

Committee: **Council**

Date of Meeting: **23<sup>rd</sup> January, 2025**

Report Subject: **Treasury Management Mid-Year Review – September 2024**

Portfolio Holder: **Councillor Stephen Thomas – Leader/Cabinet Member - Corporate and Performance**

Report Submitted by: **Rhian Hayden, Corporate Director of Corporate Services**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Governance Audit Committee	Democratic Services Committee	Scrutiny Committee	Cabinet	Council	Other (please state)
	28/11/2024				12/12/2025		23/01/2025	

## 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 half of 2024/2025 and the Council's performance against approved Prudential and Treasury Indicators.

## 2. Scope and Background

- 2.1 The report provides a summary of the Treasury Management activities carried out under delegated powers by the Corporate Director of Corporate Services in the period 1st April to 30th September 2024 in accordance with the CIPFA Treasury Management Code of Practice.

- 2.2 Treasury Management can be defined as:

“The management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

- 2.3 The primary requirements of the CIPFA Code of Practice are currently as follows:

- a. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.

- b. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- c. Receipt by the Council of an annual Treasury Management Strategy report (including the annual investment strategy report and minimum revenue policy) for the year ahead, quarterly update reports, a mid-year review, and an annual review report of the previous year.
- d. Delegation by the Council of responsibilities for implementing and monitoring Treasury Management policies and practices and for the execution and administration of treasury management decisions, which in this Council is the Corporate Director of Corporate Services.
- e. Delegation by the Council of the role of scrutiny of Treasury Management strategy and policies to a specific named body which in this Council is the Corporate and Performance Scrutiny Committee.

2.4 This report is therefore presented to Council to provide a mid-year review report (attached as Appendix 1) of the Treasury Management activities for the 2024/2025 financial year, in accordance with (c) above.

2.5 During 2024/25 the Accountancy Service have prioritised the completion of the 2022/23 Statement of Accounts. As a consequence the quarter 1 Treasury Management report was not provided to Members as originally anticipated in September 2024. This update report is attached for information at Appendix 3.

### 3. **Options for Recommendation**

The Corporate & Performance Scrutiny Committee endorsed Option 1, at its meeting on 12<sup>th</sup> December, 2024. No recommendations for amendments were made.

#### 3.1 **Option 1 (Preferred Option)**

Members consider the treasury management activity undertaken during the first six months of 2024/25 and make no amendments to the previously agreed Treasury Strategies and performance indicators.

#### 3.2 **Option 2**

Members consider the treasury management activity undertaken during the first six months of 2024/25 and make 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.
- 5.1.4 Investment returns of £551,000 have been achieved with an average interest rate of 5.50%. This is higher than the benchmark rate of 5.11% and reflects that the Authority was able to take advantage of higher interest rates during the first half of the year. Of this return, £11,000 was due in relation to investments made from the remaining funds held 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 set aside to fund additional works or be returned to Welsh Government following completion of the works programme. The remaining return of £540,000 relates to interest due from the investment of the Authority's own funds. The annual budgeted investment interest for the full year is £320,500, which reflects the interest rates forecast at that time and the extraordinary increases in bank base rate in recent financial years.
- 5.1.5 An average interest rate of 5.24% has been paid on temporary borrowings against a benchmark of 3.50%, amounting to £1,122,000 for the six-month period. The budget for interest paid on short term borrowing is £1,540,000 for the full year. The interest payable on temporary borrowing is forecast to exceed the budget in 2024/25, however as the Authority estimated that it would enter in to some long-term debt this financial year, the adverse variance will be met by this long-term interest budget, as well as any surplus on the investment interest received. The budget for additional long-term borrowing for 2024/25 is set at £496,000.

5.1.6 Officers will continue to monitor interest rates throughout the year, with the Bank of England lowering the base rate to 4.75% during quarter 3 and will strive to enter into temporary borrowing at the cheapest rates possible.

5.1.6 A summary of the Treasury Management activities for the period are shown in the table below:

	<b>Value</b>	<b>Interest</b>	<b>Average Interest Rate</b>
	£m	£m	%
Short Term Loans raised	88	1.122	5.24%
Short Term Investments made	144	0.551	5.50%
Long Term debt outstanding 30/9/24	144.2		3.84%
Short Term debt outstanding 30/9/24	50.5		5.24%

## 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 over the last two financial years, the base rate appears to have peaked at 5.25% and has recently been cut to 4.75% at the November Monetary Policy Committee meeting. The Authority has benefitted from only entering into short-term borrowing over the past two years, meaning that the Authority has not committed itself to long-term borrowing at higher rates. Interest rates are forecast to fall to 4.00% during 2025. Officers will continue to monitor borrowing costs and will mitigate cost pressures as much as possible.

## 5.3 Legal

5.3.1 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 Corporate Director of Corporate Services 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 Despite the financial climate, the Authority has performed well in terms of its Treasury Management activities during the first half of the year, as detailed in the report and summarised below:

- a. Investment returns of £551,000 have been achieved in the period with an average interest rate of 5.50%. This is higher than the benchmark rate of 5.11% and reflects that the Authority was able to take advantage of higher interest rates during the first half of the year. The annual budgeted investment interest is £320,500, which has been exceeded due to the increased Bank of England base rate.
- b. An average interest rate of 5.24% has been paid on temporary borrowings against a benchmark of 3.50%, amounting to £1,122,000 for the six-month period. The budget for interest paid on short term borrowing is £1,540,000 for the full year - Officers will continue to monitor interest rates throughout the year. Interest on long-term borrowing is forecast to be underspent, due to the Council replacing maturing debt with temporary borrowing. The interest payable by the Authority has been minimised as far as possible during a difficult economic climate and is evidence of good performance.
- c. All Treasury Management and Prudential indicators set for the financial year have been complied with during the year.
- d. No institutions in which investments were made during the period had any difficulty in repaying investments and interest in full, so the Authority has not been exposed to any financial loss as a result of the difficult economic climate. The Authority will continue to monitor other investment opportunities throughout the rest of the financial year.

### 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 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**

6.6.1 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. 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.

#### 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.

8. **Background Documents / Electronic Links**

- Appendix 1 – Update Report
- Appendix 2 – Prudential Indicators
- Appendix 3 – Quarter 1 Update Report
- Appendix A – Temporary Investments
- Appendix B – Temporary Loans