

<b>Report to</b>	Governance and Audit Committee
<b>Date of meeting</b>	20 November 2024
<b>Lead Member / Officer</b>	Lead Member for Finance, Performance and Strategic Assets
<b>Report author</b>	Head of Finance and Audit
<b>Title</b>	Treasury Management Update Report 2024/25 Quarter 2 (Appendix 1)

## **1 What is the report about?**

- 1.1 The Treasury Management (TM) Update Report (Appendix 1) 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 30 September 2024 was £302.1m at an average rate of 4.44% and the Council held £3.0m in investments at an average rate of 4.88%.

## **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.
- 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:

<b>Committee</b>	<b>Date</b>	<b>Report Title</b>	<b>Report Content</b>
Governance & Audit	January	TM Update (2024/25 Quarter 3)	<ul style="list-style-type: none"> <li>- External environment</li> <li>- Risks</li> <li>- Activity</li> <li>- Controls</li> <li>- Future Activity</li> </ul>
Governance & Audit	January	TM Strategy 2025/26	<ul style="list-style-type: none"> <li>- Policy</li> <li>- Strategy</li> <li>- Prudential Indicators</li> </ul>
Council	February	TM Strategy 2025/26	As above
Governance & Audit	April	TM Update (2024/25 Q4)	As TM Update above
Governance & Audit	July	TM Update (2025/26 Q1)	As TM Update above
Governance & Audit	July	TM Review 2024/25	<ul style="list-style-type: none"> <li>- Review of TM activities during the preceding year</li> <li>- Performance of TM function</li> </ul>
Cabinet	September	TM Review 2024/25	As above
Governance & Audit	November	TM Update (2025/26 Q2)	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 TM update report (Appendix 1) for performance to date in 2024/25.

3.2 That the Committee confirms that it has read, understood and taken account of the Well-being Impact Assessment (Appendix 2) as part of its consideration.

### **4 Report details**

4.1 The TM update report (Appendix 1) 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).
- 6.3 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 2 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.