

Scrutiny Bulletin: 8 April 2024

Title of Update: Treasury Management Quarterly Report – Q3

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## 1. What is the update about?

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for treasury Management 2021 recommends that members be updated on treasury management activities at least quarterly. The Treasury Management Strategy for the coming year, the annual Treasury Management outturn, and the mid-year review are presented to Executive and Council. The new requirement from 2023/24 to update Members on a quarterly basis does not require reports to be formally presented to Council. This report provides an update on the third quarter of 2023/24 in compliance with the Code.

## 2. Report Details:

### 2.1 Interest Rate Forecasts

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Link Group forecast to March 2027.

	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
<b>BANK RATE</b>	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

## 2.2. Treasury Management Strategy

The Council approved the 2023/24 Treasury Management Strategy Statement, including the Annual Investment Strategy, at its meeting on 21 February 2023. In accordance with the CIPFA Treasury Management Code of Practice it sets out the Council's investment priorities as being; Security of capital, Liquidity, and Yield. Officers review the creditworthiness of counterparties when making investment decisions, and Link provide updates of changes to credit ratings.

The Council's investment strategy was to continue to hold small surplus funds and to seek to utilise its Call Accounts, Money Market Funds, use the Government's Debt Management Office and use short dated deposits which would be placed with Local Authorities, Banks or Building Societies in-line with the Council's counterparty list.

The Council's stated borrowing strategy was to defer borrowing until later years, where possible, and to reduce the size of the Council's investment balance instead, however some targeted long term borrowing may be undertaken where the costs will be offset against future income streams.

## 3. Investments

3.1 The Council's fixed term deposits held at 31 December 2023 were:

Amount	Investment	Interest rate	Date Invested	Maturity Date	No. of Days
£5,000,000	London Borough of Barking & Dagenham	5.45%	26/09/23	03/01/24	99
£4,000,000	Cheltenham Borough Council	5.35%	14/22/23	15/01/24	62
£3,000,000	Standard Chartered – Sustainable deposit	5.70%	15/09/23	15/03/24	182
£5,000,000	Suffolk County Council	5.70%	30/11/23	30/01/24	61
£2,000,000	Barclays Green notice account	5.25%	19/07/22	65 day notice	Min: 65
£1,000,000	Barclays Standard notice account	5.25%	19/07/22	65 day notice	Min: 65
<b>£20,000,000</b>					

3.1 The Council had access to four Money Market Funds during the period. The money market funds allow immediate access to our funds and spreads risk as it is pooled with investments by other organisations and invested across a wide range of financial institutions.

Amount	Investment	Interest rate*
£10,000,000	Federated Investors	4.94%
£0	CCLA - The Public Sector Deposit Fund	4.83%
£10,000,000	Black Rock Asset Management	4.87%
£3,000,000	Aberdeen Standard Investments	4.91%
<b>£23,000,000</b>		

\* Interest rate is variable (therefore rates quoted are an average to 31<sup>st</sup> December 2023)

- 3.2 The Council made investments in the CCLA's LAMIT Property Fund in 2016. It should be noted that investments in property funds are a long term commitment which means that there can be fluctuations on the return from the investment.

Amount	Investment	Dividend Yield as at Q2
£5,000,000	CCLA – LAMIT Property Fund	5.18%

- 3.3 The Council can utilise the Government's Debt Management Office (DMO) account and a reserve account with Barclays. These accounts have not been utilised during the period.

## 4 Borrowing

- 4.1 When the 2023/24 budget was set the Council's Capital Financing Requirement (CFR) at 31<sup>st</sup> March 2023 was expected to be £250.75m, rising by £3.58m to £254.33m by 31<sup>st</sup> March 2024 to fund the capital programme. The Council is in an under-borrowed position, meaning that the CFR has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as borrowing costs continue to rise.
- 4.2 The Council's long term borrowing is currently £165.490m (£93.246m General Fund and £72.244m HRA) and there is no short-term borrowing. No further external borrowing has been undertaken during the quarter.
- 4.3 Details of loans are set out below:

Principal Amount outstanding as at 31 December 2023	Lender	Interest rate	Loan type	Date of repayment
£56,884,000	PWLB maturity (HRA)	3.48%	Maturity	28/03/2062
£1,892,228	PWLB 25 year annuity	2.34%	Annuity	11/01/2044
£1,840,313	PWLB 25 year annuity	2.08%	Annuity	04/04/2044
£4,151,400	PWLB 30 year annuity	1.61%	Annuity	26/09/2049
£8,038,745	PWLB 35 year annuity	1.71%	Annuity	26/09/2054
£34,154,725	PWLB 50 year annuity	1.80%	Annuity	26/09/2069
£15,360,000	PWLB maturity (HRA)	1.31%	Maturity	14/04/2070
£43,168,547	PWLB 50 year annuity	1.78%	Annuity	24/12/2071

- 4.4 The ongoing borrowing requirement will be monitored and a decision of whether to take further borrowing will be made in light of need and current and forecast interest rates. If additional borrowing is required advice will be sought from the treasury management advisors in order that the most cost effective form of borrowing can be secured. The decision of whether to take external long-term borrowing is delegated to the Section 151 Officer and Leader of the Council.

## 5 Compliance with Treasury and Prudential Limits

The Council sets in February each year prudential indicators for Treasury Management to ensure that proper control of borrowing and investing is maintained. These indicators can be found in the Council's budget book. For 2023/24 the Treasury Management Strategy included the new liability benchmark indicator which compares the CFR with actual borrowing to 2031. At Quarter 3 2023/24 there is no projected significant deviation from these indicators.

During the quarter ended 31 December 2023, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2023/24. No difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices. The approved limits within the Annual Investment Strategy were not breached during the quarter.