

AUDIT COMMITTEE	AGENDA ITEM No. 7
18 MARCH 2024	PUBLIC REPORT

Report of:	Cecilie Booth, Executive Director for Corporate Services and S151 Officer	
Cabinet Member(s) responsible:	Councillor Howard – Deputy Leader and Cabinet Member for Corporate Governance and Finance	
Contact Officer(s):	Cecilie Booth, Executive Director for Corporate Services and S151 Officer	Tel. 452520

TREASURY MANAGEMENT Q3 UPDATE Quarter Ended 31st December 2023 (Q3 2023/24)

RECOMMENDATIONS	
FROM: Cecilie Booth, Executive Director for Corporate Services and S151 Officer	Deadline date: N/A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Review and consider the Treasury Management Strategy Statement (TMSS) quarter position and performance against the Prudential Indicators 2. Read the information about Economic and interest rate update. 	

1. ORIGIN OF REPORT

- 1.1 The Treasury Management in the Public Services: Code of Practice 2021 recommends that Members receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, a mid-year and quarterly review and an annual report after its close.
- 1.2 This report is submitted to the Audit Committee to review the quarter three position of the prudential indicators, update on the economic and interest rate forecast.

2. PURPOSE AND REASON FOR REPORT

- 2.1 To update the Audit Committee with councils' quarter three position of the prudential indicators and forecast outturn, economic and interest rate forecast.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A

4. BACKGROUND AND KEY ISSUES

- 4.1 The Chartered Institute of Public Finance Accountancy (CIPFA) Code of Practice for Treasury Management 2021 recommends that Members are updated on treasury management activities at least quarterly. This report, therefore, ensures that the Council is following best practice in accordance with the Code. The financial year 2023/24 is the first year in which Cabinet will receive quarterly treasury updates.

Whilst it is a requirement of the Code that the annual and mid-year reports on treasury activity must be ratified by full Council, the reports for the first and third quarters of the financial year only need to be presented to Cabinet.

- **Economic Update**

The economic update for the third quarter of 2023/24, provided by Link Group, the Council's treasury management advisors.

It should be noted that changes to the UK economy, and their resulting implications for the Council's treasury activities, can often be fast-paced and, therefore, some of the economic data may be partially out of date by the time it is reported.

On 2nd November, the Monetary Policy Committee (MPC) voted 6 to 3 in favour of no increase in Bank Rate, meaning that it remains at 5.25% and is unchanged since August. The voting was clearer cut than the previous meeting in September, which is indicative of the widely held view that Bank Rate has peaked.

- **Interest Rate Forecasts**

The Council has appointed Link Group as its treasury management advisors and part of Link's service is to assist the Council to formulate a view on interest rates.

The latest forecast, made on 7th November 2023, sets out a view that the MPC would be keen to underpin its anti-inflation credentials by keeping Bank Rate at 5.25% until at least mid-year 2024. Rate cuts are expected to start when both the CPI inflation and wage/employment data are unequivocally supportive of such a move, and that there is a strong likelihood of the overall economy enduring tepid growth (at best) or a mild recession (at worst) over the coming months

5. CONSULTATION

- 5.1 This report and accompanying appendices have been issued to the Executive Director of Corporate Services and the Director of Law and Governance and Monitoring Officer

- 5.2 The Council continues to liaise with its treasury advisors, Link Group.

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 As set out in the report.

7. REASON FOR THE RECOMMENDATION

- 7.1 This report is presented to the Committee to provide the opportunity to review Prudential Indicators of the quarter three, economic and interest rate update in advance of it being presented to Full Council.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 None

9. IMPLICATIONS

Financial Implications

- 9.1 The assumptions as contained in the TMS have been used to inform the capital financing budget as contained and detailed in the MTFS.

Legal Implications

- 9.2 Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations, which clarifies the requirements of the Minimum Revenue Provision guidance.

This report takes into the account the impact of the CIPFA Prudential Code and CIPFA Treasury Management Code of practice issued in 2021.

Equalities Implications

- 9.3 None

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 10.1
- The Prudential Code for Capital Finance in Local Authorities –2021 Edition, CIPFA; and
 - Treasury Management in the Public Services, Code of Practice and Cross-Sectoral Guidance Notes – 2021 Edition, CIPFA

11. APPENDICES

- 11.1 Appendix 1 – Prudential and Treasury indicators for 2023-24 as of 31st December 2023.

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