

**Public  
Key Decision - No**

## **HUNTINGDONSHIRE DISTRICT COUNCIL**

**Title:** Treasury Management 6 Month Performance Review

**Meeting/Date:** Cabinet – 14<sup>th</sup> November 2023

**Executive Portfolio:** Executive Councillor for Finance & Resources

**Report by:** Director of Finance and Corporate Resources

**Ward(s) affected:** All Wards

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### **Executive Summary:**

Best practice and prescribed treasury management guidance requires members to be kept up to date in respect of treasury management activity for the first half of the year, including investment and borrowing activity and treasury performance.

The Council's 2023/24 Treasury Management Strategy was approved by the Council on the 22<sup>nd</sup> February 2023, this report sets out the Treasury Performance and indicators for period between 1<sup>st</sup> April 2023 and 30<sup>th</sup> September 2023.

### **Treasury Management is;**

The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

### **The main purpose of Treasury Management is to.**

- Ensure the Council has sufficient cash to meet its day-to-day obligations.
- Borrow when necessary to fund capital expenditure, including borrowing in anticipation of need when rates are low.
- Invest surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest, and prioritising liquidity before considering optimising investment returns.

### **The key market Treasury Management issues through the first half of 2023/24 influencing the Council's decision-making were.**

- The Bank of England (BoE) Bank Rate increased over the period to 5.25% (possibly peak rate) from 4.25% in March.
- Gilt rates (10 year) fell from a peak of 4.74% in August to 4.44% on 29<sup>th</sup>

of September, Gilt rates feed into the rates paid for investing in the Debt Management Office.

- Gilt rates are forecast to fall, as long as the inflation rate falls as expected.
- Inflation and interest rates are both high, this feeds into the council's current strategy of using lower risk investments while high interest rates (and debt defaults) may lead to increased stress in financial institutions.

#### **The Council's responses to the key issues were.**

- When the Council has surplus funds, these will primarily be invested on a short-term basis, primarily in the DMO, money market funds, and the council's transactional bank Natwest.
- Where possible to take a higher return without sacrificing liquidity eg use of timed deposits at the DMO, as long as sufficient cash is available for short-term needs.
- Where economic conditions are forecast to deteriorate it is vital to monitor financial institutions credit rating, and credit default swap rates (the cost to insure lending). This information is provided by the Council's treasury adviser – Link Group.

#### **The Council's Commercial Investment Strategy (CIS)**

The Commercial Investment Strategy commenced in 2015/16. Indicators relating to the investments are shown in **Appendix A section 3.5**.

The commercial property portfolio generated £2.8m of gross income for the Council in the first half of 2023/24. The breakdown of the property's portfolio is shown in **Table 8** and the proportion of the investment income in relation to gross service expenditure, in **Table 9** of **Appendix A**.

#### **Recommendation(s):**

The Cabinet is recommended to.

- Note the treasury management performance for the first 6 months of 2023/24 and to recommend the report to Council for consideration.

## **1. PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to update Members on the Council's treasury management activity for the first 6 months of the year, including investment and borrowing activity and treasury performance.

## **2. BACKGROUND**

- 2.1 It is regarded as best practice and prescribed treasury management practice, that Members are kept up to date with treasury management activity.
- 2.2 The Council approved the 2023/24 Treasury Management Strategy at its meeting on 22<sup>nd</sup> February 2023.
- 2.3 All treasury management activity undertaken during the first half of 2023/24 complied with the CIPFA Code of Practice, relevant legislative provisions and the Treasury Management Strategy.
- 2.4 The investment strategy is to invest any surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest. The Council's borrowing strategy permits borrowing for cash flow purposes and funding current and future capital expenditure over whatever periods are in the Council's best interests.

## **3. ANALYSIS**

### **Economic Review**

- 3.1 An economic review of the year has been provided by the council's treasury management advisors, Link Group, and is attached with an analysis of the local context implications in **Appendix A section 2.0**.

### **Performance of Council Funds**

- 3.2 The treasury management transactions undertaken during the first 6 months of 2023/24 financial year and the details of the investments and loans held as at 30<sup>th</sup> September 2023 are shown in detail in **Appendix A section 3.0 to 3.3**.

### **Risk Management**

- 3.3 The Council's primary objectives for the management of its investment are to give priority to the security and liquidity (how quickly cash can be accessed) of its funds before seeking the best rate of return. For more details see **Appendix A section 3.4**.

## **Non-Treasury Investments**

- 3.5 The definition of investments in CIPFA's Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. The full details of these investments can be found on **Section 3.5 of Appendix A.**

## **Compliance**

- 4.0 Compliance with specific investment and debt limits are indicated in **tables 12 and 13. of Appendix A.**

## **Treasury Management Indicators**

- 5.0 The Council measures and manages its exposure to treasury management risks using indicators which are details in the **Appendix A section 5.0.**

## **6.0 COMMENTS OF OVERVIEW & SCRUTINY**

- 6.1 *Comments to be added subsequent to the O&S Panel Meeting on 1st November 2023.*

## **List of Appendices;**

### **Appendix A**

- Economic review (source: Link Group)
- Borrowing and Investment as at 30<sup>th</sup> September 2023
- Risk Management
- Non-treasury Investments (CIS and service loans)
- Treasury Management Compliance and Indicators
- Outlook for the remainder of 2023/24

### **Appendix B**

- Capital Prudential Indicators

### **Appendix C**

- Glossary

## **CONTACT OFFICER**

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