



SOUTH
KESTEVEN
DISTRICT
COUNCIL



Governance and Audit Committee

Date 12 July 2023

Report of Councillor Ashley Baxter,
Deputy Leader of the Council

2023/24 Quarter 1 Treasury Management Activity

Report Author

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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

That the Committee:

1. Note and approve the content of the Quarter 1 review of treasury management activity for 2023/24.

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	High performing 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 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 Council's 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 regular 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 2023/24 approved by Council on 1 March 2023.
- 2.3 This report is submitted in accordance with these requirements and provides a review of treasury management for the period ended 30 June 2023 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

3. Treasury Management Update

Debt Management Operations – Borrowing

- 3.1 No additional borrowing was required during the first quarter of 2023/24. All current Council borrowing is with the Public Works Loan Board (PWLB) and the average rate of interest paid on the debt portfolio was 2.47%. Appendix A shows loans outstanding as at 30 June 2023. Regular reviews are undertaken to consider redemption costs of natural maturity against new borrowing to settle the outstanding debt early.
- 3.2 As at 30 June 2023, 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 2023 and 28 March 2024. The average annual rate of interest on these loan repayments is 3.03%.

Investment Operations

- 3.3 The average size of the investment portfolio for the 3-month period was £68.611m compared to an average portfolio size of £90.996m during the same period in 2022/23.
- 3.4 The decrease in the portfolio is due to the repayment of COVID-19 business grants following the reconciliation of the schemes and the payment of the Council Tax Rebate grant to eligible households during 2022/23.

Investment Activity for the period ended 30 June 2023

- 3.5 The Council operates a diverse portfolio and uses a number of methods to invest its reserves which include direct deposit, certificates of deposit, notice accounts and money market funds. As at 30 June 2023 the Council held short term investments of £77.891m (specified investments) and £3m (non-specified investments).
- 3.6 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 2023/24. A schedule of investments at 30 June 2023 is set out at Appendix A.
- 3.7 Short Term Fixed Deposits – In the period ended 30 June 2023, £34.0m of short-term fixed deposits were placed; £25.0m of investments matured within this same period.
- 3.8 Long Term Fixed Deposits – In the period ended 30 June 2023, there were no long-term fixed deposits placed and no long-term fixed deposits matured.

Treasury Management Prudential Code Indicators

- 3.9 Prudential Code indicators specific to treasury management are designed to ensure that treasury management is carried out in accordance with professional practice. Indicators for 2023/24, 2024/25 and 2025/26 were approved by Council on 1 March 2023 as part of the Treasury Management Strategy 2023/24.
- 3.10 The 2023/24 indicators and actual figures for the 3 months to 30 June 2023 are set out at Appendix A. All investment activity has been maintained within the indicator limits.

4. Key Considerations

- 4.1 These are considered throughout the report.

5. Other Options Considered

- 5.1 None.

6. Reasons for the Recommendations

- 6.1 Committee members should be kept updated on the treasury management activity during the course of the financial year.

7. Background Papers

- 7.1 Treasury Management Strategy 2023/24

<http://moderngovsvr/documents/s37040/Appendix%20G%20-%202023-24%20Treasury%20Management%20Strategy%20Statement.pdf>

8. Appendices

8.1 Appendix A – Treasury Management Prudential Indicators