

## Appendix C Treasury Management Interim Quarter 2 Update Report (30 September 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) maintained the Bank Rate of 5.25% at its meeting of 20 September 2023, ending a run of 14 consecutive increases. This was a close vote with a 5-4 majority.
- The MPC is expecting inflation to fall significantly during the course of the year, despite the renewed upward pressure from oil prices as further declines in food and core goods inflation is anticipated. Inflation in terms of services is projected to remain broadly unchanged in the near term, with some potential month-to-month volatility.

### 2. The Council's Investments

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

Investment	Term	Maturity Date	Interest Rate	Amount invested
				£m
<u>Instant Access Money Market Funds:</u>				
Federated	N/A	N/A	5.35%	10.00
Aberdeen Standard	N/A	N/A	5.29%	10.00
Insight	N/A	N/A	5.25%	5.55
Morgan Stanley	N/A	N/A	5.27%	9.82
Invesco	N/A	N/A	5.33%	7.00
<u>95 Day Notice Bank Accounts:</u>				
Barclays*	N/A	N/A	5.30%	5.00
<u>Fixed Term Deposits:</u>				
DMADF	31 days	23/10/23	5.17%	5.00
Lloyds	183 days	09/02/24	5.77%	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
<b>Total</b>			<b>5.24%</b>	<b>72.37</b>
<b>* ESG 'green' deposits</b>				

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 30<sup>th</sup> September 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 £000
Apr-23	71.8	4.15	245
May-23	78.6	4.34	290
Jun-23	76.2	4.51	282
Jul-23	86.6	4.84	356
Aug-23	85.6	5.10	371
Sep-23	85.5	5.18	381
Oct-23	-	-	-
Nov-23	-	-	-
Dec-23	-	-	-
Jan-24	-	-	-
Feb-24	-	-	-
Mar-24	-	-	-
<b>Total</b>			<b>1,925</b>

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 September 2023 there were no short-term loans outstanding.

#### Long-term borrowing

- 3.4 At 30 September 2023 the council held long-term borrowing of £121.2m, 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 1<sup>st</sup> April 2023 is £304.4m, which demonstrates that the Council has significant internal borrowing when compared to the actual long-term borrowing of £121.2m.
- 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:

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

#### **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.