

ANGUS COUNCIL

**ANGUS COUNCIL – 21 MARCH 2024
SCRUTINY & AUDIT COMMITTEE – 23 APRIL 2024**

TREASURY MANAGEMENT STRATEGY STATEMENT 2024/25

REPORT BY IAN LORIMER, DIRECTOR OF FINANCE

1. ABSTRACT

This report seeks members approval of the proposed Treasury Management Strategy for Angus Council for financial year 2024/25. The production of a Treasury Management Strategy Statement for the forthcoming financial year is a requirement of the Treasury Management in the Public Services Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2. ALIGNMENT TO THE COUNCIL PLAN AND COUNCIL POLICIES

Effective Treasury Management maximises the resources available to the council to provide services. The activities undertaken through the council's treasury management processes within the framework of the Treasury Management Strategy therefore contribute as a whole to the local outcomes contained within the Council Plan.

3. RECOMMENDATIONS

3.1 It is recommended that Angus Council:

- (i) Approve the proposed Treasury Management Strategy Statement and Annual Investment Strategy for 2024/25 attached as Appendix A to this report; and
- (ii) Approve the Treasury Prudential Indicators in Appendix A – Annex D (Tables 2, 3 and 4).

3.2 It is recommended that the Scrutiny and Audit Committee:

- (i) Review and scrutinise the Treasury Management Strategy Statement and Annual Investment Strategy for 2024/25 presented to Council on 21 March 2024, attached as Appendix A to this report; and
- (ii) Provide any commentary considered appropriate at this time.

4. BACKGROUND

4.1 The need to prepare a Treasury Management Policy Statement and a Treasury Management Strategy Statement is a requirement of the Treasury Management in the Public Services Code of Practice (2021 edition) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The attached Treasury Management Strategy Statement has been prepared in accordance with this Code.

4.2 The purpose of the Treasury Management Strategy Statement is to develop borrowing, investment and debt rescheduling strategies for the forthcoming financial year based on prospects for interest rates. The strategies adopted take account of the current treasury position and treasury limits in force which will limit treasury risk and the treasury activities of the council.

4.3 The Treasury Management Strategy Statement does not sit in isolation however - it is one element in a suite of strategies and reports that includes the capital strategy for 2024/25, as presented at the special Angus Council budget meeting of 29 February 2024 (report 67/24 refers).

5. CURRENT POSITION

- 5.1 The 2024/25 Treasury Management Strategy Statement and Annual Investment Strategy sets out the expected treasury management activities for Angus Council for the forthcoming financial year and is attached at Appendix A for consideration and approval by members.
- 5.2 Although the complete strategy statement document is necessarily lengthy to satisfy the requirements of the Code of Practice, members are asked to note that the core strategy statement is contained in the first 11 pages of Appendix A.
- 5.3 Appendix A also contains a number of Annexes which are required for full compliance with the Treasury Management Code of Practice and as such are necessarily of a more technical nature. In the main however, they contain additional information and explanations of aspects of the core strategy document, except for Annex D which contains statutory indicators that require to be considered and approved by members.
- 5.4 The statutory indicators contained in Annex D are based on the capital budget for 2024/25 approved by Angus Council on 29 February 2024.

6. PROPOSALS

Changes from the 2023/24 Strategy

- 6.1 No changes from the 2023/24 Strategy in respect of the borrowing aspects are proposed.
- 6.2 No changes to the current investment levels with permitted Counterparties are proposed.

Rate of Return

- 6.3 With regard to levels of income generated from investing surplus cash, the 2023/24 strategy set a rate of return of 3.50%.
- 6.4 As at 31 January 2024, the average rate of return achieved to date was 4.91%. The final rate of return achieved for the 2023/24 financial year will depend on a number of factors including:
- movements in the Bank of England base rate;
 - the borrowing appetite of permitted counterparties;
 - the interest rates offered by those permitted counterparties;
 - the level of cash balances the council has available for investment;
 - and the duration of that investment.

The average rates of return achieved over the previous quarters is demonstrated for information in the following table:

2023/24 Quarter 1 average	4.10%
2023/24 Quarter 2 average	4.91%
2023/24 Quarter 3 average	5.48%
January 2024 average	5.61%
2023/24 average at 31 January 2024	4.91%

- 6.5 For this 2024/25 strategy a target return of 4.5% on investments placed during the financial year is proposed. This is lower than the average rate of return achieved to date in 2023/24, however UK interest rate forecasts from the Council's treasury advisers suggest that the bank base rate is likely to reduce from 5.25% currently to around 3.75% by March 2025 and levels of surplus cash are expected to be lower than in previous years. Although there are risks attached, given the potential future economic uncertainties, officers consider this target to be challenging but achievable.

7. IFRS 16 LEASING - UPDATE

- 7.1 IFRS (International Financial Reporting Standard) 16 is a new standard for lease accounting that will come into effect across the UK on 1 April 2024. This standard will require lessees to recognise leases on their balance sheet, effectively reflecting the right to use an asset for a period of time and the associated liability for payments. In order to fully comply with IFRS 16 and ensure the council's

2024/25 Annual Accounts have been prepared in accordance with the standard, all leases (including service contracts) where the council is the lessee (i.e. leasing an asset from a third party) will require to be identified and measured, both in order to establish an initial starting point and on an ongoing basis.

- 7.2 As leases are included in the other long term liability figures which make up the Prudential Indicators set out in Appendix A, it is possible that those Indicators currently proposed will be exceeded. Once the detailed data gathering has been substantially completed, later in the 2024/25 financial year, the impact of this extensive exercise will require to be reflected within the prudential indicators and these may need to be amended mid-year.

8. ROLE OF SCRUTINY AND AUDIT COMMITTEE

- 8.1 The guidance supporting the Treasury Management Code of Practice recommends that each council delegate the role of scrutiny of treasury management strategy and policies to a specific named body or committee. For Angus Council it is the Scrutiny and Audit Committee that undertakes this role. On this basis the committee is recommended to review and scrutinise the 2024/25 Treasury Management Strategy Statement and provide any commentary considered appropriate at this time.

9. FINANCIAL IMPLICATIONS

- 9.1 There are no additional financial implications arising from the recommendations in this report. An effective Treasury Management Strategy does however form a significant part of the council's financial arrangements and its financial wellbeing. For example, the Council's 2024/25 Revenue Budget assumes £2.600 million of income will be generated from the investment of surplus cash by the treasury team.

10. RISK MANAGEMENT

- 10.1 This report does not require any specific risk issues to be addressed that are not already covered above and in the attached Appendix A, however as members may be aware the management of risk is an integral part of the council's treasury management activities.

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 There are no direct environmental implications arising from the recommendations of this report.

12. EQUALITY IMPACT ASSESSMENT, HUMAN RIGHTS AND FAIRER SCOTLAND DUTY

- 12.1 An Equality Impact Assessment is not required as the recommendations in the report do not impact on people.

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973, were used in the preparation of this report.

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List of Appendices:

Appendix A: 2024/25 Treasury Management Strategy Statement and Annual Investment Strategy