

**North East Derbyshire District Council**

**Audit Committee**

**4 December 2023**

**Treasury Management Update**

**Report of the Director of Finance and Resources (S151 Officer)**

Classification: This report is public

Report By: Jayne Dethick, Director - Finance and Resources  
(S151 Officer)

Contact Officer: as above

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**PURPOSE/SUMMARY**

To provide a Treasury Management update to the Audit Committee

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**RECOMMENDATIONS**

1. That the Audit Committee note the report and comment as appropriate.
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**IMPLICATIONS**

**Finance and Risk**

Yes ✓

No

Financial Implications are considered throughout the report. Consideration of financial risk is part of the decision making process when borrowing and investing the Council's funds.

On Behalf of the Section 151 Officer

**Legal including Data Protection**

Yes

No ✓

There are no legal issues arising directly from the report. Having a Treasury Management Strategy in place complies with the requirements of the Local Government Act 2003 and updated advice and guidance from the Government and CIPFA

On Behalf of the Solicitor to the Council

**Staffing**

Yes

No ✓

There are no staffing issues arising directly from this report.

On Behalf of the Head of Paid Service

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### **DECISION INFORMATION**

<b>Is the decision a Key Decision?</b>  A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000</i> <input type="checkbox"/>  <i>Capital - £150,000</i> <input type="checkbox"/>  <i>NEDDC: Revenue - £100,000</i> <input checked="" type="checkbox"/>  <i>Capital - £250,000</i> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>Has the relevant Portfolio Holder been informed</b>	Yes
<b>District Wards Affected</b>	All
<b>Links to Corporate Plan priorities or Policy Framework</b>	All

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### **REPORT DETAILS**

- 1.1 Each year the Audit Committee review the Treasury Management suite of Strategies ahead of their approval by Council. In addition, half yearly updates are provided to Council and the most recent update was presented on 27 November. A copy of this report can be found at **Appendix 1**.
- 1.2 The treasury management function covers the borrowing and investment of Council money. This includes both the management of the Council's daily cash position and the management of its long-term debt. All transactions are conducted in accordance with the Council's approved strategy and the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code). Good treasury management plays an important role in the sound financial management of the Council's resources.
- 1.3 Treasury Management is a specialist area and the Council uses external treasury advisors, Arlingclose Ltd, to assist. They provide assurance that the Council's strategies

are fit for purpose and also provide advice in respect of treasury decisions. Arlingclose are also invited to address the Audit Committee each year.

- 1.4 At its meeting of 3 July, the Committee asked for a review of the current treasury management strategy in relation to investments to assess the range of investment opportunities available. This review has now been undertaken and is reported below.
- 1.5 The current strategy conforms with the CIPFA Code, a full copy of the current strategy is appended to this report at **Appendix 2** for information. A key point to note is that the Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments **before** seeking the highest rate of return, or yield. Therefore, 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. This has been challenging in recent years as the investment market has been volatile and unpredictable.
- 1.6 The Council has an approved list of investment counterparties. Each has a limit and the sector also has a limit. The list provides a wide range of investment opportunities whilst still ensuring the primary objective of security and liquidity is met. The table below shows the list of approved counterparties:

<b>Sector</b>	<b>Time limit</b>	<b>Counterparty limit</b>	<b>Sector limit</b>	<b>Amount currently Invested</b>
The UK Government	50 years	Unlimited	none	0
Local authorities & other government entities	25 years	£5m	Unlimited	10m
Secured investments	25 years	£5m	Unlimited	0
Banks (unsecured)	13 months	£5m	Unlimited	0
Building societies (unsecured)	13 months	£5m	£20m	0
Registered providers (unsecured)	5 years	£5m	£20m	5m
Money market funds	n/a	£5m	Unlimited	13.5m
Strategic pooled funds	n/a	£5m	£20m	0
Real estate investment trusts	n/a	£5m	£20m	0
Other investments	5 years	£5m	£20m	0

- 1.7 The final column shows the amount the Council currently has invested with each counterparty. This varies on a regular basis and short-term investments are frequently moved to track the best interest rate deals at any given time. In recent years the Council has diversified, investing with registered providers, the UK Government, local authorities,

and money market funds on a regular basis. The Council has also increased duration of loans and now has several >1-year investments with local authorities and registered providers. The current yield on our treasury management investments is 4.14% (2022/23 2.39%).

1.8 The Council also has a number of long-term investments in the form of service loans. This includes loans to Rykneld Homes Ltd to allow development of social housing. It also includes a loan to Northwood Group Ltd for a mixed tenure housing development scheme in the district.

1.7 Service loans have a better yield than treasury management investments but are considerably higher risk. The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due and provision for non payment has to be made in respect of these loans.

1.8 The table below shows the current rate of return of all investments:

<b>Investments net rate of return</b>	<b>£m</b>
Treasury management investments	4.14%
Service investments: Loans – Rykneld Homes Ltd	3.52%
Service investments: Loans – Northwood Group Ltd	5.09%

1.9 In conclusion, the Council’s current strategy represents an appropriate balance between risk management and cost effectiveness and provides scope for a wide range of investments. The Council has widened its investment portfolio in recent years (see 1.7 above) and the strategy provides sufficient scope to further widen as resources allow. The Council has for several years been a net investor with surplus cash to invest. However, with an ambitious capital programme, including the Clay Cross Active leisure facility and two social housing regeneration schemes, it is likely that the Council will have less cash to invest for treasury management purposes in the medium term.

**2 Reasons for Recommendation**

2.1 To update the Committee on the current strategy for treasury management investing

**3 Alternative Options and Reasons for Rejection**

3.1 There are no alternative options being considered at this time.

**DOCUMENT INFORMATION**

<b>Appendix No</b>	<b>Title</b>
1	Treasury Management Activity April – September 2023

2	Treasury Management Suite of Strategies 2023/24 – 2026/27
<b>Background Papers</b>	
<b>Report Author</b>	<b>Contact Number</b>
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