Ashfield
DISTRICT COUNCIL

Report To:	**CABINET**
Date:	**17 FEBRUARY 2025**
Heading:	**TREASURY MANAGEMENT STRATEGY 2025/26**
Executive Lead Member:	**EXECUTIVE LEAD FOR FINANCE, REVENUES AND BENEFITS – CLLR RACHEL MADDEN**
Ward/s:	**ALL**
Key Decision:	**YES**
Subject to Call-In:	**YES**

Purpose of Report

This report outlines the Council's Treasury Management Strategy for the financial year 2025/26. The report includes:

- Treasury Management Policy
- Treasury Management Strategy Statement (TMSS)
- Borrowing Strategy
- Annual Investment Strategy
- Minimum Revenue Provision Policy
- Prudential Indicators and Treasury Management Indicators
- Treasury Management Practices: Risk Management.

It has been prepared in accordance with the Treasury Management in the Public Services Code of Practice (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and Department for Levelling Up, Housing and Communities (DLUHC) Local Government Investment Guidance.

Recommendation(s)

1) For Cabinet to review and note the contents of the Treasury Management Strategy (TMS) for 2025/26, including the changes to the Annual Investment Strategy.
2) For Cabinet to recommend to Council that it approves the Treasury Management Policy Statement incorporating:
   • Treasury Management Strategy Statement (TMSS)
   • Borrowing Strategy
   • Annual Investment Strategy
   • Minimum Revenue Provision (MRP) Policy
   • Prudential Indicators and Treasury Management Indicators including new Liability Benchmark indicator
   • Treasury Management Practices: Risk Management which now includes Environmental, Social and Governance (ESG) update.
3) For Cabinet to note that this Strategy was considered and is supported by the Audit Committee at its meeting on 30 January 2025.

Reasons for Recommendation(s)

In accordance with Financial Regulation C.31. The Audit Committee is responsible for providing effective scrutiny of the Treasury Management Strategy and Policies.

Alternative Options Considered

None. It is a requirement of the CIPFA Treasury Management Code for all Local Authorities to have a Treasury Management Strategy (TMS) and a requirement of DLUHC Statutory Guidance on Local Government Investments to have an Investment Strategy.

Detailed Information

The TMS contains:

- Treasury Management Strategy Statement (TMSS), which outlines what treasury management is and how it is managed through its borrowing and investment activities
- Annual Borrowing Strategy, which outlines sources of borrowing
- Annual Investment Strategy for Treasury Management investments, which sets the limits for the maximum amounts to be invested and the types of investments the Council may consider.
- MRP Policy which states how the Council will apply MRP charges
- Annex A of Appendix 1 contains the proposed Prudential Indicators and Treasury Management Indicators for the Authority and now includes new Liability Benchmark Indicator.
- Annex B shows the borrowing and investment position of the Council as at 30th November 2024
- Annex C shows the projections for future interest rates
- Annex D shows the Treasury Management Practice (TMP) for risk management of the Authority which now includes ESG update.

This Strategy was considered and is supported by the Audit Committee at its meeting on 30 January 2025.

1. Annual Investment Strategy

   The following changes have been made to the Annual Investment Strategy:

   - None.

2. Operational Boundary and Authorised Limits

   The Capital Financing requirement (CFR) represents capital expenditure which is still to be financed. The Council should under normal circumstances not borrow any more than its CFR. The Operational Boundary sets a warning level for which total external debt should not exceed. The proposed Operational Boundary has been set at a level which is slightly above the CFR to allow for working capital requirements. The Authorised Limit is the absolute maximum level for external debt. The proposed Authorised Limit has been set at a level which is greater than the proposed Operational Boundary by a level which matches the financed part of the Capital Programme. The rationale for doing this is to ensure the Capital Programme can still be financed, should the expected non-borrowing funding not be available.

3. Minimum Revenue Provision (MRP) Policy

   The Minimum Revenue Provision charge is the means by which capital expenditure, which is financed by borrowing or credit arrangements, is paid for by council taxpayers. Local Authorities are required each year to set aside some of their revenues as provision for this debt.

   The Minimum Revenue Provision Guidance final consultation on the amended 2003 Regulations and revised MRP guidance was conducted from December 2023 to February 2024. Based on the consultation, there has been one substantive technical amendment;

   Under the changes to the 2003 Regulations, where a local authority has provided a loan to another entity, if at any time the local authority recognises a ‘credit loss’ whereby part or all that loan will not be repaid, then it must include an MRP charge equal to that loss in full, in the year it occurs (less any permitted reductions).

   An amendment has been made to the final guidance (paragraph 69) to make explicitly clear that a loan repayment which is a capital receipt can only be used to reduce the MRP charge that relates to that loan.

   The changes will come into force from 1 April 2025, except the requirements with respect to charging MRP with respect to expected credit losses and impairments will apply to all new capital loans issued by local authorities from 7 May 2024, that being the date the relevant regulations come into effect.

   The results of the consultation have been published and the policy changed as required.

4. Prudential Indicators

   Prudential Indicators are designed to show the Council's capital expenditure plans are affordable, prudent and sustainable. They include the estimated effect that future capital expenditure will have on individual council taxpayers and on individual rent payers.

   The estimate of the ratio of financing costs to net revenue stream for the Housing Revenue Account (HRA) remains relatively static over the three years. (See paragraph a) Annex A). The reason for this is that there is not expected to be any new borrowing costs; the ratios will increase slightly as HRA historic debt costs are expected to remain static in future years and HRA revenues are expected to increase slightly.

   The estimate of the ratio of financing costs to net revenue stream for the General Fund is expected to increase as a result of additional borrowing for capital projects and reduced government funding.

   The ratio of financing cost to net revenue stream including the investment property income shows the positive effect the investment properties currently make to the Authority.

   Estimates of the incremental impact of capital investment decisions on Council Tax Band D equivalents is £32.43 in 2024/25, £29.62 in 2025/26 and £27.86 in 2026/27. This represents the estimated amount of Council Tax within the District's annual Council Tax charge from each Band D equivalent that will be used to fund future capital investment. These levels reflect the use of borrowing for capital projects and their associated financing costs in 2024/25. There is no incremental impact to Council Dwelling Rent payers as there is no borrowing proposed for the HRA.

5. Current Treasury Management Code

   CIPFA issued a revised Treasury Management Code in December 2021. The new code was effective from 2023/24. The changes mainly related to additional reporting requirements, such as the inclusion of Environmental, Social and Governance requirements within the Counterparty Policies. The changes were incorporated into the Treasury Management Strategy Statement from 2023/24 and continue to be reflected in the latest version.

<u>Implications</u>

Corporate Plan:

The Treasury Management Strategy will support delivery of the priorities in the Corporate Plan.

Legal:

It is a requirement of the CIPFA Treasury Management Code for all Local Authorities to have a Treasury Management Strategy. It is a requirement of DLUHC Statutory Guidance on Local Government Investments to have an Investment Strategy. [RLD 29/01/2025]

Finance: [PH 29/01/2025]

Budget Area	Implication
General Fund – Revenue Budget	The financial implications of the strategy are factored into the Medium Term Financial Strategy.
General Fund – Capital Programme	No implications.
Housing Revenue Account – Revenue Budget	No implications.
Housing Revenue Account – Capital Programme	No implications.

Risk:

Risk	Mitigation
The Minimum Revenue Provision (MRP) policy is no longer suitable.	Careful monthly monitoring of Capital Expenditure should ensure an appropriate and prudent MRP provision is made annually. Revisions to the Policy in line with Code of Practice updates.
The Annual Investment Strategy is no longer suitable for the Authority.	Information received from our Treasury Management Advisors should allow the Council to take necessary action to mitigate against any risks.

Human Resources:

Not applicable.

Environmental/Sustainability

Not applicable.

Equalities:

Not applicable.

Other Implications:

None

Reason(s) for Urgency

Not applicable.

Reason(s) for Exemption

Not applicable.

Background Papers

- CIPFA Prudential Code 2021 Edition;
- CIPFA Treasury Management Code 2021 Edition;

Statutory Guidance on Local Government Investments (3rd Edition) Issued under Section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1 April 2018;

Statutory Guidance on Minimum Revenue Provision (5th edition) Issued under Section 21(1A) of the Local Government Act 2003 and effective for financial years commencing on or after 01 April 2025 (and from 07 May 2024 for certain provisions).

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