



REPORT TO:	Governance and Audit Committee
DATE:	Thursday, 18 July 2024
SUBJECT:	Annual Treasury Report 2023/24
PURPOSE:	To provide Members with a review of Treasury Management performance and activity during 2023/24 to ensure best practice is maintained.
KEY DECISION:	No
PORTFOLIO HOLDER:	Portfolio Holder for Finance
REPORT OF:	Christine Marshall – Deputy Chief Executive (Corporate Development) & S151
REPORT AUTHOR:	Sean Howsam, Interim Treasury & Investment Manager (PSPSL)
WARD(S) AFFECTED:	None directly
EXEMPT REPORT?	No

SUMMARY

Attached at **Appendix A** is the Annual Treasury Report detailing the Council's activities and actual prudential and treasury indicators for 2023/24. It covers the following areas;

- An economic update for the 2023/24 financial year;
- A review of the Council's investment portfolio for 2023/24;
- A review of the Council's borrowing strategy for 2023/24;
- Debt position;
- Compliance with Treasury and Prudential indicators.

This Report refers to a key element of the Council's Governance Framework and represents an important contribution to the evidence trail in support of the Annual Governance Statement 2023/24.

RECOMMENDATIONS

That the Governance and Audit Committee scrutinise the Annual Treasury Report 2023/24 at **Appendix A** and make any comments for consideration by Council when they consider this document for approval at their meeting on 31 July 2024.

REASONS FOR RECOMMENDATIONS

The Council is required to produce an Annual Treasury Report after the end of each financial year in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management.

OTHER OPTIONS CONSIDERED

As this is an update report there are no other further options for consideration.

1. BACKGROUND

- 1.1 The Council approved its Treasury Management Strategy for 2023/24 on 2 March 2023. This report now provides the Annual Treasury Management Review 2023/24 (**Appendix A**) for Governance and Audit Committee to make any comments for consideration by Council when they consider this document for approval at their meeting on 31 July 2024.

2. REPORT

- 2.1 General Fund capital expenditure for 2023/24 was £7.006m which was financed from grants and contributions, capital reserves, direct revenue financing and internal borrowing. Housing Revenue Account capital expenditure for 2023/24 was £16.547m which was financed from capital receipts, the major repairs reserve, grants and contributions and direct revenue financing.
- 2.2 As at 31 March 2024, treasury investment balances were £28.6m compared with £38.5m the previous year and non-treasury investment balances were £11.1m compared with £10.1m the previous year. All treasury investments will mature in less than one year. The non treasury investments are long term equity investments in South Holland Local Housing Community Interest Company and Welland Homes and loans to Welland Homes which are classified in the financial statements as long term debtors.
- 2.3 The following table provides a comparison of actual investment income received compared to the original budget.

Category	2023/24 Budget	2023/24 Actual	2023/24 Variance
Interest Received General Fund	(1,183,600)	(1,510,842)	(327,242)
Interest Received Housing Revenue Account	(677,200)	(895,362)	(218,162)
TOTAL	(1,860,800)	(2,406,204)	(545,404)

- 2.4 The combined rate of return on the Council's investments averaged 5.17% for the 2023/24 financial year.
- 2.5 The Council paid interest totalling £2.35m on its HRA fixed rate borrowing for the year.
- 2.6 A full review of the economy and interest rates is detailed in Section 8 of **Appendix 'A'**.
- 2.7 The Council's Investment Policy and Strategy is kept under constant review with the aim of balancing risk and reward. The investment criteria agreed for 2023/24 permitted investments with banks whose parent bank originates from a country with a sovereign rating of A+ or higher and meets Link Groups counterparty investment criteria.
- 2.8 The Council's 2023/24 accounts are subject to external audit which may result in some amendments to the figures being reported in this Annual Report.

3. CONCLUSION

- 3.1 This report provides a review of treasury management performance for the financial year 2023/24 to Members to ensure best practice is maintained as required by the CIPFA Code of Practice for Treasury Management.

4. EXPECTED BENEFITS TO THE PARTNERSHIP

- 4.1 None

5. IMPLICATIONS

5.1 SOUTH AND EAST LINCOLNSHIRE COUNCILS PARTNERSHIP

- 5.1.1 None

5.2 CORPORATE PRIORITIES

- 5.2.1 None

5.3 STAFFING

- 5.3.1 None

5.4 CONSTITUTIONAL AND LEGAL IMPLICATIONS

- 5.4.1 The General Power of Competence in the Localism Act 2011 allows Councils a broad freedom in their operations.
- 5.4.2 Councils have the general power to borrow under Section 1 of the Local Government Act 2003.
- 5.4.3 The power to invest is set out in the Local Government Act 2003, Section 12, which gives the Council the power to invest for any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs.
- 5.4.4 The power that allows councils to spend for capital purposes is included in the Local Government Act 2003.

5.5 DATA PROTECTION

5.5.1 None

5.6 FINANCIAL

5.6.1 The financial implications are covered in detail in **Appendix A** to this report and in section 2 above.

5.6.2 By making the investment criteria relating to financial institutions stringent, the Council receives lower rates of return. The Council therefore aims to strike a balance between risk and reward when considering its portfolio of investments. Treasury Management is a key financial consideration for the Authority especially in respect of its investment returns and Capital Programme.

5.7 RISK MANAGEMENT

5.7.1 The Code of Practice sets out the framework for controlling the risks associated with treasury management decisions for borrowing and investing. Ultimately investment and borrowing decisions are made in accordance with the Council's Treasury Management Strategy. The overriding priority is that the security of a deposit takes precedence over a return on investment.

5.7.2 The Prudential and Treasury Indicators control the limits for investing and borrowing, to ensure that any borrowing is affordable and sustainable and long term borrowing is for capital purposes only.

5.8 STAKEHOLDER / CONSULTATION / TIMESCALES

5.8.1 The Portfolio Holder for Finance, Commercialisation and Partnerships is briefed on treasury performance on a regular basis.

5.9 REPUTATION

5.9.1 The security of investments is the Council's main priority when investing surplus cash.

5.10 CONTRACTS

5.10.1 None

5.11 CRIME AND DISORDER

5.11.1 None

5.12 EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING

5.12.1 None

5.13 HEALTH AND WELL BEING

5.13.1 None

5.14 CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

5.14.1 None

5.15 LINKS TO 12 MISSIONS IN THE LEVELLING UP WHITE PAPER

5.15.1 None

6. ACRONYMS

- 6.1 bps – basis points
CFR – Capital Financing Requirement
CIPFA - Chartered Institute of Public Finance and Accountancy
CPI - Consumer Price Index
DLUHC - Department for Levelling Up, Housing and Communities
ECB - European Central Bank
EU – European Union
EZ - Eurozone
FOMC - US Federal Open Market Committee
GDP – Gross Domestic Product
GF – General Fund
HRA – Housing Revenue Account
MPC - Monetary Policy Committee
MRP – Minimum Revenue Provision
PWLB - Public Works Loan Board
SONIA - Sterling Overnight Index Average
VRP – Voluntary Revenue Provision
y/y – Year on Year

APPENDICES

Appendices are listed below and attached to the back of the report: -

APPENDIX A	Annual Treasury Management Review 2023/24
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BACKGROUND PAPERS

Background papers used in the production of this report are listed below: -

Document title	Where the document can be viewed
Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.	CIPFA website
SHDC Treasury Management Strategy Statement for 2023/24	(Public Pack)Agenda Supplement Agenda Supplement for South Holland District Council, 02/03/2023 18:30 (sholland.gov.uk)

CHRONOLOGICAL HISTORY OF THIS REPORT

A report on this item has not been previously considered by a Council body for the 2023/24 financial year.

REPORT APPROVAL	
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Approved for publication:	Portfolio Holder for Finance