



REPORT TO:	Audit and Governance Committee
DATE:	8 <sup>th</sup> July 2024
SUBJECT:	Annual Treasury Report 2023/24
KEY DECISION:	No
PORTFOLIO HOLDER:	Councillor Sandeep Ghosh
REPORT OF:	Christine Marshall – Deputy Chief Executive (Corporate Development) & S151
REPORT AUTHOR:	Sean Howsam (Interim Treasury & Investments Manager PSPSL)
WARD(S) AFFECTED:	None directly
EXEMPT REPORT?	No

## SUMMARY

Attached at **Appendix A** is the Annual Treasury Report detailing the Council's activities and actual prudential and treasury indicators for 2023/24. It covers the following areas;

- An economic update for the 2023/24 financial year;
- A review of the Council's investment portfolio for 2023/24;
- A review of the Council's borrowing strategy for 2023/24;
- Debt position;
- Compliance with Treasury and Prudential indicators.

**This Report refers to a key element of the Council's Governance Framework and represents an important contribution to the evidence trail in support of the Annual Governance Statement 2023/24.**

## RECOMMENDATIONS

That the Audit and Governance Committee scrutinise the Annual Treasury Management Review 2023/24 at **Appendix A** and make any comments for consideration by Council when they consider this document for approval at their meeting on 16 September 2024.

## **REASONS FOR RECOMMENDATIONS**

The Council is required to produce an Annual Treasury report after the end of each financial year in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management.

## **OTHER OPTIONS CONSIDERED**

As this is an update report there are no further options for consideration.

### **1. BACKGROUND**

1.1 The Council approved its Treasury Management Strategy for 2023/24 on 6 March 2023. This report now provides the Annual Treasury Report 2023/24 (**Appendix A**) for Audit and Governance Committee to make any comments for consideration by Council when they consider this document for approval at their meeting on 16 September 2024.

### **2. REPORT**

2.1 Capital expenditure for 2023/24 was £5.939m of which £4.16m was financed by grants and internal resources. The remaining £1.779m was unfinanced and increased the Council's capital Financing Requirement.

2.2 As at 31 March 2024, treasury investment balances were £29.4m compared with £20.5m the previous year and non-treasury investment balances were £15.1m compared with £16.5m the previous year. All treasury investments will mature in less than one year and the non treasury investments are long term investments in property funds.

2.3 On 9 October 2023 the Council repaid its £15.449m borrowing with PWLB. Based on market rates at the time the Council received a discount of £6.417m resulting in an actual payment of £9.032m. Under accounting regulations this discount is allocated to revenue over a 10 year period.

2.4 The following table provides an analysis of the net treasury position for 2023/24 following the decision to repay the PWLB borrowing and takes account of the discount which must be allocated to revenue over a ten year period in accordance with proper accounting practice.

	<b>2023/24 Annual Budget</b>	<b>2023/24 Outturn</b>	<b>2023/24 Variance</b>
Treasury Investment Income	(818,000)	(1,574,663)	(756,663)
<b>Property Funds Income</b>			
Gross Distributions	(814,000)	(913,867)	(99,867)
Less Management Fees	<u>170,000</u>	<u>181,775</u>	<u>11,775</u>
Net Distributions	(644,000)	(732,092)	(88,092)
M&G Property Fund Liquidation Distributions ( <i>Used for Minimum Revenue Provision Contributions as the original capital purchase was unfinanced capital expenditure</i> )	0	(551,465)	(551,465)
Premature Repayment of Borrowing Discount Allocated to Revenue	0	(641,743)	(641,743)
Less: Total Borrowing Costs	493,640	311,387	(182,253)
<b>Overall Net Position</b>	<b>(968,360)</b>	<b>(3,188,576)</b>	<b>(2,220,216)</b>

It can be seen from the above table that the overall net treasury position for 2023/24 was net income of £3,188,576 compared to a budget of £968,360 resulting in a net surplus of £2,220,216 for the year.

- 2.5 The rate of return on the Council's treasury investments averaged 5.20% for the 2023/24 financial year. Property funds achieved a net rate of 4.13%. This gave a combined rate of 4.81% for the year.
- 2.6 A full analysis of the Council's property fund investments can be found in Section 9 of **Appendix 'A'**.
- 2.7 A full review of the economy and interest rates is detailed in Section 8 of **Appendix 'A'**.
- 2.8 The Council's Investment Policy and Strategy is kept under constant review with the aim of balancing risk and reward. The investment criteria agreed for 2023/24 permitted investments with banks whose parent bank originates from a country with a sovereign rating of A+ or higher and meets Link Groups counterparty investment criteria.
- 2.9 The Council's 2023/24 accounts are subject to external audit which may result in some amendments to the figures being reported in this Annual Report.

### 3 CONCLUSION

3.1 This report provides a review of treasury management performance for the financial year 2023/24, to Members to ensure best practice is maintained as required by the CIPFA Code of Practice for Treasury Management.

#### **FINANCIAL IMPLICATIONS**

The financial implications are covered in detail in **Appendix A** to this report and a summary is provided above at paragraph 2.4.

By making the investment criteria relating to financial institutions stringent, the Council receives lower rates of return. The Council therefore aims to strike a balance between risk and reward when considering its portfolio of investments. Treasury Management is a key financial consideration for the Authority especially in respect of its investment returns and Capital Programme.

#### **LEGAL IMPLICATIONS**

The council is required to produce an Annual Treasury Report after the end of each financial year in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management.

#### **CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

None

#### **EQUALITY AND SAFEGUARDING IMPLICATIONS**

None

#### **OTHER IMPLICATIONS**

##### **Risk Management**

The Council's priority is the security of its investments.

##### **Impact on Performance**

There is a requirement to try and balance the risks and rewards from investing our available cash resources, as outlined within the Treasury Management Strategy 2023/24.

## Reputation

There is potential reputation risk if the invested funds are not received back in full.

## CONSULTATION

The Portfolio Holder for Finance is briefed on treasury performance on a regular basis as part of the monthly portfolio meetings.

## APPENDICES

**Appendix A** - Annual Treasury Management Review 2023/24

## BACKGROUND PAPERS

Background papers used in the production of this report are listed below: -

Document title	Where the document can be viewed
Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.	CIPFA website

## CHRONOLOGICAL HISTORY OF THIS REPORT

A report on this item has not been previously considered by a Council body for the current financial year but quarterly reports have been received by the Audit and Governance Committee.

## REPORT APPROVAL

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