

Appendix B

Revised Treasury Management Strategy Statement for 2024/25

Summary

1. A Treasury Management Strategy (TMS) for the 2024/25 year was approved by Full Council at their meeting of 20th February 2024.
2. Part of the guidance regarding the TMS is that if there is a significant change in circumstances, and in particular if there are changes to the prudential indicators, then the revisions to the TMS should be approved by Full Council during the financial year.
3. When the current TMS was developed, the Gravity project with respect to the creation of a gigafactory near Puriton, had not reached sufficient development such that the Treasury implications of the project could be included in the TMS. Officers now believe that this project is sufficiently advanced that a revised TMS should be considered.
4. The majority of the original TMS is still fit for purpose. However, it is envisaged additional borrowing by the Council will be required to support the capital expenditure on the infrastructure elements of the Gravity project that the Council is proposing to undertake. It is anticipated that the costs of this additional borrowing will be covered by Government support until such time that the Gravity site generates business rates that should support the costs in the long term.
5. The need for the Council to take additional debt means that there is no longer sufficient head room in certain prudential indicators that were approved as part of the current TMS for 2024/25. This report sets out new prudential indicators. The rest of the current TMS will remain in force.

Links to Council Plan and Medium-Term Financial Plan

6. Treasury Management supports the range of business and service level objectives that together help to deliver the Somerset County Plan.

Financial and Risk Implications

7. The TMS is the Council's document that sets out strategy and proposed activities to conduct Treasury Management activity while mitigating risks. The risks associated with the Gravity project are covered in other reports.

Legal Implications

8. Treasury Management must operate within specified legal and regulatory parameters as set out in the summary, and in more detail in the Treasury Management Practices (TMPs).

HR Implications

9. There are no HR implications.

Equalities Implications

10. There are no equalities implications.

Community Safety Implications

11. There are no community safety implications.

Climate Change and Sustainability Implications

12. There are no climate change or sustainability implications.

Health and Safety Implications

13. There are no health and safety implications.

Health and Wellbeing Implications

14. There are no health and wellbeing implications.

Social Value

15. Not applicable

Background

16. In the current TMS the following table was provided to give an indication of the debt needs for the Council for the period of the 3 year MTFP.

Table 1 - External Debt and the Capital Financing Requirement (CFR)

	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Gross projected debt	823.2	867.1	893.0	939.7
CFR	1,079.3	1,098.4	1,097.7	1,116.9
Under/(Over) Borrowing	256.1	231.3	207.7	177.2

17. In addition to the Gross projected debt above it is anticipated that the following additional debt will be taken with respect to the Gravity project:

- £40m in 2024/25 financial year
- £46m in 2025/26 financial year (cumulative total of £86m)
- £22m in 2026/27 financial year (cumulative total of £108m)
- A further £27m in the two years beyond the current MTFP period to total £135m

18. The addition of this extra debt means that the following Prudential indicators adopted as part of the current TMS no longer give sufficient head room that officers are confident we will not breach the operational boundary.

Table 2 – Operational Debt Boundary and Authorised Debt Limit adopted 20 February Full Council*

	2023/24 limit £m	2024/25 limit £m	2025/26 limit £m	2026/27 limit £m
Operational boundary:				
Borrowing	1,004.4	950.0	980.0	1,030.0
PFI	79.3	35.0	33.0	32.0
Operational boundary – total debt	1,083.8	985.0	1,013.0	1,062.0
Authorised limit:				
Borrowing	1039.4	1,000.0	1,030.0	1,080.0
PFI	84.3	35.0	33.0	32.0
Authorised limit– total debt	1,123.7	1,035.0	1,063.0	1,112.0

*Includes borrowing for both General Fund and HRA

Revised Authorised limit and Operational Boundary

19. The Council is required to set an authorised limit and an operational boundary for managing external debt. The authorised limit is the maximum external debt (net of investments) that may be incurred in the specified years. The operational boundary differs from the authorised limit in that it is based on expectations of the maximum external debt according to probable, not all possible events. The operational boundary has been set to be in line with the CFR and is therefore consistent with the maximum level of external debt projected in the Capital Strategy.

Table 3 – Revised Operational Debt Boundary and Authorised Debt Limit*

	2023/24 limit £m	2024/25 limit £m	2025/26 limit £m	2026/27 limit £m
Operational boundary:				
Borrowing	1,004.4	1,000.0	1,075.0	1,150.0
PFI	79.3	35.0	33.0	32.0
Operational boundary – total debt	1,083.8	1,035.0	1,108.0	1,182.0
Authorised limit:				
Borrowing	1039.4	1,050.0	1,125.0	1,200.0
PFI	84.3	35.0	33.0	32.0
Authorised limit– total debt	1,123.7	1,085.0	1,158.0	1,232.0

*Includes borrowing for both General Fund and HRA

20. These new limits are slightly higher than the current values plus the anticipated debt required for Gravity. This is to accommodate any slight alterations to the current drawdown schedule.

Background papers

Treasury Management Strategy (TMS) for the 2024/25 year approved by Full Council meeting of 20th February 2024. [Treasury Management Strategy 2024-25.pdf](https://www.somerset.gov.uk/sites/default/files/2024-02/Treasury_Management_Strategy_2024-25.pdf) ([somerset.gov.uk](https://www.somerset.gov.uk))