

Slough Borough Council

Report To:	Audit and Corporate Governance Committee
Date:	30th September 2024
Subject:	Treasury Management Quarter 1 Report 2024-25
Chief Officer:	Annabel Scholes, Interim Executive Director of Finance & Commercial (S151 Officer)
Contact Officer:	Chris Holme, Director of Strategic & Corporate Finance
Ward(s):	All
Exempt:	NO
Appendices:	Appendix 1 – Treasury Management 2024/25 Quarter 1 Report

1. Summary and Recommendations

- 1.1 This report sets out the Treasury Management Quarter 1 position (April – June) for Slough Borough Council for the year 2024/25.

Recommendations:

Committee is recommended to:

1. Review and comment on the Treasury Management Quarter 1 Report 2024-25 as set out in Appendix 1.

Reasons

The Committee has delegated responsibility to review the annual treasury management activity. This will allow the Committee to assure itself that the Council is taking prudent decisions and if it has any concerns, to make recommendations to Cabinet or Full Council to address these concerns.

Commissioner Review

The Commissioners note the content of this report, and the risk associated to the achievement of the original asset disposal target. A revised debt reduction strategy, aligned with the refreshed asset disposal strategy and medium-term financial strategy will be required, with the aim of reducing the Council's borrowing down to a target level which is sustainable and affordable for an authority the size of Slough.

2. Report

- 2.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services, the CIPFA Prudential Code for Capital Finance in Local Authorities and the Department for Levelling Up, Housing and Communities

(DLUHC) Guidance on Local Government Investments. It provides details of Slough Borough Council's (SBC) investment and borrowing activities for the period from 1 April 2024 to 30 June 2024 (the Reporting Period). It demonstrates SBC's compliance to the approved Treasury Management Strategy, policy, its overall recovery vision and highlights any relevant issues.

2.3 The Council's Treasury Management Strategy 2024/25 (TMSS) went to Full Council for approval on 7th March 2024. All treasury activities have been conducted within the parameters of the TMSS. External advice regarding the Treasury Management Strategy was sought from Arlingclose, the Council's treasury management advisors

2.4 Investment balances were £17.46 million as at 30 June 2024. Returns on investments during the Reporting Period were £275k against an interest receivable budget for the of £313k, an under performance of £38k or -12%. This can be accounted for due to the lower levels of balances resultant from debt repayment.

2.5 External borrowing reduced from £459.4 million as at 31 March 2024 to £449.5 million as at 30 June 2024. This included temporary borrowing of £14.5m that was repaid in July.

Compliance

2.6 The Chief Finance 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. Information on compliance with specific investment limits is shown in Appendix 1.

3. Implications of the Recommendation

3.1 Financial Implications

3.1.1 This report details the Council's Treasury Management and Investment activity for the first quarter of the 2024-25 Financial year 1st April – 30th June. The Council is on a journey to get back onto a financially sustainable footing, a key element of which is by reducing debt, and by disposing of assets.

3.1.2 This report is for noting and for consideration going forward as part of effective governance of the Treasury Management of the Council.

3.2 Legal implications

3.2.1 The Local Government Act 2003 provides the Council with the power to borrow and invest money for any purpose relevant to its functions and for the prudent management of its financial affairs. The Council is under a duty to determine and to keep under review how much money it can afford to borrow. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, provide that, in complying with this duty, the Council must have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities and CIPFA's Treasury Management Code of Practice.

3.2.2 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 treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to provide sufficient liquidity to meet corporate objectives.

3.2.3 Full Council is required to approve a Treasury Management Strategy and investment decisions must be made in accordance with that. Any decision to depart from this Strategy must be agreed by Full Council.

3.3 Risk management implications

3.3.1 Best practice and learning from other local government failures has identified that a failure to properly review and monitor investment activity can expose the Council to significant financial risk. It is critical that delegated authority is set at an appropriate level, performance is assessed against the principles set out in the TMS, performance is regularly monitored at senior officer level and by elected members, consideration is given to including aspects of the investment strategy in the internal audit programme and that the Council does not rely on investment activity to avoid making service decisions to meet reduced budgets.

3.3.2 Key risks:

- That asset sales either do not generate the expected receipts or are delayed. The mitigation is using external consultants to ensure best consideration is achieved through a managed asset disposal plan; and
- Interest rates rise thus increasing future borrowing costs.

3.4 Environmental implications

3.4.1 There are no specific implications.

3.5 Equality implications

3.5.1 There are no specific implications.

3.6 Procurement implications

3.6.1 There are no specific implications.

3.7 Workforce implications

3.7.1 There are no specific implications.

3.8 Property implications

3.8.1 In order to reduce the overall level of borrowing and finance the capitalisation direction, the Council will have to generate capital receipts. The Council is currently managing the asset disposal plan to generate these receipts.

4. Background Papers

Treasury Management Strategy Statement 2024-25