MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	**AUDIT COMMITTEE**		
DATE:	**06 JUNE 2024**	**REPORT NO:**	**CFO/28/24**
PRESENTING OFFICER	**DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA**		
RESPONSIBLE OFFICER:	**MIKE REA**	**REPORT AUTHOR:**	**MIKE REA**
OFFICERS CONSULTED:	**STRATEGIC LEADERSHIP TEAM**		
TITLE OF REPORT:	**TREASURY MANAGEMENT 2023/24 ANNUAL REPORT**		

APPENDICES:	**APPENDIX A:**	**TREASURY MANAGEMENT ANNUAL REPORT 2023/24**

Purpose of Report

1. To advise Members of the activities of the Treasury Management operation and actual performance against the agreed Prudential Indicators in 2023/24. This report meets the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Authority is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Recommendation

2. It is recommended that Members note the Treasury Management Annual Report 2023/24 (attached as Appendix A).

Introduction and Background

3. Treasury Management is defined as:

   "The management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

4. The CIPFA Code of Practice for Treasury Management in Local Authorities has been adopted by the Authority and a Treasury Policy Statement incorporated in Financial Regulations in accordance with the requirements of the Code. The arrangements for reporting Treasury Management activities to Members are that a minimum of three reports are presented to Members: -
   - An Annual Treasury Strategy Report before the start of a financial year.

- An interim report during the second half of a financial year. Other interim reports will be prepared if necessary.
- An annual outturn report by 30th September following the financial year to which it relates.

Annual Treasury Management Strategy

5. The Authority determines before the start of each financial year an agreed Treasury Management strategy to set certain parameters and guidelines around which the Treasury Management function will operate. The 2023/24 – 2027/28 Budget and Financial Plan report, CFO/063/22, considered by Members at the Authority meeting on 23rd February 2023, set the Authority's Treasury Management strategy for 2023/24:

   The strategy sets limits for the next three years on:
   - overall Level of External Debt
   - operational Boundary for External Debt
   - upper limits on fixed interest rate exposure
   - upper limits on variable rate exposure
   - limits on the maturity structure of debt
   - limits on investments for more than 365 days

   The strategy covers:

   - prospects for interest rates
   - capital borrowing and debt rescheduling
   - annual investment strategy
   - external debt prudential indicators
   - Treasury Management prudential indicators
   - performance indicators
   - Treasury Management advisors

6. As short term interest rates were expected to be lower than long term borrowing rates, the Authority, as part of its approved Treasury Management strategy, agreed to reduce investments and borrow for short periods and possibly at variable rates when necessary. The interest rate market was monitored throughout the year for any changing circumstances requiring a review of the current strategy.

Interim Treasury Management Report

7. The interim Treasury Management report, CFO/054/23, was considered by Members at the Policy and Resources Committee on 14th December 2023. The report confirmed that to date Treasury Management activity in 2023/24 had been carried out in compliance with the relevant Codes and Statutes and within the

borrowing and Treasury Management limits set by the Authority under the prudential code.

Annual Outturn Treasury Management Report

8. The Treasury Management Annual Report 2023/24 is attached as Appendix A to this report and demonstrates that Treasury Management activity has been carried out in-line with the approved Treasury Management Strategy and therefore within the borrowing and Treasury Management limits set by the Authority throughout the year. Treasury Management practices have maintained full compliance with the relevant Codes and Statutes.

9. The Authority's Treasury Management function is carried out by Liverpool City Council via a service level agreement.

Equality and Diversity Implications

10. There are no equality and diversity implications arising from this report.

Staff Implications

11. There are no staff implications arising from this report.

Legal Implications

12. This report meets the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Authority is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Financial Implications & Value for Money

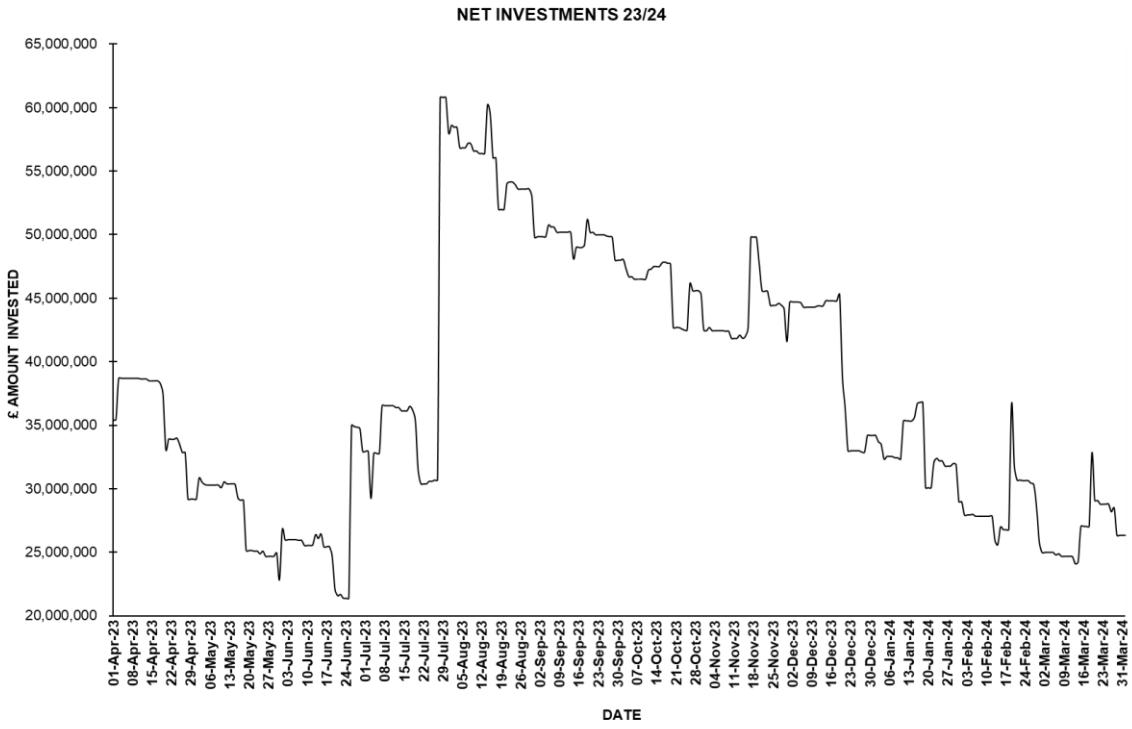
13. The cost of Treasury Management Services was £26,334 in 2023/24 and was provided by Liverpool City Council.

14. The Authority's overall debt outstanding at the end of the financial year remained the same as at the start of the financial year at £33.720m.

15. The Authority paid total interest of £1.715m on all the debt during the year, which was consistent with the budget. The reason for no new loans being taken out in the year (and as a consequence lower interest payments) is due to the current strategy of using available cash to fund capital investment rather than seek new loans while Public Works Loans Board debt costs remain so high.

16. The movement on the level of opening and closing investments is summarised below:

	£'m
01/04/2023	35.450
31/03/2024	26.350



17. The reason why the level of investments increased in the year is that the Authority receives significant grant income in advance of actual expenditure. For example, the firefighter pension grant of £30.461m was paid in July but actual pension payments are spread throughout the year.

18. A combination of the grants received in advance of expenditure and the cash available as a consequence of the current reserve strategy meant the Authority had £26.350m of investments at the year-end.

19. The investments are held in institutions that reflect the approved investment strategy. The table overleaf outlines the £26.350m of investments held as at 31st March 2024;

ANALYSIS OF INVESTMENTS END OF QUARTER 4 2023/24

Institution	Credit Rating	MM Fund*	Bank / Other	Building Society	Local Authority	Average Interest
		£	£	£	£	%
Aberdeen Liquidity	AAA	2,100,000				5.05
Federated Investors UK (Overnight)	AAA	2,400,000				4.90
Legal & General	A+	2,400,000				5.05
HSBC (MFRS Deposit Account)	A		450,000			2.00
Newcastle BS				1,000,000		5.90
Aberdeen CC					3,000,000	5.60
Blackpool Council					3,000,000	6.30
Folkstone & Hythe DC					2,000,000	5.60
Rushmoor BC					3,000,000	5.65
The Highland Council					2,000,000	5.60
Uttlesford DC					3,000,000	7.00
Wyre Forest DC					2,000,000	2.00
Totals		**6,900,000**	**450,000**	**1,000,000**	**18,000,000**	**5.05**
Total Current Investments					**26,350,000**	

**MM Fund - Money Market Funds -these are funds that spread the risk associated with investments over a wide range of credit worthy institutions.*

20. Income earned on investments was £1.045m, which was £0.095m above the amount budgeted for, reflecting the increase in interest rates during the year.

Risk Management and Health & Safety Implications

21. Robust management of the Authority's cash, investments and loans reduces the risk of poor security of investments, the lack of availability of funds when required, and a poor return on investments.

Environmental Implications

22. There are no environmental implications arising from this report.

Contribution to Our Vision: To be the best Fire & Rescue Service in the UK.

Our Purpose: Here to serve, Here to protect, Here to keep you safe.

23. A good Treasury Management Strategy ensures that funds are available to meet the approved financial plan and therefore the delivery of services required to achieve the Authority's vision.

BACKGROUND PAPERS

CFO/063/22 MFRA Budget and Financial Plan 2023/2024 - 2027/2028, Authority 23rd February 2023.

CFO/054/23 Interim Treasury Management Report, Policy & Resources Committee 15th December 2023.

GLOSSARY OF TERMS

CIPFA **C**hartered **I**nstitute of **P**ublic **F**inance and **A**ccountancy