

REPORT FROM: DIRECTOR OF RESOURCES

TO: ACCOUNTS & AUDIT COMMITTEE

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TREASURY MANAGEMENT 2024/25 QUARTER 1 MONITORING REPORT

PURPOSE OF REPORT

The purpose of this report is to advise the Committee of the treasury management activities of the Council for the first quarter of 2024/25.

RECOMMENDATIONS

The Committee is recommended to note the work on the Council's treasury management activities in the period 1st April 2024 to 30th June 2024.

ISSUE

Introduction

1. 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 Executive Committee (formerly the Policy & Resources Committee) on the Council's Treasury Management activities. It also represents good practice to report on treasury activities to the Accounts & Audit Committee. This report provides a summary view of the activity undertaken in the year to date in relation to the Council's debt and investment.
2. 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 21st March 2024.
3. 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.

4. 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

5. At the beginning of the 2024/25 financial year, the Council held loans of £19.359m, at an average interest rate of 2.89%, comprised wholly of Public Works Loan Board (PWLb) debt.
6. No additional borrowing has been undertaken during the first quarter of 2024/25. Rates are continually under review, with officer considerations taking into account the Council's borrowing requirement 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 2024/25 budget and the medium-term financial plan, a review of the Capital Programme and the Capital Financing Requirement is being undertaken. To this end, Council approved new Capital Programme at its Council meeting on 26th February 2024.
7. At the time of this report, the Council has PWLB loan debt of £19.359m at an average interest rate of 2.89% as of 30th June 2024. An analysis of this long-term debt is provided in [Appendix A](#) with a maturity profile provided at [Appendix B](#). 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.
8. 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

9. 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

10. 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 continues to adopt 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 £31.75m. The balance of investments as of 30th June 2024 was £34.95m. The below table summarises the investment transactions that have taken place since the previous reported quarter:

	£m	No.
Opening balance of Investments 1 st April 2024	31.750	9
New Investments	86.995	37
Investments Realised	(83.795)	35
Balance of Investments on 31st March 2024	34.950	11

11. The 11 investments comprising the balance of £34.95m were placed within the following sectors:

Sector	£m	%
Local Authorities (Principal Councils (1))	4.950	14.16
Public Sector Deposit Fund (CCLA Money Market Fund)	3.000	8.58
UK Government	22.500	64.38
UK Banks	4.500	12.88
UK Building Societies	0.000	0.00
	34.950	100.00

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

Deposit Type	£m	Interest rate / range	Duration
Fixed Term Deposits	7.500	5.14 – 5.20%	<90 days
Fixed Term Deposits	8.500	5.165% - 5.17%	90 - 180 days
Fixed Term Deposits	11.000	5.14% - 5.22%	>180 days
Instant Access - MMF / Call account	7.950	5.00% - 5.23%	N/A
	34.950		

13. 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.
14. The Bank of England decided to keep the Bank Rate at 5.25% in its June meeting as it waits to be certain that the country's inflationary pressures have subsided back towards its target rate. The Monetary Policy Committee voted 7-2 in favour of keeping rates unchanged, with two members voting for a 25-basis point decrease to 5.00%.
15. The table below shows LAS's view of the bank rate as follows as of **June 2024**:

Bank Rate									
	NOW	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
Link Group	5.25%	5.25%	4.75%	4.25%	3.75%	3.25%	3.00%	3.00%	3.00%
Capital Economics	5.25%	5.00%	4.50%	4.00%	3.50%	3.00%	3.00%	3.00%	3.00%

16. In terms of the relative performance of the Council's investment portfolio, the average rate of return across the period under consideration was 5.154%, i.e. 1st April 2024 to 30th June 2024. The approved TMSS noted that the expectation for investment earning rates for 2024/25 were 4.55% which tracks against the current expectations of the treasury management function and LAS (Link Asset Services). As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.
17. Return on the investment (ROI) of surplus funds is a Key Performance Indicator (KPI) of the Council and performance will continue to be monitored monthly and reported quarterly.
18. Treasury management activities are undertaken within the Council's Treasury Management Policy (and Strategy Statement) and where necessary, advice is sought from LAS. 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 to the Executive Committee.

19. There have been no breaches of the counter-party limits during quarter one with either the Council's bankers, Lloyds, or with the Council's approved Counter-parties as set out in the approved Counter-Party Lending List. See [Appendix C](#) for the current List.

External Advice and Training from LINK Group

20. Council Officers had meetings with LINK Group Advisors on 14th November and 7th December 2023 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 under borrowed, however due to cash balances has some ability to wait and see before having to make any additional borrowing to fund the capital programme. The Capital Programme is continually monitored to keep under review future financing need.

IMPLICATIONS

Policy

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

Financial

22. The financial implications are given in the report.

Legal

23. 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 21st of March 2024 for the current financial year. No amendments or alterations have been required or made following this approval.

Risk Management

24. 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 has a specific Treasury Management Practice Note specifically covering Treasury Risk Management. This covers areas such as liquidity risk, interest rate risk management and credit/counterparty risk management.
25. 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

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

Sustainability

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

Community Safety:

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

Equality and Diversity:

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

APPENDICES

Appendix A – PWLB long-term debt portfolio as of 30th June 2024.

Appendix B – Maturity profile of PWLB long-term debt as of 30th June 2024.

Appendix C – Approved Counterparty Lending List as of 30th June 2024.

LIST OF BACKGROUND PAPERS

None

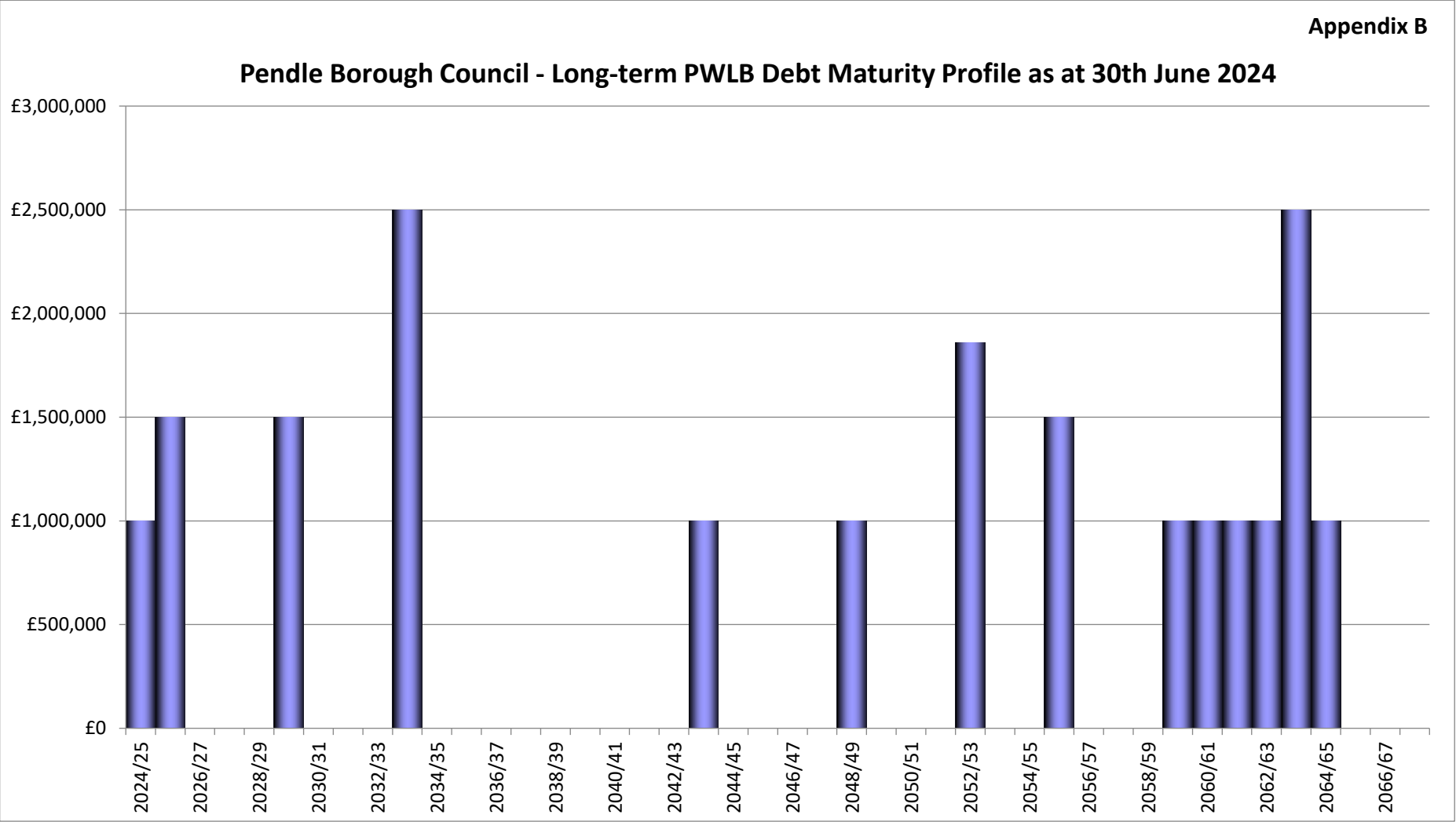
Appendix A –

PWLB Long-term Debt Portfolio
Position as at 30/6/24

Start Date	Maturity Date	Years to Maturity	Total Debt 30/06/2024	Interest Rate	Annual Interest Payable
		Years	£	%	£
23-Jul-07	31-Mar-53	28.75	1,859,166	4.75%	88,310
14-Jun-10	31-Mar-25	0.75	1,000,000	4.16%	41,600
20-Aug-14	31-Mar-26	1.75	1,500,000	3.47%	52,050
09-Jan-15	31-Mar-30	5.75	1,500,000	2.82%	42,300
09-Jan-15	31-Mar-64	39.75	1,500,000	3.14%	47,100
14-Aug-15	31-Mar-62	37.75	1,000,000	3.07%	30,700
11-Feb-16	31-Mar-34	9.75	1,000,000	2.91%	29,100
07-Jul-16	31-Mar-63	38.75	1,000,000	2.14%	21,400
02-May-17	31-Mar-60	35.75	1,000,000	2.36%	23,600
02-May-17	31-Mar-61	36.75	1,000,000	2.35%	23,500
02-May-17	31-Mar-65	40.75	1,000,000	2.34%	23,400
09-Nov-18	31-Mar-44	19.75	1,000,000	2.78%	27,800
09-Nov-18	31-Mar-64	39.75	1,000,000	2.64%	26,400
19-Jun-19	31-Mar-49	24.75	1,000,000	2.28%	22,800
19-Jun-19	31-Mar-56	31.75	1,500,000	2.21%	33,150
13-Sep-19	31-Mar-34	9.75	1,500,000	1.76%	26,400
TOTAL			19,359,166		559,610

Average cost of long-term debt
Average Life

2.89%
25



Appendix C –

Updated and approved as part of the Treasury Management Strategy Statement (TMSS) for 2024-25 by Council on 21st March 2024.

COUNTERPARTY LENDING LIST

	Counterparty	Type of Institution	Sovereign Rating	Long Term	Short Term	Group Limit £M	Individual Limit £M	Maximum Duration (Mths / Days)
	<i>Pendle BC's Minimum Ratings Criteria</i>	<i>(per Fitch)</i>		A-	F1			
1	UK Banks	Bank				5.000	5.000	up to 364 days
2	Royal Bank of Scotland Group					6.000		
3	Natwest Bank PLC	Bank	(AA)	A+	F1		3.000	up to 364 days
4	The RBS PLC	Bank	(AA)	A+	F1		3.000	up to 364 days
5	Lloyds Banking Group PLC					10.000		
6	Lloyds Bank PLC	Bank	(AA)	A+	F1		10.000	Liquid Funds
7	UK Local Authorities	All UK Principal Councils	(AA)	n/a	n/a		3.000	up to 6 months
8	Lancashire County Council	LCC Call-Account	(AA)	n/a	n/a		6.000	Liquid Funds
9	Debt Management Facility	UK Government	(AA)	n/a	n/a		Unlimited	up to 6 months
10	CCLA - PSDF	Money Market Fund	(AA)	AAA mmf			3.000	Liquid Funds
11	Nationwide	Building Society	(AA)	A	F1		5.000	up to 6 months
12	Coventry	Building Society	(AA)	A-	F1		5.000	up to 6 months
13	Leeds	Building Society	(AA)	A-	F1		5.000	up to 6 months

Additional Investments in UK Banks, Building Societies may be made providing that they meet the qualifying criteria as set out in Section 5.4.