

REPORT OF Finance Manager & Section 151 Officer
To: Full Council
Subject: Annual Report on Treasury Management 2023-24
Date: 14th October 2024

PURPOSE OF REPORT:

To report on the treasury management activity in the year and actual prudential indicators for 2023/24.

1. INTRODUCTION

The Council has adopted the CIPFA Code of Practice in Treasury Management in the Public Sector, which requires that a report should be presented on Treasury Management activity for the previous financial year. This report also includes the actual Prudential Indicators for the year.

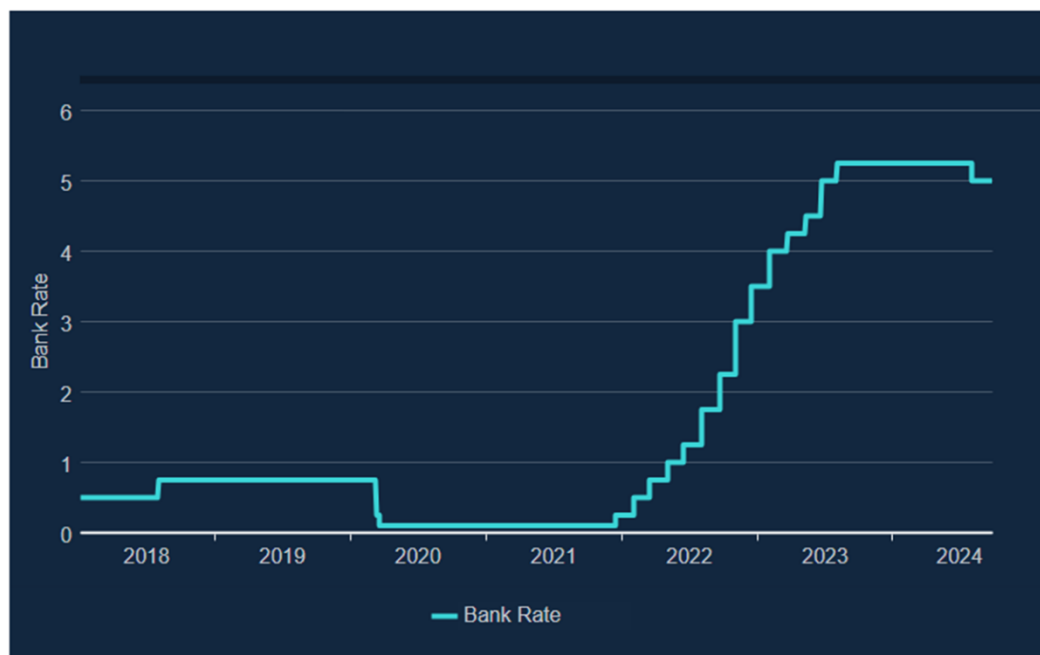
2. REPORT

Background

The Council operates its treasury management service in compliance with the code and other statutory requirements. These require that the prime objective of the treasury management activity is the effective management of risk, and that borrowing activity is undertaken on a prudent, affordable, and sustainable basis.

Bank of England and Inflation

Official Bank Rate



The Bank of England cut the base rate to 0.1% in March 2020 in response to the Covid pandemic. With inflationary pressures increasing, the Bank of England began increasing the base rate in December 2021.

The Bank of England Base rate:.

- 22/23 started at 0.75% rising to 4.25% by the year end.
- 23/24 started at 4.25% rising to 5.25% by August 2023, where it remained until the year end.

In 2022/23 £558K of total interest was earned, which increased to £1,387K in 2023/24 (an increase of £829K).

The base rate has since been cut (August 2024). These cuts are expected to continue and will impact the current year (2024/25) significantly. Resulting in a reduction in total interest received to a forecasted £950K (a decrease of £437K). The budget for 2024/25 is £800K.

Performance for the year 2023/24

The average rate of return achieved by the Council on its short-term investments was 5.37% which compared with 2.22% in 2022/23.

The return from short term investments in 2023/24 was £1,009k, which compared with a return of £400k in 2022/23.

As at the 31st March 2024 the Council had short term investments of £15m lodged with financial institutions, the comparable figure for the 31st March 2023 being £15m.

During 2023/24 repayments of £126K were made on long term Public Loans Board debt, the balance outstanding at the close of 2023/24 was £344k.

The Prudential indicators for the year are attached at Appendix 1.

3. Implications

Legal Implications

There are no specific legal implications.

Financial Implications

All treasury management activity carries a level of risk, but adherence to the approved strategy minimises this. However, minimising risk needs to be balanced with the income generated and the expenditure incurred through treasury management activities.

The Council's treasury strategy can be best summarised in order of priority as

- Security of investment
- Liquidity

- Return on investment.

The Council employs Link Asset Services as its external Treasury advisors.

Human Resource Implications

There are no specific HR implications.

Equality / Diversity

There are no specific equality or diversity issues.

Risk Management

The risk that borrowers may default is minimised by adherence to the Treasury Management Strategy, the credit rating of counter parties being checked prior to making the investments, all financial institutions with which the Council contracts are UK registered and have a Fitch F1 rating.

Compliance with Policies and Strategies

The report fits in within the Council's Treasury Management framework.

Lead Member View

Date of Consultation 3rd October 2024 - Councillor Bushby

Torrige District Council has fulfilled its obligations in accordance with Treasury Management Code of Practice. The Prudential Indicators show the impact on the Council's financial position and provide re-assurance that risks are being managed and activity has been undertaken within agreed limits.

4. CONCLUSIONS

Returns on the Council's investments have significantly increased, these are expected to reduce going forward as the Bank of England continues its rate cutting programme.

5. RECOMMENDATIONS

To comply with the requirements of the CIPFA Code of Practice in Treasury Management in the public sector; Members are asked:

- To note the Treasury Management Report for 2023/24
- To note the actual Prudential Indicators for 2023/24

SUPPORTING INFORMATION

Consultations: Date of Consultation – 2nd October 2024

 Officers Consulted –
 Chief Executive
 Finance Manager and S151 Officer
 Head of Legal and Governance (& Monitoring Officer)

Contact Officer: Peter Hudson – Principal Accountant & Deputy S151 Officer

Background Papers: Prudential Indicator calculations