

# CEREDIGION COUNTY COUNCIL

**Report to:** Cabinet

**Date of meeting:** 3<sup>rd</sup> September 2024

**Title:** Quarterly Treasury Management Performance Report 2024/25

**Purpose of the report:** To report on 2024/25 Quarter 1 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 2021 (the Code). It is recommended by the code that 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>31/03/2024</u> <u>£m</u>	<u>As at</u> <u>30/06/2024</u> <u>£m</u>
<u>External Borrowing</u>		
PWLB loans	100.0	100.0
Market loan	5.8	5.8
WG Repayable loan funding	0.8	0.8
<b><i>Total Debt</i></b>	<b>106.6</b>	<b>106.6</b>

<u>Investments held</u>		
In-house	37.2	40.8
<b>Total Investments</b>	<b>37.2</b>	<b>40.8</b>
<b>Net Debt</b>	<b>69.4</b>	<b>65.8</b>

### 3. ECONOMIC UPDATE

The first quarter of 2024/25 saw:

- GDP growth flatlining in April following positive Q4 2023/24 growth figures of 0.7% quarter on quarter.
- A stalling in the downward trend in wage growth, with the headline 3 month year on year rate staying at 5.9% in April.
- CPI inflation fall from 2.3% in April to 2.0% in May.
- Core CPI inflation decreasing from 3.9% in April to 3.5% in May. Similar to the CPI, core inflation measures the price of a selection of goods and services but strips out volatile prices such as food and energy.
- The Bank of England holding rates at 5.25% in May and June. Although they have subsequently reduced the bank rate to 5.00% in August.
- 10-year gilt yields climbing to 4.35% in April, before closing out at 4.32% in May.

### 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 as at 9th August 2024 sets out the view that rates have peaked and that both short and long-dated interest rates will start to fall during the second half of the 2024 calendar year and throughout 2025. On the 1<sup>st</sup> August 2024 the Bank of England Monetary Policy Committee cut rates for the first time in more than four years from their peak of 5.25% to 5.00%.

#### Link Treasury Services Interest Rate Forecast – as at 8<sup>th</sup> August 2024

	Sep-24	Dec-24	Mar-25	Jun-25	Sept-25	Dec-25	Mar-26	Jun-26
Bank Rate Forecast	5.00%	4.50%	4.00%	3.50%	3.25%	3.25%	3.25%	3.25%
<u>PWLB Borrowing Rate</u>								
5 yr PWLB	4.70%	4.50%	4.30%	4.10%	4.00%	3.90%	3.90%	3.90%
10 yr PWLB	4.80%	4.60%	4.40%	4.30%	4.10%	4.10%	4.10%	4.00%
25 yr PWLB	5.20%	5.00%	4.80%	4.70%	4.50%	4.50%	4.40%	4.40%
50 yr PWLB	5.00%	4.80%	4.60%	4.50%	4.30%	4.30%	4.20%	4.20%

## **5. STRATEGY FOR 2024/25**

The Council's Treasury Management strategy for the current year was approved by Full Council in February 2024. 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 30/06/2024 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 during the three-month period covering 1<sup>st</sup> April 2024 to the 30<sup>th</sup> June 2024 has led to interest income of £588k against a budget of £526k resulting in a favourable variance of £62k. This is due to higher interest rates than anticipated when the 2024/25 budget was set.

The full year budget for investment income is £1.5m and it is forecast that income of £1.9m will be achieved which will result in a £0.4m favourable variance for the year.

## **7. BORROWING PORTFOLIO**

During 2024/25, no new PWLB loans have been taken out to date, although significant borrowing is expected in the near term.

At the time of writing discussions are at an advance stage with the UK Infrastructure Bank (UKIB) to arrange a borrowing facility of £24.9m to fund the Aberaeron Coastal Protection Scheme. This prudential borrowing will be fully funded by Welsh Government. The current expectation is that half the facility will be drawn down by the Council in September 2024 with the other half drawn down later in the calendar year with the aim of taking advantage of the forecast fall in borrowing rates.

There is one PWLB loan maturity expected during 2024/25.

## Maturities

<b>Loan Ref</b>	<b>Maturity Date</b>	<b>Rate</b>	<b>Amount</b>
502827	10/01/2025	3.660%	£3,000,000

A full list of loans held as at 30/06/2024 is shown in Appendix B.

## **8. DEBT RESCHEDULING**

As the economy continues adjust to 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 2024/25 Prudential indicators are shown in Appendix C.

## **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 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.

### **Wellbeing of Future Generations:**

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

No: Report for information only

### **Summary of Integrated Impact Assessment:**

**Long term:** N/A – Information only  
**Collaboration:** N/A – Information only  
**Involvement:** N/A – Information only  
**Prevention:** N/A – Information only  
**Integration:** N/A – Information only

**Recommendation(s):**

To note the contents of the report.

**Reasons for decision:**

No decision required.

**Overview and Scrutiny:**

Considered during the 2024/25 Treasury Management Strategy approval process.

**Policy Framework:**

2024/25 Treasury Management Strategy

**Corporate Well-being Objectives:**

Treasury Management underpins all Corporate Priorities

**Finance and Procurement implications:**

Reporting information regarding Treasury Management activities and in year investment income and 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:**

2024/25 Treasury Management Strategy report to Full Council (February 2024)

**Appendices:**

Appendix A - Investment Portfolio

Appendix B - Debt Portfolio

Appendix C - Prudential Indicators

**Corporate Lead Officer:**

Duncan Hall, Corporate Lead Officer: Finance & Procurement

**Reporting Officer:**

Justin Davies, Corporate Manager - Core Finance

**Date:**

9<sup>th</sup> August 2024

## Appendix A

### INVESTMENT PORTFOLIO AS AT 30/06/2024:

Details	Value	Interest Rate	Investment	
	£	%	From	To
<b><u>Fixed Term Investments</u></b>				
Lloyds Bank Corporate Markets	£2,500,000	5.35%	02/01/2024	02/07/2024
Standard Chartered Sustainable	£2,000,000	5.19%	08/02/2024	08/08/2024
Leeds Building Society	£1,000,000	5.17%	04/04/2024	05/07/2024
Lloyds Bank Corporate Markets	£2,000,000	5.21%	08/04/2024	08/10/2024
Leeds Building Society	£1,000,000	5.17%	09/04/2024	09/07/2024
Goldman Sachs International	£4,000,000	5.30%	21/05/2024	21/08/2024
DMADF	£500,000	5.20%	22/05/2024	22/07/2024
DMADF	£500,000	5.21%	23/05/2024	23/07/2024
DMADF	£500,000	5.21%	28/05/2024	29/07/2024
DMADF	£1,000,000	5.21%	29/05/2024	30/07/2024
DMADF	£1,000,000	5.20%	04/06/2024	06/08/2024
DMADF	£2,000,000	5.20%	05/06/2024	05/07/2024
DMADF	£1,500,000	5.20%	05/06/2024	12/07/2024
DMADF	£500,000	5.20%	05/06/2024	16/07/2024
Standard Chartered Sustainable	£1,000,000	5.20%	06/06/2024	06/12/2024
DMADF	£2,000,000	5.19%	11/06/2024	19/07/2024
DMADF	£800,000	5.19%	13/06/2024	05/07/2024
DMADF	£500,000	5.19%	14/06/2024	16/07/2024
DMADF	£1,500,000	5.19%	14/06/2024	19/07/2024
DMADF	£250,000	5.19%	14/06/2024	22/07/2024
DMADF	£750,000	5.19%	17/06/2024	22/07/2024
DMADF	£500,000	5.19%	17/06/2024	23/07/2024
DMADF	£500,000	5.19%	17/06/2024	26/07/2024
DMADF	£500,000	5.19%	18/06/2024	26/07/2024
Lloyds Bank Corporate Markets	£1,000,000	5.25%	20/06/2024	20/12/2024
DMADF	£2,500,000	5.19%	21/06/2024	31/07/2024
DMADF	£500,000	5.20%	24/06/2024	26/07/2024
DMADF	£500,000	5.19%	25/06/2024	30/07/2024
DMADF	£2,000,000	5.20%	28/06/2024	31/07/2024
	<b>£34,800,000</b>			
<b><u>Deposits in Barclays Reserve a/c</u></b>				
Barclays Bank	£2,936,445	4.90%	-	-
<b><u>Deposits in Notice Account</u></b>				
Barclays - 95 day	£3,034,298	5.40%	-	-

**Total Investments as at 30/06/24**

**£40,770,744**

**DEBT PORTFOLIO AS AT 30/06/2024:****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 30/06/24</b>
<b><u>PWLB Loans</u></b>					
417195	A	24-Dec-71	02-Dec-31	8.000%	15,707
419325	A	21-Mar-72	02-Dec-31	7.750%	10,980
427730	A	12-Jun-73	02-Jun-33	9.875%	17,451
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>100,022,288</b>
<b><u>Market Loan</u></b>					
Barclays	M	20-Jun-16	13-Sep-66	3.660%	5,750,000
<b><u>WG Repayable Loan funding</u></b>					
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
					<b>806,075</b>
<b>TOTAL</b>					<b>106,578,363</b>

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 2023/24, 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**

	2024/25	2025/26	2026/27
	£m	£m	£m
Borrowing	158	163	168
Other long term liabilities	10	10	10
<b>Total</b>	<b>168</b>	<b>173</b>	<b>178</b>

**Operational Boundary for External Debt**

	2024/25	2025/26	2026/27
	£m	£m	£m
Borrowing	152	157	162
Other long term liabilities	9	9	9
<b>Total</b>	<b>161</b>	<b>166</b>	<b>171</b>

**Actual External Debt**

The Council's actual external debt at 31/03/2024 was £112.3m (consisting of External Borrowing of £106.6m and Long term liabilities of £5.7m).

**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**

2024/25	2025/26	2026/27
£2.5m	£2.5m	£2.5m

**Liability Benchmark**

The Liability Benchmark is effectively the Net Borrowing Requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.

There are four components to the Liability Benchmark: -

- Existing loan debt outstanding: the Authority’s existing loans that are still outstanding in future years.
- Loans CFR: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- Net loans requirement: this will show the Authority’s gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

