

Treasury Management Outturn - 2023/24

Purpose

As required by the CIPFA 2021 Prudential and Treasury Management Codes, Cabinet are required to receive quarterly updates on the Treasury activities of the Council. This report meets those requirements.

Executive Summary

This report focuses on the treasury debt and investment activity of the Council and therefore excludes capital expenditure, as this is reported separately, and other long term liabilities as these are instruments for specific capital financing and do not impact on the day to day treasury portfolio.

The key movements in the debt and investment portfolios are summarised below with additional detail throughout this report.

	31 Mar 23	31 Mar 24
	£m	£m
Debt Portfolio		
General Fund	143.007	129.776
HRA	327.801	307.529
Total	470.808	437.305
Investments	30.454	38.815
Net Debt (Treasury)	440.354	398.490

The Executive Director for Finance and Transformation can confirm that there have been no breaches of the approved treasury and prudential indicators and all deposits have been placed in accordance with the approved counterparty selection criteria.

Recommendations

That Cabinet note the contents of this treasury monitoring report.

1. Investment Portfolio

- 1.1. The investment balances at end March 2024 were £38.8m, a reduction of £52.4m compared to end of previous quarter. This movement is as anticipated from cash flow forecasts. This compares to a forecast closing investment balance of £35.0m.

1.2. A summary of the treasury activity and portfolio by investment type as at 31st March 2024 is summarised in the tables below:

Investment Portfolio Movements	Cash Manager (Bank)	Money Market Funds	Other Variable Rate Deposits	Fixed Interest	Total Invested	Portfolio Yield at Qtr End
	£m	£m	£m	£m	£m	%
31 Mar 2023	0.620	19.834	-	10.000	30.454	4.15%
Q1 Activity						
Withdrawals/ Maturities	(4.623)	(156.912)		(10.000)		
New Deposits	4.707	215.186	-	5.000		
30 Jun 2023	0.704	78.108	-	5.000	83.812	4.36%
Q2 Activity						
Withdrawals/ Maturities	(6.317)	(181.489)		-		
New Deposits	6.195	213.549	-	-		
30 Sep 2023	0.582	110.168	-	5.000	115.750	5.26%
Q3 Activity						
Withdrawals/ Maturities	(12.493)	(219.825)		(5.000)		
New Deposits	27.582	180.159	-	5.000		
31 Dec 2023	15.671	70.502	-	5.000	91.173	5.00%
Q4 Activity						
Withdrawals/ Maturities	(29.341)	(205.202)		-		
New Deposits	14.285	167.900	-	-		
31 Mar 2024	0.615	33.200	-	5.000	38.815	5.29%
Portfolio as at 31 March 2024			Average year to date			
	Investment	Yield	Average Investment	Average Yield		
	£m	%	£m	%		
MMFs	33.200	5.27%	82.930	5.14%		
Cash Mgr	0.615	3.25%	0.930	2.25%		
Fixed Interest (Short [365 days or less])	5.000	5.62%	5.096	5.21%		
Fixed Interest (Long [>365 days])	-	0.00%	-	0.00%		
Grand Total	38.815	5.29%	88.955	5.10%		

1.3. The final quarter of the financial year did not see any changes to the fixed term deposits held with all investment movements being managed within the Money Market Funds and general bank account.

1.4. The comparable benchmark (overnight SONIA) was 4.96% as at end March 2024 and therefore the performance achieved by the Treasury Services team are above benchmark with returns being 5.10% for the financial on average investment balances of £89m.

1.5. Due to interest rates remaining higher than originally budgeted for (4.4% yield budgeted for 2023/24), this generated a surplus of investment income compared to the budget. This is reflected in the monitoring report.

1.6. The majority of the Council's investment portfolio is held in Money Market Funds and these are proactively managed to ensure that sufficient liquid resources are available to service day to day expenditure commitments such as salaries, general creditor payments and housing benefit payments.

1.7. The approved counterparty selection criteria as approved by Council in February 2023 and updated in February 2024 remains fit for purpose and no

proposed amendments are therefore required.

2. Debt Portfolio

2.1. The Council's debt portfolio is mostly long dated fixed rate loans from PWLB or other markets. A small proportion of the debt portfolio consists of loans from other local authorities which assist with short term debt management and cash flow requirements.

2.2. Another element of the debt portfolio consists of amounts deposited with the Council from the Fire Authority, Sandwell Leisure Trust and Children's Trust. These are at agreed variable rate terms in line with either actual Council treasury investment performance or Bank Rate as published by Bank of England. These amounts are held as liquid as they are repayable on demand as and when required.

2.3. The Council's loan portfolio has been split between the General Fund and Housing Revenue Account since 2012 when HRA Self Financing was introduced. The following table summarises the movements in the debt portfolios in the financial year year:

	General Fund			HRA			Grand Total £m
	Fixed Rate £m	Variable Rate £m	Total GF £m	Fixed Rate £m	Variable Rate £m	Total HRA £m	
31 Mar 23	103.074	39.933	143.007	327.801	-	327.801	470.808
Q1 Activity							
Fixed Rate Maturities	(35.297)			-			
New Fixed Rate Loans	25.000			-			
Net Movement in Variable Rate Loans		2.978			-		
30 Jun 23	92.777	42.911	135.688	327.801	-	327.801	463.489
Q2 Activity							
Fixed Rate Maturities	(6.500)			(4.067)			
New Fixed Rate Loans	-			-			
Net Movement in Variable Rate Loans		22.094			-		
30 Sep 23	86.277	65.005	151.282	323.734	-	323.734	475.016
Q3 Activity							
Fixed Rate Maturities	(6.413)			(8.884)			
New Fixed Rate Loans	-			-			
Net Movement in Variable Rate Loans		(23.699)			-		
31 Dec 23	79.864	41.306	121.170	314.850	-	314.850	436.020
Q4 Activity							
Fixed Rate Maturities	(1.909)			(7.321)			
New Fixed Rate Loans	10.000			-			
Net Movement in Variable Rate Loans		0.515			-		
31 Mar 24	87.955	41.821	129.776	307.529	-	307.529	437.305

- Activity in the final quarter included:
 - £9.2m of fixed rate debt matured being £8.2m PWLB, and approx. £1m of Other Local Authority Debt.
 - £10m of new short-term borrowing from other Local Authorities was taken at the end of the year to ensure sufficient cash resources were available to meet spend commitments. This borrowing was in line with cash flow and strategy. The time periods are for less than 12 months and are due to long-term borrowing rates remaining high

therefore short term borrowing allows for potential for refinancing at more favourable rates at maturity.

2.4. The effect on the average interest rate on the fixed interest debt portfolio from the movements highlighted above is shown in the following table:

	31 Mar 23		31 Mar 24	
	Principal £m	Avg Rate	Principal £m	Avg Rate
Fixed Rate Debt				
General Fund	103.074	3.83%	87.954	4.79%
HRA	327.801	4.91%	307.530	4.84%
Total	430.875	4.65%	395.484	4.83%

2.5. Despite the sharp rise in the average debt rate on the General Fund, the lower debt levels mean that the revenue impact is not significant to give cause for concern. A small underspend is included within the General Fund provisional outturn for debt costs due to no new long term debt being taken as originally budgeted. This is due to long term borrowing costs remaining high due to the economic climate within the UK.

2.6. The current strategy will remain to only take short dated debt due to market conditions and to refinance for longer periods at the appropriate time to prevent longer term cost burden on the council's revenue budgets.

3. Prudential Borrowing Indicators

3.1. The key prudential indicators in relation to the Council's borrowing are detailed below:

	£m
Authorised Limit (Debt)	844.617
Operational Boundary (Debt)	475.588
Maximum Treasury Debt to 31 Mar 24	493.019
Average Treasury Debt to 31 Mar 24	452.273

Note: The authorised limit and operational boundary shown above are for debt levels only and exclude other long term liabilities (as detailed in the Treasury Management Strategy Report) as these are PFI/ Finance Lease arrangements.

3.2. As can be seen from the table above, treasury debt levels are within the Authorised Limit (the Council's statutory limit of debt holdings) and no breaches have occurred.

3.3. Although the maximum debt of £493m is above the Operational Boundary of £475m, this is not a breach of this indicator as the operational boundary

reflects expected debt levels over the year and is not a limit of debt. Minor fluctuations above this indicator are to be expected and are due to the movement in the variable rate debt which are in part from surplus cash balances from the Fire Authority who place surplus funds with the Council and can vary day to day.