

REPORT OF: DIRECTOR OF RESOURCES

TO: ACCOUNTS & AUDIT COMMITTEE

DATES: 22nd NOVEMBER 2022

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**TREASURY MANAGEMENT
2022/23 QUARTER 2 MONITORING REPORT**

PURPOSE OF REPORT

1. The purpose of this report is to advise the Committee of the treasury management activities of the Council for the first quarter of 2022/23.

RECOMMENDATIONS

2. It is recommended that the Committee note the work on the Council's treasury management activities in the period 01st July 2022 to 30th September 2022.

ISSUE

Introduction

3. The Council's Treasury Management function is concerned with the management of the Council's debts, investments, cash-flow, and banking arrangements. These activities are regulated by a variety of professional codes, statute and guidance. The Council's Treasury Management Policy requires that at least twice a year, a report be submitted to the Policy and Resources or Accounts and Audit Committee on the Council's Treasury Management activities. This report provides a summary view of the activity undertaken in the year to date in relation to the Council's debt and investment.
4. The Local Government Act 2003 requires the Council to approve the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS) in advance of the municipal year. The TMSS, incorporating the AIS, and MRP Policy Statement were approved by Council at its meeting of 24th March 2022.
5. The contribution the treasury management function makes to the authority is critical as the balance of debt and investment operations ensures liquidity, or the ability to meet spending commitments as they fall due either on day to day revenue or for larger capital projects.

6. Treasury management activities are undertaken within the Council's Treasury Management Policy and where necessary, advice is sought from Link Asset Services (LAS) who are engaged as the Council's external advisors.

Long Term Borrowing

7. At the beginning of the 2022/23 financial year, the Council held loans of £21.359m, at an average interest rate of 2.94%, comprised wholly of Public Works Loan Board (PWLb) debt.
8. No additional borrowing has been undertaken in the period to the end of Q2 2022/23. Rates are continually under review, with officer considerations taking into account the Council's borrowing requirement and the potential to take account of historically low rates on offer and the need to support the Council's underlying need to borrow to finance the Capital Programme (including borrowing for slippage carried forward from previous years). As part of the forward look for the 2023/24 budget and the medium term financial plan, a review of the Capital Programme and the Capital Financing Requirement is being undertaken.
9. This report confirms that our outstanding PWLB loan debt as at 30th September 2022 remains at £21.359m. An analysis of this long-term debt and its maturity profile is provided at Appendix A. Decisions on long-term borrowing, such as timing and amount, also impact on the revenue budget as assumptions on external debt repayment are made within the Medium Term Financial Plan. There are no other items of outstanding long term borrowing which we need to bring to your attention.
10. We can report that the borrowing position is within the boundary limits set and approved as part of the TMSS and AIS (referred to in para 4 above).

Temporary (or Short Term) Borrowing

11. Temporary borrowing relates to loans which are repayable:

- (a) without notice;
- (b) at less than 12 months notice; or
- (c) within 364 days of the date of borrowing.

During the period under consideration, the Council has not undertaken any short term borrowing.

Temporary (or Short Term) Investments

12. The Council's cash-flow position is generally such that it has scope to undertake short term investing activity relating to surplus funds, i.e. as represented by balances, reserves etc. in excess of required working cash / capital. In line with recent trends, and as reported, the Council has adopted a more reserved approach to investing surplus funds; choosing to keep cash in instant access accounts or invest short term in highly liquid opportunities. The Council started the year with investments of £26.5m. The balance of investments as at 30th September 2022 was £30.5m. The below table summarises the investment transactions that have taken place since the previous reported quarter:

| | £m | No. |
|---|---------------|-----------|
| Opening balance of Investments 01 April 2022 | 26.500 | 7 |
| New Investments | 92.300 | 26 |
| Investments Realised | (88.300) | (23) |
| Balance of Investments at 30 June 2022 | 30.500 | 10 |

13. The 10 investments comprising the balance of £30.5m were placed within the following sectors:

| Sector | £m | % |
|---|---------------|---------------|
| Local Authorities (Principal Councils (1)) | 2.000 | 6.56 |
| Public Sector Deposit Fund (CCLA Money Market Fund) | 2.000 | 6.56 |
| UK Government | 8.500 | 27.86 |
| UK Banks | 3.000 | 9.84 |
| UK Building Societies | 15.000 | 49.18 |
| | 30.500 | 100.00 |

14. The composition of the investment balances are as follows:

| Deposit Type | £m | Interest rate / range | Duration |
|---------------------------------------|---------------|-----------------------|---------------|
| Fixed Term Deposits | 6.000 | 1.80% | <90 days |
| Fixed Term Deposits | 10.000 | 1.59% - 1.95% | 90 - 120 days |
| Fixed Term Deposits | 10.500 | 0.93% - 3.35% | >180 days |
| Instant Access Deposit / Call account | 4.000 | 1.00% - 2.00% | N/A |
| | 30.500 | | |

15. Unlike interest rates for borrowing, rates for short term investments are generally considered to track more closely to the prevailing Bank of England (BoE) rate. The BoE Bank Rate was increased from 1.25% to 1.75% by the Monetary Policy Committee (MPC) in August 2022 and then from 1.75% to 2.25% in September 2022. Followed by a further increase to 3.0% in October 2022. The approved TMSS noted that the expectation for investment earning rates for 2022/23 was 1.25% which tracks against the initial expectations of the treasury management function and LAS.
16. In terms of the relative performance of the Council's investment portfolio, the average rate of return across the period under consideration was 1.040%.
17. The revenue budgets associated with Treasury Management activity, namely debt charges (comprising interest and provision for principal repayment) and investment income are monitored on an ongoing basis and reported to Management Team and Policy and Resources Committee.

External Advice and Training from LINK Group

18. Council Officers had meetings with LINK Group Advisors on 26th May and 16th June 2022 to discuss the latest Balance Sheet Review and the latest economic outlook and how this will impact on Pendle Borough Council. The Council is currently over borrowed and therefore has some ability to wait and see before having to make any additional borrowing to fund the capital programme.
19. Member training for this Committee and wider Members had been organised for Tuesday 15th September but this was postponed due to the passing of Her Majesty Queen Elizabeth II. A second date was proposed but not confirmed.

IMPLICATIONS

Policy

20. This report has been produced in compliance with the requirements of the Council's Treasury Management Policy.

Financial

21. The financial implications are given in the report.

Legal

22. In accordance with the Local Government Act 2003, Members are required to approve the Annual Treasury Management Strategy incorporating the Annual Investment Strategy, the prudential indicators, and the authorised limit for external debt. As noted above, these were approved by Members at the meeting of the 24th March 2022 for the current financial year. No amendments or alterations have been required or made following this approval.

Risk Management

23. Treasury Risk Management is a key element of the Council's Treasury Management Strategy. In the light of this, and in accordance with best practice, the Council's has a specific Treasury Management Practice Note specifically covering Treasury Risk Management. In particular, this covers areas such as liquidity risk, interest rate risk management and credit/counterparty risk management.
24. Given the arrangements the Council currently has in place in relation to Treasury Risk Management, treasury issues do not currently feature on the Council's Risk Register.

Health and Safety

25. There are no health and safety implications arising directly from the contents of this report.

Sustainability Implications

26. There are no sustainability implications arising directly from this report.

Community Safety:

27. There are no community safety issues arising directly from the contents of this report.

Equality and Diversity:

28. There are no equality and diversity implications arising from the contents of this report.

APPENDICES

[Appendix A](#) – Long Term Borrowing profile

LIST OF BACKGROUND PAPERS

None

Appendix A – Long Term Borrowing profile

FINANCIAL LIABILITIES

| Ref | Lender | Start Date | Maturity Date | Original Principal | Interest Rate | Current Principal |
|----------------------------|--------|------------|---------------|-----------------------|------------------|----------------------|
| PWLB MATURITY | | | | | | |
| 503065 | PWLB | 22/05/2014 | 31/03/2023 | £1,000,000 | 3.37% | £1,000,000 |
| 503066 | PWLB | 22/05/2014 | 31/03/2024 | £1,000,000 | 3.49% | £1,000,000 |
| 497424 | PWLB | 14/06/2010 | 31/03/2025 | £1,000,000 | 4.16% | £1,000,000 |
| 503226 | PWLB | 20/08/2014 | 31/03/2026 | £1,500,000 | 3.47% | £1,500,000 |
| 503619 | PWLB | 09/01/2015 | 31/03/2030 | £1,500,000 | 2.82% | £1,500,000 |
| 504664 | PWLB | 11/02/2016 | 31/03/2034 | £1,000,000 | 2.91% | £1,000,000 |
| 113576 | PWLB | 13/09/2019 | 31/03/2034 | £1,500,000 | 1.76% | £1,500,000 |
| 508018 | PWLB | 09/11/2018 | 31/03/2044 | £1,000,000 | 2.78% | £1,000,000 |
| 509381 | PWLB | 21/06/2019 | 31/03/2049 | £1,000,000 | 2.28% | £1,000,000 |
| 493481 | PWLB | 23/07/2007 | 31/03/2053 | £1,859,166 | 4.75% | £1,859,166 |
| 509382 | PWLB | 21/06/2019 | 31/03/2056 | £1,500,000 | 2.21% | £1,500,000 |
| 506039 | PWLB | 02/05/2017 | 31/03/2060 | £1,000,000 | 2.36% | £1,000,000 |
| 506040 | PWLB | 02/05/2017 | 31/03/2061 | £1,000,000 | 2.35% | £1,000,000 |
| 504304 | PWLB | 14/08/2015 | 31/03/2062 | £1,000,000 | 3.07% | £1,000,000 |
| 505224 | PWLB | 07/07/2016 | 31/03/2063 | £1,000,000 | 2.14% | £1,000,000 |
| 503620 | PWLB | 09/01/2015 | 31/03/2064 | £1,500,000 | 3.14% | £1,500,000 |
| 508019 | PWLB | 09/11/2018 | 31/03/2064 | £1,000,000 | 2.64% | £1,000,000 |
| 506041 | PWLB | 02/05/2017 | 31/03/2065 | £1,000,000 | 2.34% | £1,000,000 |
| TOTAL PWLB MATURITY | | | | £21,359,166 | | £21,359,166 |