



Wednesday, 27 November 2024

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

## 2024-25 Quarter 2 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

**The is requested to note and approve the contents of the Quarter 2 review of Treasury Management activity for 2024/25.**

### Decision Information

Does the report contain any exempt or confidential information not for publication?

N

What are the relevant corporate priorities?

Connecting communities  
Sustainable South Kesteven  
Enabling economic opportunities  
Housing  
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, 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 2024/25 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 September 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
  - An economic Update
- 2.4. The CIPFA Treasury Management panel's view is that Councils 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**

- 3.1. No additional borrowing was required during the first half of 2024/25. All current outstanding Council borrowing is with the Public Works Loan Board (PWLB) and the average rate of interest paid on the debt portfolio was 2.49%. Appendix A shows loans outstanding as at 30 September 2024. 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 September 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 March 2025 and 28 September 2025. The average annual rate of interest of these loan repayments is 3.03%

#### **Investment Operations**

- 3.3. The average size of the investment portfolio for the 6-month period was £82.853m compared to an average portfolio size of £76.440m during the same period in 2023/24.
- 3.4. The increase in the portfolio has partly been attributable to additional Government Grants being received during the period and also as a result of capital projects scheduled for the latter half of the financial year.

#### **Investment Activity in the period ended 30 September 2024**

- 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 September 2024 the Council held short term investments of £80.61m (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 half of 2024/25. A schedule of investments at 30 September 2024 is set out at Appendix A.
- 3.7. Short Term Fixed Deposits – in the period ended 30 September 2024, £57m of short-term fixed deposits were placed; £51m of investments matured within this same period.
- 3.8. Long Term Fixed Deposits - In the period ended 30 September 2024, 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 2024/25, 2025/26 and 2026/27 were approved by Council on 29 February 2024 as part of the Treasury Management Strategy 2024/25.
- 3.10. The 2024/25 indicators and actual figures for the 6 months to 30 September 2024 are set out in Appendix A. All investment activity has been maintained within the indicator limits.

### **Economic Updates**

- 3.11 The key indicator affecting the Council's treasury management is the base rate, which fell from 5% in October to 4.75% in November. Link the Council's Treasury Management providers are predicting a fall to 4.5% by the end of 2024/25.
- 3.12 Inflation will also impact both the base rate and the Council's budgets. CPI fell to 1.7% in September helping trigger the fall in base rate. The Government target for CPI remains at 2%. Links forecast for CPI is 2.8% by the end of the year.

### **Amendments to the Treasury Management Strategy 2024/25**

- 3.13 There are no recommended mid-year policy changes.

## **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 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](#)

## **8. Appendices**

- 8.1 Appendix A - Treasury Management Prudential Indicators