

Slough Borough Council

Report To:	Audit and Corporate Governance Committee
Date:	10 th July 2024
Subject:	Treasury Management Outturn Report 2023-24
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 Outturn Report

1. Summary and Recommendations

- 1.1 This report sets out the Treasury Management Outturn position for Slough Borough Council's for the year 2023/24.

Recommendations:

Committee is recommended to:

1. Review and comment on the Treasury Management Outturn Report at 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

This report is an important part of the Council's financial strategy. Robust management of the Council's treasury management debt and investment position is critical to ensure adequate liquidity for revenue and capital activities, security for investments, managing risks within all treasury management activities and providing an indication of the trajectory to the Council's financial recovery.

Procedures and controls to achieve these objectives should be well established both through member reporting, and through officer activity as detailed in the Council's Treasury Management Strategy.

The Commissioners are content with this report.

2. Report

2.1 This Outturn Report documents the Treasury activities of the Council during the financial year 1st April 2023 to 31st March 2024, its borrowings, investments and cash balances. It demonstrates SBC's compliance to the approved Treasury Management Strategy, policies and its overall recovery vision.

Options considered

2.2 The Council could choose not to report the Treasury Management Outturn to this Committee, instead reporting it to Full Council as part of the annual governance process. However, this is not recommended, as learning from previous investment decision-making and from other local government failures has emphasised the importance of member oversight to assess the performance of any investment programme and the associated risks.

Background

2.3 The Council's Treasury Management Strategy 2023/24 (TMS) went to Cabinet for recommendation on 27th February 2023 and to Full Council on for approval on 9th March 2023.

2.4 External advice regarding the Treasury Management Strategy was sought from Arlingclose, the Council's treasury management advisors

2.5 On 31st March 2024, the Council had net borrowing of £437.32m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

2.6 The Council pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

Table 1: Balance Sheet Summary

	31.3.24 Actual £m
General Fund CFR	504.2
Housing Revenue Account CFR	138
Total CFR	642.2
Less: *Other debt liabilities	31.2
Borrowing CFR	611
External borrowing	459.4
Internal/Under borrowing	151.6

* Finance leases, PFI liabilities and transferred debt that form part of the Council's total debt. The CFR calculations are subject to audit.

2.7 The treasury management position on 31st March 2023 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary (*)

	31.3.23 Balance £m	Movement £m	31.3.24 Balance £m	31.3.24 Rate %
External Long-term borrowing	446.97	12.46	459.4	3.93%
External Short-term borrowing	143.5	-143.5	0	N/A
Total borrowing	590.47	-131.04	459.4	3.93%
Long-term investments	119.0	-119.0	0	
Cash and Cash Equivalents	22.0	0.10	22.10	3.84%
Net Total investments	141.00	-118.90	22.10	3.84%
Net borrowing	449.47	-12.14	437.32	

*Subject to audit

2.8 On 31st March 2024 the Council held £459.4m of external loans. The target for the year end set in the 2023/24 Treasury Management Strategy of £404m. During 2022/23 debt actually reduced by £126.44m not the £145m forecast (to £590m). Whilst actual debt at the 31st March 2024 was above forecast, no limits within the Treasury Management Strategy were breached. The Council is following a debt reduction strategy to bring borrowing down to a sustainable and affordable level. Short term local authority debt of £143.5m held at the end of 2022/23 was paid off during the year. There were no changes to the levels of Bank debt during the year. No new borrowing for capital purposes was undertaken during the year. During the year £96.4m of maturing PWLB loans were refinanced including £12.5m which related to 2024/25. This accounts for the year end balance being greater than the opening balance. Loans outstanding on 31st March 2024 are summarised in Table 3 below.

Table 3: External Borrowing Position

	31.3.23 Balance £m	Net Movement £m	31.3.24 Balance £m	31.3.24 Weighted Average Rate %	31.3.24 Weighted Average Maturity (years)
Public Works Loan Board	433.97	12.46	446.43	3.18%	11.29
Banks (LOBO) (Lender's Option Borrower's Option)	9.00		9.00	3.87%	21.04
Bank Fixed Term	4.0		4.00	4.76%	30.30
Local authorities (short- term)	143.5	-143.5	0	N/A	N/A
Total borrowing	590.47	-131.04	459.43		

2.8 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.23 Balance £m	Net Movement	31.3.24 Balance £m	31.3.24 Income Return %
Government: DMADF	119.0	-119.0	0	N/A
Money Market Funds	22.0	-0.7	21.3	3.84
Banks (Overnight	0.21	0.6	0.8	0
Total Investments	141.21	-119.1	22.1	3.84

2.9 The Council has also invested in non-treasury investments for service purposes. These investments are shown in table 5 below.

Table 5: Non-Treasury Investments

Interest receivable 2022/23	Debtor	Balance at 31/3/2024	Interest Receivable 2023/24	Rate
£000s		£000s	£000s	%
1,551	James Elliman Homes	51,700	1,551	3%
144	SUR LLP*	735	144	5%
598	GRE 5 Ltd *	2,192	355	6%
0	Slough Children First Ltd*	5,000	71	1.41%
2	St Bernards School	Repaid	0	0
2,295		59,627	2,121	3.85%

*Subject to Audit

Compliance

2.10 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 A.

3. Implications of the Recommendation

3.1 Financial implications

3.1.1 This report details the Council's Treasury Management and investment activity as at 31st March 2024. The Council is on a journey to get back onto a financially sustainable footing, principally by reducing debt, and by disposing of assets.

3.1.2 The Council's accounts will be audited and the figures contained within this report will be confirmed as true and accurate. The 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**

None