

Item 08 – Treasury Management Strategy 2024/25

The attached report was considered by the Finance & Investment Advisory Committee on 11 January 2024. The relevant Minute extract is below.

Finance & Investment Advisory Committee (11 January, Minute 39)

The Senior Principal Accountant presented the report, which set out the proposed Treasury Management Strategy for 2024/25, as required by the Local Government Act 2003. The Strategy set out the Council's policy for borrowing and managing its investments, though not commercial initiatives and loans to third parties, which were generally classed as non-treasury activities. She outlined the prudential indicators, the borrowing and repayment strategy, and the investment strategy for 2024/25. There were no major changes to the investment strategy.

In response to questions, the officer explained that the treasury management consultants Link Treasury Services Ltd did not control the strategy, and were not involved in day-to-day management. They provided information such as live ratings for banks and templates for reports. Members discussed the risks of exposure to unrated entities within the Strategy. The officer explained that the provisions for non-rated institutions were for unrated subsidiaries of larger banks, which could provide guarantees. These provisions also avoided the risk of violating the Strategy should an institution become unrated whilst the Council held money with it. They did not allow for the Council to lend money to unrated institutions in any circumstance – they only applied in specific scenarios. Members requested that a detailed clarification regarding the conditions for lending to each category of institution be provided with the next Treasury Management Update.

Members further discussed the Council's lending and borrowing. The Chief Officer for Finance & Trading explained that the Council did occasionally lend to other local authorities. These loans had very little risk associated, as there was a statutory obligation to repay them. Members noted that the Council was projected to borrow significantly more in the future than it had previously due to the scale of the capital programme, detailed in a separate report. This would require disciplined management. The Council's risk appetite had increased in this regard, though it was still highly risk-averse.

The Head of Finance clarified for Members that the council had just under £13m in debt, and just under £23m in reserves. These reserves were not cash held by the council, and could not be used to cover services if all income ceased. Investments could be recalled should access to all income streams terminate, though it was emphasised that this was extremely unlikely.

Resolved: That:

- a) The report be noted, and the following comments be forwarded to Cabinet:
- Members would like further clarification regarding the Council's exposure to unrated organisations.
 - The Council would be borrowing significantly more than it had in the past, and this would require diligent handling