

CYNGOR SIR CEREDIGION COUNTY COUNCIL

Report to: Cabinet

Date of meeting: 11 March 2025

Title: Quarterly Treasury Management Performance Report 2024/25

Purpose of the report: To report on 2024/25 Quarter 3 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 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>30/12/2024</u> <u>£m</u>
<u>External Borrowing</u>		
PWLB loans	100.0	99.4
Market loan	5.8	5.8
WG Repayable loan funding	0.8	0.8
National Wealth Fund*	0.0	24.9
<i>Total Debt</i>	106.6	130.9
<u>Investments held</u>		
In-house	37.2	38.3

Total Investments	37.2	38.3
Net Debt	69.4	92.6

*During the autumn of 2024 the Council borrowed £24.9m from what was then known as the UK Infrastructure Bank (UKIB) to contribute to the funding of the Aberaeron Coastal Defence Scheme. Costs associated with this borrowing are fully funded by Welsh Government. Since this borrowing was taken out UKIB has been renamed as the National Wealth Fund (NWF).

3. ECONOMIC UPDATE

The third quarter of 2024/25 saw:

- a) GDP growth contracting by 0.1% month on month in October 24 following no growth in the quarter ending September 24.
- b) Three month rate of average earnings growth increase from 4.4% in September 24 to 5.2% in October 24.
- c) CPI inflation increase to 2.6% in November 24.
- d) Core CPI inflation increase from 3.3% in October to 3.5% in November 24. 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.
- e) The Bank of England cut interest rates from 5.0% to 4.75% in November 24 and hold them steady in December 24.
- f) 10-year gilt yields started October 24 at 3.94% before finishing up at 4.57% at the end of December 24 (peaking at 4.64%).

4. INTEREST RATE FORECASTS

The Council has appointed MUFG Corporate Markets Treasury Ltd, formerly known as Link Treasury Solutions Ltd, 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).

At the time of writing this report the Bank of England Bank Rate stands at 4.50%. Having peaked at 5.25% in August 2023 it has been reduced by 0.25% in August 2024, 0.25% in November 2024 and a further 0.25% reduction in February 2025. The forecast expects that the Bank Rate will continue a gradual reduction in the early part of the 25/26 financial year to 4.00% where it will remain until the start of 2026/27.

Link Treasury Services Interest Rate Forecast – as at 28th January 2025

	Mar 25	Jun 25	Sept 25	Dec 25	Mar 26	Jun 26	Sep 26	Dec 26
Bank Rate	4.50%	4.25%	4.00%	4.00%	3.75%	3.75%	3.75%	3.50%
5Y PWLB Rate	4.90%	4.80%	4.60%	4.50%	4.50%	4.40%	4.30%	4.20%

10Y PWLB Rate	5.10%	5.00%	4.80%	4.80%	4.70%	4.50%	4.50%	4.40%
25Y PWLB Rate	5.50%	5.40%	5.30%	5.20%	5.10%	5.00%	4.90%	4.80%
50Y PWLB Rate	5.30%	5.20%	5.10%	5.00%	4.90%	4.80%	4.70%	4.60%

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 31/12/2024 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 nine-month period covering 1st April 2024 to the 31st December 2024 has led to interest income of £1,720k against a budget of £1,205k resulting in a favourable variance of £515k. This is due to elevated interest rates for longer 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 £2.0m will be achieved which will result in a £0.5m favourable variance for the year.

7. BORROWING PORTFOLIO

During 2024/25, no new PWLB loans have been taken out to date.

During the autumn of 2024 the Council borrowed £24.9m from the UK Infrastructure Bank (UKIB) to fund the Aberaeron Coastal Protection Scheme. This is prudential borrowing and is fully funded by Welsh Government. UKIB have since been renamed as the National Wealth Fund.

The UKIB borrowing was taken in two tranches as the council took advantage of a decreasing interest rate environment at that point. Details regarding the two tranches are shown below.

New 2024/25 Borrowing

Loan Ref	Advance Date	Maturity Date	Rate	Amount
UKIB #1	18/09/2024	31/03/2048	4.529%	£12,000,000
UKIB #2	01/10/2024	31/03/2048	4.378%	£12,908,000

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

Maturities

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

A full list of loans held as at 31/12/2024 is shown in Appendix B.

The full year budget for external interest paid is £5.1m and it is forecast that there will be a £0.7m favourable variance for the year.

8. DEBT RESCHEDULING

There are limited options for PWLB debt rescheduling in the current climate. It is also unlikely that the Council will be in a position to repay prematurely any further debt outright, unless it is part of debt rescheduling. However, should any restructuring opportunities arise they would be carefully considered and the reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings
- help fulfill the borrowing strategy outlined previously; and
- enhance the balance of the portfolio (e.g. the maturity profile)

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 MUFG Corporate Markets Treasury Ltd, formerly known as Link Treasury Solutions Ltd, as the Council's external Treasury advisor on a contract that runs until 30/08/2026. MUFG 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:

17th February 2025

Appendix A

INVESTMENT PORTFOLIO AS AT 31/12/2024:

Details	Value	Interest Rate	Investment	
	£	%	From	To
Fixed Term Investments				
Lloyds Bank Corporate Markets	£2,500,000	5.20%	03/07/2024	03/01/2025
Skipton Building Society	£5,000,000	4.90%	18/09/2024	10/01/2025
Lloyds Bank Corporate Markets	£2,500,000	4.78%	09/10/2024	09/04/2025
Barclays	£3,100,746	5.00%	01/11/2024	04/02/2025
Leeds Building Society	£2,000,000	4.73%	05/11/2024	05/02/2025
Leeds Building Society	£1,000,000	4.72%	07/11/2024	07/02/2025
DMADF	£1,500,000	4.70%	11/11/2024	07/01/2025
DMADF	£500,000	4.70%	15/11/2024	14/01/2025
DMADF	£800,000	4.71%	20/11/2024	17/01/2025
DMADF	£2,000,000	4.70%	26/11/2024	22/01/2025
DMADF	£500,000	4.70%	27/11/2024	27/01/2025
DMADF	£700,000	4.70%	28/11/2024	28/01/2025
DMADF	£3,000,000	4.70%	05/12/2024	31/01/2025
DMADF	£2,000,000	4.70%	06/12/2024	31/01/2025
DMADF	£500,000	4.70%	16/12/2024	14/01/2025
DMADF	£1,000,000	4.70%	16/12/2024	17/01/2025
DMADF	£2,500,000	4.71%	23/12/2024	17/01/2025
DMADF	£1,000,000	4.71%	23/12/2024	21/01/2025
DMADF	£500,000	4.70%	24/12/2024	07/01/2025
DMADF	£1,500,000	4.71%	24/12/2024	24/01/2025
	£34,100,746			
Deposits in Barclays Reserve a/c				
Barclays Bank	£4,159,187	4.40%	-	-

Total Investments as at 31/12/24

£38,259,933

DEBT PORTFOLIO AS AT 31/12/2024:**Appendix B**

Loan Ref	Repayment Method	Start Date	Maturity Date	Original Interest rate	Balance as at 31/12/24
<u>PWLB Loans</u>					
417195	A	24-Dec-71	02-Dec-31	8.000%	14,922
419325	A	21-Mar-72	02-Dec-31	7.750%	10,427
427730	A	12-Jun-73	02-Jun-33	9.875%	16,827
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%	1,018,213
501928	A	01-Mar-13	31-Mar-29	2.630%	950,226
502054	A	28-Mar-13	06-Feb-33	2.860%	1,138,317
502477	A	13-Aug-13	30-Sep-28	3.110%	916,342
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%	1,300,623
502982	A	09-Apr-14	30-Sep-28	3.230%	1,294,814
503489	M	25-Nov-14	31-Mar-45	3.670%	5,000,000
503490	A	25-Nov-14	31-Mar-44	3.400%	1,078,152
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%	2,043,070
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
					99,433,052
<u>National Wealth Fund (Previously UK Infrastructure Bank)</u>					
UKIB #1	A	18-Sep-24	31-Mar-48	4.529%	12,000,000
UKIB #2	A	01-Oct-24	31-Mar-48	4.378%	12,908,000
					24,908,000
<u>Market Loan</u>					
Barclays	M	20-Jun-16	13-Sep-66	3.660%	5,750,000
					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
					806,075
TOTAL					130,897,127

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
Total	168	173	178

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
Total	161	166	171

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.

