



Borough of Telford and Wrekin

Audit Committee

17 July 2024

Treasury Management - 2023/24 Annual Report and 2024/25 Update

Cabinet Member:	Cllr Zona Hannington - Cabinet Member: Finance & Governance
Lead Director:	Michelle Brockway - Interim Director: Finance, People and IDT
Service Area:	Finance, People and IDT
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Wards Affected:	All Wards
Key Decision:	Not Key Decision
Forward Plan:	Not applicable
Report considered by:	Audit Committee – 17 July 2024

1.0 Recommendations for decision/noting:

Audit Committee is asked to -

- 1.1 Note the contents of the report;
- 1.2 Note the performance against Prudential Indicators; and
- 1.3 Recommend the Report to Full Council.

2.0 Purpose of Report

- 2.1 This report updates members on the outcome of Treasury Management activities for 2023/24 and details the position for 2024/25 to 31 May 2024.

3.0 Background

- 3.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2023/24. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).
- 3.2 During 2023/24 reporting requirements were that the full Council should receive the following reports:
- an annual treasury strategy in advance of the year
 - a mid-year, treasury update report
 - an annual review following the end of the year describing the activity compared to the strategy, (this report)
- 3.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 3.4 This report confirms that the Council has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to the full Council. Member training on treasury management issues was provided on 26 July 2023 and 31 January 2024 (the presentation slides relating to the latter being re-circulated to Committee members prior to this meeting) in order to support members' scrutiny role.

4.0 Summary of main proposals

4.1 2023/24 Treasury Outturn

Treasury portfolio

	31.03.2023 £m	31.03.2024 £m	Movement £m
Borrowing (excl. PFI)	347.2	371.3	+24.1
Investments (excl. NuPlace)	(38.5)	(17.9)	+20.6
Net indebtedness	308.7	353.4	+44.7

Borrowing can only be undertaken to fund capital investment and not to support the revenue budget which supports the delivery of most Council services. The total value of assets (exc. Infrastructure Assets such as Highways, footpaths, bridges etc and non NuPlace Ltd Long-Term Debtors) held by the Council at 31 March 2024 was £645.0m some £273.7m greater than debt outstanding. (In addition to this, the Council's infrastructure assets are valued at over £235.0m).

Borrowing Strategy

The borrowing strategy for 2023/24 was to borrow temporarily when required and to take advantage of interest rates where possible and review opportunities for new longer term borrowing as appropriate. This was a continuation of the strategy adopted in previous years and maintaining high levels of cheaper temporary borrowing has contributed to surplus treasury management returns of more than £35m since 2015/16 which has reduced the impact of Government cuts and therefore helped to protect frontline services.

In 2023/24 the level of Council borrowing was below its underlying need to borrow (the Capital Financing Requirement (CFR)), see Appendix A. This was due to positive cash flow arising from Council's reserves and balances being available to support the treasury position. In 2023/24 itself, cashflow benefits reduced and new borrowing was entered into.

Short term borrowing was taken during the year to meet cashflow requirements as it was anticipated that interest rates would reduce in the medium to long term. This generated a benefit particularly at the beginning of the year before interest rates began to rise.

Investment Strategy

The investment strategy for 2023/24 was primarily to ensure security of capital and liquidity balanced with delivering a commensurate rate of return. The average return on investments for the year was 4.89%, slightly lower than the the bench mark, average SONIA rate, of 4.96%. Temporary investments (excluding NuPlace share capital) were £17.9m at 31 March 2024, a reduction of £20.6m compared to 31st March 2023 and more in line with the level anticipated in the Investment Strategy.

Overall Outturn

The Council continued to face significant financial pressure in 2023/24 as high inflation increased the cost of providing services and at the same time the cost-of-living crisis increased public demand for some services. This coupled with the continued increases in interests rates by the Bank of England in the first half of the year led to great deal of uncertainty. Short-term borrowing, through temporary loans mainly from other local authorities, was used to cover cash flow requirements.

Overall a net benefit of £1.336m was made against budget for the year. The sound overall position has resulted from a mix of cash flow benefits plus the re-profiling of capital spend into future years.

The 2023/24 Annual Report is included in Appendix A.

4.2 2024/25 Update

Treasury Portfolio at 31.05.2024

	31.03.2024 £m	31.05.2024 £m	Movement £m
Borrowing (excl. PFI)	371.3	386.2	14.9
Investments (excl. NuPlace)	(17.9)	(41.4)	(23.5)
Net indebtedness	353.4	344.8	(8.6)

The strategy for 2024/25 remains consistent with that outlined in the 2024/25 Treasury Strategy, which was agreed for approval at Full Council on 29 February 2024 and recommend for approval by this committee on 31 January 2024.

Borrowing

New borrowing will be required during the year, in line with the approved capital programme. When entering into new borrowing, consideration will be given to the maturity profile of current debt, interest rates and refinancing risks as well as the source, which is expected to be a mix of temporary loans and long term loans obtained from the Public Works Loans Board.

Interest rates have remained relatively high in the first quarter of 2024/25 financial year and the majority of new loans entered into have been relatively short term. This will allow the Council to take advantage of forecast interest rate cuts in the second half 2024/25 and early 2025/26 when loans mature.

Investments

Investment opportunities will be reviewed as they arise and we will seek to gain maximum benefit within the agreed risk parameters i.e. considering security and liquidity ahead of investment returns. The Council does not currently hold any long term investments, which reduces counter-party risk and also reduces net interest costs as longer-term borrowing costs tend to be greater than we are able to earn on new investments.

Link Treasury Services, the Council's treasury advisors, are providing regular investment and borrowing updates, including updated counterparty advice, which is being followed.

The 2024/25 Update Report is included in Appendix B.

5.0 Alternative Options

5.1 The Council must ensure that it manages its finance in accordance with legislation and the CIPFA Code of Practice. The recommendations in this report support that aim and are based on consideration of a range of factors.

6.0 Key Risks

6.1 The key opportunities and risks associated with treasury management activities are set out in the body of the report and in the Treasury Management Strategy and Policy approved by Council and will be regularly monitored throughout the year.

7.0 Council Priorities

7.1 Effective management of the Council's Treasury portfolio helps support the Council's overall financial position through minimising borrowing costs and optimising investment income whilst following the principles of Security, Liquidity and Yield; and therefore supports the delivery of all Council priorities.

8.0 Financial Implications

8.1 These are detailed in the body of the report and appendices.

9.0 Legal and HR Implications

9.1 The Section 151 Officer has responsibility for the administration of the financial affairs of the Council. In providing this report, the Section 151 Officer is meeting one of the responsibilities of the post contained within the Council's Constitution namely, "The Chief Financial Officer will contribute to the promotion and maintenance of high standards of governance, audit, probity and propriety, risk management and the approval of the statement of accounts through provision of support to the Audit Committee."

10.0 Ward Implications

10.1 There are no impacts on specific wards in this report.

11.0 Health, Social and Economic Implications

11.1 The Economic Climate has direct relevance to Treasury Management and is covered in detail in the report and accompanying appendices.

12.0 Equality and Diversity Implications

12.1 The Council will not knowingly directly invest in organisations whose activities include practices which directly pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the values of the Council. At the same time the Council will take full responsibility for proper management of risk and safeguarding its investments by ensuring that they are diversified and made with organisations that are suitably credit assessed.

13.0 Climate Change and Environmental Implications

13.1 Part of the Councils Treasury portfolio includes a Municipal Investment Loan on the Abundance Platform: the Telford & Wrekin Climate Action Investment which supports the Councils climate change agenda.

14.0 Background Papers

- 1 2023/24 Treasury Management Strategy
- 2 2023/24 Prudential Indicators Report
- 3 2023/24 Treasury Update Report and 2024/25 Treasury Management Strategy
- 4 2024/25 Prudential Indicators Report

15.0 Appendices

- A Treasury Management Annual Report 2023/24
- B Treasury Management update 2024/25

16.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Finance	16/06/2024	02/07/2024	PH
Legal	16/06/2024	08/07/2024	RP
Director	02/07/2024	03/07/2024	MLB