



SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL



# Governance and Audit Committee

Wednesday, 13 March 2024

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

## Quarter 3 Treasury Monitoring Report

### Report Author

Alison Hall-Wright, Deputy Director (Finance and ICT) and Deputy Section 151 Officer

 [alison.hall-wright@southkesteven.gov.uk](mailto:alison.hall-wright@southkesteven.gov.uk)

### 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 Governance and Audit Committee is asked to note and approve the contents of the quarter 3 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Does the report contain any exempt or confidential information not for publication?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?	Effective council
Which wards are impacted?	(All Wards);

## **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 (Governance and Public Protection) 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 31 December 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
- An economic update

2.4 The CIPFA Treasury Management panel promotes the view that Council's monitor performance on a quarterly basis. In addition to this, a report by the audit commission entitles 'Risk and Return' identifies the need for local authorities to report regularly to members in addition to the annual review.

## **Treasury Management Update**

### **Debt Management Operations – Borrowing**

2.5 No additional borrowing was required during quarter 1 – 3 of 2023/24. All Council borrowing is with the Public Works Loan Board (PWLB) and the average rate of interest paid on the debt portfolio was 2.46%

2.6 Appendix A shows the loans outstanding at 31 December 2023. Regular reviews are undertaken to consider the redemption costs of natural maturity against new borrowing to settle the outstanding debt early.

2.7 Short-term borrowing is defined as borrowing due to be repaid in 365 days. At 31 December 2023, the Council had short-term borrowing of £3.221m. This will be repaid in instalments of £1.611m on 28 March 2024 and 28 September 2024. The average annual rate on interest on these loan repayments is 3.03%.

### **Investment Operations**

2.8 The average size of the investment portfolio for the 9-month period was £84.899m compared to an average portfolio size of £79.507m during the same period in 2023/24.

2.9 The increase in the portfolio is due to the timing differences of when the Council is required to make payments.

### **Investment Activity in the period ended 31 December 2023**

- 2.10 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. At 31 December 2023 the Council held short term investments of £76.376m (specified investments) and £3m (non-specified investments).
- 2.11 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 period 1 April – 31 December 2023. A schedule of investments at 31 December 2023 is set out at Appendix A.
- 2.12 Short Term Fixed Deposits – In the period ended 31 December 2023, £28.0m of short-term fixed deposits were placed; £34.0m of investments matured within this same period.
- 2.13 Long Term Fixed Deposits – In the period ended 31 December 2023, there were no long-term fixed deposits placed and no long-term fixed deposits matured.
- 2.14 The Council currently has £10m invested with Close Brothers whose rating was downgraded in February by the rating agency, Fitch, from A- to BBB+. The downgrading is due to expectations regarding weaker profitability and capitalisation over the medium term. Close Brothers no longer meets the Councils counterparty criteria for investments so on maturity the Council will request that the funds are returned. The Councils treasury advisors, Link Group, has confirmed that the Council should be confident that the principal investment and interest will be received back at the maturity date.

### **Treasury Management Prudential Code Indicators**

- 2.15 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.
- 2.16 The 2023/24 indicators and actual figures for the 9 months to 31 December 2023 are set out at Appendix A. All investment activity has been maintained within the indicator limits.

## **3. Key Considerations**

- 3.1 These are considered throughout the report.

## **4. Other Options Considered**

- 4.1 None.

## **5. Reasons for the Recommendations**

- 5.1 Committee members need to be kept updated on the financial position of the authority

## **6. Background Papers**

- 6.1 Treasury Management Strategy 2023/24  
<http://moderngovsvr/documents/s37040/Appendix%20G%20-%202023-24%20Treasury%20Management%20Strategy%20Statement.pdf>

## **7. Appendices**

- 7.1 Appendix 1 – Treasury Management Prudential Indicators