

CEREDIGION COUNTY COUNCIL

Report to: Cabinet

Date of meeting: 5th September 2023

Title: Quarterly Treasury Management Performance Report 2023/24

Purpose of the report: To report on the April 2023 to June 2023 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 2021 (the Code). It is recommended by the code that from 2023/24 treasury management activities are reported at least quarterly.

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. PORTFOLIO POSITION

The Council’s summarised debt and investment position is shown below, with further details analysed in Appendix A (Investments) and Appendix B (Debt).

	<u>As at</u> <u>31/03/2023</u> <u>£m</u>	<u>As at</u> <u>30/06/2023</u> <u>£m</u>
<u>External Borrowing</u>		
PWLB loans	101.1	101.1
Market loan	5.8	5.8
WG Repayable loan funding	0.9	0.9
Total Debt	107.8	107.8

<u>Investments held</u>		
In-house	38.7	41.1
Total Investments	38.7	41.1
Net Debt	69.1	66.7

3. ECONOMIC UPDATE

Information and data regarding the economic position has been changing rapidly during 2023. The update below has been written during July 2023.

- a) The economy has weathered the drag from higher inflation better than was widely expected. The 0.2% month on month increase in real GDP in April, the reduction in May by 0.1% and the estimated increase in June of 0.5% further raise hopes that the economy will escape a recession this year.
- b) The recent resilience of the economy has been due to many factors including the continued rebound in activity after the pandemic, households spending some of their pandemic savings, the tight labour market and government grants both supporting household incomes.
- c) The labour market became tighter over the quarter and wage growth reaccelerated. Labour demand was stronger than had been expected.
- d) CPI inflation fell for the second month in a row in July 2023 to 6.8%, down from it's peak of 11.1% in October 2022.
- e) On 11th May, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 25 basis points to 4.50%, and on 22nd June moved rates up a further 50 basis points to 5.00%. The Bank Rate has been raised further on the 3rd August to 5.25%.

4. Interest Rate Forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 basis points).

The latest forecast, made on 10th August 2023, sets out a view that both short and long-dated interest rates will be elevated for some time as the Bank of England seeks to squeeze inflation out of the economy, against a backdrop of a stubbornly robust economy and a tight labour market.

Link Treasury Services Interest Rate Forecast – as at 10th August 2023

	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Bank Rate Forecast	5.50%	5.50%	5.50%	5.25%	4.75%	4.25%	3.75%	3.25%

PWLB Borrowing Rate								
5 yr PWLB	5.60%	5.30%	5.10%	4.80%	4.50%	4.20%	3.90%	3.60%
10 yr PWLB	5.20%	5.00%	4.90%	4.70%	4.40%	4.20%	3.90%	3.70%
25 yr PWLB	5.40%	5.20%	5.10%	4.90%	4.70%	4.50%	4.20%	4.00%
50 yr PWLB	5.10%	5.00%	4.90%	4.70%	4.50%	4.30%	4.00%	3.80%

5. STRATEGY FOR 2023/24

The Council's Treasury Management strategy for the current year was approved by Full Council in March 2023. The Investment Strategy outlined the 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 cashflow 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. All Investments in the year to date have been in line with the strategy.

On the borrowing side, the Council has a fairly significant cash balance and is maintaining an internal borrowing position which is helping to deliver revenue savings.

6. INVESTMENT PORTFOLIO

A full list of investments held as at 30/06/2023 is shown in Appendix A. The majority of investments are short term, ensuring that the key dates relating to salaries, housing benefit and creditor payment runs are covered within a month. Where funds allow, these investments are supplemented with longer dated maturities to take advantage of increased returns.

Investments for the first three months of 2023/24 has led to income of £529k against a budget of £334k resulting in a favourable variance of £195k. This is due to higher interest rates than anticipated when the budget was set.

The full year budget for investment income is £1.3m and it is forecast that income of £2.2m will be achieved which will result in a £0.9m favourable variance for the year.

7. BORROWING PORTFOLIO

During 2023/24, no new PWLB loans have been taken out to date, although significant borrowing is expected to be carried out later in the year. The Aberaeron Coastal Protection Scheme requires circa £26.9m of prudential borrowing during the next two years which will be fully funded by Welsh Government. The timing and profile of this borrowing requirement is currently being finalised.

There are no PWLB loan maturities due during the year.

A full list of loans held as at 30/06/2023 is shown in Appendix B.

8. DEBT RESCHEDULING

As the economy continues to move into a higher interest rate environment debt rescheduling opportunities may become available, which hasn't been the case for over a decade. The Council will monitor this situation and evaluate opportunities that become available if balances allow.

No premature repayment of debt, or debt rescheduling, has taken place to date in this financial year.

9. COMPLIANCE WITH TREASURY LIMITS

During the financial year to date the Council has operated within the Treasury Limits and Prudential Indicators set out in the Council's approved Treasury Management Strategy. The 2023/24 Prudential indicators are shown in Appendix 3.

10. TREASURY ADVISORS

The Council employs Link Treasury Solutions Ltd as the Council's external Treasury advisor on a contract that runs until 30/08/2026. Link support by providing an analysis of investment counterparty creditworthiness, provide forecasts of movements in PWLB rates, undertake Balance Sheet reviews, they provide regular updates on economic and political changes together with advice on any changes to legislation or accounting standards.

11. 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.

Due to the current contract due to expire in early 2024 the Council is carrying out a tender exercise for its corporate banking services contract.

	Has an Integrated Impact Assessment been completed? If, not, please state why	No: Report for information
Wellbeing of Future Generations:	Summary: 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: 2023/24 Treasury Management Strategy

Corporate Priorities: Treasury Management underpins all Corporate Priorities

Financial Implications: Finance: Investment Income/External interest paid

Statutory Powers: Local Government Act 2003

Background Papers: 2023/24 Treasury Management Strategy report to Full Council (March 2023)

Appendices: Appendix A - Investment Portfolio
Appendix B - Debt Portfolio
Appendix C – 2023/24 Prudential Indicators

Corporate Lead Officer: Duncan Hall (Finance & Procurement)

Reporting Officer: Justin Davies (Corporate Manager - Core Finance)

Date: 10/08/2023

INVESTMENT PORTFOLIO AS AT 30/06/2023:

Details	Value	Interest Rate	Investment	
	£	%	From	To
Fixed Term Investments				
Standard Chartered Sustainable Deposit	£2,000,000	4.27%	07/02/2023	08/08/2023
Lloyds Bank Corporate Markets	£2,000,000	4.87%	04/04/2023	04/10/2023
Goldman Sachs International	£2,000,000	4.47%	14/04/2023	14/07/2023
Bank of Scotland	£500,000	4.36%	17/04/2023	17/07/2023
Goldman Sachs International	£2,000,000	4.60%	25/04/2023	25/07/2023
DMADF	£1,000,000	4.43%	16/05/2023	18/07/2023
DMADF	£1,500,000	4.45%	19/05/2023	21/07/2023
DMADF	£1,500,000	4.47%	22/05/2023	28/07/2023
DMADF	£500,000	4.48%	23/05/2023	28/07/2023
Nationwide Building Society	£2,500,000	4.61%	24/05/2023	25/08/2023
Nationwide Building Society	£1,000,000	4.65%	30/05/2023	30/08/2023
DMADF	£3,000,000	4.56%	31/05/2023	31/07/2023
Nationwide Building Society	£1,000,000	4.65%	31/05/2023	31/08/2023
DMADF	£1,000,000	4.49%	02/06/2023	04/07/2023
DMADF	£500,000	4.50%	02/06/2023	07/07/2023
Standard Chartered Sustainable Deposit	£2,000,000	5.23%	06/06/2023	06/12/2023
DMADF	£2,000,000	4.53%	07/06/2023	07/07/2023
DMADF	£1,000,000	4.55%	08/06/2023	11/07/2023
DMADF	£1,000,000	4.59%	12/06/2023	21/07/2023
DMADF	£1,000,000	4.63%	15/06/2023	21/07/2023
Lloyds Bank Corporate Markets	£1,000,000	5.49%	16/06/2023	15/12/2023
DMADF	£500,000	4.58%	19/06/2023	07/07/2023
DMADF	£500,000	4.60%	20/06/2023	11/07/2023
DMADF	£500,000	4.61%	21/06/2023	19/07/2023
Lloyds Bank Corporate Markets	£1,500,000	5.65%	21/06/2023	21/12/2023
DMADF	£500,000	4.90%	26/06/2023	31/07/2023
DMADF	£500,000	4.90%	27/06/2023	31/07/2023
Nationwide Building Society	£1,500,000	5.12%	28/06/2023	29/09/2023
Lloyds Bank Corporate Markets	£1,000,000	5.95%	28/06/2023	28/12/2023
DMADF	£1,500,000	4.88%	30/06/2023	31/07/2023
	£38,000,000			
Deposits in Barclays Reserve a/c				
Barclays Bank	£3,053,706	4.65%	-	-
Total Investments as at 30/06/23	£41,053,706			

DEBT PORTFOLIO AS AT 30/06/2023:**Appendix B**

Loan Ref	Repayment Method	Start Date	Maturity Date	Original Interest rate	Balance as at 30/06/23
<u>PWLB Loans</u>					
417195	A	24-Dec-71	02-Dec-31	8.000%	17,186
419325	A	21-Mar-72	02-Dec-31	7.750%	12,026
427730	A	12-Jun-73	02-Jun-33	9.875%	18,613
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
					101,174,174
<u>Market Loan</u>					
Barclays	M	20-Jun-16	13-Sep-66	3.660%	5,750,000
<u>WG Repayable Loan funding</u>					
Housing Improvement & Empty Property Loan 1	M	06-Mar-15	31-Mar-30	0.000%	556,075
Housing Improvement & Empty Property Loan 2	M	27-Mar-20	31-Mar-35	0.000%	250,000
Housing Improvement & Empty Property Loan 3	M	19-Feb-21	31-Mar-27	0.000%	80,000
					886,075
TOTAL					107,810,249

Key: A = Annuity M = Maturity

Treasury Management related Prudential Indicators

Gross debt and the Capital Finance Requirement

In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that gross external debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

The Section 151 officer reports that the authority did not have any difficulty in meeting this requirement in 2022/23, nor are there any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in the 3 year capital programme.

Authorised Limit for External Debt

	2023/24	2024/25	2025/26
	£m	£m	£m
Borrowing	155	163	168
Other long term liabilities	7	12	12
Total	162	175	180

Operational Boundary for External Debt

	2023/24	2024/25	2025/26
	£m	£m	£m
Borrowing	149	157	162
Other long term liabilities	6	11	11
Total	155	168	173

Maturity Structure of Borrowing

	Upper limit	Lower limit
Under 12 months	20%	0%
12 months & within 24 months	20%	0%
24 months & within 5 years	50%	0%
5 years & within 10 years	75%	0%
10 years & above	95%	25%
<u>Sub-category within 10 years and above</u> 50 years & above	20%	0%

Upper limit for total principal sums invested for more than 1 year

2023/24	2024/25	2025/26
£2.5m	£2.5m	£2.5m