ensures that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

The Guidance requires that before the start of each financial year the Council prepares a statement of its policy on making MRP in respect of the forthcoming financial year and submits it to full Council for approval.

Changes to the 2003 MRP regulations being implemented from April 2024 make it explicit that (i) capital receipts may not be used in place of the revenue charge, and (ii) there should be no intentional exclusion of debt from the MRP determination because it relates to an investment asset or capital loan. It is not foreseen that these changes will significantly impact the council.

There has been no Minimum Revenue Provision made within the MTFS relating to Western Growth Corridor due to the scheme related to housing provision / regeneration of the city and borrowing related to this scheme will be short term (2 years) and repaid using capital receipts.

5. Treasury Management Strategy

5.1 The Treasury Management Strategy covers both capital and treasury management issues, which are intrinsically linked.

The treasury management function ensures that cash flow is planned, so that cash is available when it is needed. Surplus monies are invested in line with the Council's low risk appetite, considering security and liquidity before maximising the return on investment.

Capital plans provide a guide to the borrowing need of the council, essentially long term cash flow planning, to ensure the council can meet its capital spending obligations. The management of the capital plan may involve arranging loans or utilising cash flow surpluses, whilst taking into consideration the implications on revenue budgets.

6. Investment Strategy

6.1 The council's investment strategy is geared to provide security of investments whilst minimising risk through investing only with highly creditworthy counterparties. The council uses external financial advisors (Link Group) to assess credit worthiness and provide due diligence before investing with an entity.

Using these carefully selected counterparties the council will look to make investments which maximise the return / yield in line with its low risk appetite.

The council will ensure adequate liquidity of its investments to cover its cash flow needs.

7. Environmental, Social and Governance (ESG) Considerations

7.1 Changes to the CIPFA Treasury Management Code 2021 incorporates ESG considerations into Treasury Management Practice 1. The Council will invest, where possible, in sustainable investment opportunities.

8. Strategic Priorities

8.1 The Medium Term Financial Strategy and supporting Capital Strategy and Treasury Management Strategy underpin the policy and financial planning framework. They set out the overall framework on which the Council plans and manages its financial resources to ensure that they fit with, and support, the direction of the Council's vision and strategic priorities.

9. Organisational Impacts

9.1 Finance

Financial implications are contained in the main body of the report.

9.2 Legal Implications including Procurement Rules

The powers for a local authority to borrow and invest are governed by the Local Government Act 2003 (LGA 2003) and associated Regulations. A local authority may borrow or invest for any purpose relevant to its functions, under any enactment, or for the purpose of the prudent management of its financial affairs. The Regulations also specify that authorities should have regard to the CIPFA Treasury Management Code and the MHCLG DLUHC Investment Guidance when carrying out their treasury management functions.

9.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

Due to the nature of the report, no specific Equality Impact Analysis is required.

10. Risk Implications

10.1 The Local Government Act 2003, the Prudential Code and the Treasury Management Code of Practice include a key principle that an organisations appetite for risk is included in their annual Treasury Management Strategy and this should include any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing.

11. Recommendation

Executive are recommended to:

11.1 Review and recommend to full Council the Treasury Management Strategy 2024/25 including the Prudential Indicators;

11.2 Review and recommend to full Council the Minimum Revenue Provision Policy 2023/24.

11.3 Review and recommend to full Council the Treasury Management Practices.

Is this a key decision?	No
Do the exempt information categories apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No
How many appendices does the report contain?	5
List of Background Papers:	Medium Term Financial Strategy 2024-29 CIPFA Code of Practice CIPFA Prudential Code Treasury Management Strategy Treasury Management Practices
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