

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 3 February 2025

Portfolio:	Policy and Resources
Subject:	Treasury Management Strategy and Prudential Indicators
Report of:	Assistant Director (Finance and ICT)
Corporate Priorities:	Responsive, Inclusive and Innovative Council

Purpose:

This report considers the draft Treasury Management Strategy and Investment Strategy for 2025/26, prior to its submission to the Council for approval.

Executive summary:

Regulations require the Council to prepare and formally approve both an annual Treasury Management Strategy and Investment Strategy. The latest document updated for 2025/26 is attached as Appendix A to this report for consideration by the Executive before being submitted to Council for approval.

In the past 12 months, the Council's **investment** balance has ranged between £18 million and £32 million, lower levels are expected in the forthcoming year due to capital programme expenditure. The Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

Borrowing levels are expected to be £71.3 million at the end of 2025/26, compared to £72.3 in the last strategy. The Council has previously raised all of its long-term borrowing from the Public Works Loan Board (PWLB) but will consider long-term loans from other sources.

The Ministry for Housing, Communities and Local Government (MHCLG) has issued a consultation on the extension of the statutory override on accounting for **gains and losses on pooled investment funds**. The outcome is expected to be published in February 2025. Whether the override will be extended beyond 31 March 2025 is unknown.

The Council has set up a **reserve of £500,000** to mitigate the impact of the pooled funds statutory override not being extended as unrealised losses on pooled investment funds are required to be recognised in the General Fund. The actual

impact will be based on the valuations of the Council's long term pooled funds on 31 March 2026.

Recommendation:

It is recommended that the Executive:

(a) endorses the draft Treasury Management Strategy and Investment Strategy for 2025/26, attached as Appendix A to this report; and

(b) agrees to submit the Strategy to Council for approval.

Reason:

In accordance with the Code of Practice for Treasury Management in the Public Services and guidance from the Ministry for Housing Communities and Local Government (MHCLG), the Treasury Management Strategy and Investment Strategy have to be approved by full Council.

Cost of proposals:

Not applicable.

Appendices: **A:** Treasury Management Strategy and Investment Strategy 2025/26

Background papers: None

Reference papers:

Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services 2021

CIPFA The Prudential Code 2021

Statutory Guidance on Local Government Investments issued under section 15(1)(a) of the Local Government Act 2003 from the Ministry of Housing, Communities and Local Government (MHCLG)

Template for Treasury Management Strategy and Investment Strategy 2025/26 provided by Arlingclose (the Council's Treasury Advisers)

MHCLG Consultation on the IFRS 9 Pooled Fund Statutory Override – December 2024

Enquiries:

For further information on this report please contact Caroline Hancock (01329 824589)