

MEETING:	PENSIONS COMMITTEE
DATE:	16 SEPTEMBER 2024
TITLE:	TREASURY MANAGEMENT 2023/24
PURPOSE:	CIPFA's Code of Practice requires that a report on the results of the Council's actual treasury management is produced.
RECOMMENDATION:	RECEIVE THE REPORT FOR INFORMATION
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Executive Summary

During the 2023/24 financial year the Council's treasury management activity remained within the limits originally set and total interest received on deposits was £3.5m which was above the budgeted level of £3.2m. There were no defaults by institutions in which the Council had deposited money.

1. Introduction

The Council's Treasury Management Strategy for 2023/24 was approved at Full Council on 2nd March 2023.

It was decided at the Pensions Committee, 27 March 2023 to allow pension fund surplus funds to be combined and co-invested with the Council's overall cash flow for the 2023/24 financial year.

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy.

This report compares the actual performance against the strategy for the financial year 2023/24 and fulfils the Council's legal obligation under the Local Government Act 2003 to have regard for both the CIPFA Code and the Welsh Government's Investment Guidance.

2. Treasury Investment Activity

The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

The Council has held significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances have ranged between £139.5 million and £270.2

million.

Treasury Investment Position

	31.3.23 Balance £m	2023/24 Movement £m	31.3.24 Balance £m	31.3.24 Rate %	31.3.24 WAM* days
Banks & building societies (unsecured)	29.1	(23.2)	5.9	5.27	29.8
Local Authorities	20.1	60.9	81.0	5.84	134.2
Money Market Funds	60.8	(17.8)	43.0	5.27	1.0
Debt Management Office	34.0	(34.0)	0.0	0.0	0.0
Pooled Funds	8.7	2.9	11.6	5.78	365+
Total investments	152.7	(11.2)	141.5		

*Weighted average maturity

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

The Bank Rate increased by 1% over the period, from 4.25% at the beginning of April 2023 to 5.25% by the end March 2024. Short- term rates peaked at 5.7% for 3-month rates and 6.7% for 12-month rates during the period, although these rates subsequently began to decline towards the end of the period. Money Market Rates also rose and were between 5.2% and 5.3% by the end of March 2024.

£11.6m of the Council's investments are held in externally managed strategic pooled equity, bond and property funds where short-term liquidity is a lesser consideration, and the objectives instead are regular revenue income and long- term price stability. These funds generated an income return of 5.8% which is used to support services in year, and an unrealised capital loss of £0.07m in this financial year. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued stability in meeting the Council's medium to long term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years but with the confidence that over a three-to five year period total returns will exceed cash interest.

Investment Benchmarking

	Credit Score	Credit Rating	Bail-in Exposure	WAM* (days)	Income Rate of Return
31.03.2023	4.63	A+	62%	33	4.04%
31.03.2024	5.30	A+	38%	36	5.59%
Similar LAs	4.06	AA-	21%	174	5.29%
All LAs	4.82	A+	61%	9	5.03%

*Weighted average maturity

3. Compliance Report

The section 151 officer reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in the following tables:

Investment Limits

	2023/24 Maximum	31.3.24 Actual	2023/24 Limit	Complied
The UK Government	£102m	£0m	Unlimited	✓
Local authorities & other government entities	£5m	£5m	£10m	✓
Secured investments	£0m	£0m	£10m	✓
Banks (unsecured)	£5m	£5m	£5m	✓
Building societies (unsecured)	£5m	£5m	£5m	✓
Registered providers (unsecured)	£5m	£0m	£5m	✓
Money Market Funds	£10m	£10m	£10m	✓
Strategic pooled funds	£5m	£5m	£10m	✓
Real estate investment trusts	£0m	£0m	£10m	✓
Other investments	£0m	£0m	£5m	✓

4. Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators:

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the time-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment and taking the arithmetic average, weighted by the length of each investment. Unrated investments are assigned a score based on their perceived risk.

	31.3.24 Actual	2023/24 Target	Complied
Portfolio average credit score	5.3	A score of 6 or lower	✓

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	31.3.24 Actual	2023/24 Target	Complied
Total cash available within 3 months	£115.9m	£10m	✓

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates was:

	31.3.24 Actual	2023/24 Limit	Complied
Upper limit on one year revenue impact of a 1% rise in interest rates	£1,122,112	£1,039,420	x
Upper limit on one year revenue impact of a 1% fall in interest rates	£1,122,122	£1,039,420	x

This indicator has not been complied with because the indicator was set when interest rates were low, but interest levels have risen significantly in the year without warning and therefore it is reasonable that the amounts are above the limit.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2023/24	2024/25	2025/26
Actual principal invested beyond year end	£13m	£0	£0
Limit on principal invested beyond year end	£20m	£20m	£20m
Complied	✓	✓	✓

5. RECOMMENDATION

To receive the report.