

**REPORT FROM:** HEAD OF FINANCE

**TO:** ACCOUNTS & AUDIT COMMITTEE

**DATE:** 12<sup>th</sup> NOVEMBER 2024

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## **TREASURY MANAGEMENT MID-YEAR REPORT 2024/25**

### **PURPOSE OF REPORT**

The purpose of this report is to advise the Committee of the treasury management activities of the Council for the period ending 30<sup>th</sup> September 2024 in accordance with the Council's Treasury Management Policy.

### **RECOMMENDATIONS**

The Executive Committee is recommended to note the work on the Council's treasury management activities for the period 1st April 2024 to 30th September 2024 and the Mid-Year Report (Appendix A).

### **REASONS FOR RECOMMENDATIONS**

To:

- a) comply with the Council Treasury Management Policy and good practice in treasury management generally;
- b) utilise surplus funds more strategically and to avoid net costs from external borrowing.

## **ISSUE**

### **Introduction**

1. In accordance with the Council's Treasury Management Policy, it is a requirement that at least twice a year, a report be submitted to the Executive Committee on the Council's Treasury Management activities. Quarterly monitoring updates are provided to the Accounts & Audit Committee and at the end of the financial year a final report is presented to the Executive Committee providing details of the outturn for the year.

2. The mid-year report as attached at [Appendix A](#) has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
- An economic update for the first six months of 2024/25;
  - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
  - The Council's capital expenditure as set out in the Capital Strategy (prudential indicators);
  - A review of the Council's investment portfolio for 2024/25;
  - A review of the Council's borrowing strategy for 2024/25, including a change to the aforementioned strategy, to utilise forecast surplus cash balances ('internal borrowing') in lieu of externalising debt (prudential borrowing);
  - A review of compliance with Treasury and Prudential Limits for 2024/25.

## **Long Term Borrowing**

### **Borrowing Strategy**

3. At the beginning of the financial year, the Council held long-term loans of £19.359m, comprised wholly of Public Loan Board (PWLB) debt. See [Appendix B and C](#). The 2024/25 Capital Programme approved by Council in February 2024 included PWLB borrowing for slippage from previous years.
4. The original borrowing strategy, to support the Medium-Term Capital Programme, provided for borrowing of £2.57m. No additional borrowing has been undertaken during the first half of 2024/25 as we are holding excess cash in the organisation from pre-paid Government funding under Nelson Town Deal. The Capital Programme in the longer-term (3-5 years) will inevitably require external borrowing. Officers monitor PWLB rates and will advise Members when rates are most beneficial.

### **Change to Borrowing Strategy**

5. Following a review of the Council's Treasury Management Strategy for the year, and in the context of a reducing interest rate environment with various macro-economic factors at play, it is proposed to amend the Council's Borrowing Strategy for 2024/25 to focus more on internal rather than external borrowing as originally planned.
6. As Councillors will be aware, as part of its strategy to reduce inflation to its target level, the Bank of England reduced the Bank Rate to 5.00% from 5.25% on 1<sup>st</sup> August 2024 and held this position in September with a view for a further possible reduction by end of the 2024 calendar year.

### **Temporary (or Short Term) Borrowing**

7. 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, but continues to have access to short-term, low-cost funds should these be required.

### **Temporary (or Short Term) Investments**

8. 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. The Council continues to adopt a more reserved approach to investing surplus funds, choosing to keep as much cash in instant access accounts as possible, or fixing deposits for short-term durations. The Council started the year with investments of £31.75m. The balance of investments as of 30<sup>th</sup> September 2024 was £32.75m. Table 1 summarises the investment transactions that have taken place since the beginning of the financial year:

**Table 1: Analysis of Investments on 30<sup>th</sup> September 2024**

	£m	No.
Opening balance of Investments 1 <sup>st</sup> April 2024	31.750	9
New Investments	157.945	70
Investments Realised	(156.945)	68
<b>Balance of Investments on 30<sup>th</sup> June 2024</b>	<b>32.750</b>	<b>11</b>

9. The 11 investments comprising the balance of £32.75m were placed within the following sectors:

Sector	£m	%
Local Authorities (Principal Councils (1))	4.950	15.11
Public Sector Deposit Fund (CCLA Money Market Fund)	3.000	9.16
UK Government	21.800	66.56
UK Banks	3.000	9.16
UK Building Societies	0.000	0.00
	<b>32.750</b>	<b>100.00</b>

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

Deposit Type	£m	Interest rate / range	Duration
Fixed Term Deposits	5.300	4.92 – 5.045%	<90 days
Fixed Term Deposits	0.000	n/a	90 - 180 days
Fixed Term Deposits	19.500	4.94% - 5.22%	>180 days
Instant Access - MMF / Call account	7.950	4.75% - 5.23%	N/A
	<b>32.750</b>		

11. 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. At the meeting MPC meeting on 1<sup>st</sup> August 2024, the committee voted unanimously to cut the Bank Rate by 25 basis points, down to 5.00%. This was the first cut in 12 months. In terms of the relative performance of the Council's investment portfolio, the average return of rate on investments in the year to date is 5.10%, which is above the budgeted rate of return of 5.00%.
12. It is likely we will see this rate of return reduce throughout the remainder of the financial year, as the prevailing interest rates available for re-investment on maturing deposits are likely to be reduced. However, the 2024/25 budgeted investment income target of £750k has already been met, i.e. £872k.
13. 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 to the Accounts & Audit Committee. The impact on the budget in 2024/25 and the medium-term will be reported to members as part of the Council's established budget setting process. The

underlying strategy remains one of protecting the capital invested whilst optimising, not maximizing returns on investment.

14. Lloyds are the Council's incumbent bankers, providing instant access to credit balances. Separately, the Council has £3.0m under fixed investment with Lloyds, maturing on 1<sup>st</sup> November 2024.
15. With regards to debt, the Council maintains a watching brief to monitor rates through the Council's Treasury Management Advisors (Link Asset Services) who publish rates twice each day.
16. 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. The budgets for these items, as approved by the Executive Committee in February 2024 are £1.560m and £750k respectively.
17. Treasury Management activity is carried out in accordance with the Annual Treasury Management Strategy which is produced in compliance with the requirements of the Council's Treasury Management Policy.

## **IMPLICATIONS**

### **Policy**

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

### **Financial**

19. The financial implications are given in the report and [Appendix A](#).

### **Legal**

20. In accordance with the Local Government Act 2003, Members are required to approve the Annual Treasury Management Strategy (TMSS) incorporating the Annual Investment Strategy (AIS), the prudential indicators, and the authorised limit for external debt. The Strategy for the current year was approved by Members at the meeting of the full Council on the 21<sup>st</sup> of March 2024 for the current financial year. No amendments or alterations have been required or made following this approval.

### **Risk Management**

21. 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. This covers areas such as liquidity risk, interest rate risk management and credit/counterparty risk management.
22. 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**

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

## **Sustainability**

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

## **Community Safety:**

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

## **Equality and Diversity:**

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

## **APPENDICES**

[Appendix A](#) – 2024/25 Mid-Year Review Report

[Appendix B](#) – PWLB long-term debt portfolio as of 30<sup>th</sup> September 2024

[Appendix C](#) – Maturity profile of PWLB long-term debt as of 30<sup>th</sup> September 2024

[Appendix D](#) – Approved Counterparty Lending List as of 30<sup>th</sup> September 2024

## **LIST OF BACKGROUND PAPERS**

None



Appendix B –

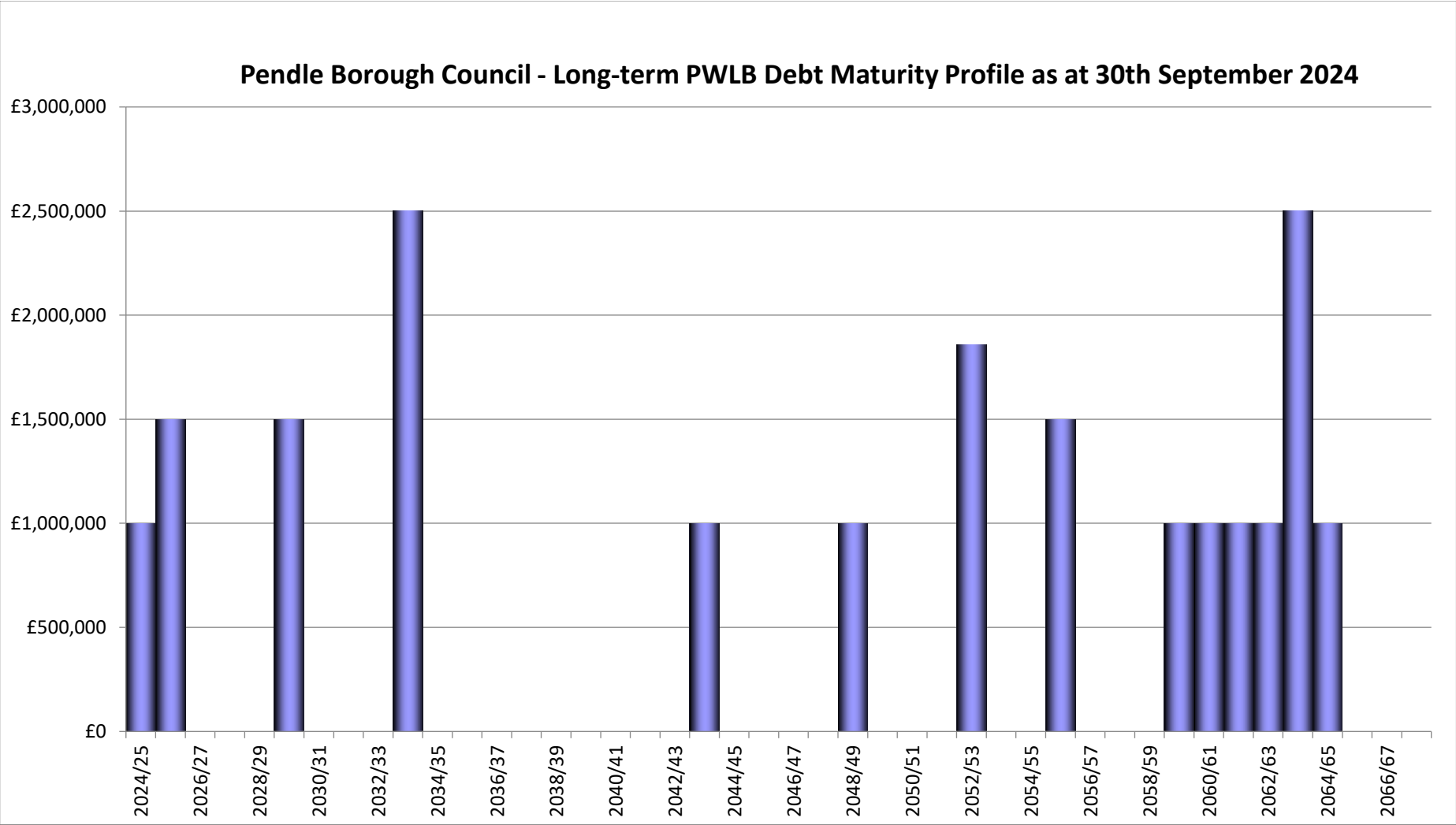
PWLB Long-term Debt Portfolio  
Position as at 30/9/24

Start Date	Maturity Date	Years to Maturity	Total Debt 30/09/2024	Interest Rate	Annual Interest Payable
		Years	£	%	£
23-Jul-07	31-Mar-53	28.50	1,859,166	4.75%	88,310
14-Jun-10	31-Mar-25	0.50	1,000,000	4.16%	41,600
20-Aug-14	31-Mar-26	1.50	1,500,000	3.47%	52,050
09-Jan-15	31-Mar-30	5.50	1,500,000	2.82%	42,300
09-Jan-15	31-Mar-64	39.50	1,500,000	3.14%	47,100
14-Aug-15	31-Mar-62	37.50	1,000,000	3.07%	30,700
11-Feb-16	31-Mar-34	9.50	1,000,000	2.91%	29,100
07-Jul-16	31-Mar-63	38.50	1,000,000	2.14%	21,400
02-May-17	31-Mar-60	35.50	1,000,000	2.36%	23,600
02-May-17	31-Mar-61	36.50	1,000,000	2.35%	23,500
02-May-17	31-Mar-65	40.50	1,000,000	2.34%	23,400
09-Nov-18	31-Mar-44	19.50	1,000,000	2.78%	27,800
09-Nov-18	31-Mar-64	39.50	1,000,000	2.64%	26,400
19-Jun-19	31-Mar-49	24.50	1,000,000	2.28%	22,800
19-Jun-19	31-Mar-56	31.50	1,500,000	2.21%	33,150
13-Sep-19	31-Mar-34	9.50	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 –





## Appendix D –

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