

**Report for:** Overview & Scrutiny Committee – 20 January 2025

**Item number:** 8

**Title:** Treasury Management Strategy Statement 2025/26

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

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**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 2025/26 prior to its presentation to full Council for approval.
- 3.2. To note that Audit Committee will be considering the draft TMSS at its meeting on 27 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 2025/2026.

#### **Economic Background**

- 6.4. The impact on the UK from the government's Autumn Budget, slower expected interest rate cuts, a short-term boost to but modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Authority's treasury management strategy for 2025/26.
- 6.5. The economic outlook remains uncertain, and financial markets are expected to experience volatility in the near term. The Bank of England (BoE) anticipates that headline CPI inflation will continue to rise slightly in the near term adding to the risk of inflation persistence. The BoE also suggested future reductions in interest rates were likely to be gradual as it predicted the Autumn Budget would lead to higher inflation and economic growth, taking a year longer to return sustainably to the 2% target. Markets are currently pricing two further bank rate cuts in 2025, although some economists anticipate this may be closer to four.
- 6.6. The Bank of England's (BoE) Monetary Policy Committee (MPC) held Bank Rate at 4.75% at its December 2024 meeting, having reduced it to that level in November and following a previous 25 basis point cut from the 5.25% peak at the August MPC meeting. At the December meeting, six Committee members voted to maintain Bank Rate at 4.75% while three members preferred to reduce it to 4.50%.

- 6.7. Further details on the economic outlook over the medium term can be found in section 2 and Appendix A, of Appendix 1 to this report
- 6.8. In early January 2025, the Pound lost value relative to other currencies and UK bond yields rose sharply, as investors became concerned about the sustainability of UK spending plans and borrowing; this is a developing story. While market nervousness may abate there is a risk that gilt yields continue to climb and a change in Government policy or intervention in markets is required

### **Haringey Council's Local Context**

- 6.9. 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.
- 6.10. The Council's capital plans are the primary driver of the Council's borrowing requirement, and they are set out in section 3 of this report, outlined in the Council's Capital Strategy 2025 to 2030 in the Council's main budget report.
- 6.11. The Council's underlying need to borrow for capital purposes, referred to as the Capital Financing Requirement (CFR) is also 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.
- 6.12. For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 4.00%, and that new-long term loans will be borrowed at an average rate of 5.50%.
- 6.13. The Council's financial position is challenging. Efforts to reduce costs and identify additional savings continues but as part of contingency planning, Haringey has made an application to the Ministry for Housing, Communities and Local Government for Exceptional Financial Support (EFS) to be made available if it is required during 2025/26. The outcome of the application will not be confirmed until end of February 2025.
- 6.14. EFS is a necessary response to the Council's financial circumstances and if required, support will be provided through an agreement by Government that the Council can capitalise part of its day to day running costs. In practice this means that the Council has permission to either borrow or use capital receipts from the sale of assets to fund day-to-day expenditure.
- 6.15. An update on the Council's financial position will be presented to Overview and Scrutiny Committee on 30 January 2025 before the Cabinet consider the final draft budget on 11 February 2025. For planning purposes, this draft TMSS has been prepared on the basis that some support through a capitalisation directive that allows borrowing for some day to day services will be required. This assumption will remain under review over the next few weeks with the expectation that any EFS required to balance the budget

will be minimised. Any update will be reflected in the updated TMSS to Audit Committee on 27 January 2025 and the final TMSS presented to Cabinet on 11 February 2025. Therefore, the figures in this TMSS are subject to change over the next few weeks.

- 6.16. Full details will also be set out in the Chief Finance Officer's Section 25 Statement of the 2025/26 Budget and Medium Term Financial Strategy report going to Cabinet on 11 February 2025. Support through EFS is not a long term sustainable financial strategy and work will continue through 2025/26 to reduce the amount of EFS drawdown and avoid the need for any EFS from 2026/27 onwards.

### **Borrowing Strategy**

- 6.17. 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.
- 6.18. 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 31 December 2024. The rates shown include the 0.20% certainty discount rate offered by the PWLB to qualifying authorities.

PWLB Maturity	Jan-24	Mar-24	Jun-24	Sep-24	Dec-24
1-year	5.52%	5.56%	5.57%	5.15%	5.39%
5-year	4.76%	4.84%	5.06%	4.76%	5.32%
10-year	4.97%	4.97%	5.19%	5.03%	5.63%
20 year	5.46%	5.39%	5.57%	5.48%	6.05%
50 year	5.28%	5.21%	5.38%	5.33%	5.86%

- 6.19. 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.
- 6.20. 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**

- 6.21. 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.
- 6.22. 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**

- 6.23. 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.

6.24. 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 Legal and Governance, Equalities)**

### Finance and Procurement

9.1. Finance Comments are included throughout the report.

### Head of Legal & Deputy Monitoring Officer

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. The government has agreed to provide a number of local authorities with support via the Exceptional Financial Support framework, following requests from these councils for assistance to manage financial pressures that they considered unmanageable. The support is provided on an exceptional basis, and on the condition that each local authority is subject to an external assurance review.

9.5. 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

9.6. 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

There are no equalities issues arising from this report.

## **10. Use of Appendices**

10.1. Appendix 1 – Treasury Management Strategy Statement 2025/26

## **11. Background Papers**

11.1. None