

Governance and Audit Committee



SOUTH
KESTEVEN
DISTRICT
COUNCIL



Tuesday, 24 September 2024 at 2.00 pm
Council Chamber - South Kesteven House, St. Peter's Hill,
Grantham. NG31 6PZ

Committee Members: Councillor Tim Harrison (Chairman)
Councillor Helen Crawford (Vice-Chairman)

Councillor Bridget Ley, Councillor Charmaine Morgan, Councillor Rob Shorrocks,
Councillor Peter Stephens, Councillor Paul Stokes, Councillor Mark Whittington and
Councillor Sue Woolley

Agenda Supplement

7. **Treasury Management Activity Updates** (Pages 3 - 10)
Update on treasury and debt management operations during the financial year.

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COUNCIL**

Governance and Audit Committee


Date 24 September 2024

Report of Councillor Ashley Baxter
Leader of the Council and Cabinet
Member for Finance, HR and Economic
Development

2024/25 Quarter 1 Treasury Management Activity

Report Author

Paul Sutton, Interim Assistant Director of Finance and Deputy S151 Officer

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Purpose of Report

This Council is required by regulations issued under the Local Government Act 2003 to produce regular reports on treasury and debt management operations during the financial year. This report meets the requirements of the CIPFA Code of Practice on Treasury Management (the Code)

Recommendations

The Committee is requested to note and approve the contents of the Quarter 1 review of treasury management activity for 2024/25

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Effective council
Which wards are impacted?	All

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

1.1 The financial implications are included throughout this report

Completed by: Richard Wyles, Deputy Chief Executive and S151 Officer

Legal and Governance

1.2 This report provides details of the Council's performance in respect of treasury management against policy set out as part of the budget and policy framework. Members should note the performance and scrutinise any elements to assist the role of the Governance and Audit Committee in its review of the Treasury Management Strategy

Completed by: Graham Watts, Assistant Director of Governance and Deputy Monitoring Officer

Risk and Mitigation

1.3 Risk has been considered as part of this report. The treasury strategy has been compiled in conjunction with the treasury advisors and is monitored by the committee on a regular basis.

Completed by: Tracey Elliott, Governance and Risk Officer

2. Background to the Report

2.1. Treasury Management is the term used to cover the Council's borrowing and investment strategies. The Council has formally adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management. In line with the code the council has adopted a treasury management policy statement that requires quarterly reports on treasury and debt management operations during the financial year.

2.2. Additionally, under part 1 of the Local Government Act 2003, the Council is required to have regard to the prudential code for capital finance including the setting of prudential Indicators. Relevant treasury management indicators were incorporated

into the Treasury Management Strategy 2024/25, which was approved by Council on 29 February 2024.

- 2.3. This report is submitted in accordance with these requirements and provides a review of treasury management for the period ended 30 June 2024 and reviews current developments. The following elements are covered by the report:
- A review of debt management operations.
 - A review of investment operations.
 - An update on the treasury management Prudential Code Indicators.
- 2.4. The CIPFA Treasury Management panel's view is that Council's should monitor performance on a quarterly basis. In addition to this, a report by the audit commission entitled 'Risk and Return' identifies the need for local authorities to report regularly to members in addition to the annual review.

3. Treasury Management Update

Debt Management Operations – Borrowing

- 1.1. No additional borrowing was required during the first quarter of 2024/25. All current Council borrowing is with the Public Works Loan Board (PWLB) and the average rate of interest paid on the debt portfolio was 2.48%. Appendix A shows loans outstanding as of 30 June 2024. regular reviews are undertaken to consider redemption costs of natural maturity against new borrowing to settle the outstanding debt early.
- 1.2. As of 30 June 2024, the council had short-term borrowing, which is defined as borrowing due to be repaid within 365 days, of £3.221m. This will be repaid in instalments of £1.611m on 28 September 2024 and 28 March 2024. The average annual rate of interest on these loan repayments is 3.03%.

Investment Operations

- 1.3. The average size of the investment portfolio for the 3-month period was £80.901m compared to an average portfolio size of £68.611m during the same period in 2023/24.
- 1.4. The increase in the portfolio is due to them steadily returning to pre-covid levels after grant repayments during the first quarter of 2023/24.

Investment Activity in the period ended 30 June 2024

- 1.5. The Council operates a diverse portfolio and uses a number of methods to invest its reserves which include direct deposits, certificates of deposit, notice accounts and money market funds. As of 30 June 2024 the Council held short term

investments of £71.738m (specified investments) and £3m (non-specified investments)

- 1.6. The Treasury Management Strategy stipulates that the Council should not ordinarily hold more than 35% of investments as non-specified and this was adhered to during the first quarter of 2024/25. A schedule of investments on the 30 June 2024 is set out at Appendix A
- 1.7. Short Term Fixed Deposits – In the period ended 30 June 2024, £30.0m of short-term fixed deposits were placed; £28.0m of investments matured within this same period.
- 1.8. Long Term Fixed Deposits – In the period ended 30 June 2024, there were no long-term fixed deposits placed and no long-term fixed deposits matured.

Treasury Management Prudential Code Indicators

- 1.9. Prudential Code indicators specific to treasury management are designed to ensure that treasury management is carried out in accordance with professional practice. Indicators for 2024/25, 2025/26 and 2026/27 were approved by Council on 29 February 2024 as part of the Treasury Management Strategy 2024/25.
- 1.10. The 2024/25 indicators and actual figures for the 3 months to 30 June 2024 are set out at Appendix A. All investment activity has been maintained within the indicator limits.

2. Key Considerations

- 2.1. These are considered throughout the report.

3. Other Options Considered

- 3.1. None.

6. Reasons for the Recommendations

- 6.1. Committee members should be kept updated on the financial position of the authority.

7. Background Papers

- 7.1. Treasury Management Strategy 2024/25
[Microsoft Word - Appendix F - 2024-25 Treasury Management Strategy Statement.docx \(southkesteven.gov.uk\)](#)

8. Appendices

8.1. Appendix A – Treasury Management Prudential Indicators

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Appendix A

Debt Maturity Analysis – Public Works Loan Board as at 30 June 2024

All current external borrowing is classified under the HRA

Duration	Amount £000
Less than one year	3,222
Between one and two years	3,222
Between two and five years	9,665
Between five and ten years	16,109
Between ten and fifteen years	41,109
Over fifteen years	9,665
Total	82,991

Investment Maturity Analysis – Schedule of Cash Funds

	As at 30 June 2024 £000	Interest Rate %
Short Term Investments		
LGIM MMF	5,000	variable
BNP Paribas MMF	3,000	variable
Federated Prime3 MMF	4,738	variable
Santander 95Day Notice	10,000	5.95
Standard Chartered - Sustainable	9,000	5.18
HELABA	2,000	5.71
Goldman Sachs	6,000	5.26
Sumitomo MBC	3,000	5.29
Newcastle BS	2,000	5.00
Lloyds	7,000	5.69
Close Brothers	2,000	5.40
Wakefield Council	5,000	5.50
Lancashire County Council	5,000	5.35
The Highland Council	3,000	5.52
Natwest Markets	5,000	5.17
Total Short-Term	71.738	(average rate) 5.33
Long Term Investments		
CCLA Local Authority Property Fund	3,000	5.33
Total Long-Term	3,000	(average rate) 5.33

External Debt Indicators

Authorised Limit

This represents the limit beyond which borrowing is prohibited and needs to be set and revised by members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3(1) of the Local Government Act 2003.

Authorised Limit For external debt	2024/25 £000	As at 30 June 2024 £000
Debt (non HRA)	40.000	0.000
HRA Reform	115.000	82.991
Other Long-term liabilities	0.000	0.000
Total	155.000	82.991

Operational Boundary

This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

Operational Limit for external debt	2024/25 £000	As at 30 June 2024 £000
Debt (non HRA)	22.000	0.0000
HRA Reform	100.000	82.991
Other Long-term liabilities	0.000	0.000
Total	122.000	82.991