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Blaenau Gwent

Our Ref./Ein Cyf.
Your Ref./Eich Cyf.
Contact:/Cysylltwch â:

THIS IS A MEETING WHICH THE PUBLIC ARE ENTITLED TO ATTEND

Dydd Mercher, 29 Tachwedd 2023 Dydd Mercher, 29 Tachwedd 2023

Dear Sir/Madam

PWYLLGOR CRAFFU CORFFORAETHOL A PHERFFORMIAD

A meeting of the Pwyllgor Craffu Corfforaethol a Pherfformiad will be held in Cyfarfod hybrid i'w gynnal yn rhithiol ar MS Teams yn Ystafell Syr William Firth, Swyddfeydd Cyffredinol, Glynebwy on Dydd Mercher, 6ed Rhagfyr, 2023 at 2.00 pm.

Yours faithfully

Damien McCann
Interim Chief Executive

AGENDA

Pages

1. CYFIEITHU AR Y PRYD

Mae croeso i chi ddefnyddio'r Gymraeg yn y cyfarfod, mae angen o leiaf 3 diwrnod gwaith o rybudd os dymunwch wneud hynny. Darperir gwasanaeth cyfieithu ar y pryd os gwneir cais am hynny.

2. YMDDIHEURIADAU

Mae'r Cyngor yn croesawu gohebiaeth yn Gymraeg a Saesneg a byddwn yn cyfathrebu gyda chi yn eich dewis iaith, dim ond i chi rhoi gwybod i ni pa un sydd well gennych. Ni fydd gohebu yn Gymraeg yn creu unrhyw oedi.

The Council welcomes correspondence in Welsh and English and we will communicate with you in the language of your choice, as long as you let us know which you prefer. Corresponding in Welsh will not lead to any delay.

Derbyn ymddiheuriadau.

3. **DATGANIADAU BUDDIANT A GODDEFEBAU**

Derbyn datganiadau buddiant a goddefebau.

4. **PWYLLGOR CRAFFU CORFFORAETHOL A
PHERFFORMIAD**

3 - 6

Ystyried penderfyniadau'r cyfarfod a gynhaliwyd ar 12 Hydref 2023.

(D.S. Cyflwynir y penderfyniadau er pwyntiau cywirdeb yn unig).

5. **DALEN WEITHREDU**

7 - 8

Derbyn y ddalen weithredu.

6. **ADRODDIAD DIWEDDARIAD CHWARTEROL
RHEOLI TRYSORLYS – MEHEFIN 2023**

9 - 28

Ystyried adroddiad y Prif Swyddog Adnoddau.

7. **BLAENRAGLEN GWAITH : 18 IONAWR 2024**

29 - 32

Derbyn y flaenraglen gwaith.

To: J. Wilkins (Cadeirydd)
J. Thomas (Is-gadeirydd)
J. Hill
J. Holt
E. Jones
R. Leadbeater
Councillor C. Smith
T. Smith

All other Members (for information)
Interim Chief Executive
Chief Officers

COUNTY BOROUGH OF BLAENAU GWENT

REPORT TO: **THE CHAIR AND MEMBERS OF THE CORPORATE AND PERFORMANCE SCRUTINY COMMITTEE**

SUBJECT: **CORPORATE AND PERFORMANCE SCRUTINY COMMITTEE – 12TH OCTOBER, 2023**

REPORT OF: **DEMOCRATIC & COMMITTEE SUPPORT OFFICER**

PRESENT: COUNCILLOR J. WILKINS (CHAIR)

Councillors J. Thomas
 C. Bainton
 J. Hill
 J. Holt
 E. Jones
 R. Leadbeater
 C. Smith
 T. Smith

WITH: Interim Chief Executive
 Chief Officer Resources
 Interim Corporate Director Social Services
 Corporate Director Regeneration & Community Services
 Head of Organisational Development
 Head of Democratic Services, Governance and
 Service Manager Customer Experience & Transformation
 Press and Communications Officer
 Democratic and Scrutiny Officer

<u>ITEM</u>	<u>SUBJECT</u>
No. 1	<p><u>SIMULTANEOUS TRANSLATION</u></p> <p>It was noted that no requests had been received for the simultaneous translation service.</p>
No. 2	<p><u>APOLOGIES</u></p> <p>An apology for absence was received from the Chief Officer Customer and Commercial.</p>

No. 3	<p><u>DECLARATIONS OF INTERESTS AND DISPENSATIONS</u></p> <p>No declarations of interest or dispensations were reported.</p>
No. 4	<p><u>CORPORATE AND PERFORMANCE SCRUTINY COMMITTEE</u></p> <p>Consideration was given to the decisions of the meeting held on 14th September, 2023.</p> <p>The Committee AGREED that the decisions be accepted as a true record of proceedings.</p>
No. 5	<p><u>ACTION SHEET</u></p> <p>Consideration was given to the Action Sheet.</p> <p>The Committee AGREED that the report be accepted and the information therein be noted.</p>
No. 6	<p><u>BLAENAU GWENT COUNCIL SELF-ASSESSMENT 2022/23</u></p> <p>Consideration was given to the report of the Interim Chief Executive.</p> <p>The Committee AGREED that the report be accepted and recommended that Council approve the Council's Self-Assessment 2022/23 for publication on the Council's website and shared with key partners as outlined in paragraph 2.42 of the statutory guidance (Option 1).</p>
No. 7	<p><u>SICKNESS ABSENCE PERFORMANCE 2022/23</u></p> <p>Consideration was given to the report of the Head of Organisational Development.</p> <p>The Committee AGREED that the report be accepted and Committee endorsed the report and the ongoing actions to support improvement in attendance (Option 2).</p>

No. 8

FORWARD WORK PROGRAMME – 6TH DECEMBER, 2023

Consideration was given to the report of the Scrutiny and Democratic Officer

The Committee AGREED that the report be accepted and Committee agreed the Forward Programme for the meeting 6th December 2023, as presented (Option 1).

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Blaenau Gwent County Borough Council

Action Sheet

Corporate Overview and Performance Scrutiny Committee

Meeting Date	Action to be Taken	By Whom	Action Taken
14.09.23 Eval session	A request was made to arrange another Treasury Management training session facilitated in-house.	Rhian Hayden	Session scheduled for Monday 6 th November 2023. Action Complete: 04.10.23
12.10.23	Item 6: Blaenau Gwent Council Self-Assessment 2022/23 Page 4 – Appendix 1 <ul style="list-style-type: none">In relation to economically inactive disabled residents – what is the Council doing to support those residents.% of people with a disability living in Blaenau Gwent.	All Gemma Wasley	Information to be provided. Action: Outstanding Census 2021 Blaenau Gwent has the joint highest proportion of disabled people, alongside NPT, of 24.6% or 17,000 people. Action Complete: 07.11.23
12.10.23	Item 7: Sickness Performance 2022/23 <ul style="list-style-type: none">Once completed, copy of the Audit report relating to sickness absence hotspots to be provided to Members of the Committee.	Andrea Prosser	Audit currently being undertaken. Report to be provided when available. Action Update: 22.11.23

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Agenda Item 6

Cabinet and Council only

Date signed off by the Monitoring Officer:

Date signed off by the Section 151 Officer:

Committee: **Corporate Overview and Performance Scrutiny Committee**

Date of meeting: **6th December 2023**

Report Subject: **Treasury Management Quarterly Update Report – June 2023**

Portfolio Holder: **Cllr Stephen Thomas, Leader / Cabinet Member - Corporate Overview & Performance**

Report Submitted by: **Rhian Hayden, Chief Officer Resources**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Governance Audit Committee	Democratic Services Committee	Scrutiny Committee	Cabinet	Council	Other (please state)
	Nov 2023	22.11.23			06/12/2023		25.01.24	

1. Purpose of the Report

- 1.1 The purpose of this report is to provide members with an update of Treasury Management activities during the first quarter of 2023/2024 and the Council's performance against approved Prudential and Treasury Indicators.

2. Scope and Background

- 2.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that members be updated on treasury management activities at least quarterly. This report, therefore, ensures this Council is implementing best practice in accordance with the Code. The update report is attached as Appendix 1.
- 2.2 This report will provide information on the Council's Borrowing and Investment activity, Economic updates and Interest Rate forecasts, as well as the Council's performance against approved performance indicators.
- 2.3 These quarterly reports will be provided to the Corporate Overview and Performance Scrutiny Committee to be adequately scrutinised. There is no requirement for these update reports to be reported to Council unless any changes to the Council's Treasury Management Strategy Statement, Capital Strategy, Investment Strategy or Performance Indicators are required.

3. Options for Recommendation

3.1 Option 1 (Preferred Option)

Members scrutinise the treasury management activity undertaken during the first 3 months of 2023/24 and do not consider any amendments to the previously agreed Treasury strategies and performance indicators.

3.2 **Option 2**

Members scrutinise the treasury management activity undertaken during the first 3 months of 2023/24 and consider amendments to the previously agreed Treasury strategies and performance indicators.

4. **Evidence of how this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

4.1 The report is written under legislation (the Local Government Act 2003), Welsh Government guidance and CIPFA codes of practice.

4.2 This topic also supports the Corporate Plan Priority of being an ambitious and innovative council delivering the quality services at the right time and in the right place.

5. **Implications Against Each Option**

5.1 **Impact on Budget (short and long-term impact)**

5.1.1 The Authority has complied with the CIPFA Treasury Management in the Public Services: Code of Practice 2021, and in doing so has strived for effective risk management and control, whilst at the same time pursuing best value as far as possible.

5.1.2 The Authority has effectively managed credit risk throughout the period, so ensuring that it has not been subjected to any financial loss.

5.1.3 The Authority has maximised investment returns as far as is possible whilst managing the associated risk and minimised borrowing costs throughout the period.

5.2 **Risk including Mitigating Actions**

5.2.1 The main risk in relation to Treasury Management is that of credit risk and protecting the Authority's cash. This is effectively managed through the Authority's risk averse Treasury Management policy that seeks to protect the capital sum rather than maximise investment returns.

5.2.2 Following the increases in the Bank of England base rate beginning in December 2021, the base rate has risen from 4.25% to 5.00% in the first quarter of the year. The Bank of England further increased this rate to 5.25% in August 2023 and has maintained this level to date. The Authority has benefitted from only entering into short-term borrowing and taking advantage of lower interest rates in the first quarter of the year. However, the increase in market rates will have a significant impact on borrowing costs during the remainder of 2023/24 and into 2024/25.

5.3 **Legal**

The report is written under legislation (the Local Government Act 2003), Welsh Government guidance and CIPFA codes of practice.

5.4 Human Resources

There are no direct staffing implications to report. Staff directly involved with Treasury Management activities will continue to monitor the credit situation on a daily basis and will notify the Chief Officer Resources accordingly. Any consequential changes required to be made to the borrowings or investment strategy as a result will be reported to the Council.

6. Supporting Evidence

6.1 Performance Information and Data

6.1.1 The Performance information is contained within Appendix 1

6.2 Expected outcome for the public

6.2.1 The Council's Treasury Management activities support delivery of services to the public.

6.3 Involvement (consultation, engagement, participation)

6.3.1 Members of the Corporate Overview and Performance Scrutiny Committee and full Council are involved in developing and monitoring compliance with the Council's Treasury Management Strategy.

6.4 Thinking for the Long term (forward planning)

6.4.1 The Treasury Management Strategy Statement sets out policies to ensure that any decisions in relation to Treasury Management Activity are affordable and proportionate, and risk is managed as much as possible, over both the short and long-term.

6.5 Preventative focus

6.5.1 The Authority's Treasury Management policy prioritises protecting the capital sum rather than achieving higher interest returns.

6.6 Collaboration / partnership working

N/A

6.7 Integration (across service areas)

6.7.1 N/A.

6.8 Decarbonisation and Reducing Carbon Emissions

6.8.1 The Council is committed to the Decarbonisation Plan to achieve a carbon neutral public sector by 2030. The Capital Programme currently contains schemes which promote the reduction of carbon emissions such as ReFIT, Electric Vehicle Charge Points and Carbon reduction schemes. New Council buildings should be designed to the latest energy efficiency standards.

6.8.2 The Authority also considers Environmental, Social and Corporate Governance (ESG) factors when setting up any investment arrangements. For example, we would avoid investing in companies linked with fossil fuels.

6.9 **Integrated Impact Assessment**

See above

7. **Monitoring Arrangements**

7.1 As the nominated scrutiny Committee, Corporate & Performance Scrutiny will receive a minimum of five reports in every annual cycle: -

- A Treasury Management Policy report prior to the start of every financial year
- A quarterly report on performance against set Prudential Indicators
- A mid-year progress report on Treasury Management activity
- An end of year out turn report on Treasury Management activity.

Background Documents / Electronic Links

- Appendix 1 – Update Report
- Appendix 2 – Prudential Indicators
- Appendix A – Temporary Loans
- Appendix B – Temporary Investments

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Treasury Management Update

Quarter Ended 30th June 2023

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that members be updated on treasury management activities at least quarterly. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

1. Economics update

The following information has been received from our Treasury Management advisors.

- The first quarter of 2023/24 saw:
 - CPI inflation falling from 10.1% to 8.7% in April, before remaining at 8.7% in May. This was the highest reading in the G7.
 - Core CPI inflation rise in both April and May, reaching a new 31-year high of 7.1%.
 - Interest rates rise by a further 75bps over the quarter, taking Bank Rate from 4.25% to 5.00%.
- The economy has weathered the drag from higher inflation better than was widely expected and will further raise hopes that the economy will escape a recession this year.
- The recent resilience of the economy has been due to a confluence of factors including the continued rebound in activity after the pandemic, households spending some of their pandemic savings, and the tight labour market and government handouts both supporting household incomes. That said, as government support fades, real household incomes are unlikely to grow rapidly.
- Our Treasury Management advisor's central assumption is that inflation will drop to the 2.0% target only if the Bank of England (the Bank) triggers a recession by raising rates from 5.00% now to at least 5.5% and keeps rates there until at least mid-2024.
- The labour market became tighter over the quarter and wage growth reaccelerated. Labour demand was stronger than the consensus had expected.
- This suggests the Bank may have more work to do than the Federal Reserve (Fed) or European Central Bank (ECB). Indeed, the Bank of England

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sounded somewhat hawkish in the June meeting. This came through most in the Monetary Policy Committee's (MPC) decision to step up the pace of hiking from the 25bps at the previous two meetings. The 7-2 vote, with only two members voting to leave rates unchanged at 4.50%, revealed support for stepping up the fight against high inflation.

MPC meetings 11th May and 22nd June 2023

- On 11th May, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 25 basis points to 4.50%, and on 22nd June moved rates up a further 50 basis points to 5.00%. Both increases reflected a split vote – seven members voting for an increase and two for none.
- Nonetheless, with UK inflation significantly higher than in other G7 countries, the MPC will have a difficult task in convincing investors that they will be able to dampen inflation pressures anytime soon.
- Outside of the first quarter, on 3rd August, the MPC increased bank rates further to 5.25%. However, on the 21st September the MPC decided to hold rates at 5.25%, the first time rates have been held since December 2021.

2. Interest rate forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The Public Works Loan Board (PWLB) rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast, made on 26th June, sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, against a backdrop of a stubbornly robust economy and a tight labour market.

You will note that Link Group's forecasts have steadily increased during the quarter as the data continued to spring upside surprises, and the Bank of England continued to under-estimate how prevalent inflation is, and how tight the labour market is. The Government has also noted that despite immigration increasing markedly, high levels of ill-health amongst the workforce has led to wage demands remaining strong until such time as there is a loosening in demand for business services.

The current PWLB rate forecast below is based on the Certainty Rate.

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Link Group Interest Rate View	26.06.23												
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE	5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	2.75	2.75	2.50	2.50
3 month ave earnings	5.30	5.60	5.50	5.30	5.00	4.50	4.00	3.50	3.00	2.70	2.60	2.50	2.50
6 month ave earnings	5.80	5.90	5.70	5.50	5.10	4.60	4.00	3.50	3.00	2.70	2.60	2.60	2.60
12 month ave earnings	6.30	6.20	6.00	5.70	5.30	4.80	4.10	3.60	3.10	2.80	2.70	2.70	2.70
5 yr PWLB	5.50	5.60	5.30	5.10	4.80	4.50	4.20	3.90	3.60	3.40	3.30	3.30	3.20
10 yr PWLB	5.10	5.20	5.00	4.90	4.70	4.40	4.20	3.90	3.70	3.50	3.50	3.50	3.40
25 yr PWLB	5.30	5.40	5.20	5.10	4.90	4.70	4.50	4.20	4.00	3.90	3.80	3.80	3.70
50 yr PWLB	5.00	5.10	5.00	4.90	4.70	4.50	4.30	4.00	3.80	3.60	3.60	3.50	3.50

- LIBOR and LIBID rates ceased at the end of 2021. In a continuation of previous views, money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- The Link forecast for earnings are averages, actual rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

A Summary Overview of the Future Path of Bank Rate

- Link's central forecast for interest rates was previously updated on 25th May and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened to a degree, especially as it moved to a more aggressive 0.5% hike in June but, with inflation remaining elevated, it is anticipated that Bank Rate will need to increase to at least 5.5%, if not higher, to sufficiently slow the UK economy and loosen the labour market.
- Moreover, it is still anticipated that the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but timing on this will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged. Link's current judgment is that rates will have to increase and stay at their peak until the second quarter of 2024 as a minimum.
- In the upcoming months, the forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine and whether there are any further implications for Russia itself following the recent aborted mutiny by the Wagner group.
- On the positive side, consumers are still estimated to be sitting on excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may

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have been expected. However, most of those excess savings are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy, and rent/mortgage payments.

PWLB Rates

- Gilt yield curve movements have shifted upwards, especially at the shorter end of the yield curve since our previous forecast but remain relatively volatile. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.90% to 5.60%.
- We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include:

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, the rising gilt yields we have seen of late).
- The Bank of England increases Bank Rate too fast and too far over the coming months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.
- UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- Geopolitical risks, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.
- A broadening of banking sector fragilities, which have been successfully addressed in the near-term by central banks and the market generally, but which may require further intervention if short-term interest rates stay elevated for longer than is anticipated.

Upside risks to current forecasts for UK gilt yields and PWLB rates:

- Despite the recent tightening by 0.5%, the Bank of England proves too timid in its pace and strength of increases in Bank Rate and, therefore, allows

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inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.

- The pound weakens because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer-term US treasury yields rise strongly if inflation remains more stubborn than the market currently anticipates, pulling gilt yields up higher consequently.
- Projected gilt issuance, inclusive of natural maturities and Quantitative Tightening (QT), could be too much for the markets to comfortably digest without higher yields compensating.

3. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by the Council on 30 March 2023. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

As shown by the interest rate forecasts in section 2, investment rates have improved dramatically during the first quarter of 2023/24 and are expected to improve further as Bank Rate continues to increase over the next few months.

Creditworthiness

There have been few changes to credit ratings over the quarter under review. However, officers continue to closely monitor these, and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

Investment counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

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CDS prices

For UK banks, these have retreated from the spikes caused by the Truss / Kwarteng policy approach in September 2022. Prices are not misaligned with other creditworthiness indicators, such as credit ratings. Nevertheless, it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

Investment balances

The Council has been able to invest a total of £122.5m during the first quarter of 2023/24, with an average investment value of £4m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of the Council's payments, receipt of grants and progress on the capital programme.

The following table displays a selection of interest rates prevailing as of 1 April 2023 and 30 June 2023.

	01/04/2023	30/06/2023
Bank Base Rate	4.25%	5.00%
1 Month SONIA	4.17%	4.94%
PWLB 10 year Maturity	4.50%	5.45%
PWLB 15 year maturity	4.74%	5.51%
PWLB 25 year maturity	4.86%	5.53%

Appendix A gives details of the investments made during the year, and the following table gives a summary, which shows the Council's average rate of return was below the benchmark. This is in line with the Authority's risk averse policy whereby the security of the capital sum is the number one priority at the expense of more competitive investment returns.

	Total Value of Investments	Average Investment	Investment Returns	Average Rate of Return	Benchmark Return *
Internally Managed	£122.5m	£4.0m	£650k	3.49%	4.46%

* Benchmark = 1 month SONIA uncompounded 4.46%

The above investment returns include £285,000 of interest received in relation to the ongoing investment of the funds received from the Welsh Government in respect of the Rail Infrastructure Loan. There is a condition of the funding approval that states any interest earned from holding the loan must be added to the works programme. Therefore, this income will be placed into a reserve until such time it is used to fund

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works or can be transferred to the Authority. The remaining £365,000 investment returns relates to interest due from the investment of the Council's own funds.

As illustrated, the Council underperformed the benchmark by 97 bps. The Council's budgeted investment return for 2023/24 is £320,500. Due to the availability of funds to invest and the continued increases in bank rates above previous forecasts, the Council has exceeded this estimate.

Approved limits

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30th June 2023.

4. Borrowing

No new long-term borrowing has been undertaken during this financial year. The Authority has repaid £6m of market loans during the quarter ended 30 June 2023, however these have not been replaced with long term borrowing.

Due to the current elevated level of interest rates, the Council is not planning to undertake any long-term borrowing but will instead borrow in the short-term for re-financing of long-term debt or for cash flow purposes, due to the expectation that interest rates will begin to fall during 2024.

This situation will be monitored closely by the Treasury Management section, who will plan the future borrowing requirement of the Council in line with forecast interest rates.

PWLB maturity Certainty Rates 1st April to 30th June 2023

Gilt yields and PWLB rates were on a rising trend between 1st April and 30th June.

The 50-year PWLB Certainty Rate target for new long-term borrowing started 2023/24 at 3.30% before increasing to a peak of 3.80% in June. As can be seen, with rates elevated across the whole of the curve, it is advised to not borrow long-term unless the Authority wants certainty of rate and judges the cost to be affordable.

Temporary Loans

Appendix B lists the short-term loan activity during the year and shows that over the period a total of £48.365 million loans were brought forward from the previous year and £16 million of new short-term loans were raised. A total of £36 million of these loans have been repaid during the year (including the brought forward loans), leaving a balance outstanding as at 30 June 2023 of £28.4 million. The decrease in short-term loans can be attributed to the running down of our own investments in order to reduce the requirement of the need to borrow to fund short term cash flow deficits.

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The following table gives a summary which shows that the average rate of interest paid was well within the benchmark. However, this is due to the Council entering into short-term borrowing when interest rates were low. With the current high level of interest rates, further borrowing will exceed the benchmark rate. This is still seen as the preferred option of borrowing, instead of entering into long-term borrowing now when rates are expected to fall during 2024.

	Total Value of Loans during the period	Average Loan	Interest paid during the period	Average Interest Rate	Benchmark Interest Rate *
Short Term borrowing	£64.4m	£4.0m	£193,900	3.01%	4.50%

* Benchmark = budgeted interest rate for new borrowings 4.50%

As shown in section 3, the Council has exceeded its investment returns target for the financial year. It is anticipated that any additional investment interest received will offset the increased cost of borrowing anticipated throughout the remainder of the financial year, due to the current and forecast interest rates above the benchmark rate.

5. Debt rescheduling

Debt rescheduling opportunities have increased significantly in the current quarter where gilt yields, which underpin PWLB rates and market loans, have risen materially. Members will be advised if there is value to be had by rescheduling or repaying a part of the debt portfolio.

No debt rescheduling has been undertaken during the financial year.

6. Compliance with Treasury and Prudential Limits

The prudential and treasury Indicators are shown in Appendix 2.

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ended 30th June 2023, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2023/24. The Chief Officer Resources reports that no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

Please note that the outturn figures for 2022/23 are unaudited at this stage, so may be subject to change.

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Treasury and Prudential Indicators – Quarterly Report 30 June 2023

Treasury Indicators	2023/24 £'000	31.03.23 Actual £'000
Authorised limit for external debt	248,383	260,753
Operational boundary for external debt	225,803	237,048
Gross external debt	217,884	217,482
Investments	2,000	66,000
Net borrowing	219,884	151,482

Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	Upper Limit 20% Lower Limit 0%	5.18%
12 months to 2 years	Upper Limit 20% Lower Limit 0%	9.14%
2 years to 5 years	Upper Limit 50% Lower Limit 0%	20.06%
5 years to 10 years	Upper Limit 75% Lower Limit 0%	14.16%
10 years and above	Upper Limit 95% Lower Limit 25%	51.46%

Prudential Indicators	2023/24 £'000	31.03.23 Actual £'000
Capital expenditure	74,300	47,849
Capital Financing Requirement (CFR)	208,824	172,058
Annual change in CFR	34,892	2,136
In year borrowing requirement	36,230	3,880
Ratio of financing costs to net revenue stream	4.06%	3.44%

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INVESTMENTS 2023/2024

APPENDIX A

DATE	BORROWER	VALUE	RATE %	REPAYMENT DATE	DURATION OF INVESTMENT DAYS IN 2023/24	INTEREST DUE TO 30/06/2023	INVESTMENTS REPAID	PRINCIPAL O/S AS AT 30/06/2023
B/FWD	01/04/2023							
06/10/2022	NATIONAL BANK OF KUWAIT	2,000,000	4.100	06/07/2023	91	20,443.84	0	2,000,000
01/12/2022	AL RAYAN BANK PLC	5,000,000	4.200	01/06/2023	61	35,095.89	5,000,000	0
30/01/2023	NATIONAL BANK OF CANADA, LONDON	4,000,000	4.200	30/06/2023	90	41,424.66	4,000,000	0
15/03/2023	LLOYDS CALL ACCOUNT	4,000,000	Variable	-	91	43,548.18	0	4,000,000
14/04/2022	NATIONAL BANK OF KUWAIT (INTERNATIONAL)	4,000,000	2.030	13/04/2023	12	2,669.59	4,000,000	0
01/07/2022	THURROCK BOROUGH COUNCIL	4,000,000	1.800	03/04/2023	2	394.52	4,000,000	0
08/09/2022	UTTLESFORD DISTRICT COUNCIL - ROLL OF TI2193	5,000,000	3.000	07/09/2023	91	37,397.26	0	5,000,000
05/12/2022	RUSHMOOR BOROUGH COUNCIL	5,000,000	3.350	05/05/2023	34	15,602.74	5,000,000	0
05/12/2022	CORNWALL COUNCIL - ROLL OF TI2196	5,000,000	3.250	05/04/2023	4	1,780.82	5,000,000	0
19/12/2022	NORTH LANARKSHIRE COUNCIL - MOTHERWELL	5,000,000	3.400	19/07/2023	91	42,383.56	0	5,000,000
30/03/2023	POLICE AND CRIME COMMISSIONER FOR HERTFORDSHIRE	3,000,000	4.550	06/04/2023	5	1,869.86	3,000,000	0
31/03/2023	WEST MERCA POLICE AND CRIME COMMISSIONER	5,000,000	4.450	10/05/2023	39	23,773.97	5,000,000	0
31/03/2023	CENTRAL BEDFORDSHIRE COUNCIL	5,000,000	4.300	28/04/2023	27	15,904.11	5,000,000	0
11/01/2023	PUBLIC SECTOR DEPOSIT FUND	5,000,000	Variable	28/06/2023	88	52,567.96	5,000,000	0
06/03/2023	PUBLIC SECTOR DEPOSIT FUND	5,000,000	Variable	30/06/2023	90	53,876.28	5,000,000	0
B/F Raised in previous years still outstanding		66,000,000				388,733.24	50,000,000	16,000,000
NEW INVESTMENTS 2023/24								
05/04/2023	NATIONAL BANK OF CANADA, LONDON	2,000,000	4.300	05/06/2023	61	14,372.60	2,000,000	0
13/04/2023	NATIONAL BANK OF KUWAIT	4,000,000	5.100	11/04/2024	79	44,153.42	0	4,000,000
04/05/2023	AL RAYAN BANK	1,000,000	4.850	06/11/2023	58	7,706.85	0	1,000,000
15/05/2023	DEBT MANAGEMENT OFFICE	3,000,000	4.380	26/05/2023	11	3,960.00	3,000,000	0
18/05/2023	DEBT MANAGEMENT OFFICE	2,500,000	4.380	26/05/2023	8	2,400.00	2,500,000	0
05/04/2023	CORNWALL COUCIL - ROLLOVER RI0160	5,000,000	4.100	05/05/2023	30	16,849.32	5,000,000	0
14/04/2023	DEBT MANAGEMENT OFFICE	3,000,000	4.060	21/04/2023	7	2,335.89	3,000,000	0
17/04/2023	EASTLEIGH BOROUGH COUNCIL	2,000,000	4.150	17/05/2023	30	6,821.92	2,000,000	0
04/05/2023	DEBT MANAGEMENT OFFICE	9,000,000	4.210	22/05/2023	18	18,685.48	9,000,000	0
04/05/2023	HELEBA	6,000,000	4.350	05/06/2023	32	22,882.19	6,000,000	0
05/05/2023	CORNWALL COUNCIL - ROLLOVER OF RI0167	5,000,000	4.320	05/07/2023	57	33,731.51	0	5,000,000
17/05/2023	DEBT MANAGEMENT OFFICE	2,000,000	4.380	26/05/2023	9	2,160.00	2,000,000	0
05/06/2023	HERTFORDSHIRE COUNTY COUNCIL	5,000,000	4.600	05/07/2023	26	16,383.56	0	5,000,000
05/06/2023	NATIONAL BANK OF CANADA - ROLL OF TI2226	2,000,000	4.650	07/08/2023	26	6,624.66	0	2,000,000
05/06/2023	HELEBA - ROLL OF RI0171	5,000,000	4.560	05/07/2023	26	16,241.10	0	5,000,000
01/04/2023	BARCLAYS SAVINGS ACCOUNT		-	30/06/2023	91	45,780.80		
Total Raised During the Period		56,500,000				261,089.29	34,500,000	22,000,000
Total Value of Investments		122,500,000				649,822.54	84,500,000	38,000,000
Average Investments		3,951,613						
Interest Received		649,823						
Average Interest Rate %		3.49%						

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Agenda Item 7

Cabinet and Council only

Date signed off by the Monitoring Officer: N/A

Date signed off by the Section 151 Officer: N/A

Committee: **Corporate Overview and Performance Scrutiny Committee**

Date of meeting: **6th December 2023**

Report Subject: **Forward Work Programme: 18th January 2024**

Portfolio Holder: **Cllr Steve Thomas, Leader / Cabinet Member
Corporate Overview and Performance**

Report Submitted by: **Scrutiny and Democratic Officer**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Governance and Audit Committee	Democratic Services Committee	Scrutiny Committee	Cabinet	Council	Other (please state)
x	x	22.11.23			06.12.23			

1. Purpose of the Report

- 1.1 To present to Members the Corporate Overview and Performance Scrutiny Committee Forward Work Programme for the Meeting on 18th January 2024 for discussion and agreement.

2. Scope and Background

- 2.1 The Scrutiny Work Programmes are key aspects of the Council's planning and governance arrangements and support the requirements of the Constitution.
- 2.2 The topics set out in the Forward Work Programme link to the strategic work of the Council as identified by the Council's revised Corporate Plan, corporate documents and supporting business plans.
- 2.3 Effective work programmes are essential to ensure that the work of scrutiny makes a positive impact upon the Council's delivery of services.
- 2.4 The Committee's Forward Work Programme was agreed in June 2023, recognising the fluidity of the document to enable the Committee to respond to urgent and emerging issues, and included timescales when reports will be considered by the Committee. The work programme is managed and implemented by the Scrutiny and Democratic Officer under the direction of the Chair and Committee.
- 2.5 The forward work programme for the forthcoming meeting will be presented to Committee on a 6 weekly cycle in order that Members can consider the programme of work; request information is included within the reports, as appropriate and / or make amendments to the work programme.

3. **Options for Recommendation**

3.1 **Option 1:** The Scrutiny Committee agree the Forward Programme for the meeting 18th January 2024, as presented.

3.2 **Option 2:**

The Scrutiny Committee consider the Forward Work Programme for the meeting 18th January 2024, and

- Make any amendments to the topics scheduled for the meetings;
- Suggest any additional invitees that the committee requires to fully consider the reports; and
- Request any additional information to be included with regards to the topics to be discussed.

Background Documents /Electronic Links

- Appendix 1 – Forward Work Programme – Meeting on 18th January 2024

Corporate Overview and Performance Scrutiny Committee Forward Work Programme

Dates	Topic	Purpose	Lead	Cabinet / Council
Meeting: 18 th January 2024	Commercial Strategy	Pre-Decision To support the policy.	Bernadette Elias	Cabinet
Deadline: 4 th January 2024	Joint Finance and Performance report – Quarters 1 and 2 – 2023/24	Performance Monitoring Members to receive quarters 1 and 2 for consideration.	Gemma Wasley	Cabinet
	Workforce Strategy Review and year 3 action plan	Pre-Decision To consider the review and year 3 action plan.	Andrea Prosser	Cabinet

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