

<b>Report to:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>10 December 2024</b>
<b>By:</b>	<b>Chief Finance Officer</b>
<b>Title of report:</b>	<b>Treasury Management – Stewardship Report 2023/24 and Mid-Year Review 2024/25</b>
<b>Purpose of report:</b>	<b>To present a review of the Council’s performance on Treasury Management for the year 2023/24 and Mid-Year Review for 2024/25.</b>

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## **RECOMMENDATION:**

**Cabinet is recommended to note the Treasury Management performance in 2023/24, incorporating the Mid-Year Review for the first half of 2024/25.**

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### **1. Background**

1.1 The annual stewardship report presents the Council’s treasury management performance for 2023/24 and Mid-Year performance for 2024/25, as required by the CIPFA Code of Practice for Treasury Management.

### **2. Supporting Information**

2.1 The Council’s treasury management activities are regulated by a variety of professional codes, statutes and guidance. The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector (the ‘Code’) and operates the treasury management function in compliance with this Code. These require that the prime objective of the treasury management activity is the effective management of risk, and that its borrowing activities are undertaken in a prudent, affordable and sustainable basis and treasury management practices demonstrate a low risk approach. The Code requires the regular reporting of treasury management activities to:

- Forecast the likely activity for the forthcoming year (in the Annual Treasury Strategy Report); and
- Review actual activity for the preceding year (this Stewardship Report).
- A mid-year performance review (this Stewardship Report).

2.2 This report sets out:

- A summary of the original strategy agreed for 2023/24 and the economic factors affecting this strategy (Appendix 1).
- The treasury management activity during the year 2023/24 (Appendix 2);
- The treasury management mid-year activity for 2024/25 (Appendix 3);
- The Prudential Indicators, which relate to the Treasury Management function and compliance with limits (Appendix 4).

#### Summary of original Strategy agreed for 2023/24 and the economic factors affecting this Strategy

2.3 The Strategy for 2023/24, agreed in February 2023, continued the prudent approach and ensured that all investments were only to the highest quality rated institutions with regard to security, liquidity and yield. The Strategy and the economic conditions prevailing in 2023/24 are set out in Appendix 1 with an updated economic summary set out in Appendix 3.

2.4 The economic situation since the original Strategy formulation saw heightened uncertainties in the UK economy, particularly from inflationary, geopolitical and domestic political factors. As a result, The Bank of England (BoE) Base Rate increased on three occasions during 2023/24. From 4.25% in April 2023 to a closing rate of 5.25% by March 2024. 5.25% is set to be the peak and a series of cuts are anticipated during 2024/25.

## Treasury Management activity during 2023/24

2.5 The total amount received in short term interest from investments during 2023/24 was £13.3m at an average rate of 4.89%. The implemented benchmark of SONIA (Standard Overnight Index Average; a rate administered by the BoE based on actual transactions of overnight borrowing by financial institutions) over the period was 4.94%.

2.6 The average Bank of England Base Rate during the same period was 5.00%. The Council's average return was above the average returns achieved with peer authorities from treasury advisors (Link Asset Services) investment benchmarking. The return for 2023/24 was against a backdrop of ensuring, as far as possible in the financial climate, the security of principal and the minimisation of risk about liquidity to support the Council's cashflow.

2.7 The Council's investment balances from November 2023 were in steady decline to March 2024. Investment balances at 31 March 2024 totalled £202m (compared to £256m at 31 March 2023).

2.8 The planned use of reserves, creditor spend and debt maturities have all contributed to the falling investment balances during 2023/24. The cashflow forecast is monitored on a rolling 18 month basis and a steady investment maturity profile ensures liquidity is available when required.

2.9 Details of long term borrowing are included in Appendix 2 of the report. The important points to note are:

- No new borrowing was undertaken in 2023/24.
- Public Works Loan Board (PWLB) debt maturing during 2023/24 totalled £4.3m and was at an average rate of 7.64%.
- The average interest rate of all debt at 31 March 2024 (£216.6m) was 4.52%.

## Treasury Management 2024/25 Mid-Year Review

2.10 The Treasury Management and Annual Investment Strategy for 2024/25 was approved by Full Council on 6 February 2024 and was prepared within the context of the financial challenge being faced by the County Council.

2.11 The Bank of England Base Rate as of 30 September 2024 was 5.00%. During the first 6 months of the year, it decreased once, on the 1 August 2024. The economic commentary provided by Link Asset Services (LAS) as at the mid-year point is set out as part of Appendix 3. The Bank of England Base Rate has since been reduced by a further 0.25% to 4.75% on 7 November 2024 as widely anticipated, and any updates to rate forecasts will be considered as part of ongoing treasury management activities.

2.12 Opportunities to place fixed term deposits during the period have been undertaken to secure a fixed rate of return for a duration of up to 12 months. This approach locks in returns into a future decreasing interest rate environment. During the period fixed term deposits totalling £117m were placed at rates between 4.50% and 5.40%.

2.13 Fixed term deposits have been placed over the period with regard to the cashflow forecast. A continuation of reduced investment balances in the 6 months to 30 September 2024 has been noticeable. At 30 September 2024 £167m was placed on deposit (September 2023, £288m) a reduction of £121m over the year.

2.14 The rolling cashflow forecast and steady maturity investment portfolio ensures liquidity is available as and when required. Low points in balances are likely at month end after payroll and the monthly creditor payments settled.

2.15 The total amount received in short term interest for 6 months to 30 September 2024 was £5.7m at an average rate of 5.42%. This was above the benchmark of SONIA in the same period of 5.13%.

2.16 No PWLB borrowing was undertaken in the period, with the Council's long-term debt at 30 September 2024 being £211.6m. Opportunities for cost effective repayment of existing debt and restructuring opportunities are constantly monitored but none emerged in the first six months of the year.

## Prudential Indicators which relate to the Treasury function and compliance with limits

2.17 The Council is required by the CIPFA Prudential Code to report the actual prudential indicators after the end of each year. There are eight indicators which relate to treasury management as are set out in Appendix 4, demonstrating that the Council is fully compliant with these indicators.

### **3. Conclusion and reason for recommendation**

3.1 This report updates on treasury management performance and fulfils the requirement to submit an annual/half yearly report in the form prescribed in the Treasury Management Code of Practice. The key principles of security, liquidity and yield are still relevant. Officers are currently investigating further opportunities within the strategy to increase investment income whilst minimising costs and maintaining security.

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### BACKGROUND DOCUMENTS

Ministry of Housing, Communities and Local Government– Finance and Capital Assets  
[Capital finance guidance - GOV.UK](#)