

Information needed	Details
Report To:	Audit and Corporate Governance Committee
Date:	10 th December 2024
Subject:	Treasury Management Assurance Report and Mid-Year Review 2024/25
Chief Officer:	Annabel Scholes - Executive Director of Finance and Commercial (S151 Officer)
Contact Officer:	Chris Holme – Finance Director (Corporate and Strategy)
Ward(s):	N/A
Exempt:	NO
Appendices:	Appendix 1 – Treasury Management Mid-Year Review 2024/25 Appendix 2 – Treasury Management Strategy Update 2024/25

1. Summary and Recommendations

- 1.1 This report sets out provides an update upon the internal review of the Council’s assurance protocols for governance of the treasury management function. The Council’s constitutional processes and procedures are being examined against the updated Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services, the CIPFA Prudential Code for Capital Finance in Local Authorities and the Ministry of Housing, Communities & Local Government (MHCLG) Guidance on Local Government Investments. The report sets out current arrangements and identifies areas that will require confirmation.
- 1.2 Appendix 1 presents the Mid-Year Report. The report has been written in accordance with the above regulatory requirements. It provides details of Slough Borough Council’s (SBC) investment and borrowing activities for the period from 1 April 2024 to 30 September 2024 (the Reporting Period) and highlights any relevant issues.
- 1.3 Appendix 2 provides an update to 2024/25 Treasury Management Strategy, which was included as part of the General Fund Revenue Budget 2025/26 and Medium-Term Financial Strategy Report 2025/26 to 2028/29 report considered by Cabinet at its meeting of the 18th November 2024.

Recommendations:

Audit and Corporate Governance Committee is requested to:

- a. Note the review of the constitutional arrangements for the governance of the treasury management function.
- b. Consider the Treasury Management Mid-Year report for 2024-25, as set out in Appendix 1 to this report, and agree it should be referred to Full Council.
- c. Note the updated 2-24/25 Treasury Management Strategy document as set out in Appendix 2 and refer this to Full Council for approval.

Commissioner Review

The commissioners note the content of this report.

2. Report

Introductory paragraph

2.1. In keeping with best practice, a review into the constitutional arrangements for the governance and assurance of the treasury management function and the current treasury management policy statement is being undertaken. The policy statement sets out the responsibilities of different member bodies, and this has changed over time with different finance leads and the policy statement and aspects of the constitution are not aligned in relation to which member body is responsible for scrutiny and monitoring of the treasury management function. In addition the constitutional rules were written prior to the publication of the latest CIPFA guidance. The intention of the review is to clarify delegation and the reporting framework such that all parties involved are clear as to their responsibilities and that any necessary changes can be made to the Council's constitution. Pending the outcome of that review, and in light of concerns raised by members of the Committee at the last meeting on 13th November, this report provides for Committee's consideration the mid-year review position on treasury management activity during the current financial year (Appendix 1), and an update to 2024/25 Treasury Management Strategy, which was included as part of the General Fund Revenue Budget 2025/26 and Medium Term Financial Strategy Report 2025/26 to 2028/29 report considered by Cabinet at its meeting of the 18th November 2024 (Appendix 2). The CIPFA guidance states that as a minimum, Full Council should receive the following:

(a) annual report on the strategy and plan for the following year.

(b) mid-year review.

(c) annual report on performance of the treasury management function, effects of decisions taken and transactions executed in the past year and any circumstances of non-compliance with policy statement and plan.

2.2 For this reason it is proposed that the mid-year report is referred to Full Council for consideration. In addition this committee raised concerns about some of the content of the treasury management strategy for 2024/25 and these concerns were reported to Full Council. It is therefore appropriate that the updated report is referred to Full Council, even if the amendments are relatively minor in nature.

Options considered

*The option not to refer this report to Audit and Corporate Governance Committee is **not recommended**, as it is important that assurance is provided for the Council on current Treasury Management arrangements, pending review of the governance arrangements.*

In accordance with the agreed Treasury Management Strategy quarterly treasury management updates are required to be reviewed by Audit and Corporate Governance Committee.

3. Background

- 3.1. Under constitutional arrangements, Full Council must approve the Treasury Management Strategy, Capital Strategy and any strategy setting out control of the authority's borrowing, including determining the authority's minimum revenue provision, under the provisions for approving the annual budget. This reflects the legislative requirement for Full Council to approve the budget and policy framework.
- 3.2. Under the current financial procedure rules, Cabinet is responsible for approving a Treasury Management Policy Statement stating the policies and objectives of its treasury management activities based upon the relevant CIPFA Codes. However this is contrary to the constitutional articles and the legislative framework for budget setting. Cabinet will receive reports on its treasury management policies, practices and activities and consideration will be given to whether Cabinet should have authority to make amendments to the policies in-year or whether this is best delegated to the s.151 Officer. Reports to Cabinet will incorporate the prudential borrowing limits and performance indicators. Cabinet will receive information on treasury management as part of its budget monitoring reports, capital programme reports and overall budget setting reports. In addition, treasury management implications should be set out in reports on individual decisions, where relevant.
- 3.3. There are no references to responsibility for Treasury Management in the terms of reference of Audit and Corporate Governance Committee, which are based on the CIPFA model terms of reference, nor the Treasury Management Framework in the Council's Financial Procedure Rules. However, this is not consistent with the reporting requirements as set out in the approved Treasury Management Strategy, nor CIPFA guidance, which recommends that either audit or scrutiny should have responsibility for scrutinising and monitoring performance.
- 3.4. The Council has since 2023 adopted the following reporting arrangements in accordance with the requirements of the Treasury Management Code. This table of responsibility and delegation will be reviewed for the 2025/26 strategy as part of a wider review of the policy, roles and responsibilities.:

Area of Responsibility	Council/Committee/Officer	Frequency
Treasury Management Policy Statement	Full Council	Annually before start of financial year
Treasury Management Strategy/Annual Investment Strategy	Full Council	Annually before start of financial year
Quarterly Treasury Management and Prudential Indicator updates	Audit & Corporate Governance Committee	Quarterly
Updates or revisions to Treasury Management Strategy/Annual Investment Strategy during year	Cabinet (following consideration by Corporate Governance Committee, wherever practical)	Ad hoc
Annual Treasury Outturn Report	Cabinet	Annually by end of September following year end
Treasury Management Practices	Executive Director of Resources	As needed
Review of Treasury Management Strategy/Annual Investment Strategy	Audit & Corporate Governance Committee	Annually before start of financial year and before consideration by full Council, wherever practical
Review of Treasury Management Performance	Audit & Corporate Governance Committee	Annually by end of September following year end

4. CIPFA Guidelines 2021

- 4.1 Cipfa treasury management practice guidance states that the organisation should ensure regular reports are prepared and considered on the implementation of its treasury management policies; the effects of decisions taken and transactions executed in pursuit of those policies; the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and the performance of the treasury management function.
- 4.2 As a minimum, Full Council should receive an annual report on the strategy and plan to be pursued in the coming year, a mid-year review, and an annual report on the performance of the treasury management function.
- 4.3 The Council should determine the delegation of some responsibilities, whether cabinet or a nominated committee, and which will receive regular monitoring reports on treasury management activities and risks. A nominated committee, such as scrutiny or audit committee, should also have responsibility for scrutiny and assurance of treasury management policies and practices.

5. Current Arrangements

- 5.1 In the context of the need to review the extent of delegation of reporting arrangements from Full Council to Cabinet and role of Audit and Corporate Governance Committee it is important that the mid-year review is considered by this Committee first, but clearly needs to be referred to Full Council, as should future treasury management outturn reports. The mid-year review is attached as Appendix

1 to this report. Audit and Corporate Governance Committee is asked to consider the mid-year review report and agree that it be referred to Full Council for their consideration and noting.

- 5.2 Also attached as Appendix 2 is the update of the Treasury Management Strategy 2024/25, that was considered and noted by Cabinet as part of the General Fund Revenue Budget 2025/26 and Medium-Term Financial Strategy Report 2025/26 to 2028/29 report, on the 18th November 2024. The update reflects the reduced asset disposal assumptions, as at September, and the need to redirect capital receipts from the revised capital programme to finance Capitalisation Directions. It is important to note that this does not yet include the outcomes of the asset review which was also presented to Cabinet at the 18th November meeting, but the outcomes of which were not likely to be material for the 2025/26 position. However, they will be included in the main budget and MTFS report to cabinet in January 2025. The Treasury Management Strategy for 2025/26 will be considered by Full Council at its Budget Council meeting in February 2025.
- 5.3 It should also be noted that the Capital Financing Requirement assumptions (setting out the council's underlying need to borrow) remain estimated pending finalisation of the backlog accounts process, and further decisions relating to the capital programme as part of the 2025/26 budget process.
- 5.4 Audit and Corporate Governance Committee is asked to note the updated strategy document. Pending review of the governance arrangements for the Treasury Management Framework, the draft 2025/26 Treasury Management Strategy will be presented to this Committee for review, at its meeting on the 22nd January, prior to February Full Council.

6. Implications of the Recommendation

6.1 Financial implications

- 6.1.1. This report details the current governance framework for treasury management, which now need to be reviewed, and the 2024-25 Mid-Year report is appended. This mid-year review confirms adherence to the Council's strategies for treasury management and investment activity. Recent reduction in the Bank Rate may put pressure on achieving the investment income budget, and this will be closely monitored over the remainder of the financial year. Debt costs are expected to remain within budget based on activity to the end of the reporting period for 2024/25.

6.2 Legal implications

- 6.2.1 The Local Government Act 2003 provides that a local authority has the power both to borrow and invest money, subject to affordable borrowing limits, for any purpose relevant to its functions and for the prudent management of its financial affairs. The Act requires the Council to determine and to keep under review how much money it can afford to borrow. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, provide that, in complying with this duty, the Council must have regard to the Prudential Code for Capital Finance in Local Authorities published by CIPFA. The Council is also required to have regard to the CIPFA Treasury Management Code of Practice. The CIPFA Treasury Management Code of Practice 2021 and the Secretary of State's Investment Code both require the Section 151 officer to present an Annual Treasury Management Strategy

Statement, including key appendices, for the forthcoming year for approval by the Full Council before the beginning of each financial year. The CIPFA Prudential Code for Capital Finance in Local Authorities sets out various indicators that are to be used to support capital expenditure plans and treasury management decisions.

6.3 Risk management implications

6.3.1 Best practice and learning from other local government failures has identified that a failure to properly review and monitor treasury management activity can expose the Council to significant financial risk. It is critical that council adheres to best practice governance and assurance protocols as set out by CIPFA and the MHCLG.

6.3.2 The key risks for future treasury activity are that asset sales either do not generate the expected receipts or are further delayed. The mitigation is using external consultants to ensure best consideration is achieved through a managed asset disposal plan; and interest rates rise thus increasing borrowing costs.

6.4 Environmental implications

6.4.1 There are no specific environmental implications arising from the recommendations.

6.5 Equality implications

6.5.1 There are no specific equalities implications arising from the recommendations.

4. Background Papers

None