

<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>	6 November 2023

## TREASURY MANAGEMENT HALF-YEARLY PROGRESS REPORT TO THE 30 SEPTEMBER 2023

### 1.0 Purpose of the report:

1.1 The Treasury Management Half-Yearly Progress Report for the year ended 30th September 2023 and its Appendices.

### 2.0 Recommendation(s):

2.1 To note the report concerning the Treasury Management activities for the six months to September 2023.

### 3.0 Reasons for recommendation(s):

3.1 The Council has already adopted CIPFA's Treasury Management in Public Services Code of Practice and Cross-Sectoral Guidance Notes (2021 Edition). A feature of the Code is that periodic reports on Treasury Management activities are submitted to the Executive and the attached report relates to Treasury Management activities for the six months to 30 September 2023.

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 The Council has adopted CIPFA’s Treasury Management in Public Services Code of Practice and Cross-Sectoral Guidance Notes (2021 Edition). A feature of the Code is that periodic reports on treasury management activities are prepared. This report relates to treasury management activities for the six months to 30th September 2023 and its content is reflective of the scale of the Council’s current capital programme.

## **6.2 Borrowing Transactions**

### **Overview**

6.3 The Bank of England Official Bank Rate (ie the ‘base rate’ short-term interest rate to which all interest are related stood at 4.25% on 1 April 2023 (0.75% on 1 April 2020 and has risen three subsequent times to 5.25% as at 30 September 2023).

Appendix 3a shows movements in the base rate from September 2018 to September 2023 in order to display the recent trend.

Appendix 3b shows movements in the borrowing rates available since April 2018 for Public Works Loan Board (PWL) long-term (20-25 year rates), Public Works Loans Board one year and variable one month rates.

Covid, the war in Ukraine, as well as global supply shortages have had a significant impact on the global and UK economy over the past 18 months, which has resulted in the Bank of England increasing the base rate from 0.75% to 5.25% which is its highest level since 2008

## **6.4 Loans Raised**

The Treasury Management Panel decided to reduce the Council’s exposure to interest rate risk by fixing £125m of the temporary borrowing portfolio in August 2022.

Temporary borrowing has been required to deal with the normal peaks and troughs of the cash flow, including creditor payments, grant receipts, etc. It has also been used to finance any shortfalls in cash flow caused by capital expenditure. The temporary financing of capital expenditure is prudent while short-term interest rates remained comparatively low compared to long term borrowing and had the advantage of minimising temporary investments and the associated counterparty risk.

## 6.5 Loans Repaid

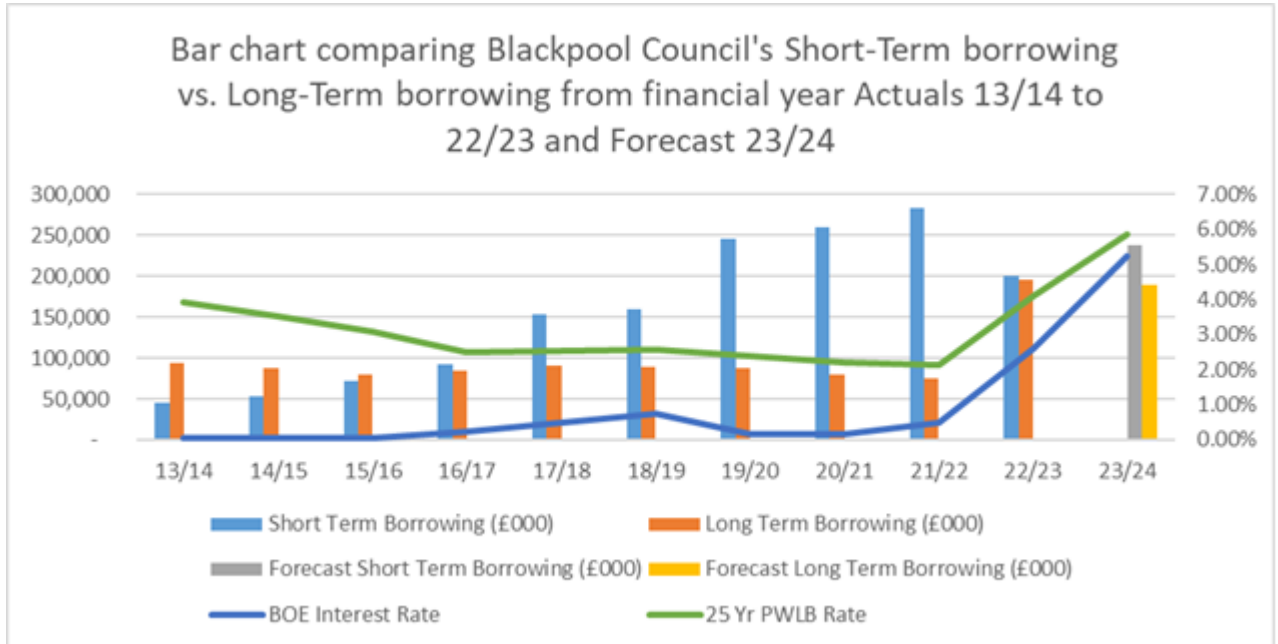
Loans repaid include the repayment of an Equal Instalments of Principal (EIP), Public Works Loans Board loan totalling £461,500, £10m of Market Loans due to an increase in the proposed rates from an average rate of 4.225% to 6.225% and the temporary borrowing referred to in 6.4 above. Three further longer term loan repayments are anticipated during the next 6 months including the second £461,500 payment of the Equal Instalments of Principal loan and 3 further Public Works Loans Board loans with the following values: £1,776,000, £1,184,000 and £592,000.

## 6.6 Summary

**The Council's borrowing activities for the first half of the financial year are summarised below:**

Source of funding:	Borrowings 1 <sup>st</sup> April '23 £000s	Loans raised £000s	Loans repaid £000s	Borrowings 30 <sup>th</sup> Sep '23 £000s	% of overall Borrowing
PWLB	174,286	-	(462)	173,824	
Market Loans	26,000	-	(10,000)	16,000	
<b>Sub-total</b>	<b>200,286</b>	<b>-</b>	<b>(10,462)</b>	<b>189,824</b>	<b>48%</b>
Temporary Loans	196,000	165,350	(152,700)	208,650	<b>52%</b>
<b>Total borrowings (excluding PFI Schemes and finance leases)</b>	<b>396,286</b>	<b>165,350</b>	<b>(163,162)</b>	<b>398,474</b>	

6.7 Appendix 3c to this report shows the maturity profile for the £200m of long-term external loans (ie. the Public Works Loan Board and market debt only from the above table) outstanding at the end of September 2023. The maturity profile is in line with the Council’s approved strategy.



6.8 **TRANSACTIONS FOR THE FIRST HALF OF 2023/24**

6.9 **Level of Investments**

Appendix 3d to this report sets out an analysis of the Council’s receipts and payments during the first half of the financial year. The Council’s temporary investments stood at £20.2m on 30 September 2023. This compares with temporary investments valued at £80.8m on 30th September 2022. Temporary surplus funds are invested in accordance with the Treasury Management Strategy’s requirements regarding security, liquidity and yield.

6.10 **Investment Earnings**

The Council takes advantage of peaks and troughs in receipts and payments by investing surplus funds over appropriate timescales within the context of the Council’s overall cash flows. The actual investment interest earned to 30 September was £394,000. Appendix 3e shows a monthly analysis of interest receipts compared to budget.

## 6.11 Approved Investment Institutions

In order to manage prudently any surplus funds as set out within the Treasury Management Strategy the Council restricts its temporary investments to an authorised list of institutions. According to the creditworthiness of each institution, an appropriate investment ceiling has been set with each as well as a maximum investment period. The credit ratings are monitored on a regular basis and checks are made via the internet and other media sources for signs of banks and building societies in difficulty. Council officers continue to use their contacts in the money market and speak regularly with other members of the Manchester Treasury Group to obtain market intelligence.

Blackpool's Treasury Management Panel includes the Director of Resources, Head of Accountancy and representatives from Corporate Finance and Blackpool Coastal Housing who meet regularly throughout the year to review the list of approved investment institutions.

For banks the approved list is based on credit ratings issued by Fitch (single A categories or above, or the equivalent from other ratings agencies). The list also includes the more stable building societies, banded according to total asset size.

The proportion of temporary investments placed in the period 1 April 2023 to 30 September 2023 across the various categories of approved institutions is set out in the table below:

Type of institution invested with:	Amount £000s	% of total	Average Investment Rate
UK banks and UK subsidiaries of overseas banks	20,150	100	4.517%
Other Local Authorities	0	0	
Debt Management Office - deposit facility	0	0	
<b>Total temporary investments placed</b>	<b>20,150</b>	<b>100.0</b>	

Appendix 3d to this Report shows how the investing and maturing of temporary investments fits in with the rest of the Council's bank transactions.

## 6.12 Group Companies and Partners

During the past six months the council has continued to provide advice and financial assistance to some of its subsidiary companies and partners. The Council has a number of loan agreements with a number of companies and cash is transferred on receipt of validated loan drawdown applications. The Council also continues to provide loans to third parties via its Business Loans Fund Panel.

## 6.13 TREASURY MANAGEMENT BUDGET MONITORING 2023/24

The month 6 financial performance monitoring report shows a favourable forecast outturn for Treasury Management in 2023/24 of £1,585k. The main components of this favourable position are as follows

	£'000s
Interest on Business Loans Fund lending	(73)
Financing costs on debt and capital scheme slippage	(1,099)
Temporary interest on short term investments	(413)
<b>Net (favourable)/adverse outturn forecast</b>	<b>(1,585)</b>

## 6.14 PRUDENTIAL CODE FOR CAPITAL FINANCE

Where capital expenditure has been incurred which is financed by debt assumed under the Prudential Code For Capital Finance In Local Authorities, budget has been vired from the service area incurring the spend. This budget is used to pay for the additional capital financing costs which are incurred within Treasury Management as a consequence of the capital spend. In the case of Leisure Assets an actual charge for financing costs has been made to the scheme. The cost to the Council of employing its capital in these schemes arises from both the interest cost of the investment and from the subsequent need to repay the principal.

Cost savings or revenue increases within the services as a result of the capital investment will have been previously identified within a business case in order to demonstrate that these schemes are self-funding or better.

## 6.15 Prudential Indicators

At its meeting of 22 February 2023 the Council adopted the framework set out within CIPFA’s Prudential Code For Capital Finance In Local Authorities (2021 edition).

The Code requires that monitoring of performance against the performance indicators (the Prudential Indicators) is reported to the appropriate decision-making body.

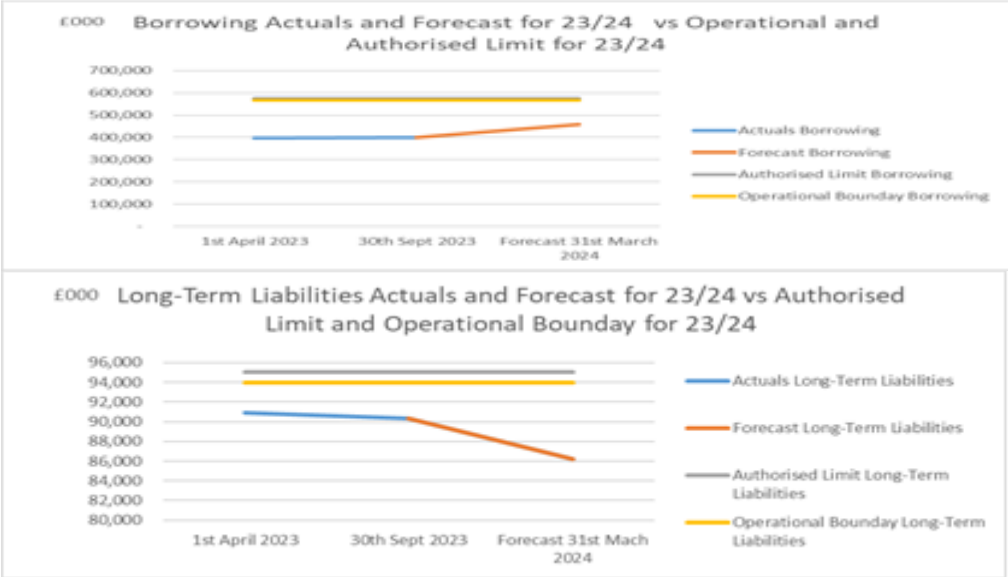
Appendix 3f to this report shows the Prudential Indicators from 1 April 2023 to 30 September 2023, separately identifying the affordability indicators, the indicators of prudence and the treasury management indicators.

The format of these indicators is set out in the CIPFA Code of Practice.

Performance in the first half of 2023/24 is in line with expectations.

**6.16 Capital Schemes Funded by Prudential Borrowing**

Appendix 3g to this report shows the headroom to the authorised (borrowing) limit and operational boundary, and identifies the expenditure on schemes which are prudentially funded by year.



6.17 Does the information submitted include any exempt information?

No

## **7.0 List of Appendices:**

- 7.1 Appendix 3a – Bank of England Official Base Rate September 2018 to September 2023
- Appendix 3b – Borrowing Rates April 2018 to September 2023
- Appendix 3c – External Debt Fallout Chart as at 30th September 2023
- Appendix 3d – Summary Statistics for April to September 2023
- Appendix 3e – Interest Earned on Temporary Investments 2023/24
- Appendix 3f – Prudential Indicators 2023/24
- Appendix 3g- Authorised Limit and Operational Boundary, Prudentially funded schemes 2023/24

## **8.0 Financial considerations:**

- 8.1 As outlined in the report and Appendices.

## **9.0 Legal considerations:**

- 9.1 None.

## **10.0 Risk management considerations:**

- 10.1 Interest rate movements and planned debt fallouts and amounts and the nature of borrowing to fund capital expenditure.

## **11.0 Equalities considerations and the impact of this decision for our children and young people:**

- 11.1 None.

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

- 12.1 None.

## **13.0 Internal/external consultation undertaken:**

- 13.1 None.

## **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? No
- 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:

**TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE**

**17.0 Scrutiny Committee Chairman (where appropriate):**

Date informed:

Date approved:

**18.0 Declarations of interest (if applicable):**

18.1

**19.0 Summary of Discussion:**

19.1

**20.0 Executive decision:**

20.1

**21.0 Date of Decision:**

21.1

**22.0 Reason(s) for decision:**

22.1

**23.0 Date Decision published:**

23.1

**24.0 Alternative Options Considered and Rejected:**

24.1

**25.0 Executive Members in attendance:**

25.1

**26.0 Call-in:**

26.1

**27.0 Notes:**

27.1