

**Public
Key Decision - No**

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: Treasury Management 6 Month Performance Review 2024/25

Meeting/Date: Cabinet – 12th November 2024

Executive Portfolio: Executive Councillor for Finance & Resources

Report by: Director of Finance and Corporate Resources

Ward(s) affected: All Wards

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 2024/25 Treasury Management Strategy was approved by the Council on the 21st February 2024, this report sets out the Treasury Performance and indicators for period between 1st April 2024 and 30th September 2024.

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 2024/25 influencing the Council's decision-making were.

- The Bank of England (BoE) Bank Rate decreased over the period from 5.25% to 5.00% in August 2024.
- Gilt rates (10 year government bonds) fell to 4%. Gilt rates feed into the

rates paid for investing in the Debt Management Office.

- Interest rates are forecast to fall, as long as the inflation rate continues to fall.
- Inflation and interest rates are both relatively high for the recent past, 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. Although currently money market fund and DMO rates.
- If 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 in regular updates.

The Council's Commercial Investment Strategy (CIS)

Indicators relating to the investments are shown in **section 11** of the report.

The commercial property portfolio is forecast to generate £2.7m of net income for the Council in 2024/25. The breakdown of the property portfolio is shown in **Appendix F** and the proportion of commercial property and service investments income in relation to net revenue stream, in **section 11** of the report.

The **Treasury Management 6 Month Performance Review** is appended to this report.

Recommendation(s):

The Cabinet is recommended to.

- Note the treasury management performance included in the Treasury Management 6 Month Performance Review, for the first 6 months of 2024/25 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 2024/25 Treasury Management Strategy at its meeting on 21st February 2024.
- 2.3 All treasury management activity undertaken during the first half of 2024/25 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 **section 3** of the report.

Performance of Council Funds

- 3.2 The treasury management transactions undertaken during the first 6 months of 2024/25 financial year and the details of the investments and loans held as at 30th September 2024 are shown in detail in **Appendix D** of the report.

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 **section 9**.

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 in **Section 11** and **Appendix F** of the report.

Compliance

- 4.0 Compliance with specific investment and debt limits and risk measures are indicated in **Appendix C** and **Appendix D**.

Treasury Management Indicators

- 5.0 The Council measures and manages its exposure to treasury management risks using indicators which are details in the **section 8** of the report.

6.0 COMMENTS OF OVERVIEW & SCRUTINY

- 6.1 *Comments to be added subsequent to the O&S Panel Meeting*

Treasury Management 6 Month Performance Review is appended Including;

- Economic review (source: Link Group)
- Prudential and Treasury Indicators
- Borrowing and the Liability Benchmark
- Treasury and Prudential Limit Compliance
- Commercial Investment Strategy Indicators
- Borrowing and Investing Schedules
- Commercial Estates Property Listing
- Glossary

CONTACT OFFICER

Oliver Colbert, Financial and Treasury Accountant

 01480388067

Sharon Russell-Surtees, Chief Finance Officer

 01480388524