

## SOUTH STAFFORDSHIRE COUNCIL

### AUDIT AND RISK COMMITTEE – 6 FEBRUARY 2024

### TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2024/25 – 2028/29

### REPORT OF THE DIRECTOR FINANCE AND SECTION 151 OFFICER

## PART A – SUMMARY REPORT

### 1. SUMMARY OF PROPOSALS

1.1 The Council is required to annually approve a Treasury Management Strategy that, in light of the Council's approved budget, establishes investment and borrowing policies for the Council for the current and future financial years. The Strategy also includes the Council's Prudential Indicators and sets out the expected treasury operations for the period 2024/25 – 2028/29. Prudential Indicators are designed to demonstrate that the Council has a prudent, affordable and sustainable approach to financing its capital spending plans. It fulfils four key legislative requirements:

- The reporting of the **prudential indicators** setting out the expected capital activities (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities - Appendix A):
- The Council's **Minimum Revenue Provision (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 and Public Involvement in Health Act 2007 – Also Appendix A);
- The **Treasury Management Strategy** which sets out how the Council's treasury service will support the capital decisions taken above, 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 Affordable Borrowing Limit required by s3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code and shown at Appendix A:
- The **Investment Strategy** which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the sector's Investment Guidance and also shown in Appendix A.

### 2. RECOMMENDATIONS

- 2.1 The Audit & Risk Committee is requested to recommend for adoption by Council each of the five key elements of this report.:
- 1) The Prudential Indicators and Limits for 2024/25 - 2028/29 contained within Appendix A of the report.
  - 2) The Minimum Revenue Provision (MRP) Statement contained within Appendix A (paragraph 2.3) which sets out the Council's policy on MRP.
  - 3) The Treasury Management Strategy 2024/25 - 2028/29 contained within Appendix A.
  - 4) The Authorised Limit Prudential Indicator contained within Appendix A (para 3.2).
  - 5) The Investment Strategy 2024/25 contained in the Treasury Management Strategy (Appendix A), and the detailed criteria (included in Appendix B)

### 3. SUMMARY IMPACT ASSESSMENT

POLICY/COMMUNITY IMPACT	Do these proposals contribute to specific Council Plan objectives?	
	Yes	Maximising investment income whilst managing risks and minimising borrowing costs helps to support the council's overall financial position and therefore the delivery of all policy objectives.
	Has an Equality Impact Assessment (EqIA) been completed?	
	No	The setting of a Treasury Management Strategy does not impact on equalities.
SCRUTINY POWERS APPLICABLE	No (Council decision)	
KEY DECISION	No (Council decision)	
FINANCIAL IMPACT	Yes	Where appropriate these are detailed in the body of the report.
LEGAL ISSUES	Yes	The Council's Treasury Strategy has to comply with the relevant statute, codes and guidance which are set out both in the main body of this report and Appendix A. The Finance Director (Section 151 Officer) has responsibility for the administration of the financial affairs of the Council. In providing this report the Finance Director is meeting one of the key responsibilities of the post.
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	The key opportunities and risks associated with treasury management activities are set out in the body of the report and in the Treasury Management Strategy and Policy approved by Council and will be regularly monitored throughout the year.
IMPACT ON SPECIFIC WARDS	No	

### **PART B – ADDITIONAL INFORMATION**

- 4.1 The Prudential Code operates by the provision of prudential indicators which highlight particular aspects of capital expenditure planning. Each indicator has been updated and provided for the next three years and included in Appendix A section 2. This is in accordance with the Prudential Code which requires that the Council approves as a minimum, certain mandatory prudential indicators.
- 4.2 The purpose of the indicators is to provide a framework for capital expenditure decision-making. It is intended to highlight, through the prudential indicators, the level of capital expenditure, the impact on investment levels and the overall controls in place to ensure the activity remains affordable, prudent and sustainable.
- 4.3 The Treasury Management Strategy outlined in detail in Appendix A sets the Council's **operational boundary limit** for external debt at £42 million and the **authorised limit** at £45 million. These limits are based on prior years spend on the capital programme as well as the

planned capital programme for 2024/25 onwards of £18.460 million subject to approval by Council on 20 February 2024. Should these plans change, these limits will be revisited.

- 4.4 Within this overall capital expenditure framework there is a clear impact on the Council's treasury management activity through the application of investment balances. As a consequence, the Treasury Management Strategy for 2024/25 is also included at Appendix A (section 3) to the report to draw out the expected treasury activity. This report also includes the treasury prudential indicators. The production of the Treasury Management Strategy covers the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and the sector's MRP and Investment Guidance.
- 4.5 The Treasury Management Strategy requires the formulation of an Annual Investment Strategy. In accordance with guidance, and in order to minimise the risk to investments, the Council has clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The detailed criteria utilised are included in Appendix B.
- 4.6 Security, Liquidity and Yield has always been at the forefront of the councils thinking when making investment decisions, however we will now also consider non-financial factors when making investment decisions, these include any ethical considerations as well as any environmental, social and governance (ESG) factors, this is detailed further in Appendix A 4.1.
- 4.7 The above policies and parameters provide an approved framework within which officers undertake the day-to-day capital and treasury activities.
- 4.8 It should be noted that this strategy is closely aligned to the Council's Capital Strategy with the Capital Programme being the main determinant of the council's borrowing need.
- 4.9 It should also be noted that at the time of writing this report, there are various geo-political events taking place both nationally and internationally that are impacting financial markets. The impacts of these are continuously monitored and any political or economic shocks that require any adjustment to the Treasury Management Strategy will be reported back to the Audit and Risk Committee (and Council) at a later date.

## **5. IMPACT ASSESSMENT – ADDITIONAL INFORMATION**

- 5.1 None identified.

## **6. PREVIOUS MINUTES**

- 6.1 Not Applicable

## **7. BACKGROUND PAPERS**

Appendix A - Treasury Management Strategy and Capital Prudential Indicators 24/25 – 28/29  
Appendix B - Credit and Counterparty Risk Management  
Appendix C - Approved Countries for Investment  
Appendix D - Treasury Management Scheme of Delegation  
Appendix E – Prospect for Interest Rates & Economic Background

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