



Wednesday, 19 March 2025

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

## Treasury Management Report Quarter 3 2024/25

### Report Author

David Scott, Assistant Director of Finance and Deputy Section 151 Officer

 [david.scott@southkesteven.gov.uk](mailto:david.scott@southkesteven.gov.uk)

### Purpose of Report

The Quarter 3 Report is a requirement of the Council's reporting procedures and provides a summary of treasury activities to the end of December 2024. The report also covers the actual position to date on the Prudential Indicators in accordance with the Prudential Code.

### Recommendations

**Governance and Audit Committee is asked to:**

- 1. note the treasury position contained with the Quarter 3 review and compliance with the prudential indicators for 2024/25**

### 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Does the report contain any exempt or confidential information not for publication?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 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.
- 1.3 The report meets the requirements of both the CIPFA Code of Practice on Treasury Management 2021 and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Completed by: Graham watts, Monitoring Officer

### ***Risk and Mitigation***

- 1.4 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 a 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. 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 written in accordance with these requirements and provides a review of treasury management for the period ended 31 December 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 promotes the view that Councils should monitor performance on a quarterly basis.

### **3. Treasury Management Update**

#### **Debt Management Operations - Borrowing**

- 3.1. No additional borrowing was required during the third quarter of 2024/25. All current Council borrowing is with the Public Works Load Board (PWLB) and the average rate of interest paid on the debt portfolio was 2.49%. Appendix A includes details of loans outstanding as at 31 December 2024. Regular reviews are undertaken to consider redemption costs of natural maturity against new borrowing to settle the outstanding debt early
- 3.2. Short-term borrowing is defined as borrowing due to be repaid within 365 days. As at 31 December 2024, the Council had short-term borrowing of £3.221m. This will be repaid in two instalments of £1.611m on 28 March 2025 and 28 September 2025. The average annual rate of interest on these loans is 3.03%.
- 3.3. All debt relates to the Housing Revenue Account (HRA) and self-financing regime. The General Fund is debt free.

#### **Investment Operations**

- 3.4. The average size of the investment portfolio for the 3-month period was £83.298m compared to an average portfolio size of £84.899m during the same period in 2023/24.
- 3.5. The slight decrease in the portfolio is due to the use of funds for various capital schemes during 2024/25.

## **Investment Activity in the period ended 31 December 2024**

- 3.6. The Council operates a diverse portfolio and uses a number of methods to invest its reserves including direct deposit; notice accounts; and money market funds. As at 31 December 2024, the Council held short-term investments of £71.564m (specified investments) and £3m (non-specified investments).
- 3.7. The Treasury Management Strategy stipulates the Council should not ordinarily hold more than 35% of investments as non-specified; this was adhered to during the third quarter of 2024/25. A schedule of investments at 31 December 2024 is set out in Appendix A
- 3.8. Short-term Fixed Deposits – In the period ended 31 December 2024, £25m of short-term fixed deposits were placed; £25m of investments matured within the same period.
- 3.9. Long Term fixed Deposits – In the period ended 31 December 2024, no long-term fixed deposits were placed, and no long-term fixed deposits matured.
- 3.10. Overall interest rate returns are exceeding budget and are summarised in the table below. These are a welcome boost to the council finances and will support delivery of wider corporate objectives.

<b>Investment Income</b>	<b>Budget £'000</b>	<b>Forecast £'000</b>	<b>Variance £'000</b>	<b>Variance %</b>
General Fund	914	1,360	446	49%
HRA	2,099	3,173	1,074	51%
<b>Total</b>	<b>3,013</b>	<b>4,533</b>	<b>1,520</b>	<b>50%</b>

## **Treasury Management Prudential Code Indicators**

- 3.11. Prudential Code Indicators specific to treasury management are designed to ensure treasury management is conducted in accordance with good 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.
- 3.12. The 2024/25 indicators and actual figures for the three months to 31 December 2024 are set out at Appendix A. All investment activity has been maintained within the indicator limits.
- 3.13. There is an impact relating to pooled investment funds which affects the Council because it has £3m invested in the CCLA property fund. This investment, by its very nature, is considered to be a long-term investment and therefore can be subject to potential fluctuations in valuation as asset values could rise and fall based on the prevailing economic conditions. Previously, a statutory override has been in place,

but during recent consultation the Government had indicated this would be removed on 31st March 2025. This would mean any subsequent gains or losses on the overall fund value would need to be credited or charged to the General Fund.

- 3.14. However, following a recent Local Government Finance Settlement consultation, the Government has decided to implement transitional arrangements whereby legacy investments already in place at the end of the previous financial year, that the override will continue to apply for these investments until 1st April 2029. This is welcome news for the Council because any potential losses that could have been charged to the revenue account will be avoided. Overall, the interest gained from holding the investment since its inception would exceed any potential loss.

## **4. Key Considerations**

- 4.1 These are considered throughout the report.

## **5. Other Options Considered**

- 5.1. No other options considered. If the report was not provided councillors would not be aware of the ongoing management of the treasury functions and appropriate scrutiny would not be undertaken in accordance with the treasury framework.

## **6. Reasons for the Recommendations**

- 6.1. The Prudential Code requires the Council to monitor and report performance on Treasury Management activities at least quarterly. The Governance and Audit Committee is the body responsible for treasury management functions. To facilitate the decision making process, and to support capital investment decisions, the Prudential Code requires the Council to agree and monitor a minimum number of prudential indicators.

## **7. Background Papers**

- 7.1. Treasury Management Strategy 2024/25  
<https://moderngov.southkesteven.gov.uk/documents/s41022/Appendix%%202024-25%20Treasury%20Management%20Strategy%20Statement.pdf>

## **8. Appendices**

- 8.1. Appendix A – Treasury Management Prudential Indicators