

## MINUTES OF THE TREASURY MANAGEMENT AND INVESTMENT SUB COMMITTEE

held on 20<sup>th</sup> January 2025

Present:

Councillor C. Davidson (Chair)

Councillors P. Clark, K. Franks, S. Hall, A. Sosin and R. Whitehead

Also in attendance:

Councillor L. Foster

### 1. Apologies for Absence and Substitutions

No apologies for absence had been received.

### 2. Minutes

The minutes of the meeting held on 14 October 2024, were agreed as a correct record and signed by the Chair.

### 3. Declaration of Interests

All Members were reminded to declare any Disclosable Pecuniary interests or other registerable interests where appropriate in any items of business on the meeting's agenda. None were made.

### 4. Public Question Time

No public questions or statements were received for the meeting.

### 5. Treasury Management & Investment Strategies 2025/26

The Sub-Committee received a draft report regarding the proposed Treasury Management and Investment Strategies for 2025/26, which would be taken to the Cabinet meeting on 28<sup>th</sup> January 2025. Members were asked to review the draft report and recommend the strategies to Cabinet on 28<sup>th</sup> January 2025 and then to Full Council on 19<sup>th</sup> February 2025.

Regarding investments, the Sub-Committee were informed that there were no material changes to the Treasury Strategy from the previous year, and a target of a minimum of £5m of liquid funds remained to manage cashflow during the year, however it was noted that this may be increased by officers during the year, if liquidity management required it. The Sub-Committee also heard that the cash available for investment was expected to reduce, as the Council funded the Capital Programme and that prior to completion of the budget, gross interest income of circa £925k was

expected for 25/26, based on an assumed interest rate of 4.35% across the Council's portfolio.

Regarding borrowing, which was of an increased focus, given the Council's financial outlook, the Sub-Committee were informed that the maturity limit for 2-5 years had been increased to 100%, to increase flexibility if needed. The Sub-Committee were also informed that an affordability indicator had been added, as a result of reviewing currently published indicators against those required by best practice, but no other material changes had been made from the previous year. The Sub-Committee were also reminded, that as with previous years, borrowing would only be undertaken for the purpose of managing temporary liquidity or funding the capital programme, in line with the limits set in the Capital Strategy and that the Section 151 officer would continue to manage investments and borrowings. The Sub-Committee also noted that prior to completion of the budget, cashflow planning indicated borrowing was likely to be required in late 2024/25 and onwards, with projections suggesting external borrowing of £58m by March 2026 might be needed. This estimate was caveated by officers, as there is considerable difficulty in predicting Council cashflows. Estimates of cashflow tend to have a bias to over stating the need to borrow as capital schemes tend to take place at slower pace than planned.

The Sub-Committee were also informed, that no changes to the principles of last year's investment strategy were recommended, no new investments would be made where the primary purpose was yield, due to restrictions in the strategy and that the strategy retained the provision, to allow for the creation of a stand-alone housing company if needed.

In response to discussion and questions from the Sub-Committee, officers informed them that;

- The preference for borrowing had normally been from other Local authorities, but due to the financial situation for other Local authorities, it was more likely that the Public Works Loan Board would be the lender if required.
- It was not possible to clearly set out specific dates where borrowing may be required in 2024/25, as it would be dependent on cash flows which were often determined by decisions outside of the Council. Therefore it was difficult to forecast confidently. It was noted that the amounts in and out were broadly predictable, but it was harder to set specific dates, so constant monitoring was required to ensure that sufficient liquidity was available when required. Officers informed the Sub-Committee that they would produce a future report, providing a cashflow overview to assist with understanding the above issues. However, limited resources and high demand, in the finance team would mean members would need to choose between the regular production of in year cashflow reports and other tasks expected of the team. It was clarified though, that it was an operational role for the S151 Officer to make decisions on investments and borrowings throughout the financial year, in line with the agreed strategies. In-year cashflow forecasts in the view of the s151 were not needed to complete the committee's role.
- If funds were borrowed but then not required due to cash flow at the time, then they would be reinvested to gain a return instead, therefore offsetting interest costs etc.

- There were not any conflicts of interest with the Council's new Treasury Advisors.
- The minimum term for the Public Works Loan Board loan is 1 year. The one-year loans are offered as variable interest rates, with options of either monthly, 3 monthly or 6 monthly interest rate resets. These variable resets are also available for the duration of longer loans which could be 1 year to 50 years. The PWLB offers fixed rate loans of up to 50 years.
- The Council's Treasury advisors had not revised their interest rate assumptions and as a result, it was the view of officers to keep loans short where possible and hope that interest rates reach a more preferable position.
- Unlike the private sector, Local Government debt was not attached to assets, and it was difficult to comment on what would happen to both assets and debts as a result of Local Government Reorganisation.
- A report on risk appetite would be looked at by the Audit and Risk Committee in the future.

**RESOLVED** that the Treasury Management and Investment Strategies be recommended to the Cabinet and Full Council.

*(2.02pm to 3pm)*

## 6. Urgent Business

There were no matters of urgent business.

The meeting closed at 3pm.

Chair