

# CEREDIGION COUNTY COUNCIL

**Report to:** Cabinet

**Date of meeting:** 17 July 2024

**Title:** Treasury Management Performance for 2023/24

**Purpose of the report:** To report on the 2023/24 Treasury Management Performance

**For:** Information

**Cabinet Portfolio and Cabinet Member:**

**Councillor Gareth Davies, Cabinet Member for Finance and 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 2023/24 was approved by Full Council in March 2023.

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 2023/24 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 February 2031. 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.

### 5. PORTFOLIO POSITION

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

	<b>Principal outstanding at</b>	
	<b><u>31/03/23</u></b>	<b><u>31/03/24</u></b>
	<b><u>£m</u></b>	<b><u>£m</u></b>
<b><u>External Borrowing</u></b>		
PWLB loans	101.1	100.0
Barclays Market loan	5.8	5.8
WG Repayable Loan funding	0.9	0.8
<b><i>Total Debt</i></b>	<b><u>107.8</u></b>	<b><u>106.6</u></b>
<b><u>Investments</u></b>		
In-house	38.7	37.2
<b><i>Total Investments</i></b>	<b><u>38.7</u></b>	<b><u>37.2</u></b>
<b><i>Net Debt</i></b>	<b><u>69.1</u></b>	<b><u>69.4</u></b>

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

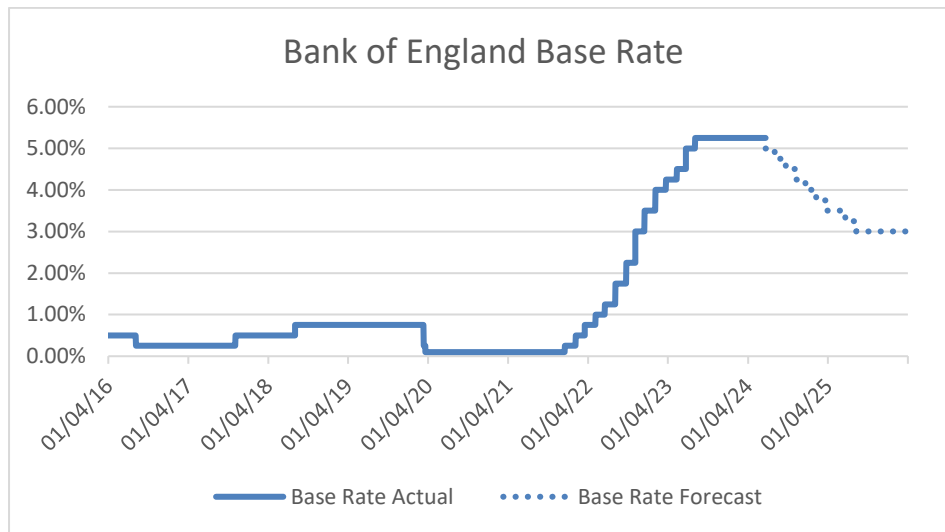
#### Short term interest rates

In response to persistent high levels of inflation the Bank of England has increased the interest base rate significantly during 2022 and 2023 to its current level of 5.25% where it's been since August 2023, up from its historically low rate of 0.1% as at December 2021.

The Council's Treasury advisors forecast that the base rate has peaked at 5.25% and will gradually recede back to 3.0% by August 2025.

## Link Treasury Services Base Rate Forecast – as at 21<sup>st</sup> May 2024.

	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
Base Rate Forecast	5.25%	4.75%	4.25%	3.75%	3.25%	3.00%	3.00%	3.00%

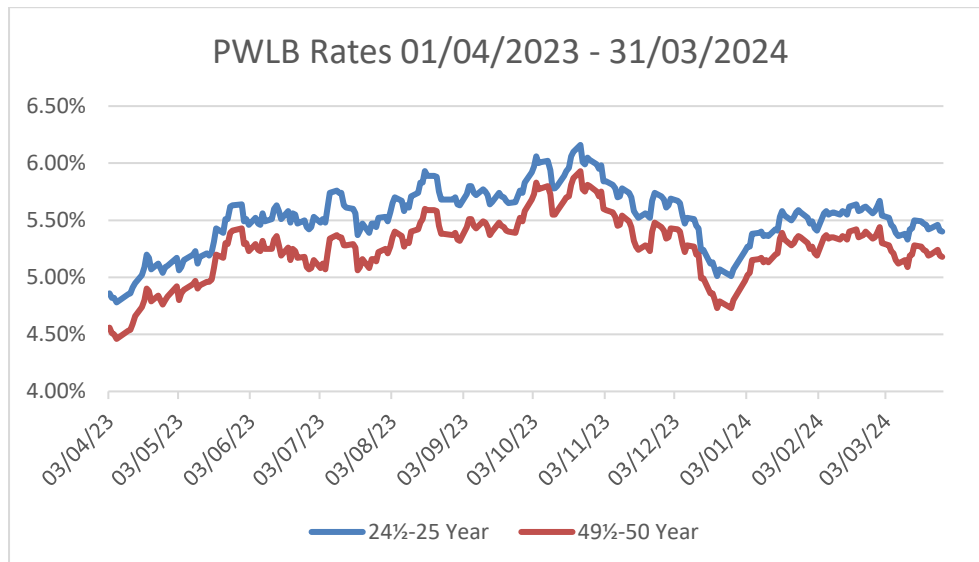


### Long term borrowing interest rates

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

The 49½ to 50 year PWLB rate started the year at 4.6% and saw rises through to October 2023 peaking at 5.9%. Since this peak, rates have fallen as can be seen in the chart below and ended the year at 5.2%.

The 24½ to 25 year PWLB rate followed a similar pattern starting the year at 4.9%, peaking at 6.2% in October 2023 before ending the year at 5.5%.



## 7. BORROWING

During 2023/24 no PWLB Maturity loans matured, and no new PWLB Maturity loans were taken out.

There were various scheduled PWLB annuity loan repayments totalling £1.15m.

In budgetary terms, the actual interest paid on external borrowing for 2023/24 was £4.426m compared to the Latest Budget of £5.237m, resulting in a favourable variance of £811k.

## 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 value 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 Banking group, 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 Ban and the UK Government DMO Account.

The results of the investments undertaken (all internally managed by the Treasury team) during 2023/24 are as follows:

<u>Average Investment Balances</u>	<u>Rate of Return</u>	<u>Benchmark Return *</u>
Investments - £54.9m	5.01%	4.84%

\* SONIA - 3 Month Average (Backward-looking)

In budgetary terms, overall actual investment income was £2.75m compared with the Latest Budget of £1.33m, resulting in a favourable variance of £1.42m, as a result of the increasing interest rate environment previously described.

## 9. DEBT RESCHEDULING

No premature repayment of debt or debt rescheduling took place in 2023/24.

## 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.

**Wellbeing of Future Generations:**

**Has an Integrated Impact Assessment been completed? If not, please state why.**

No. The report is a statutory requirement and is reporting the Council's treasury management performance for the year 2023/24 for information purposes only.

**Summary of Integrated Impact Assessment:**

**Long term:** N/A  
**Collaboration:** N/A  
**Involvement:** N/A  
**Prevention:** N/A  
**Integration:** N/A

**Recommendation(s):**

To note the contents of the report.

**Reasons for decision:**

No decision required.

**Overview and Scrutiny:**

Considered during the strategy approval process.

**Policy Framework:**

2023/24 Treasury Management Strategy

**Corporate Well-being Objectives:**

Treasury Management underpins all Corporate Priorities

**Finance and Procurement implications:**

Finance & Procurement Budgets: Investment Income/External interest paid

**Legal Implications:**

None

**Staffing implications:**

None

**Property / asset implications:**

Reporting performance of investment balances held by the Council.

**Risk(s):**

None

**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

**Corporate Lead Officer:**

Duncan Hall, Corporate Lead Officer: Finance and Procurement

**Reporting Officer:**

Justin Davies, Corporate Manager – Core Finance

**Date:**

25 June 2024

**INVESTMENTS**

DETAILS	VALUE	INTEREST RATE	INVESTMENT	
	£	%	FROM	TO
<u>Investments held</u>				
Lloyds Bank Corporate Markets	2,000,000	5.660	05/10/2023	05/04/2024
Lloyds Bank Corporate Markets	1,000,000	5.380	19/12/2023	19/06/2024
Lloyds Bank Corporate Markets	2,500,000	5.350	02/01/2024	02/07/2024
Leeds Building Society	1,000,000	5.220	04/01/2024	04/04/2024
Standard Chartered - Sustainable Deposit	2,000,000	5.190	08/02/2024	08/08/2024
Goldman Sachs International	4,000,000	5.340	20/02/2024	20/05/2024
DMADF	2,500,000	5.190	05/03/2024	03/04/2024
DMADF	3,500,000	5.190	05/03/2024	30/04/2024
DMADF	700,000	5.190	06/03/2024	30/04/2024
DMADF	1,000,000	5.190	08/03/2024	07/05/2024
DMADF	500,000	5.190	12/03/2024	19/04/2024
DMADF	2,000,000	5.190	20/03/2024	19/04/2024
DMADF	1,500,000	5.190	21/03/2024	05/04/2024
DMADF	1,000,000	5.190	22/03/2024	22/04/2024
DMADF	500,000	5.190	25/03/2024	23/04/2024
DMADF	2,000,000	5.170	26/03/2024	24/05/2024
DMADF	500,000	5.190	27/03/2024	26/04/2024
DMADF	1,700,000	5.190	28/03/2024	26/04/2024
Bank of Scotland	500,000	5.270	28/03/2024	28/06/2024
	<u>30,400,000</u>			
<u>Deposits in Barclays Reserve a/c</u>				
Barclays Bank	3,752,444		31/03/2024	-
<u>Deposits in Notice Account</u>				
Barclays 95 Day Notice	3,000,000		31/03/2024	-
	<u>3,000,000</u>			
<b>Total Investments as at 31/03/24</b>	<b><u>37,152,444</u></b>			

**EXTERNAL DEBT**

**Appendix B**

<b>Loan Ref</b>	<b>Repayment Method</b>	<b>Start Date</b>	<b>Maturity Date</b>	<b>Original Interest rate</b>	<b>Balance as at 31/03/24</b>
<b><u>PWLB Loans</u></b>					
417195	A	24-Dec-71	02-Dec-31	8.000%	16,461
419325	A	21-Mar-72	02-Dec-31	7.750%	11,513
427730	A	12-Jun-73	02-Jun-33	9.875%	18,046
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%	1,078,691
501928	A	01-Mar-13	31-Mar-29	2.630%	1,049,074
502054	A	28-Mar-13	06-Feb-33	2.860%	1,197,102
502477	A	13-Aug-13	30-Sep-28	3.110%	1,023,135
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%	1,357,384
502982	A	09-Apr-14	30-Sep-28	3.230%	1,445,306
503489	M	25-Nov-14	31-Mar-45	3.670%	5,000,000
503490	A	25-Nov-14	31-Mar-44	3.400%	1,097,535
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%	2,078,804
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
					<b>100,024,169</b>
<b><u>Market Loan</u></b>					
BBFRML	M	20-Jun-16	13-Sep-66	3.660%	5,750,000



**WG Repayable Loan funding**

<b>HIELPL1</b>	<b>M</b>	06-Mar-15	31-Mar-30	0.000%	556,075
<b>HIELPL2</b>	<b>M</b>	27-Mar-20	31-Mar-35	0.000%	250,000
					<b>806,075</b>

<b>TOTAL</b>					<b>106,580,244</b>
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Key

A – Annuity

M - Maturity