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| Report to | Audit Committee |
| Date | 18 March 2024 |
| Lead Officer | Helen MacArthur – Assistant Chief Fire Officer |
| Contact Officer | Helen Howard – Head of Finance and Procurement |
| Subject | Treasury Management Strategy (TMS) 2024-25 |



PURPOSE OF REPORT

- 1 The purpose of this report is to present to Members of the North Wales Fire and Rescue Authority (the Authority) the proposed Treasury Management Strategy for the period April 2024 – March 2025, and provide Audit Committee Members with details and explanations of the proposed Strategy, in order to:
 - i. facilitate Members' support for approval by the Authority on 15 April, and
 - ii. equip Audit Committee Members with a solid foundation for their quarterly monitoring and scrutiny of actual Treasury Management activity during 2024-25.

EXECUTIVE SUMMARY

- 2 The Treasury Management Strategy (the Strategy) shows how the Authority will manage its borrowings (loans from the PWLB) and investments (mainly cash deposits at banks) for the coming year, and sets the policies within which the Treasury Management function operates.
- 3 This Strategy has been developed in conjunction with the revenue and capital budgets for 2024/25, and the Medium-Term Resource Strategy, which was approved by the Authority at its meeting of 22 January 2024, as well as the Capital Strategy, which is also being presented today.

RECOMMENDATIONS

- 4 Members are asked to:
 - i) **endorse the Treasury Management Strategy for 2024/25; and**
 - ii) **recommend approval by the Authority.**

BACKGROUND

- 5 The Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management (the "CIPFA TM Code") requires the Authority to approve the Strategy and Prudential Indicators annually. The Audit Committee is required to review this report before it is approved by the Authority on 15 April 2024.
- 6 The Audit Committee has been tasked with ensuring effective scrutiny of treasury management strategy and performance. Based on its findings, the Audit Committee will make relevant recommendations to the Authority.

INFORMATION

- 7 The Strategy, and associated Prudential Indicators, is contained within Appendix 1 and provides an overview of the Authority's approach to borrowing to fund the capital expenditure plans. The Strategy also incorporates the approach to the management of investments, although Members should note that this incorporates the management of short-term surplus cash only.
- 8 Treasury Management involves looking after the Authority's cash, which is a vital part of the Authority's work, as approximately £46m passes through the Authority's bank account every year.
- 9 During the year, the Authority has had varying levels of cash available to invest, in the short term, ranging for £3m - £12m, in 2023/24. Consequently, it needs to make sure that the optimal rate of return is achieved without exposing the cash to undue risk. Risk is minimised by diversification, meaning that the Authority's money is invested with a number of financial institutions.
- 10 When investing, the Authority will adhere to the following 'SLY' principles. The order of these three principles is important, with Security being the overriding priority.
 - **Security:** Keeping money safe
 - **Liquidity:** Ensuring that money is available when it is needed
 - **Yield:** Achieving a decent rate of return
- 11 The Authority will continue to borrow to fund capital expenditure. For 2024/25, borrowing of £5.676m is estimated, to fund the capital expenditure. It is expected that this will increase the borrowing to £24.493m by 31 March 2025 (March 2024 estimate: £20.787m).

- 12 It is estimated that the interest on current and new loans for 2024/25 will be £0852m. Interest rates for new loans have been forecast at 5.25%.
- 13 The Authority is supported through the use of professional advisors, Arlingclose, who provide advice and guidance in relation to treasury management activities.
- 14 The Capital Prudential indicators will be reported as part of the Capital Strategy.

IMPLICATIONS

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| Wellbeing Objectives | This report links to the Authority's long-term well-being objectives by ensuring that the purchase of assets to support front line service delivery is prudent, affordable and sustainable. The Capital Strategy is designed to ensure that there is sufficient investment in infrastructure to enable the service to provide emergency responses and prevention work well in to the future. |
| Budget | The strategies link to the revenue and capital budget setting which considers longer term affordability |
| Legal | The regulatory framework is set out in the appendices to the report. |
| Staffing | None |
| Equalities/Human Rights/Welsh Language | None |
| Risks | The reports set out the financial risks associated with borrowing and investment activities. |