

Treasury Management Monitoring Q3 2024/25

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

	31 Mar 2024	30 Jun 2024	30 Sep 2024	31 Dec 2024
	£m	£m	£m	£m
Debt Portfolio				
General Fund	129.775	116.343	136.799	109.271
HRA	307.530	307.530	307.530	307.530
Total	437.305	423.873	444.329	416.801
Investments	38.815	58.651	63.910	61.192
Net Debt (Treasury)	398.490	365.222	380.419	355.309

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 December 2025 were £61.2m, a slight decrease compared to the end of the previous quarter. This movement is in-line with cash flow forecasts with balances expected fall back to a forecast balance of £30m by the end of March 2025.

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

Investment Portfolio Movements	Cash Manager (Bank) £m	Money Market Funds £m	Fixed Interest £m	Total Invested £m	Portfolio Yield at Qtr End %
31 Mar 2024	0.615	33.200	5.000	38.815	5.29%
Q1 Activity					
Withdrawals/ Maturities	(3.280)	(184.298)	(5.000)		
New Deposits	3.816	203.598	5.000		
30 Jun 2024	1.151	52.500	5.000	58.651	5.21%
Q2 Activity					
Withdrawals/ Maturities	(12.144)	(198.623)	(5.000)		
New Deposits	11.703	204.323	5.000		
30 Sep 2024	0.710	58.200	5.000	63.910	4.99%
Q3 Activity					
Withdrawals/ Maturities	(13.116)	(199.697)	(5.000)		
New Deposits	29.987	185.108	-		
31 Dec 2024	17.581	43.611	-	61.192	4.27%

Portfolio as at 31 December 2024			
	Investment £m	Yield %	Average Yield %
MMFs	43.611	4.78%	5.04%
Cash Mgr	17.581	3.00%	3.10%
Fixed Interest (Short [365 days or less])	-	0.00%	5.18%
Grand Total	61.192	4.27%	5.03%

1.3. During the third quarter of the financial year the £5m fixed term deposit matured with funds placed into Money Market Funds due interest rates available in the fixed deposit market not being favourable. Therefore, as at end December the whole portfolio was managed within the Money Market Funds and general bank account.

1.4. The amount of cash held within the Cash Manager (council's general bank account) was significantly higher than usual due to the Christmas closedown period when no treasury activity could be undertaken, and a number of significant grant receipts were received on 30th and 31st December. The counterparty limit with the bank is £20m and therefore the deposit limit was not breached. Following the Christmas closedown period, and on return to normal business on 2nd January, the balance was reduced to £890k in line with internal cash management policies.

1.5. The comparable benchmark (overnight SONIA) was 5.01% as at end December 2024 and therefore the performance achieved by the Treasury Services team is in-line with the target with returns being 5.03% as at the end of the third quarter on average investment balances of £88.252m.

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 2024 remains fit for purpose and no proposed amendments are therefore required.
- 1.8. The Bank of England's Monetary Policy Committee (MPC) held the Bank Rate at 5.25% until the August meeting of the committee where there was a 5-4 vote for the rate to be cut to 5.00%. However, subsequent speeches from MPC members have supported the Governor's tone with the emphasis on gradual reductions to the Bank Rate over time.
- 1.9. As expected, November saw a further reduction to 4.75%, however inflation and employment data releases meant that the MPC were not in a position to agree to further cuts in December or January.

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:

	General Fund			HRA		Grand Total £m
	Fixed Rate £m	Variable Rate £m	Total GF £m	Fixed Rate £m	Total HRA £m	
31 Mar 24	87.954	41.821	129.775	307.530	307.530	437.305
Q1 Activity						
Fixed Rate Maturities	(15.297)			-		
New Fixed Rate Loans	-			-		
Net Movement in Variable Rate Loans		1.865				
30 Jun 24	72.657	43.686	116.343	307.530	307.530	423.873
Q2 Activity						
Fixed Rate Maturities	(8.080)			-		
New Fixed Rate Loans	-			-		
Net Movement in Variable Rate Loans		28.536				
30 Sep 24	64.577	72.222	136.799	307.530	307.530	444.329
Q3 Activity						
Fixed Rate Maturities	(5.297)			-		
New Fixed Rate Loans	-			-		
Net Movement in Variable Rate Loans		(22.231)				
31 Dec 24	59.280	49.991	109.271	307.530	307.530	416.801

- Activity in the third quarter included:
 - Maturity of a £5m temporary loan (9 months), £297k repayments of interest free loans per agreed repayment schedule.
 - The reduction of variable rate debt of £22m is due to movements in the cash holdings from the Fire Authority, Leisure Trust and Children’s Trust (per paragraph 2.2) and was in line with cash-flow expectations.

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:

	Previous Financial Year End		Previous Quarter End		31 Dec 24	
	31 Mar 24	Avg Rate	30 Sept 24	Avg Rate	31 Dec 24	Avg Rate
	Principal £m		Principal £m		Principal £m	
Fixed Rate Debt						
General Fund	87.954	4.79%	64.577	4.88%	59.280	4.79%
HRA	307.530	4.84%	307.530	4.84%	307.530	4.84%
Total	395.484	4.83%	372.107	4.85%	366.810	4.83%

2.5. The maturity of borrowings on the General Fund has decreased the average interest rate paid on General Fund debt due to the high rate paid on temporary borrowings. Interest rates are currently being closely monitored as there will be a requirement to take new borrowings during the final quarter of the financial year to replace debt that has matured, funding of the current

capital programme but also to ensure cash-flows can be effectively managed.

2.6. The current strategy will remain to only take short-dated debt (up to 5 years) 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)	931.842
Operational Boundary (Debt)	594.282
Maximum Treasury Debt to 31 Dec 24	459.385
Average Treasury Debt to 31 Dec 24	433.456

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.