

CEREDIGION COUNTY COUNCIL

Report to: Cabinet

Date of meeting: 4th July 2023

Title: Treasury Management Performance for 2022/23

Purpose of the report: To report on the 2022/23 Treasury Management Performance

For: Information

Cabinet Portfolio and Cabinet Member: Councillor Gareth Davies, Cabinet Member for Finance & Procurement Services

1. INTRODUCTION

This report is presented in accordance with the CIPFA Code of Practice on Treasury Management in the Public Services (the code). It is a requirement of the code to report to Cabinet on both the expected treasury activity for the forthcoming year and subsequently the performance of the Council's treasury management activities in that year.

Treasury management is defined by CIPFA as:

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

2. STRATEGY

The Council's Treasury Management strategy for 2022/23 was approved by Full Council in March 2022.

The Council's Investment Strategy outlined the Council's investment priorities as being security of capital and liquidity, with the aim of achieving the optimum return on investments commensurate with the proper levels of security and liquidity. Generally it was anticipated that investments for core cash flow requirements would be for periods of up to 3 months, but with scope to invest for longer periods (up to 1 year) if surplus investment balances are available.

No new borrowing has been undertaken during 2022/23 as the Council continues to maintain an internal borrowing position which is helping to deliver short term revenue savings.

3. TREASURY ADVISORS

The Council employs Link Treasury Services Ltd as the Council's external Treasury advisor on a contract that runs until 30/08/2026.

4. BANKING CONTRACT

The Council has a contract with Barclays for the delivery of banking services, which runs until 29/02/2024. Barclays is a UK based bank, with a long-term credit rating of A1 (Moody's) and continues to provide the Council with an excellent service.

Barclays has operated local government sector specialism for over 15 years, currently providing transactional banking services to just under 25% of all local authorities and holding treasury relationships with close to 70% in the UK. The number of providers of banking services to the local government sector is very limited and it should be noted Barclays was the only bank that expressed an interest in the Council's business last time the contract was procured. There is high confidence in the measures Barclays has in place to counter fraud, a critical consideration in present times. Barclays has delivered high quality cyber fraud awareness training to Council officers that was free of charge. This a good example of the extra support services received under the contract.

The Council's banking services contract will be going out to tender during the year 2023/24.

5. PORTFOLIO POSITION

The Council's debt and investment position at the beginning and end of the year was as follows:

	Principal outstanding at	
	<u>31/03/22</u>	<u>31/03/23</u>
	<u>£m</u>	<u>£m</u>
<u>External Borrowing</u>		
PWLB loans	108.9	101.1
Barclays Market loan	5.8	5.8
WG Repayable Loan funding	0.9	0.9
<i>Total Debt</i>	<u>115.6</u>	<u>107.8</u>
<u>Investments</u>		
In-house	55.5	38.7
<i>Total Investments</i>	<u>55.5</u>	<u>38.7</u>
<i>Net Debt</i>	<u>60.1</u>	<u>69.1</u>

A breakdown of the Council's Investments held at year end is shown in Appendix A and a breakdown of the Council's external debt at year end is shown in Appendix B.

6. INTEREST RATES

Short term interest rates

In response to persistent high levels of inflation the Bank of England has increased the interest base rate consecutively at each of its last twelve Monetary Policy Committee (MPC) meetings. As at June 2023 the base rate stands at 4.5%, from its historically low rate of 0.1% as recently as December 2021.

Our Treasury Advisors view is that interest rates will continue to be raised until it peaks at 5.0% in September 2023 when it will then be gradually reduced to 3.25% over the course of the next 18 months.

Link Treasury Services Interest Rate Forecast – as at 9th June 2023.

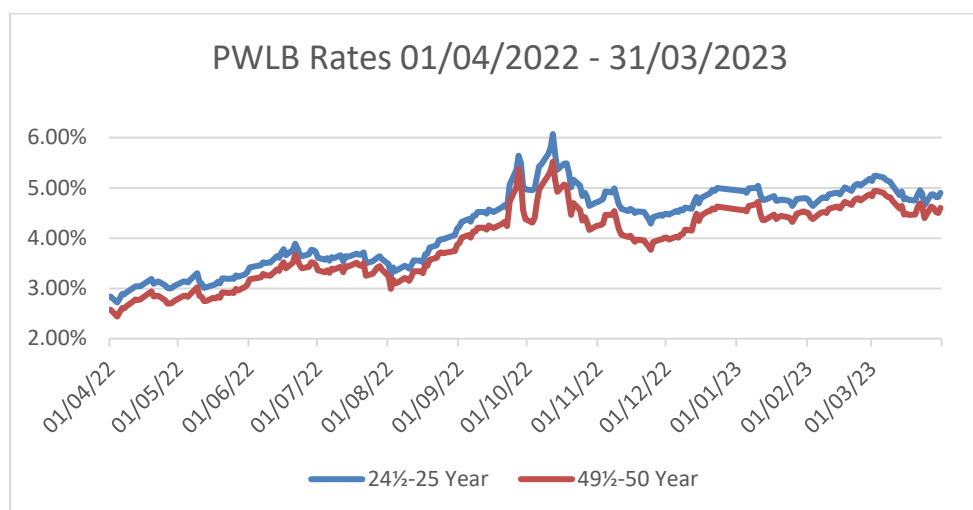
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Interest Rate Forecast	4.75%	5.00%	5.00%	4.75%	4.50%	4.00%	3.50%	3.25%

Long term borrowing interest rates

(For new maturity loans excluding PWLB Certainty/Project rate)

The 49½ to 50 year PWLB rate started the year at 2.3% and has consistently increased ending the year at 4.6%. Rates did face a particularly turbulent period during the Autumn of 2022 as a consequence of the UK Government's 'mini budget' in September 2022 which led to a period of turbulence for Government Gilt yields. The 49½ to 50 year PWLB rate peaked at 5.5% during this period.

The 24½ to 25 year PWLB rate followed a similar pattern starting the year at 2.8% before ending the year at 4.9%.



7. BORROWING

During 2022/23 a PWLB Maturity loan matured, details of which are shown in the table below. No new PWLB Maturity loans were taken out,

PWLB Loan Maturities

Loan No	Interest Rate	Start Date	End Date	Loan Amount
493401	5.40%	22-June-07	30-Sept-22	6,700,000

There were various scheduled annuity loan repayments totalling £1.1m.

In budgetary terms, the actual interest paid on external borrowing for 2022/23 was £4.638m compared to the Latest Budget of £5.148m, resulting in a favourable variance of £510k.

8. INVESTMENTS

The internally managed investments were placed only with institutions listed in the Council's approved lending list at the point the investment was made. The Council invested predominantly for short term periods to cover cashflow requirements (e.g. creditor payment runs, payroll runs), but taking advantage of added valuing by investing for longer periods where cashflows allowed. The investment strategy focussed in summary on:

- No investments for longer than a 1 year duration.
- No investments with any counterparty that does not meet a minimum credit rating criteria defined as 'Green' by Link with the exception of Government supported banks (defined as 'Blue' by Link')
- Fixed counterparty list (still subject to meeting credit rating criteria) of: Barclays Bank, National Westminster Bank, Lloyds Banking group, HSBC, Nationwide BS, Santander UK, Royal Bank of Scotland group, Coventry BS, Leeds BS, Yorkshire BS, Skipton BS, Standard Chartered Bank, UBS Ltd, Goldman Sachs International Bank, Other Local Authorities and the UK Government DMO Account.

The results of the investments undertaken (all internally managed by the Treasury team) during 2022/23 are as follows:

<u>Average Investment Balances</u>	<u>Rate of Return</u>	<u>Benchmark Return *</u>
Investments - £60.0m	1.99%	2.24%

* Average SONIA Rate

In budgetary terms, overall actual investment income was £1.1m compared with the Latest Budget of £0.3m, resulting in a favourable variance of £0.8m, as a result of the increasing interest rate environment previously described. The additional income forecast was reported to Cabinet during 2022/23.

9. DEBT RESCHEDULING

No premature repayment of debt or debt rescheduling took place in 2022/23.

10. COMPLIANCE WITH TREASURY LIMITS

During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Management Strategy report.

	Has an Integrated Impact Assessment been completed? If, not, please state why
	Summary: Not applicable
Wellbeing of Future Generations:	Long term: Integration: Collaboration: Involvement: Prevention:
Recommendation(s):	To note the contents of the report
Reasons for decision:	None required
Overview and Scrutiny:	Considered during the Strategy approval process
Policy Framework:	2022/23 Treasury Management Strategy
Corporate Priorities:	Treasury Management underpins all Corporate Priorities
Financial Implications:	Finance & Procurement Budgets: Investment Income/External interest paid
Statutory Powers:	Local Government Act 2003
Background Papers:	2022/23 Treasury Management Strategy report to Full Council (March 2022)
Appendices:	Appendix A - Investment Portfolio Appendix B - Debt Portfolio
Corporate Lead Officer:	Duncan Hall, Corporate Lead Officer: Finance and Procurement
Reporting Officer:	Justin Davies, Corporate Manager: Core Finance
Date:	9 th June 2023

Appendix A

INVESTMENTS

DETAILS	VALUE	INTEREST RATE	INVESTMENT	
	£	%	FROM	TO
<u>Investments held</u>				
Goldman Sachs International	4,000,000	4.190	06/10/2022	06/04/2023
Standard Chartered - Sustainable Deposit	2,000,000	4.050	02/12/2022	02/06/2023
Standard Chartered - Sustainable Deposit	2,000,000	4.270	07/02/2023	08/08/2023
DMADF	1,000,000	3.845	08/02/2023	04/04/2023
Yorkshire Building Society	1,000,000	3.900	14/02/2023	04/04/2023
DMADF	500,000	3.865	14/02/2023	11/04/2023
DMADF	1,000,000	3.855	15/02/2023	14/04/2023
DMADF	1,000,000	3.875	20/02/2023	14/04/2023
DMADF	1,000,000	3.890	21/02/2023	21/04/2023
DMADF	1,500,000	3.970	01/03/2023	28/04/2023
DMADF	700,000	3.915	03/03/2023	14/04/2023
DMADF	1,000,000	3.920	03/03/2023	18/04/2023
DMADF	2,500,000	3.920	03/03/2023	21/04/2023
DMADF	1,000,000	3.925	03/03/2023	24/04/2023
DMADF	1,000,000	3.925	03/03/2023	25/04/2023
DMADF	3,000,000	3.950	06/03/2023	28/04/2023
DMADF	500,000	3.960	07/03/2023	28/04/2023
Bank of Scotland	1,000,000	4.140	15/03/2023	15/06/2023
Bank of Scotland	500,000	4.130	17/03/2023	19/06/2023
Bank of Scotland	1,000,000	4.070	20/03/2023	20/06/2023
Bank of Scotland	1,000,000	4.090	21/03/2023	21/06/2023
Yorkshire Building Society	1,000,000	4.110	24/03/2023	28/04/2023
DMADF	500,000	4.060	27/03/2023	28/04/2023
DMADF	1,000,000	4.055	29/03/2023	28/04/2023
DMADF	4,000,000	4.055	30/03/2023	28/04/2023
DMADF	1,000,000	4.055	31/03/2023	28/04/2023
	<u>35,700,000</u>			
<u>Deposits in Barclays Reserve a/c</u>				
Barclays Bank	<u>2,954,331</u>		31/03/2023	-
<u>Deposits in Notice Account</u>				
Nat West 35 Day Notice Account	<u>1</u>		31/03/2023	-
	<u>1</u>			
Total Investments as at 31/03/23	<u>38,654,332</u>			

EXTERNAL DEBT

Appendix B

Loan Ref	Repayment Method	Start Date	Maturity Date	Original Interest rate	Balance as at 31/03/23
<u>PWLB Loans</u>					
417195	A	24-Dec-71	02-Dec-31	8.000%	17,884
419325	A	21-Mar-72	02-Dec-31	7.750%	12,520
427730	A	12-Jun-73	02-Jun-33	9.875%	19,153
478179	M	26-Sep-96	31-Mar-56	8.125%	5,000,000
478585	M	10-Dec-96	30-Sep-56	7.500%	3,000,000
480055	M	13-Oct-97	30-Sep-57	6.375%	6,000,000
480689	M	27-Mar-98	30-Sep-52	5.875%	2,000,000
481159	M	20-Jul-98	31-Mar-53	5.500%	3,500,000
490819	M	24-Nov-05	31-Mar-31	4.250%	2,000,000
490981	M	11-Jan-06	31-Mar-51	3.900%	2,000,000
491703	M	07-Jun-06	30-Sep-41	4.350%	2,700,000
491819	M	07-Jul-06	30-Sep-31	4.500%	5,300,000
491837	M	12-Jul-06	02-Jun-39	4.450%	2,000,000
492936	M	20-Feb-07	06-Aug-32	4.550%	6,000,000
493733	M	10-Aug-07	30-Sep-37	4.750%	9,551,120
501411	A	10-Jul-12	31-Mar-32	2.860%	1,197,102
501928	A	01-Mar-13	31-Mar-29	2.630%	1,242,938
502054	A	28-Mar-13	06-Feb-33	2.860%	1,312,197
502477	A	13-Aug-13	30-Sep-28	3.110%	1,231,839
502596	M	10-Oct-13	09-Oct-36	4.210%	5,000,000
502827	M	06-Feb-14	10-Jan-25	3.660%	3,000,000
502828	M	06-Feb-14	10-Jan-27	3.840%	2,000,000
502981	A	09-Apr-14	31-Mar-34	3.680%	1,467,848
502982	A	09-Apr-14	30-Sep-28	3.230%	1,739,153
503489	M	25-Nov-14	31-Mar-45	3.670%	5,000,000
503490	A	25-Nov-14	31-Mar-44	3.400%	1,135,333
503728	M	09-Feb-15	31-Mar-60	2.750%	4,000,000
503729	M	09-Feb-15	31-Mar-61	2.750%	4,000,000
504645	A	04-Feb-16	30-Sep-45	2.760%	2,148,820
506318	M	06-Sep-17	01-Sep-28	1.970%	2,000,000
506319	M	06-Sep-17	01-Sep-46	2.560%	6,000,000
507963	M	30-Oct-18	31-Mar-34	2.500%	2,000,000
507964	M	30-Oct-18	30-Sep-48	2.460%	1,800,000
508214	M	13-Dec-18	30-Sep-39	2.520%	2,000,000
509622	M	08-Aug-19	30-Sep-58	1.970%	2,000,000
509623	M	08-Aug-19	30-Sep-34	1.730%	1,800,000
					101,175,905
<u>Market Loan</u>					
BBFRML	M	20-Jun-16	13-Sep-66	3.660%	5,750,000

WG Repayable Loan funding

HIELPL1	M	06-Mar-15	31-Mar-30	0.000%	556,075
HIELPL2	M	27-Mar-20	31-Mar-35	0.000%	250,000
PRS	M	26-Oct-20	30-Jun-27	0.000%	<u>80,000</u>
					886,075

TOTAL					107,811,980
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Key

A – Annuity

M - Maturity