

Report for: Overview & Scrutiny Committee – 18 January 2024

Item number:

Title: Treasury Management Strategy Statement 2024/25

Report authorised by: Josephine Lyseight, Assistant Director of Finance (Deputy S151 Officer)

Lead Officer: Tim Mpofu, Head of Finance – Pensions and Treasury
tim.mpofu@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/

Non Key Decision: Non Key decision

1. Describe the issue under consideration

- 1.1. The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.
- 1.2. The CIPFA Code requires the Committee responsible for monitoring treasury management activities to formulate the Treasury Management Strategy Statement (TMSS). The TMSS is then subject to scrutiny before being approved by Full Council.
- 1.3. The draft TMSS is presented to this committee for scrutiny. Any comments made by the Overview and Scrutiny Committee will be taken into account and, where appropriate, reflected in the draft TMSS.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. The Overview and Scrutiny Committee is requested to scrutinise and provide any comments on the proposed updated Treasury Management Strategy Statement (TMSS) for 2024/25 prior to its presentation full Council for approval.
- 3.2. To note that Audit Committee will be considering the draft TMSS at its meeting on 18 January.

4. Reason for Decision

4.1. The CIPFA Code requires all local authorities to agree a Treasury Management Strategy annually in advance of the new financial year.

5. Other options considered

5.1. Not applicable.

6. Background information

6.1. The Council's treasury management activity is underpinned by CIPFA's Treasury Management in Public Services: Code of Practice (the CIPFA Code), which requires all local authorities to produce annually a Treasury Management Strategy Statement.

6.2. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

6.3. The following sections provide a summary of the proposed treasury strategy for the financial year 2024/2025.

Economic Background

6.4. The Council's treasury management strategy for 2024/25 will be significantly influenced by several factors, including inflation, higher interest rates, a weakening economic outlook, an uncertain political climate due to an upcoming general election, and ongoing conflicts in Ukraine and the Middle East.

6.5. The economic outlook remains uncertain, and financial markets are expected to experience increased volatility in the near term. The Bank of England (BoE) anticipates that CPI inflation will continue to fall slowly based on the interest rate path implied by financial markets. However, the BoE also anticipates that interest rates will remain higher for longer, as it is projected that inflation will not reach the 2% target until early 2025.

6.6. The table below shows an extract of the Bank Rate over the past 12 months.

	Jan-23	Mar-23	Jun-23	Sep-23	Dec-23
BoE Bank Rate	3.5%	4.25%	5.00%	5.25%	5.25%

6.7. Further details on the economic outlook over the medium term can be found in section 2 and Annex 1 of Appendix 1 to this report.

Haringey Council's Local Context

6.8. The Treasury Management Strategy Statement sets out a five-year position throughout the report, which better aligns with the Council's medium term financial strategy.

- 6.9. The Council's underlying need to borrow for capital purposes, also referred to as the Capital Financing Requirement (CFR) is set out in section 3 of this report. The Council has an increasing CFR driven by its overall capital programme. As a result, additional borrowing will be required in the upcoming years to finance both the General Fund and the Housing Revenue Account's (HRA) capital programmes.
- 6.10. For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 4.75%, and that new-long term loans will be borrowed at an average rate of 5.50%.

Borrowing Strategy

- 6.11. The Council's primary objective when borrowing is to strike an appropriate balance between securing low interest costs and achieving cost certainty over the period for which funds are required.
- 6.12. The cost of borrowing has increased significantly for both short-term and long-term debt. The table below shows the rates offered across the various PWLB maturities on 30 September 2023. The rates shown include the 0.20% certainty discount rate offered by the PWLB to qualifying authorities.

PWLB Maturity	Jan-22	Mar-23	Jun-23	Sep-23	Dec-23
1-year	4.33%	4.78%	6.22%	5.69%	5.13%
5-year	4.48%	4.31%	5.71%	5.22%	4.19%
10-year	4.59%	4.33%	5.35%	5.26%	4.37%
20 year	4.89%	4.70%	5.36%	5.64%	4.90%
50 year	4.49%	4.41%	4.95%	5.43%	4.68%

- 6.13. The Council's borrowing decisions are not based on any single outcome for interest rates, and it intends to maintain a balanced portfolio of short and long-term borrowing.
- 6.14. Further details on the Council's borrowing strategy including the available sources of borrowing can be found in section 4 of Appendix 1 to this report.

Treasury Investment Strategy

- 6.15. In accordance with the CIPFA Code and government guidance, the Council aims to strike an appropriate balance between risk and return, when making treasury investments. The aim is to prioritise the security and liquidity of its investments before seeking the optimum rate of return or yield.
- 6.16. Further details on the Council's treasury investment strategy including the proposed counterparties, investment limits and treasury risk assessment approach can be found in section 5 of Appendix 1 to this report.

Treasury Management Prudential Indicators

- 6.17. The Council measures and manages its exposures to treasury management risks using several indicators that are set when the Treasury Management Strategy is approved in advance of the new financial year.

6.18. A detailed assessment of the proposed treasury management prudential indicators for the next financial year can be found in section 6 of Appendix 1 to this report.

7. Contribution to Strategic Outcomes

7.1. None

8. Carbon and Climate Change

8.1. Not applicable

9. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

9.1. Finance Comments are included throughout the attached report.

Head of Legal and Governance [Haydee Nunes De Souza, Head of Legal Services]

9.2. The Head of Legal Services has been consulted on the content of this report which is consistent with legislation governing the financial affairs of the Council. In particular, the Council must comply with the requirements of the Local Government Act 2003 (“the 2003 Act”), the Local Authorities (Capital Financing & Accounting – England) Regulations 2003 and the CIPFA Treasury Management code.

9.3. The prudential capital finance system relies on the provisions of Part 1 of the 2003 Act. Under this system, local authorities can borrow funds for capital investment as long as the borrowing remains within prudent limits. Section 1 of the 2003 Act allows the council to borrow for any purpose related to its functions or the prudent management of its financial affairs, provided it does not breach the affordable borrowing limit determined in accordance with section 3(1) of the 2003 Act.

9.4. Part 4, Rules of Procedure Section I – Financial Regulations, of the council’s constitution provides that the Overview and Scrutiny Committee will scrutinise the draft Treasury Management Strategy Statement annually, before its adoption by Full Council

9.5. The Treasury Management Strategy is part of the Council’s Policy Framework. As such, approval of the Treasury Management Strategy is reserved to Full Council.

Equalities

1.1. There are no equalities issues arising from this report.

10. Use of Appendices

10.1. Appendix 1 – Treasury Management Strategy Statement 2024/25

11. Background Papers

11.1. None