



Treasury Management Quarter 3 Report 2023-24

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Lead Member/Relevant Portfolio Holder	Councillor Sarah Cox , Portfolio Holder for Corporate Finance and Resources

Corporate Priority:	Ensuring the right conditions to support delivery (inward)
Relevant Ward Member(s):	N/A
Date of consultation with Ward Member(s):	N/A
Exempt Information:	No
Key Decision:	No
Subject to call-in:	No Not key decision

1 Summary

- 1.1 The quarterly Treasury Report is a requirement of the Council's reporting procedures and provides a summary of the Treasury activities to the end of December 2023. The report also covers the actual position to date on the Prudential Indicators in accordance with the Prudential Code.
- 1.2 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

2 Recommendations

That Cabinet

- 2.1 **Notes the Quarter 3 position on treasury activity for 2023-24**
- 2.2 **Notes the Quarter 3 position on Prudential Indicators for 2023-24**

3 Reason for Recommendations

- 3.1 The Prudential Code requires the Council to monitor and report performance on Treasury Management activities at least quarterly. As a minimum full Council need to receive an annual report on the strategy and plan for the coming financial year, a mid year review and an annual report on performance of the treasury management function. In addition monitoring reports should be received at least quarterly alongside revenue and capital monitoring by the cabinet as the body delegated responsibility for treasury management functions.
- 3.2 To facilitate the decision making process and support capital investment decisions the Prudential Code requires the Council to agree and monitor a minimum number of prudential indicators.

4 Background

- 4.1 The Treasury Management & Prudential Indicators quarter 3 report for 2023-24 is attached at Appendix A. The report covers:
 - Economics, Interest and borrowing rate updates
 - Investment and Borrowing Strategies
 - Compliance with Treasury and Prudential Limits
- 4.2 The underlying purpose of the report supports the objective in the revised CIPFA Code of Practice on Treasury Management and the Department for Levelling Up, Housing and Communities (DLUHC) Investment Guidance/Investment regulations. These state that Members receive and adequately scrutinise Treasury Management services.

5 Main Considerations

- 5.1 The report shows that the basis of the treasury management strategy, the investment strategy and the PI's have not materially changed, except where shown.
- 5.2 The report is structured to highlight the key changes to the Councils capital activity (the prudential indicators), the economic outlook and the actual and forecast treasury management activity (borrowing and investment).

6 Options Considered

- 6.1 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.

7 Consultation

- 7.1 Consultation has been undertaken with the portfolio holder regarding the position for the 2023-24 financial year

8 Next Steps – Implementation and Communication

- 8.1 As this is a monitoring report there are no further steps required.

9 Financial Implications

- 9.1 The Treasury Management Strategy and Policy are core financial policies which underpin all the work of the Treasury Management function and incorporate any implications arising from the capital programme.
- 9.2 Following the previous suppressed interest rates there has been a period of continued positivity with rates steadily increasing with 12 month rates around 5%. Interest rates are expected to remain high for the majority of the year, with officers looking to continue to maximise returns for the final quarter with the latest forecast predicting a surplus of £662k against a budgeted income level of £589k (across General Fund and HRA). This will help to support some of the other in year pressures the Council is facing.
- 9.3 In terms of performance in comparison to the benchmarking group Melton is part of, at the end of Q3 the council is outperforming all benchmarks achieving an average return of 5.65%, which is above the benchmark average of 5.19% which includes county level authorities as well. This is a positive achievement as the Council looks to maximise its returns whilst striving to balance risk and return.
- 9.4 As regards the £2m the Council has invested in a property fund the latest valuation as at the end of December 2023 shows a notional loss of £210k. At present, in accordance with the current accounting rules this potential loss doesn't have to be recognised but if it did we do have £120k in a reserve to partly offset. A property fund by its very nature is a long-term investment in terms of potential fluctuations in asset values but since the initial investment was made in 2017 the council has received investment income of £557k to date which has supported the revenue budget.
- 9.5 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During quarter 1 ending 31st December 2023, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2023/24.
- 9.6 The Director for Corporate Services can confirm that no difficulties are envisaged for the current or future years in complying with these indicators and that all treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices

Financial Implications reviewed by: Director for Corporate services

10 Legal and Governance Implications

- 10.1 The Local Government Act 2003 provides the powers to invest and borrow as well as providing controls and limits on the activity. There are no direct legal implications arising from this report. Failure to follow the Code of Practice and Strategy could increase the risk of financial loss.

Legal Implications reviewed by: Deputy Monitoring Officer

11 Equality and Safeguarding Implications

- 11.1 There are no direct equality or safeguarding issues arising from this report.

12 Data Protection Implications (Mandatory)

A Data Protection Impact Assessments (DPIA) has not been completed as there are no risks/issues to the rights and freedoms of natural persons.

13 Community Safety Implications

- 13.1 There are no direct links to community safety arising from this report.

14 Environmental and Climate Change Implications

- 14.1 No implications have been identified but members may wish to note the council has an investment in a green and sustainable product that is focused around sustainable economic growth investment.

15 Other Implications (where significant)

- 15.1 No other implications have been identified.

16 Risk & Mitigation

- 16.1 These are assessed as part of the Corporate Services Risk Register

Risk No	Risk Description	Likelihood	Impact	Risk
1	Loss of investment income during 2023-24 as result of changes in interest rates	Low	Marginal	Low Risk
2	Reduction in the valuation of the Councils Property Fund investment resulting in an actual loss should the regulations change to charge the loss to revenue account.	Significant	Marginal	Medium Risk

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High				
	4 Significant		2		
	3 Low		1		
	2 Very Low				
	1 Almost impossible				

Risk No	Mitigation
1	Continue to maximise returns in line with the Treasury management investment strategy
2	Establishment of a property fund reserve to help mitigate any losses in the future should the statutory override be removed and there is a need to be charged direct to the revenue account in line with any change in accounting rules.

17 Background Papers

17.1 Treasury Management Strategy Statement 2023-24

18 Appendices

18.1 Appendix A – Quarter 3 Treasury Management Review 2023-24