

Gloucester City Council

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| Meeting: | Audit & Governance Committee | Date: | 4 March 2024 |
| | Cabinet | | 6 March 2024 |
| | Council | | 21 March 2024 |
| Subject: | Treasury Management Strategy 2024/25 | | |
| Report Of: | Cabinet Member for Performance and Resources | | |
| Wards Affected: | All | | |
| Key Decision: | No | Budget/Policy Framework: | Yes |
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| Appendices: | 1. Treasury Management Strategy 2024/25 | | |

1.0 Purpose of Report

- To formally recommend that Council approves the attached Treasury Management Strategy, the prudential indicators and note the Treasury activities.

2.0 Recommendations

2.1 Audit and Governance Committee is asked to **RECOMMEND** that the Treasury Management Strategy be approved.

2.2 Council is asked to **RESOLVE** that:

- The Treasury Management Strategy at Appendix 1 be approved;
- The authorised borrowing limit be approved at:-
 - 2024/25 £280m
 - 2025/26 £305m
 - 2026/27 £305m
- The prudential indicators set out in section two of the strategy be approved.

3.0 Background and Key Issues

3.1 Recent property acquisitions within Gloucester and continued regeneration of the City, has meant that the Councils borrowing requirements have increased. These long term investments and projects will significantly change the

treasury position of the Council over the life of the investments, creating investable cashflow streams.

- 3.2 The 2024/25 Treasury Management Strategy recommends to continue operating within an under-borrowing position. This position reflects that the Council uses internal resources, such as reserves, to fund the borrowing need rather than invest those funds for a return. This strategy is sensible, at this point in time, for two reasons. Firstly, the lost interest on those funds is significantly less than the costs of borrowing money for the capital programme. In addition, using the resources to reduce debt the Council will reduce exposure to investment counterparty risk.
- 3.3 There will be cash flow balances that will be invested for short periods within the year. Section 4 of the strategy outlines the Annual Investment Strategy - in particular it outlines the creditworthiness policy through the use of credit ratings.
- 3.4 The borrowing strategy is to utilise investments to reduce short term borrowing. Once investments have been applied it is anticipated that the majority of new debt will be short term as market rates are more attractive than long term borrowing. There will be need for long term borrowing to support the current capital programme, such borrowing will also mitigate the risk presented by having all borrowing on short-term deals.
- 3.5 The strategy allows flexibility for either debt rescheduling or new long term fixed rate borrowing while allowing the Council to benefit from lower interest rates on temporary borrowing at the current time.
- 3.6 The strategy also includes the minimum revenue provision (MRP) policy statement. This policy continues with the practice approved last year. MRP is the revenue charge to reduce debt by placing a charge on the General Fund each year. The preferred option is to provide for the borrowing need created over the approximate life of the asset purchased. This is achieved with an annuity calculation which provides a consistent overall annual borrowing charge with the level of principal (MRP) increasing each year, much like a repayment mortgage.

4.0 Alternative Options Considered

- 4.1 The following option has been considered:

There remains the option to replace existing short term borrowing with longer term options, this is not as attractive due to the availability of short term funding which remains below rates available for longer term funds.

5.0 Reasons for Recommendations

5.1 The Council is required to approve a Treasury Management Strategy before the start of each financial year to meet the requirements of the Local Government Act 2003. The Treasury and Investment Strategies recommended provide the best platform for financing the long-term capital programme and managing daily cash flow whilst protecting Council funds.

6.0 Future Work and Conclusions

6.1 The Treasury Management Strategy provides a logical basis to fund the Council's capital financing requirement and long-term Capital Programme. The Council will continue to monitor the strategy and is prepared to adapt this strategy if there is changes within the markets.

7.0 Financial Implications

7.1 The expenditure and income arising from treasury management activities are included within the Council Money Plan.

8.0 Social Value Considerations

8.1 This report notes the Treasury Strategy of the Council. Environmental Social and Governance requirements are covered within the CIPFA Prudential Code.

9.0 Legal Implications

9.1 The Council is required to approve a Treasury Management Strategy before the start of each financial year to meet the requirements of the Local Government Act 2003, the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities, the CIPFA Treasury Management In the Public Services: Code of Practice and Cross-sectoral Guidance Notes; DLUHC Capital Finance: Guidance on Minimum Revenue Provision.

9.2 The Treasury Management Strategy attached at Appendix 1 meets these legislative and guidance requirements.

10.0 Risk & Opportunity Management Implications

10.1 There is a risk that short term and long term interest rates could increase and this will be monitored both in-house and by the Council Treasury Management Advisor, Link Asset Services. In this event the risk will be managed through the opportunities either to reschedule debt or new long term fixed rate borrowing in place of short term borrowing.

10.2 The risk of deposits not being returned by the counterparty is minimised by only investing short term cash flow monies with counterparties on the approved lending list. All counterparties on this list meet minimum credit rating criteria, ensuring the risk is kept extremely low although not eliminated.

11.0 People Impact Assessment (PIA):

11.1 A PIA screening assessment has been undertaken and the impact is neutral. A full PIA is not required.

12.0 Other Corporate ImplicationsCommunity Safety

12.1 None

Sustainability

12.2 None

Staffing & Trade Union

12.3 None

Background Documents:

Local Government Act 2003
CIPFA Treasury Management Code
CIPFA Prudential Code
DLUHC MRP Guidance