

Decision Report/Audit Report

Committee: Audit

Meeting Date – 30 January 2025

Key Decision – No



Medium Term Financial Reports: Treasury Management Strategy & Policy 2025/26; Flexible Use of Capital Receipts 2025/26 and MRP Policy 2024/25 and 2025/26

Chair of Committee: Mike Hewitson, Chair of Audit Committee

Executive Member(s): Cllr Liz Leyshon Deputy Leader of the Council and Lead Member for Finance, Procurement and Performance

Local Member(s) and Division(s) affected: All

Executive Director: Maria G. Christofi Interim Chief Finance Officer (Section 151 Officer)

Executive Summary

1. The report sets out the Treasury Management Strategy (TMS) and Capital Receipts Flexibility and Efficiency Strategy for Somerset Council for 2025/26. It also includes a Minimum Revenue Provision (MRP) Policy for 2024/25 and 2025/26.
2. The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services Code of Practice revised Edition (CIPFA TM Code) requires that the Treasury Management Strategy is considered by the Audit Committee ahead of being approved by Council as part of the Budget Framework each year. It is considered good practice for the MRP Policy and Flexible Use of Capital Receipts Policy to be considered collectively with the Treasury Management Strategy.

Recommendations

3. The Audit Committee review and consider any comments and feedback to the Executive on the following documents ahead of them being considered by the Executive and recommended to Council at its Budget Setting meeting:
 - 1.1 Treasury Management Strategy for 2025/26, including the prudential Treasury Indicators set out in **Appendix A**;
 - 1.2 MRP Policy for 2024/25 and 2025/26 as set out in **Appendix B**;
 - 1.3 Flexible Use of Capital Receipts Policy for 2025/26 as set out in **Appendix C**.

Reasons for Proposals

4. The Treasury Management Policy, MRP Policy and the Flexible Use of Capital Policy are key elements of the Budget Framework. Full Council will be asked to consider and approve these documents at its Budget setting meeting following a review by Audit Committee and approval by the Council's Executive.

Main report and supporting information

Background and purpose of report

5. The purpose of this report is for the following strategies and policies to be reviewed:

Treasury Management Strategy

6. The Council's Treasury Management Strategy is prepared in accordance with government regulations and the CIPFA TM Code. It is a comprehensive framework designed to ensure the effective and efficient management of public funds. It encompasses policies, procedures, and guidelines that govern the investment, borrowing, and financial risk management activities of the local authority. The primary objectives of the strategy are to safeguard public money, followed by maintaining liquidity and then achieving optimal returns but not at the expense of security and liquidity as required by Government regulations..
7. **Appendix A** sets out the Treasury Management Strategy 2025/26 for approval.

Minimum Revenue Provision Policy

8. The Minimum Revenue Provision (MRP) policy is prepared in accordance with the Local Authorities (capital finance and accounting) (England) Regulations 2003 (the Regulations), and the CIPFA Prudential Code for Capital Finance in Local Authorities. It is a vital financial component of the Budget Framework that ensures the prudent management and repayment of debt over the long term. The Regulations mandate that local authorities set aside funds each year in a prescribed way in order to cover the future repayment of their total borrowing, thus maintaining fiscal responsibility and budgetary sustainability. The repayment of borrowing is revenue cost to the General Fund budget.
9. **Appendix B** sets out the MRP Policy the Council for 2024/25 and 2025/26.

Capital Receipts Flexibility and Efficiency Strategy

10. With effect from 2016/17 Local Authorities have had the option to use up to 100% of capital receipts to fund revenue costs of transformation projects and release savings as detailed in the Local Government Act 2003 Sections 16(2)(b) and 20. In December 2024 within the Provisional Finance Settlement the Government extended the period for which Flexible Use of Capital Receipts regulations can be applied up to 2030. They also relaxed the rules around the

eligibility of redundancy costs to enable the inclusion of non-statutory redundancy costs from 2025/26.

11. **Appendix C** sets out the proposed Capital Receipts Flexibility and Efficiency Strategy for 2025/26 and the projects that are proposed to be funded by the flexibility.

Links to Council Plan and Medium-Term Financial Plan

12. Treasury Management Strategy, MRP Policy and Capital Receipts Flexibility and Efficiency Strategy form key elements of the Budget Framework alongside the MTFP and underpin the delivery of the Somerset Council Plan.

Other options considered

13. The adoption of the Treasury Management Policy, MRP Policy and Capital Receipts Flexibility and Efficiency Strategy are regulatory requirements in setting the Council's Budget Framework each year, therefore there is no alternative option.

Key considerations for the Council

Scrutiny comments/recommendations:

14. The Audit Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies in accordance with the CIPFA TM Code. It is currently anticipated that this TMS, MRP Policy and Capital; Receipts Flexibility and Efficiency Strategy will be presented to the Committee for review on 30 January 2025. The Audit Committee is also responsible for monitoring the implementation of these policies and activity, once agreed

Consultation and feedback

15. There has been no public consultation on this paper.

Financial and Risk Implications

16. The Treasury Management Policy, MRP Policy and Flexible Use of Capital Policy set out the strategy and proposed activities and conduct while mitigating risks.

Legal and Procurement Implications

17. Treasury Management, MRP and Flexible Use of Capital must operate within specified legal and regulatory parameters as set out in the summary.

HR / Workforce Implications

18. There are no specific HR/Workforce implications arising from this report.

Equalities Implications

19. There are no specific equalities implications arising from this report.

Community Safety Implications

20. There are no community safety implications arising from this report.

Climate Change and Sustainability Implications

21. There are no climate change and sustainability implications arising from this report.

Health and Safety Implications

22. There are no health and safety implications arising from this report.

Health and Wellbeing Implications

23. There are no health and wellbeing implications arising from this report.

Social Value

24. There are no social value implications arising from this report.

Background Papers

- Local Government Act 2003 – Guidance under section 15(1)(a) 3rd edition, effective from 1 April 2018
- CIPFA ‘treasury management in the Public Services’ Code of Practice 2021
- CIPFA prudential Code for Capital Finance in Local Authorities 2021

Appendices

- Appendix A – Treasury Management Strategy 2025/26
- Appendix B – Minimum Revenue Provision Policy 2024/25 and 2025/26
- Appendix C – Capital Receipts Flexibility and Efficiency Strategy 2025/26

**Report assurance checklist ahead of report publication
(for Audit, Executive, Full Council and Scrutiny Committees)**

	Officer Name	Date Completed
Legal & Governance Implications	Jill Byron	24/01/2024
Finance & Procurement	Nicola Hix	23/01/2024
Workforce (*)	Dawn Bettridge	N/A
Asset Management (*)	Simon Lewis	N/A
Executive Director	Maria G Christofi	24/01/2024
Executive Lead Member	Cllr Liz Leyshon	24/01/2024
Consulted:		
Local Division Members	N/A	N/A
Opposition Spokesperson(s)	Cllr Mandy Chilcott Deputy Leader of the Opposition and Opposition Spokesperson for Resources and Performance	
Relevant Scrutiny Chair	Cllr Steven Pugsley, Chair – Scrutiny Corporate and Resources	

Note:

Directors may nominate additional officers to act on their behalf

(*) – these areas only need to be consulted on proposals if the proposals have workforce or asset management implications

Reports will not be published if assurance checklist has not been adequately completed – report author to liaise with Democratic Services well ahead of publication deadline