

Report to	Governance and Audit Committee
Date of meeting	24 July 2024
Lead Member / Officer	Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets
Report author	Liz Thomas, Head of Finance and Audit
Title	1. Annual Treasury Management (TM) Report 2023/24 (Appendix 1) 2. TM Update Report 2024/25 Quarter 1 (Appendix 2)

1 What is the report about?

- 1.1 The Annual TM Report 2023/24 (Appendix 1) is about the Council's investment and borrowing activity during 2023/24. It also provides details of the economic climate during that time and shows how the Council complied with its Prudential Indicators. The TM Update Report (Appendix 2) provides details of the Council's TM activities during 2024/25 to date.
- 1.2 The term 'treasury management' includes the management of the Council's borrowing, investments and cash flow. Approximately £0.5bn passes through the Council's bank accounts every year. The Council's outstanding borrowing at 31 March 2024 was £318.6m at an average rate of 4.50% and the Council held £15.4m in investments at an average rate of 5.17%.

2 What is the reason for making this report?

- 2.1 It was agreed by Council on 27 October 2009 that the governance of TM be subjected to scrutiny by the Governance and Audit Committee. Part of this role is to receive an update on the TM activities four times a year and to review the enclosed Annual TM Report for 2023/24.

2.2 Role of Governance and Audit Committee

2.2.1 The TM team will provide reports to the Governance and Audit Committee in accordance with the timetable below:

Committee	Date	Report Title	Report Content
Governance & Audit	January	TM Update	<ul style="list-style-type: none"> - External environment - Risks - Activity - Controls - Future Activity
Governance & Audit	January	TM Strategy	<ul style="list-style-type: none"> - Policy - Strategy - Prudential Indicators
Council	February	TM Strategy	As above
Governance & Audit	April	TM Update	As TM Update above
Governance & Audit	July	TM Update	As TM Update above
Governance & Audit	July	TM Review	<ul style="list-style-type: none"> - Review of TM activities during the preceding year - Performance of TM function
Cabinet	September	TM Review	As above
Governance & Audit	November	TM Update	As TM Update above

2.2.2 TM is a complex area which takes time to understand fully and regular updates are required. It was deemed, therefore, that the Governance and Audit Committee was more appropriate than Council to receive these updates so that the required amount of time and commitment can be devoted to this area.

2.2.3 The Committee is required to have a certain level of understanding in this area and this is achieved through regular updates. The Council's treasury advisers, Arlingclose Ltd, also provide training sessions for members to cover these areas in greater depth.

2.2.4 The role of the Committee includes the following:

- To understand the Prudential Indicators
- To understand the impact of borrowing on the Council's revenue position
- To understand the wider drivers impacting on the Council's TM activities
- To ensure that the Council always acts in a prudent manner in relation to its TM activities

3 What are the Recommendations?

3.1 That members note the performance of the Council's TM function during 2023/24 and its compliance with the required Prudential Indicators as reported in the Annual TM Report 2023/24 (Appendix 1).

3.2 That members note the TM update report (Appendix 2) for performance to date in 2024/25.

3.3 That the Committee confirms that it has read, understood and taken account of the Well-being Impact Assessment (Appendix 3) as part of its consideration.

4 Report details

4.1 The purpose of the Annual TM Report (Appendix 1) is to:

- present details of capital financing, borrowing, debt rescheduling and investment transactions in 2023/24;
- report on the risk implications of treasury decisions and transactions;
- confirm compliance with treasury limits and Prudential Indicators.

4.2 The TM update report (Appendix 2) provides details of the following:

- External economic environment
- Risks
- Activity
- Controls
- Future Activity

5 How does the decision contribute to the Corporate Priorities?

5.1 Good investment and borrowing decisions allow additional resources to be directed to other Council services.

6 What will it cost and how will it affect other services?

6.1 The Council pays interest on its borrowing and receives interest on its investments. Treasury management activities also incur costs to the Council in terms of debt management expenses (e.g. officers' time, consultancy fees).

6.2 Both interest payable and receivable were significantly higher than budget in 2023/24 due to the rise in interest rates during the year and the increased levels of borrowing undertaken, largely to finance capital expenditure on two coastal defence schemes. This impacted the Council's capital financing budget during the year which overspent by £87k.

6.3 Minimising the net cost of treasury management activities allows the Council to invest more in its essential services.

7 What are the main conclusions of the Wellbeing Impact Assessment?

7.1 Financial planning and decision making should ensure that proper regard is given to the requirements of the Wellbeing of Future Generations Act and in particular, proper consideration of the long-term impact of financial decisions, including the payback period and whole life costs of capital investment decisions, properly impact assessed budget proposals and long-term debt and investment (treasury management) strategies. The principles of prudence, affordability and sustainability are already enshrined within the requirements of the Prudential Code and should underpin financial planning and decision making.

- 7.2 In the context of treasury management, the existing requirements to assess and report on the long-term financial consequences of investment and borrowing decisions using prudential indicators and long-term debt planning support the sustainability goals of the Wellbeing Act.
- 7.3 The Wellbeing Impact Assessment report is included in Appendix 3 which shows how an efficient treasury management strategy promotes the wellbeing goals of the Act.

8 What consultations have been carried out with Scrutiny and others?

- 8.1 The Council has consulted with its treasury advisers, Arlingclose Ltd.

9 Chief Finance Officer Statement

- 9.1 TM involves looking after significant sums of cash so it is a vital part of the Council's work. It requires a sound strategy and appropriate controls to safeguard the Council's money, to ensure that debt is effectively and prudently managed and reasonable returns on investments are achieved.
- 9.2 It is a requirement of the CIPFA Code of Practice on TM for this committee to receive an update on the TM activities four times a year and to review an Annual TM Report.

10 What risks are there and is there anything we can do to reduce them?

- 10.1 Treasury management is inherently risky but the Council is monitoring and controlling these risks as outlined in the main report. However, it is impossible to eliminate these risks completely. The Council's Treasury Management Strategy and procedures are audited annually and the latest internal audit review was positive with no significant issues raised.

11 Power to make the Decision

- 11.1 The Local Authorities (Capital Finance and Accounting) (Wales) Regulations require local authorities to have regard to the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management which determines the requirement for the Council to prepare regular TM updates and an annual report on treasury activities for the previous financial year.

