



Appendix C Treasury Management Interim Quarter 1 Update Report (30 June 2023)

This report ensures the council demonstrates best practice in accordance with CIPFA's recommendations in their Code of Practice for Treasury Management, by keeping members informed of treasury management activity.

1. The UK Economy

- The Bank of England's Monetary Policy Committee (MPC) has continued to increase the Bank Rate. At its meeting of 22 June 2023, and for a thirteenth consecutive meeting, it invoked an increase of 0.50%, taking the base rate to 5.00%. This is the highest the base rate has been in 15 years. It was voted for by 7-2 of the MPC members, with two voting for no change. A significant contributory factor was that the May inflation rate was unchanged from the 8.7% rate in April. It was stated that whilst the MPC had seen significant upside news in recent data, further tightening may be required if there are signs of more persistent inflation, and they will do what is needed to return the inflation rate to the 2% target.
- The MPC is expecting inflation to fall significantly during the course of the year, in the main reflecting developments in energy prices. Inflation in terms of services is projected to remain broadly unchanged in the near term however core goods inflation is expected to decline later this year. Food price inflation is projected to fall in the coming months.

2. The Council's Investments

2.1 At 30 June 2023 the council held the following investments:

Investment	Term	Maturity Date	Interest Rate	Amount invested £m
<u>Instant access bank accounts:</u>				
NatWest	N/A	N/A	1.15%	0.20
<u>Instant Access Money Market Funds:</u>				
Federated	N/A	N/A	4.73%	10.00
Aberdeen Standard	N/A	N/A	4.83%	9.77
Insight	N/A	N/A	4.73%	5.08
Morgan Stanley	N/A	N/A	4.76%	10.00
CCLA	N/A	N/A	4.78%	6.79
<u>95 Day Notice Bank Accounts:</u>				
Santander	N/A	N/A	3.58%	5.00
Barclays*	N/A	N/A	5.05%	5.00

Fixed Term Deposits:				
DMADF	29 days	25/07/23	4.88%	5.00
Lloyds	181 days	10/08/23	4.31%	5.00
Standard Chartered	183 days	04/10/23	4.65%	5.00
Suffolk County Council	102 days	06/10/23	5.15%	5.00
Goldman Sachs	184 days	10/11/23	4.89%	5.00
Total			4.70%	76.84
* ESG 'green' deposits				

2.2 The council continues to select counterparties suitable for investment based on the credit worthiness service provided by their treasury advisors, Link Asset Services. The service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies. The modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system to which Capita Asset Services allocate a series of colour coded bands with suggested maximum durations for investments. These limits are detailed in the Treasury Management Strategy for 2023/24 that was approved at budget setting by Council in February 2023. All treasury management transactions for the quarter to 30th June 2023 have complied with the limits and Prudential and Treasury Indicators as set out in the Treasury Management Strategy.

2.3 The council has earned interest on its investments as follows:

Month	Average amount invested £m	Average rate of interest earned %	Amount of interest earned £m
Apr-23	71.8	4.15	0.245
May-23	78.6	4.34	0.290
Jun-23	76.2	4.51	0.282
Jul-23	-	-	-
Aug-23	-	-	-
Sep-23	-	-	-
Oct-23	-	-	-
Nov-23	-	-	-
Dec-23	-	-	-
Jan-24	-	-	-
Feb-24	-	-	-
Mar-24	-	-	-
Total			0.817

2.4 In addition to investment income the council earns interest on the provision of loan finance to the waste disposal PFI provider, this is expected to generate loan interest payable to us of £1.9m in 2023/24 and will be credited to the Waste Reserve.

3. The Council's Borrowing

Short-term borrowing

3.1 The council is continuing its policy of using short-term borrowing (if required) from other local authorities for short-term liquidity needs. These short-term interest rates are significantly below levels available from other sources avoiding a large cost of carry when comparing fixed interest debt to current (variable) investment rates.

3.2 The council can only borrow up to its Authorised Borrowing Limit which represents the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements. The Authorised Borrowing Limit for borrowing for 2023/24 is £350m which was approved in the Treasury Management Strategy.

3.3 At the end of June 2023 there were no short-term loans outstanding.

Long-term borrowing

3.4 At 30 June 2023 the council held long-term borrowing of £122.2m, no new long-term borrowing has been secured. Rates are monitored and discussed with our treasury advisors to determine the optimum timing of securing any new long-term borrowing. The Council's Capital Financing Requirement at 1st April 2023 is £304.4m, which demonstrates that the Council has significant internal borrowing when compared to the actual long-term borrowing of £122.2m.

3.5 The Chief Finance Officer in conjunction with our treasury advisors is currently reviewing our cash flow forecast, use of reserves and internal borrowing capacity. Following this review there may be a recommendation to undertaken new long-term borrowing. Given that the forecast is for interest rates to increase further this may allow the Council to lock into lower interest rates before any further increases.

3.6 The current capital financing budget position is summarised below:

Summary of Borrowing Budget	Budget	Forecast	(Surplus) /Deficit
	£m	£m	£m
Minimum revenue provision	9.9	9.9	-
Interest payable on all loans	5.6	4.8	(0.8)
Total	15.5	14.7	(0.8)

4. Summary of forecast outturn

4.1 The current net treasury forecast outturn is expected to be a surplus (underspend). This is due to the interest earnings on short-term investments.