

CHESHIRE FIRE AUTHORITY

MEETING OF: CHESHIRE FIRE AUTHORITY
DATE: 14 FEBRUARY 2024
REPORT OF: HEAD OF FINANCE
AUTHOR: JAMES CUNNINGHAM

SUBJECT: TREASURY MANAGEMENT STRATEGY
2024-25

Purpose of Report

1. This report seeks approval of the Treasury Management Strategy for the year 2024-25. This is a requirement of the Local Government Act 2003, the Department of Levelling Up, Housing and Communities (DLUHC) Investment Guidance, DLUHC Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

Recommended: That Members

- [1] approve the Treasury Management Strategy for 2024-25 (in doing so Members are confirming the Authorised Limit at paragraph 5.2.7 of the Strategy).

Treasury Management Strategy for 2024-25

2. The Treasury Management Strategy which is attached to this report in Appendix 1 is a comprehensive document, this report seeks to summarise the key points from the 4 elements of the strategy:
 - Capital Expenditure Plans and Prudential Indicators
 - Borrowing Strategy and Prudential Limits
 - Annual Investment Strategy
 - Minimum Revenue Provision (MRP) Statement
3. **Capital expenditure** continues with fleet replacement, station modernisation and house modernisation programmes. Placeholder estimates for Ellesmere Port and Warrington Fire Station rebuilds (£16m in total) have been added to 2026-28; it is envisaged that these will be funded through capital receipts, reserves and further external borrowing (£9m).
4. **Borrowing Strategy** means how we manage short term and long term debt and internal funding to minimise the risk of being tied to higher than necessary fixed rate long term debt, so that we do not overstretch our resources. Given current interest rates are relatively high and it is forecast that these will reduce over the next two years, we intend to fund capital projects in the short term through a mix of internal borrowing, cash, reserves and short term external borrowings. Our

current Capital Financing Requirement (CFR) is £25m, against actual debt of £11.6m. We envisage extending our net borrowing this year by up to £6.5m, to cover Crewe Fire Station and the continuation of the house modernisation programme. We are monitoring PWLB rates and will take additional long term debt to meet our CFR when most prudent.

5. The Authorised limit for external debt for 2024/25 is to be set at £23.3m. Please note that this is below the CFR and we will need to extend the limit in future years. The operating boundary for debt is set at £21.3m and increases to £25m in 2026/27. We have adjusted the allowable ratio on short term borrowing, upto 25% of total loan portfolio can be under 2 years maturity, in order to manage interest rate risk.
6. **Annual Investment Strategy** means what do we do with the cash on hand. We look for security, liquidity and yield in that order. At 2nd Jan 2024 we had £13.3m held in approved bank accounts or short term notice accounts (35 days). We will: continue to use our external treasury management advisors to monitor our counter parties credit worthiness (security), continue to hold money on short notice, after cashflow reviews (liquidity) and interest rates obtained are averaging 5.5% (yield). We continue to operate within the parameters previously approved. Forthcoming capital expenditure will see cash diminish in the year.
7. **Minimum Revenue Provision (MRP) Statement** means the mechanism by which we ensure we have both sufficient cash to repay our loans at maturity and that we don't overstretch our resources. The MRP is currently £0.7m this year and will rise to £1.1m in 2027-28, based on estimates of the forecast borrowing required to meet future capital requirements, effectively 1.8% of our forecast revenue budget in 2027-28 will be used to pay our loans.

Treasury Management Performance Reporting

8. We will continue to report on treasury management, in accordance with both the requirements of the Prudential Code and the CIPFA Code for Treasury Management in the Public Services through: a mid year report (Dec CFA meeting), an annual Treasury management report (April CFA meeting) and 2 quarterly updates to the Performance and Overview Committee.

Legal Implications

9. The approval of the Treasury Management Strategy is a legal requirement. It provides officers with a clear framework within which to operate.

Financial Implications

10. The report is financial in nature.

Equality and Diversity Implications

11. There are no specific impacts identified on any section of our community in relation to this report.

Environmental Implications

12. There are no specific environmental implications identified in relation to this report.

**CONTACT: DONNA LINTON, GOVERNANCE AND CORPORATE PLANNING MANAGER
TEL [01606] 868804**

BACKGROUND PAPERS: NONE