

AVON FIRE AUTHORITY

MEETING:	Avon Fire Authority
MEETING DATE:	Monday, 19 February 2023
REPORT OF:	Statutory Finance Officer
SUBJECT:	Treasury Management Strategy, including Prudential and Treasury Management Indicators and MRP Policy Statement.

1. **SUMMARY**

The proposed Treasury Management Strategy for the period 2024/2027 is included at **Appendix 1**. This strategy is based on the previously approved 2023 / 2026 Treasury Management Strategy and provides an updated position for the Fire Authority. As a number of Treasury Management activities are completed by Bristol City Council (BCC), as part of the Financial Services Contract, the Treasury Management Strategy closely follows, and is informed by, the criteria and processes adopted by BCC in some areas.

The Chartered Institute for Public Finance and Accounting (CIPFA) recommends that an organisation publishes its Treasury Management Practices to define its treasury management powers and the scope of its treasury management activities. These are presented in **Appendix 2**. CIPFA allows the monitoring of these practices and accompanying schedules to be delegated to the responsible officer, but requires scrutiny and approval to be provided by the responsible body.

2. **RECOMMENDATIONS**

The Fire Authority is asked to:

- a) Approve the Treasury Management Strategy for 2024/25 - 2026/27 (**Appendix 1**).
- b) Approve the Treasury Management Practices (**Appendix 2**) and delegate monitoring of these Practices to the Statutory Finance Officer.
- c) Approve the Minimum Revenue Provision Statement 2024/25 (**Appendix 3**)
- d) Approve the Prudential & Treasury Management Indicators (**Appendix 4**).

3. BACKGROUND

3.1 Treasury Management is defined by CIPFA as “the management of the organisation’s borrowings, investments and cash flows, its banking, money market and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

3.2 The majority of the Treasury Management functions are undertaken on behalf of the Fire Authority by BCC, working with the Head of Finance and the Statutory Finance Officer, in accordance with the terms of the Financial Services Contract. BCC provides a number the financial indices and the financial forecasts which support this Treasury Management Strategy. Whilst BCC provide the Fire Authority with Treasury Management services, the Fire Authority has overall responsibility for the implementation and regular monitoring of its Treasury Management policies and practices. The Fire Authority does not engage BCC in the capacity of a Treasury Management Advisor or Consultant. Should the Authority require these services, it would need to appoint an external specialist.

4. FINANCIAL IMPLICATIONS

The Treasury Management Strategy is driven by the 2024/2027 Capital Strategy and Programme, with external borrowings projected to fund the majority of planned capital expenditure from 2025/2026.

Summary of 2024/27 Capital Strategy

Funding and Expenditure	2024/25 Programme £'000	2025/26 Programme £'000	2026/27 Programme £'000	Total Programme £'000
Capital Receipt from fleet disposals	25	25	25	75
Capital Reserve	4,959	134	-	5,093
Contribution from Revenue	500	-	-	500
Prudential borrowing	-	9,781	18,855	28,636
Total Funding	5,484	9,940	18,880	34,304
Premises	2,805	5,700	17,400	25,905
Operational Equipment	100	110	120	330
Fleet	1,499	1,800	1,000	4,299
ICT	300	330	360	990
Transformation	50	-	-	50
Control	730	2,000	-	2,730
Total Expenditure	5,484	9,940	18,880	34,304

5. KEY CONSIDERATIONS

5.1 To ensure effective Treasury Management, the Fire Authority develops and maintains:

- An annual Treasury Management Strategy.
- A Treasury Management Policy Statement.
- Suitable Treasury Management practices, setting out the manner in which the Fire Authority will seek to achieve those policies and objectives and outlining how it will manage and control those activities.
- A Minimum Revenue Provision Statement.
- Prudential and Treasury Management Indicators

This information is shown within **Appendices 1 - 4**.

5.2 With the Authority expecting to undertake external borrowing from 2025/26 (for the first time since 2015), a review of available internal funding sources, particularly with regards to reserves has been completed during 2023/24. The Authority recognises the pressure additional borrowing places on the revenue budget each year, and plans to utilise all internal sources of funding before seeking external borrowing to fund the Capital Programme. The Authority is proposing a contribution from the 2024/25 revenue budget to capital reserves to delay and reduce the level of borrowing required. This aims to assist the Authority in taking advantage of borrowing rates that are expected to reduce over the coming years.

5.3 Investment returns are expected to be similar to the levels in 2024/25. However, the Authority is reducing its cash balances, through utilisation of the earmarked capital reserve, to fund the Capital Programme in 2024/25. As a result, the Authority is expecting to see reduced levels of investment returns, through the arrangements in place with BCC. The Authority is not expecting to have sufficient cash balances to place any funds on fixed term deposit during 2024/25.

6. RISKS

6.1 The Fire Authority has the power to invest to finance its Capital Programme, but the Prudential Code makes it clear the authority is responsible to ensure all capital, investment plans and borrowing are prudent, affordable and sustainable. This risk will be managed in accordance with the strategy and with advice sought from the external Treasury Management advisors, or BCC, as required. This is consistent with the existing controls and planned mitigating actions relating to this risk (CR20 – Funding and Resource Pressures) in the Corporate Risk Register. The Statutory Finance Officer will act in accordance with the Authority's policy statement; Treasury Management practices and CIPFA's Standard of Treasury Management in the public services.

7. LEGAL/POLICY IMPLICATIONS

- 7.1 The Authority is required by section 15(1)(a) of the Local Government Act 2003 to have regard to such guidance as the Secretary of State may issue; and to the code of practice contained in the document entitled “Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes” published by CIPFA.
- 7.2 Under section 12 of the Local Government Act 2003 the Authority has the power to invest for “any purpose relevant to its functions” and “for the purposes of the prudent management of its financial affairs”.
- 7.3 The Fire Authority must determine its Treasury Management decisions prudently and comply with the CIPFA Prudential Code for Local Authorities (2021) and the revised CIPFA Code of Practice for Treasury Management in the Public Services (2021).

8. BACKGROUND PAPERS

- a) 2023 / 2026 AFA Treasury Management Strategy – AFA 17.02.2023 Paper 9
- b) CIPFA Code of Practice for Treasury Management in the Public Services

9. APPENDICES

1. Treasury Management Strategy 2024/25 – 2026/27
2. Treasury Management Practices
3. Minimum Revenue Provision Statement 2024/25
4. Prudential and Treasury Management Indicators

10. REPORT CONTACT

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