

48. Treasury Management and Prudential Code Update Mid-Year Report - 30 September 2024

Purpose of Report

To report the Council's treasury management activity and the actual prudential indicators for the period 1 April 2024 to 30 September 2024, in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice. The strategy included indicators that helped ensure that the Council's capital investment plans were affordable, prudent and sustainable.

Decision

That the Prudential and Local Indicators and the actual performance against the Treasury Management Strategy 2024/25 for the half-year ended 30 September 2024 be noted and referred to Full Council (in accordance with CIPFA's Code of Practice for Treasury Management).

Alternative Options Considered and Rejected

None.

Reason for Decision

The prudential system for capital expenditure was well established. One of the requirements of the Prudential Code was to ensure adequate monitoring of the capital expenditure plans, prudential indicators (PIs) and the treasury management response to these plans. The report fulfilled that requirement and included a review of compliance with Treasury and Prudential Limits and the Prudential Indicators at 30 September 2024. The Treasury Management Strategy and Prudential Indicators were previously reported to and approved by Council on 27 February 2024.

It was noted that the Council held £29.355 million of investments at 30 September 2023, with the full investment profile set out at Appendix A of the report. Of this investment portfolio, 100% was held in low risk specified investments, the requirement for the year being a minimum of 25% of the portfolio to be specified investments. During the six months to 30 September on average 93% of the portfolio was held in low risk specified investments and an average of 7% of the portfolio was held in non-specified investments with other local authorities.

It was noted that as at 30 September 2023, the Council held £107.406m of external borrowing, of which 100% were fixed rate loans (Appendix A referred).

As at 30 September 2023, the average rate of interest paid during the first half of the financial year on external borrowing was 3.26%. This was lower than the budgeted rate set in the Medium Term Financial Strategy (MTFS) 2024-29 of 3.65%, due to the repayment of a loan in the prior year, which was not anticipated

in the MTFS, and the new borrowing forecast at budget setting had not yet been required.

This Council had adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operated its treasury management service in compliance with this Code and the above requirements. These required that the prime objective of treasury management activity was the effective management of risk, and that its borrowing activities were undertaken in a prudent, affordable and sustainable basis.

It was anticipated that no additional borrowing would be undertaken during this financial year. A loan of £2m was due to mature in February 2025, the need to replace this would be assessed closer to the time in-line with cashflow forecasts and interest rates at the time.

The capital programme was being kept under regular review due to the effects of inflationary pressures and shortages of materials and labour. The borrowing strategy would therefore also be regularly reviewed and revised, to achieve optimum value and risk exposure in the long-term.

Officers confirmed that the approved limits within the Annual Treasury Management Strategy were not breached during the quarter ended 30 September 2024.