

<b>Report to:</b>	<b>EXECUTIVE</b>
<b>Relevant Officer:</b>	Steve Thompson, Director of Resources
<b>Relevant Cabinet Member</b>	Councillor Lynn Williams, Leader of the Council
<b>Date of Meeting</b>	12 June 2023

## TREASURY MANAGEMENT STRATEGY OUTTURN FOR THE YEAR ENDED 31 MARCH 2023

### 1.0 Purpose of the report:

1.1 To consider the report of the Director of Resources on the Treasury Management Outturn Report for the year ended 31 March 2023.

### 2.0 Recommendation(s):

2.1 To note the report on treasury management activities for the financial year ending 31 March 2023.

### 3.0 Reasons for recommendation(s):

3.1 One of the requirements of CIPFA's (Chartered Institute of Public Finance and Accountancy) 2021 Prudential Code and Treasury Management Codes of Practice is that periodic reports on the Council's treasury management activities are submitted to the Executive.

3.2 Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.3 Is the recommendation in accordance with the Council's approved budget? Yes

### 4.0 Other alternative options to be considered:

4.1 None.

### 5.0 Council priority:

5.1 The relevant Council priority is: "The economy: Maximising growth and opportunity across Blackpool".

## 6.0 Background information

6.1 One of the requirements of CIPFA's (Chartered Institute of Public Finance and Accountancy) 2021 Prudential Code and Treasury Management Codes of Practice is that periodic reports on the Council's treasury management activities are submitted to the Executive. This annual report on performance is for the 2022/23 financial year.

The Council manages its cashflow and long-term financing of capital investments in accordance with its annual Treasury Management Strategy. The 2023/24 Strategy was approved by the Council on 6 February 2023 and its objectives were as follows:

- to set the framework for managing the Council's investments and cashflows and controlling its banking, money market and capital market transactions
- to plan and secure appropriate borrowing in order to finance the Capital Programme for 2023/24 and the next two years, at the lowest cost to the Council
- to achieve the best rates of return from the investment of temporary surplus cash balances commensurate with risk, subject to the overriding principle of maintaining an acceptable level of security
- to control effectively the risks associated with these transactions
- to comply with appropriate codes and regulations including the International Financial Reporting Standards as they apply to Treasury Management
- to have regard for appropriate guidance where applicable, including 2017 Investment Guidance issued by the former Ministry for Treasury Management.

In delivering the above objectives the Council would:

- decide its own borrowing limits taking into account its financial situation, long-term plans and in particular what it thinks is affordable now and sustainable in the future.
- monitor these limits using performance measures called Prudential Indicators. Local authorities must use the same system of performance measurement and risk control. The borrowing limits have been set in accordance with the Council's Medium-term Financial Plan.

## 6.2 **Borrowing Transactions 2022/23**

### 6.3 **Loans Raised**

The Council's Total Borrowing Powers As At 1 April 2022 (The Authorised Limit) Stood At £586m. As A Result Of Uncertainty During This Financial Year Due To Ever Increasing Interest Rates, A Decision Was Taken By Treasury Management Panel To Increase Long-Term Borrowing Via Public Works Loan Board By £125m. This Equated To Approximately 50% Of The Capital Funded Debt At The Time.

The 2022/23 Borrowing Requirement For The Remainder Of The Capital Programme Was Deferred Until Such Time That Interest Rates Are (Or Were) Judged To Be Favourable To The Council. This Action Reduces The Council's Exposure To Counterparty Risk Whilst Enabling Savings To Be Made In Long-Term Borrowing Costs.

Temporary borrowing has been required to deal with the normal peaks and troughs of the cashflow, including creditor payments, grant receipts, etc. It has also been required to cover troughs in cashflow due to the delay in taking new long-term borrowing.

### 6.4 **Loans Repaid**

In addition to the temporary borrowing referred to in 6.3 above, a total of £4.0m of long-term borrowing was repaid.

### 6.5 **Loans Refinanced**

From time to time opportunities arise to repay existing loans and replace them with lower cost alternative loans. Where this arises, savings in annual interest costs can be achieved which keep the Council's overall borrowing costs as low as possible.

### 6.6 **Summary**

The Council's overall pooled borrowing rate on its long-term debt is now 3.55% from 4.58% in 2021/22. This change occurred as a result of the movement in loans referred to in 2.1 and 2.2 above.

When the Housing Revenue Account Subsidy buy-out took place in March 2012, the Council adopted a two-pool approach to managing its long-term loans with separate loan pools for the General Fund (GF) and the Housing Revenue Account (HRA). At that time the interest rate on both pools was approximately 4.9%. Since that date the maturity of loans from both pools has resulted in a change in interest rates such that the overall pooled borrowing rate is made up of the GF average pooled rate (4.53%) and the Housing Revenue Account average pooled rate (5.05%).

With regard the Housing Revenue Account, the Council has approved a Council Housing Investment Programme (CHIP). This utilises borrowing capacity to build new Council homes and enhance existing stock, so the Housing Revenue Account will be taking out additional loans in the short to medium term.

The revised maturity profile for the total external long-term loans outstanding as at 31 March 2023 is shown in Appendix 4a to this report.

	<i>Loan financing</i>	<u>Additions</u>	<u>(Repayments)</u>	<i>Loan financing</i>
	<i>at 1 Apr 2022</i>			<i>at 31 Mar 2023</i>
	£M	£M	£M	£M
PWLB	53.2	125.0	(4.0)	174.2
Market Loans	26.0	-	-	26.0
Temporary Loans	279.0	246.0	(329.0)	196.0
<b>Total Loans</b>	<b>358.2</b>	<b>371.0</b>	<b>(333.0)</b>	<b>396.2</b>
Temporary Investment	(40.7)	(676.7)	702.3	(15.1)
<b>Net External Loans</b>	<b>317.5</b>	<b>(305.7)</b>	<b>369.3</b>	<b>381.1</b>

## 6.7 Investment Transactions 2022/23

### 6.8 Overview

The Bank of England Official Bank Rate - the 'Base Rate', i.e. the general level to which all short-term interest rates are related started the year at 0.75%. Throughout the year the base rate was continually increased in both 0.25% and 0.5% increments and by 0.75% in November 2022. The final meeting of the Monetary Policy Committee (MPC) in March 2023 saw rates rise to 4.25%.

Appendix 4b shows this interest rate graphically from 1 September 2008 to 31 March 2023.

## 6.9 Receipts and Payments during the Year

Appendix 4c to this Report summarises the Council's cashflows during the year, short-term interest receivable and payable, year-end loans outstanding and investment balances.

## 6.10 Investment Earnings

Interest which has been earned from temporary investments is included in Appendix 4c, together with a comparison with the budgeted income for the financial year. Actual investment earnings, included within the short-term net receivable/payable figure, are £1.5m and these are referred to in Appendix 4d.

## 6.11 Approved Institutions for Investments

The Treasury Management Panel will continue to manage the Council's treasury and investment affairs in a cautious and prudent manner taking account of changes in the economic climate. The Council's Treasury Management Policy restricts investments to a list of approved institutions. Each institution has its own maximum investment limit and timeframe and the security of funds is the overriding factor.

The list comprises UK-registered banks along with their subsidiaries, the Nationwide Building Society, local authorities and certain other public sector bodies plus short-term gilts and UK treasury bills. The list continues to be reviewed regularly in the light of changes in credit ratings and market intelligence.

## 6.12 Revenue Outturn 2022/23

The Treasury Management revenue account for 2022/23 had net expenditure of £2,605k, an improvement of £1,790k over the budget of £4,395k.

A comparison of the Treasury Management revenue account with the budget for 2022/23 is set out in Appendix 4d.

Following a review of the Council's Minimum Revenue Provision Policy by Link Asset Services in 2020, £23,808k of savings were identified which could be taken over a number of financial years. £6,700k of this saving was realised during 2022/23.

The debt servicing costs for 2022/23 increased due to the unprecedented increase in interest rates as demonstrated at Appendix 4b. After years of interest barely being applicable to borrowings the rates of around 4% at the end of the financial year are significant.

Low levels of interest available on temporary cash balances coupled with fewer opportunities to restructure the long-term loan portfolio mean that further savings are unlikely in future years.

### 6.13 Prudential Indicators

The Prudential Indicators and Limits for 2022/23 are set out within Appendix 4e to this Report.

6.7 Does the information submitted include any exempt information? No

### 7.0 List of Appendices:

- 7.1 Appendix 4a: External debt fallout chart, maturity values as at 31st March 2023  
 Appendix 4b :Official Bank (Base) Rate movements September 2008 to 31st March 2023  
 Appendix 4c: Treasury Management Summary Statistics for the year 2022/23  
 Appendix 4d: Comparison of Budget to Actuals 2022/23  
 Appendix 4e: Treasury Management Prudential Indicators 2022/23

### 8.0 Financial considerations:

8.1 As outlined in this report and Appendices 4a to 4e.

### 9.0 Legal considerations:

9.1 None.

### 10.0 Risk management considerations:

- 10.1
- Liquidity Risk (accessibility and/or running out of cash)
  - Market Risk (movements in interest rates – yield)
  - Credit Risk (investment counterparties might default – security)
  - Legal Risk (transactions and actions legal/within regulatory limits)
  - Operational Risk (adequacy of internal processes)

**11.0 Equalities considerations:**

11.1 None.

**12.0 Sustainability, climate change and environmental considerations:**

12.1 None

**13.0 Internal/external consultation undertaken:**

13.1 With the Council's Treasury Management Panel

**14.0 Background papers:**

14.1 None.

**15.0 Key decision information:**

15.1 Is this a key decision? No

15.2 If so, Forward Plan reference number:

15.3 If a key decision, is the decision required in less than five days? N/A

15.4 If **yes**, please describe the reason for urgency:**16.0 Call-in information:**

16.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No

16.2 If **yes**, please give reason: