

**ORDINARY COUNCIL
28th FEBRUARY 2024**

REPORT TITLE:	Treasury Management Strategy 2024/25
REPORT OF:	Tim Willis, Interim Director (Resources) & Section 151 Officer

Summary

This report and appendices set out all the relevant information in support of the Council's Treasury management strategy for 2024/25

Recommendation(s)

Members are asked to:

R1. Approve the council's Treasury management strategy for 2024/25

Main Report

Introduction and Background

1. This document has been prepared in accordance with the 2021 CIPFA Prudential Code, which requires a capital strategy to be approved at a meeting of the Council ahead of the 2024/25 financial year.
2. The Treasury management strategy gives an overview of how capital expenditure, capital financing and treasury management activity will contribute to the provision of public services in Brentwood, along with an overview of how associated risk is managed.
3. The Authority is required to operate a balanced revenue budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.
4. Capital programme for 2023/24

Table 1: Capital programme for 2023/24

	2023/24 Budget £'000	2023/24 Forecast £'000	2023/24 Variance £'000
<u>Protecting Our Environment</u>			
Vehicle Fleet Management	1388	1,378	(10)
Open Spaces Infrastructure	100	100	0
Low Emissions Infrastructure	138	138	0
Total Protecting Our Environment	1,626	1,616	(10)
<u>Developing Our Communities</u>			
Play Area Refurbishments	100	0	(100)
Brentwood Leisure centre	1000	1,000	0
Football Hub Development	2817	5	(2,812)
Retrofit - GF	250	250	0
Total Developing Our Communities	4,167	1,255	(2,912)
<u>Improving Housing</u>			
Home Repair Assistance Grant	5	5	0
Disabled Facilities Grant	250	250	0
HRA Decent Home Programme	6007	10,000	3,993
Strategic Housing Delivery Programme	16000	1,250	(14,750)
HSG Capital Grants Expenditure (LAHF Grant)	0	1,337	1,337
Total Improving Housing	22,262	12,842	(9,420)
<u>Delivering an Effective and Efficient Council</u>			
Asset Management Strategy	100	100	0
Asset Compliance	250	250	0
E-Financial	51	51	0
ICT Strategy	100	100	0
ICT Hardware	125	125	0
Software Infrastructure	50	50	0
Total Delivering an Effective and Efficient Council	676	676	0
<u>Growing our Economy</u>			
Car Park Improvements	100	100	0
Regeneration Fund	20000	0	(20,000)
Baytree Centre	4988	800	(4,188)
Childerditch	4521	250	(4,271)
Total Growing our Economy	29,609	1,150	(28,459)
Total Capital Programme	58,340	17,539	(40,801)

Table 2: Financing of 2023/24 Capital programme

Financing of Capital expenditure	2023/24 Budget £'000	2023/24 Forecast £'000	2023/24 Variance £'000
Total General Capital Programme	36,333	4,952	(31,381)
Total HRA Capital Programme	22,007	12,587	(9,420)
Total Capital Programme	58,340	17,539	(40,801)
Funded By:			
General Fund Capital Receipts	(200)	(200)	0
Government Grants	(250)	(250)	0
Borrowing	(35,883)	(4,502)	31,381
Total General Fund Capital Funding	(36,333)	(4,952)	31,381
HRA Capital Receipts	(500)	(500)	0
HRA Grant Funding	(1,000)	(1,000)	0
Major Repairs Reserve	(2,941)	(2,941)	0
HRA Borrowing	(17,566)	(8,146)	9,420
Total HRA Capital Funding	(22,007)	(12,587)	9,420
Total Capital Funding	(58,340)	(17,539)	40,801

5. Capital programme for full MTFS

6. The table below details the capital programme budget for 2024/25 and the forecast for the next two years. Each scheme is aligned with the Corporate Strategy as detailed on page 13 of this document, and the proposed budget (including proposed slippage from table 3) is set to deliver against each Corporate Strategy theme.

Table 3: Capital 2024/25 and forecasts for 2025/26, 2026/27 2027/28 & 2028/29

	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000	2028/29 Budget £'000
<u>Protecting Our Environment</u>					
Vehicle Fleet Management	860	500	500	500	500
Open Spaces Infrastructure	50	50	50	50	50
Total Protecting Our Environment	910	550	550	550	550
<u>Improving Housing</u>					
Home Repair Assistance Grant	5	5	5	5	5
Disabled Facilities Grant	250	250	250	250	250
HRA Decent Home Programme	8,000	8,000	5,000	5,000	4,000
Strategic Housing Delivery Programme	18,050	30,740	14,320	2,020	
HSG Capital Grants Expenditure (LAHF Grant)	0	0	0	0	0
Total Improving Housing	26,305	38,995	19,575	7,275	4,255
<u>Delivering an Effective and Efficient Council</u>					
Asset Management Strategy	100	100	100	100	100
Asset Compliance	100	250	250	250	250
E-Financial	0	0	0	100	0
ICT Strategy	100	100	100	100	100
ICT Hardware	125	125	125	125	125
Software Infrastructure	50	50	50	50	50
Total Delivering an Effective and Efficient Council	475	625	625	725	625
<u>Growing our Economy</u>					
Car Park Improvements	50	250	50	50	50
Regeneration Fund	0	0	0	0	0
Baytree Centre	5,000	8,473	7,625	0	0
Childerditch	2,500	1,770	0	0	0
Total Growing our Economy	7,550	10,493	7,675	50	50
GF capital expenditure reductions	0	0	-4,000	0	0
<u>Total Capital Programme</u>	<u>35,240</u>	<u>50,663</u>	<u>24,425</u>	<u>8,600</u>	<u>5,480</u>

Table 4 Capital financing

Financing of Capital expenditure	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000	2028/29 Budget £'000
Total General Capital Programme	9,190	11,923	5,105	1,580	1,480
Total HRA Capital Programme	26,050	38,740	19,320	7,020	4,000
Total Capital Programme	35,240	50,663	24,425	8,600	5,480
Funded By:					
General Fund Capital Receipts	(200)	(200)	(200)	(200)	(200)
Government Grants	(250)	(250)	(250)	(250)	(250)
Borrowing	(8,740)	(11,473)	(4,655)	0	(1,030)
Capital receipts				(4,000)	0
Total General Fund Capital Funding	(9,190)	(11,923)	(5,105)	(4,450)	(1,480)
HRA Capital Receipts	(1,000)	(1,000)	(1,000)	(4,079)	(2,000)
HRA Grant Funding	(2,000)	(6,050)	(6,050)	(1,000)	(1,000)
Major Repairs Reserve	(2,941)	(2,941)	(2,941)	(1,941)	(1,000)
HRA Borrowing	(20,109)	(28,749)	(9,329)	0	0
Total HRA Capital Funding	(26,050)	(38,740)	(19,320)	(7,020)	(4,000)
Total Capital Funding	(35,240)	(50,663)	(24,425)	(11,470)	(5,480)

7. Treasury management is a key element of the Council's overall financial management arrangements. It relates to the Council's borrowing and investment activities and the effective management of the associated risks. These activities are strictly regulated by statutory requirements and professional codes of practice, which require authorities to set local parameters for their Officers to work within. This Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Services and, as required by the Code, has an approved Treasury Management Policy Statement and associated Treasury Management Practice Statements (TMPs).
8. The main driver of the Council's treasury activity is its capital expenditure plans. The following table summarises the Council's capital expenditure programme for 2023/24 to 2025/26, along with the 2022/23 actuals and 2023/24 forecast outturn.

	2022/23 Actual £000	2023/24 Forecast £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000
General Fund	2,842	4,952	9,190	11,923	9,105
HRA	11,601	12,587	26,050	38,740	19,320
Total	14,443	17,539	35,240	50,663	28,425

9. The Capital Financing Requirement (CFR) is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

	2022/23 Actual £000	2023/24 Forecast £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000
Capital Financing Requirement					
General Fund	185,312	188,425	195,124	204,369	206,660
HRA	66,382	74,573	94,682	123,431	132,760
Total CFR	251,694	262,998	289,806	327,800	339,420

Movement represented by:					
Net financing need for the year		12,681	28,849	40,222	13,984
Debt Repayment Provision		(1,378)	(2,041)	(2,228)	(2,364)
Movement in CFR		11,303	26,808	37,994	11,620

10. The intended borrowing strategy for 2024/25 and subsequent years is to adopt a flexible approach. Capital schemes that incur expenditure related to long-term investment will generally be funded from long-term borrowing. However, there may be instances where capital schemes will be funded through short-term borrowing while they in progress, and to replace this with long borrowing once the schemes are complete. Long term borrowing supports medium term financial planning by providing certainty around interest costs, and maintaining some short-term borrowing enables the Council to take advantage of lower interest rates.

	31 March 2023 £000	31 March 2024 £000	31 March 2025 £000	31 March 2026 £000	31 March 2027 £'000
Borrowing					
- PWLB	192,019	192,019	192,019	241,019	251,019
- Market Lender	0	25,000	45,000	45,000	45,000
- Other Local Authorities	34,000	25,000	11,500	11,500	12,000
- Transferred Debt	172	0	0	0	0
Total Borrowing	226,191	242,019	267,519	297,519	308,019
Investments	-7,000	-22,000	-2,000	-2,000	-2,000
Net Borrowing	219,191	220,019	265,519	295,519	306,019

11. The following table, provided by the Council's treasury advisors Link Group, shows bank rate and PWLB interest rate forecasts up to March 2026:

	NOW	Mar- 24	Jun- 24	Sep- 24	Dec- 24	Mar- 25	Jun- 25	Sep- 25	Dec- 25	Mar- 26
Bank Rate	5.25%	5.25%	5.25%	5.00%	4.50%	4.00%	3.50%	3.00%	3.00%	3.00%
PWLB Rates										
- 5 years	4.18%	4.90%	4.80%	4.70%	4.40%	4.20%	4.00%	3.80%	3.70%	3.60%
- 10 years	4.31%	5.00%	4.80%	4.70%	4.40%	4.20%	4.00%	3.80%	3.70%	3.70%
- 25 years	4.85%	5.30%	5.10%	4.90%	4.70%	4.50%	4.30%	4.20%	4.10%	4.10%
- 50 years	4.59%	5.10%	4.90%	4.70%	4.50%	4.30%	4.10%	4.00%	3.90%	3.90%

Issue, Options and Analysis of Options

12. All the issues, options and analysis are detailed in Appendix A

Reasons for Recommendation

13. Effective financial management underpins all the priorities for the Council and will enable the Council to operate within a sustainable budget environment.

14. The Council is required to approve the Treasury management strategy in accordance with the 2021 CIPFA prudential code

Consultation

15. The Council undertook a Consultation on the budget during 2023. Further information is set out in Appendix A.

References to Corporate Strategy

16. The Treasury management strategy is linked to achieving the current priorities in the Corporate Strategy.

Implications

17. The financial implications are set out within the report and the Appendix accompanying the report.

Legal Implications

18. The Council is obliged by Section 151 of the Local Government Act 1972 to make proper arrangements for the management of its financial affairs. It is consistent with sound financial management and the Council's obligation under Section 151 of the Local Government Act 1972 for the Council to adopt and monitor a treasury management strategy.

Economic Implications

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Background Papers

19. Budget 2024/25 and Medium Term Financial Strategy 2024-29

Appendices to this report

Appendix A: Treasury management strategy