

ANGUS COUNCIL

ANGUS COUNCIL – 20 MARCH 2025
SCRUTINY & AUDIT COMMITTEE – 22 APRIL 2025

TREASURY MANAGEMENT STRATEGY STATEMENT 2025/26

REPORT BY IAN LORIMER, DIRECTOR OF FINANCE

1. ABSTRACT

This report seeks members approval of the proposed Treasury Management Strategy for Angus Council for financial year 2025/26. The production of a Treasury Management Strategy Statement for the forthcoming financial year is a requirement of the Treasury Management in the Public Services Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA)

2. ALIGNMENT TO THE COUNCIL PLAN AND COUNCIL POLICIES

Effective Treasury Management maximises the resources available to the council to provide services. The activities undertaken through the council's treasury management processes within the framework of the Treasury Management Strategy therefore contribute as a whole to the local outcomes contained within the Council Plan.

3. RECOMMENDATIONS

3.1 It is recommended that Angus Council:

- (i) Approves the proposed Treasury Management Strategy Statement and Annual Investment Strategy for 2025/26 attached as Appendix A to this report; and
- (ii) Approves the Treasury Prudential Indicators in Appendix A – Annex D (Tables 2, 3 and 4)

3.2 It is recommended that the Scrutiny and Audit Committee:

- (i) Reviews and scrutinise the proposed Treasury Management Strategy Statement and Annual Investment Strategy for 2025/26 attached as Appendix A to this report; and
- (ii) Provides any commentary considered appropriate at this time

4. BACKGROUND

4.1 The need to prepare a Treasury Management Policy Statement and a Treasury Management Strategy Statement is a requirement of the Treasury Management in the Public Services Code of Practice (2021 edition) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The attached Treasury Management Strategy Statement has been prepared in accordance with this Code.

4.2 The purpose of the Treasury Management Strategy Statement is to develop borrowing, investment and debt rescheduling strategies for the forthcoming financial year based on prospects for interest rates. The strategies adopted take account of the current treasury position and treasury limits in force which will limit treasury risk and the treasury activities of the council.

4.3 The Treasury Management Strategy Statement does not sit in isolation however - it is one element in a suite of strategies and reports that includes the capital strategy for 2025/26, as presented at the special Angus Council budget meeting of 27 February 2025 (report 64/25 refers).

5. CURRENT POSITION

- 5.1 The 2025/26 Treasury Management Strategy Statement and Annual Investment Strategy sets out the expected treasury management activities for Angus Council for the forthcoming financial year and is attached at Appendix A for consideration and approval by members.
- 5.2 Although the complete strategy statement document is necessarily lengthy to satisfy the requirements of the Code of Practice, members are asked to note that the core strategy statement is contained in the first 11 pages of Appendix A.
- 5.3 Appendix A also contains a number of Annexes which are required for full compliance with the Treasury Management Code of Practice and as such are necessarily of a more technical nature. In the main however, they contain additional information and explanations of aspects of the core strategy document, except for Annex D which contains statutory indicators that require to be considered and approved by members.
- 5.4 The statutory indicators contained in Annex D are based on the capital budget for 2025/26 as presented to Angus Council on 27 February 2025.

6. PROPOSALS

Changes from the 2024/25 Strategy

- 6.1 No changes from the 2024/25 Strategy in respect of the borrowing aspects are proposed.
- 6.2 No changes to the current investment levels with permitted Counterparties are proposed.

Rate of Return

- 6.3 With regard to levels of income generated from investing surplus cash, the 2024/25 strategy set a rate of return of 4.50%.
- 6.4 As at 31 January 2025, the average rate of return achieved to date was 5.40%. The final rate of return achieved for the 2024/25 financial year will depend on a number of factors including:
- movements in the Bank of England base rate;
 - the borrowing appetite of permitted counterparties;
 - the interest rates offered by those permitted counterparties;
 - the level of cash balances the council has available for investment;
 - and the duration of that investment.

The average rates of return achieved over the previous quarters is demonstrated for information in the following table:

2024/25 Quarter 1 average	5.80%
2024/25 Quarter 2 average	5.39%
2024/25 Quarter 3 average	5.06%
January 2025 average	4.92%
2024/25 average at 31 January 2025	5.40%

- 6.5 For this 2025/26 strategy a target return of 4.35% on investments placed during the financial year is proposed, which is lower than the average rate of return achieved to date in 2024/25. However the UK bank base rate was reduced on 6 February 2025 to 4.50%. and the Markets anticipate one or two further rate cuts in 2025. In anticipation of further base rate cuts and reduced levels of surplus cash, officers consider this target to be achievable, although there are risks attached given the potential future economic uncertainties.

7. IFRS 16 LEASING - UPDATE

- 7.1 IFRS (International Financial Reporting Standard) 16 is a new standard for lease accounting that was due to come into effect on 1 April 2020 but following several delays came into effect for Local Authorities on 1 April 2024. This standard will require lessees to recognise leases on their balance sheet, effectively reflecting the right to use an asset for a period of time and the associated liability for payments. In order to fully comply with IFRS 16 and ensure the council's 2024/25 Annual

Accounts will be prepared in accordance with the standard, all leases (including service contracts) where the council is the lessee (i.e. leasing an asset from a third party) will require to be identified and measured, both in order to establish an initial starting point and on an ongoing basis.

- 7.2 As leases are included in the other long term liability figures which make up the Prudential Indicators set out in Appendix A, it is possible that those Indicators currently proposed will be exceeded. A detailed data gathering exercise has been substantially completed and work is currently being progressed on IFRS16 for inclusion in 2024/25 Annual Accounts. The impact of IFRS16 on leases and the other long term liability figures within the balance sheet will require to be reflected within the future prudential indicators.

8. ROLE OF SCRUTINY AND AUDIT COMMITTEE

- 8.1 The guidance supporting the Treasury Management Code of Practice recommends that each council delegate the role of scrutiny of treasury management strategy and policies to a specific named body or committee. For Angus Council it is the Scrutiny and Audit Committee that undertakes this role. On this basis the committee is recommended to review and scrutinise the 2025/26 Treasury Management Strategy Statement and provide any commentary considered appropriate at this time.

9. FINANCIAL IMPLICATIONS

- 9.1 There are no additional financial implications arising from the recommendations in this report. An effective Treasury Management Strategy does however form a significant part of the council's financial arrangements and its financial wellbeing. For example, the Council's 2025/26 Revenue Budget assumes £1.400 million of income will be generated from the investment of surplus cash by the treasury team.

10. RISK MANAGEMENT

- 10.1 This report does not require any specific risk issues to be addressed that are not already covered above and in the attached Appendix A, however as members may be aware the management of risk is an integral part of the council's treasury management activities.

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 There are no direct environmental implications arising from the recommendations of this report.

12. EQUALITY IMPACT ASSESSMENT, HUMAN RIGHTS AND FAIRER SCOTLAND DUTY

- 12.1 An Equality Impact Assessment is not required as it does not impact on people.

13. CHILDRENS RIGHTS AND WELLBEING IMPACT ASSESSMENT

- 13.1 A Children's Rights and Wellbeing Impact Assessment has been undertaken and a full assessment is not required as the "General Principles" do not apply to this proposal.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

REPORT AUTHOR: Darren OShea Team Leader
EMAIL DETAILS: Finance@angus.gov.uk

List of Appendices:

Appendix A: 2025/26 Treasury Management Strategy Statement and Annual Investment Strategy