

**Public
Key Decision - No**

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: Treasury Management Outturn Report 2023/24

Meeting/Date: Cabinet – 18th June 2024

Executive Portfolio: Strategic Resources: Councillor B A Mickelburgh
(Executive Councillor for Finance & Resources)

Report by: Chief Finance Officer

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 2023/24 Treasury Management Strategy was approved by the Council on the 22nd February 2023 and this report sets out the treasury performance for period between 1st April 2023 and 31st March 2024.

The main purpose of Treasury Management is to.

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

The key market Treasury Management issues during 2023/24 influencing the Council's decision-making were.

- During 2023/24 inflation rates remained high, although rates starting easing towards the end of 2023/24. High rates of inflation (and remaining higher for longer than expected), has resulted in interest rates also remaining higher for longer than initially forecast.
- The Bank of England Bank Rate was at 4.25% at the start of the financial year and had increased to 5.25% by March 2024. With forecasts

indicating falls in 2024/25.

- Market rates increased during the year (but not as substantially as 2022/23), with the council's weighted average interest earned rate increasing from 3.85% as at 31st March 2023 to 5.22% as at 31st March 2024. Rates therefore remained high for the post financial crash period.

The Council's responses to the key issues were.

- When the Council has surplus funds, these were primarily invested on a short-term basis, in the Debt Management Office, money market funds and bank deposits.
- Where possible to take a higher return without sacrificing liquidity.
- If borrowing the Council would use the Public Works Loan Board (PWLB), which offers low fixed rate borrowing, based on gilt yields over a long period.
- Where economic and credit conditions are forecast to deteriorate it is vital to monitor financial institutions credit rating, and credit default swap rates (the cost to insure lending) in order to assess counterparty risk. This information is provided by the Council's treasury adviser – Link Group, the provision of information includes a credit alerts system.

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 3.4, table 17, table 18 and Annex A.**

These investments generated £2.4m of investment income for the Council in 2023/24 after taking account of direct costs. The breakdown of the property's portfolio is shown in **Table 8 and Annex A**, 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

- Comment on the treasury management performance for 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 councillors on the Council's treasury management activity during 2023/24, 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 22nd February 2023.
- 2.3 All treasury management activity undertaken during 2023/24 complied with the CIPFA Code of Practice and relevant legislative provisions.
- 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 our 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 2023/24 and the details of the investments and loans held as at 31st March 2024 are shown in detail in **Appendix A section 3.0 to 3.2**.

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 3.3**.

Non-Treasury Investments

- 3.5 The definition of investments in CIPFA's revised 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**

3.4 of Appendix A.

4. COMPLIANCE

- 4.1 Compliance with specific investment and debt limits are indicated in **tables 10 to 16 of Appendix A.**

5. TREASURY MANAGEMENT INDICATORS

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

6. COMMENTS OF OVERVIEW & SCRUTINY

- 6.1 *Comments to be added after Overview and Scrutiny (Performance and Growth) meeting on 5th June 2024.*

List of Appendices;

Appendix A

- Economic review (source: Link Group)
- Borrowing and Investment as at 31st March 2024
- Risk Management
- Non-treasury Investments
- Treasury Management Indicators

Appendix B


- Capital Prudential Indicators

Appendix C


- Glossary

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