



<b>Report To:</b>	Council
<b>Date:</b>	Wednesday, 11 December 2024
<b>Subject:</b>	Treasury Annual Report 2023/24
<b>Purpose:</b>	To provide Members with the Annual Treasury Report 2023/24 in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management to ensure best practice is maintained.
<b>Key Decision:</b>	No
<b>Portfolio Holder:</b>	Cllr Kemp, Portfolio Holder for Finance.
<b>Report Of:</b>	Christine Marshall, Deputy Chief Executive - Corporate Development (S151).
<b>Report Author:</b>	Sean Howsam, Interim Treasury Manager (PSPSL).
<b>Ward(s) Affected:</b>	None directly.
<b>Exempt Report:</b>	No.

### Summary

Attached at **Appendix 1** is the Treasury Annual 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 Council receives and approves the Treasury Annual Report 2023/24 at **Appendix 1** as required by the Local Government Act 2003 following scrutiny by the Audit and Governance Committee at their meeting on 27 November 2024.

## Reasons for Recommendations

The Council is required to produce a Treasury Annual 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.

This report has been delayed because of the delays in completing the financial statements for the 2023/24 financial year.

## Other Options Considered

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

## 1. Background

- 1.1 The Council approved its Treasury Management Strategy for 2023/24 on 1 March 2023. This report now provides the Treasury Annual Report 2023/24 (**Appendix 1**) for approval following review and scrutiny by the Audit and Governance Committee at their meeting on 27 November 2024.

## 2. Report

- 2.1 Capital expenditure for 2023/24 was £27.207m of which £26.924m was financed by grants, internal resources and revenue. The remaining £283k was unfinanced and increased the Council's Capital Financing Requirement.
- 2.2 As at 31 March 2024, treasury investment balances were £58.7m compared with £59.9m the previous year and non-treasury investment balances were £24.8m compared with £26.9m 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 and loans to InvestEL.
- 2.3 On 9 October 2023 the Council repaid its £20m borrowing with PWLB. Based on market rates at the time the Council received a discount of £8.344m resulting in an actual payment of £11.656m. 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>Investment Type</b>	<b>2023/24 Annual Budget</b>	<b>2023/24 Outturn</b>	<b>2023/24 Variance</b>
Treasury Investments and Other Income	(2,000,000)	(3,771,990)	(1,771,990)
Invest East Lindsey	(197,620)	(156,883)	40,737
<u>Property Funds</u>			
Gross Distributions	(1,073,380)	(1,202,434)	(129,054)
Less Management Fees	<u>200,000</u>	<u>213,613</u>	<u>13,613</u>
Net Distributions	(878,380)	(988,821)	(115,441)
Less Total Borrowing Costs	494,500	314,838	(179,662)
<b>Net Position</b>	<b>(2,576,500)</b>	<b>(4,602,856)</b>	<b>(2,026,356)</b>
M&G Property Fund Liquidation Distributions ( <i>to be used for MRP Contributions as the original capital purchase was unfinanced</i> )	0	(661,758)	(661,758)
<b>Net Position (including M&amp;G Liquidation Distributions)</b>	<b>(2,576,500)</b>	<b>(5,264,614)</b>	<b>(2,688,114)</b>

It can be seen from the above table that the overall net treasury position for 2023/24 was net income of £4,602,856, (excluding M&G liquidation distributions) compared to a budget of £2,576,500 resulting in a net surplus of £2,026,356 for the year.

- 2.5** The rate of return on the Council's treasury investments averaged 5.16% for the 2023/24 financial year. Property Fund investments achieved a rate of 4.119% and loans to InvestEL a rate of 4.00%. This gave a combined rate for all investments of 4.87%.
- 2.6** A full analysis of the Council's property fund investments can be found in Section 9 of **Appendix `1`**.
- 2.7** A full review of the economy and interest rates is detailed in Section 8 of **Appendix `1`**.
- 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.

### **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.

#### **Implications**

##### **South and East Lincolnshire Councils Partnership**

None

##### **Corporate Priorities**

None

##### **Staffing**

None

##### **Workforce Capacity Implications**

None

##### **Constitutional and Legal Implications**

The General Power of Competence in the Localism Act 2011 allows Councils a broad freedom in their operations.

Councils have the general power to borrow under Section 1 of the Local Government Act 2003.

The power to invest is set out in the Local Government Act 2003, Section 12, which gives the Council the power to invest for any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs.

The power that allows councils to spend for capital purposes is included in the Local Government Act 2003.

##### **Data Protection**

None

##### **Financial**

The financial implications are covered in detail in **Appendix 1** to this report and in section 2 above.

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.

##### **Risk Management**

The Code of Practice sets out the framework for controlling the risks associated with treasury management decisions for borrowing and investing. Ultimately investment and borrowing decisions are made in accordance with the Council's Treasury Management

Strategy. The overriding priority is that the security of a deposit takes precedence over a return on investment.

The Prudential and Treasury Indicators control the limits for investing and borrowing, to ensure that any borrowing is affordable and sustainable and long term borrowing is for capital purposes only.

### **Stakeholder / Consultation / Timescales**

The Portfolio Holder for Finance is briefed on treasury performance on a regular basis.

### **Reputation**

The security of investments is the Council's main priority when investing surplus cash.

### **Contracts**

None

### **Crime and Disorder**

None

### **Equality and Diversity / Human Rights / Safeguarding**

None

### **Health and Wellbeing**

None

### **Climate Change and Environmental Implications**

None

### **Acronyms**

bps – basis points

CFR – Capital Financing Requirement

CIPFA - Chartered Institute of Public Finance and Accountancy

CPI - Consumer Price Index

ECB – European Central Bank

EZ - Eurozone

FOMC – Federal Open Market Committee

GDP – Gross Domestic Product

MPC - Monetary Policy Committee

MRP – Minimum Revenue Provision

PWLB - Public Works Loan Board

q/q - quarter on quarter

SONIA – Sterling Overnight Index Average

S&P – Standard & Poors

VRP – Voluntary Revenue Provision

y/y – year on year

### **Appendices**

Appendices are listed below and attached to the back of the report:

Appendix 1 – Treasury Annual Report 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
ELDC Treasury Management Strategy Statement for 2023/24	<u>(Public Pack)Agenda Document for Council, 01/03/2023 14:00</u>

## Chronological History of this Report

This report was considered by the Audit and Governance Committee on 27 November 2024 prior to its submission to Council.

## Report Approval

Report author: Sean Howsam – Interim Treasury Manager (PSPSL)  
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Approved for publication: Cllr Kemp, Portfolio Holder for Finance.