



Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Finance & Performance Scrutiny 18 March 2024

Wards affected: All Wards

Treasury Management Quarter 3 2023/24

Report of Head of Finance

1. Purpose of report

- 1.1 To inform members of the Council's Treasury Management activity in the third quarter of 2023/24.

2. Recommendation

- 2.1 That the Committee note the report.

3. Background to the report

- 3.1 At its meeting on 22nd February 2023 Council approved the Council's Treasury Management Policy for the year 2023/24 and delegated the oversight of the execution of the Policy to this Committee.

This report sets out the Treasury Management activities in 2023/24 and shows that they are in line with the limits set out in the Policy.

Treasury Management covers two main areas: -

1. The management of day-to-day cash flows by way of short-term investing and borrowing. Longer term investment opportunities may arise depending on cash flow requirements.
2. Management of the Council's long term debt portfolio which is used to finance capital expenditure that cannot be immediately funded by internal resources (e.g., by Capital Receipts).

Economic Background

3.2 The quarter ended 31st December 2023 saw:

1. A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates;
2. A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS “experimental” rate of unemployment has remained low at 4.2%;
3. CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
4. Core CPI inflation decreasing from April and May’s 31 years’ high of 7.1% to 5.1% in November, the lowest rate since January 2022;
5. The Bank of England holding rates at 5.25% in November and December;

The latest forecasts are detailed in the table below:

	Mar 2024	Jun 2024	Sep 2024	Dec 2024	Mar 2025
Bank Rate	5.25%	5.25%	5.00%	4.50%	4.00%
5yr PWLB rate	4.90%	4.80%	4.70%	4.40%	4.20%
10yr PWLB rate	5.00%	4.80%	4.70%	4.40%	4.20%
25yr PWLB rate	5.30%	5.10%	4.90%	4.70%	4.50%
50yr PWLB rate	5.10%	4.90%	4.70%	4.50%	4.30%

Investment Activity

3.3 The Council’s investment strategy primary objectives are safeguarding the repayment of the principal and interest of its investments on time, ensuring adequate liquidity, with the investment return being the final objective. If required, officers implement an operational strategy that tightens the controls already in place in the approved investment strategy. Council approved the Council’s investment criteria in February 2023.

Funds for investment come from the following Sources

- a) Revenue Account Balances held by the Council
- b) Earmarked Reserves and Provisions
- c) Unapplied Capital Receipts
- d) Cash flow balances - income received before expenditure needs to be invested.

Depending on the flow of cash (difference between income receipts and payments) the bank balance will vary. Where there is a surplus balance

monies are invested. When there is a need for cash, investments are called in to ensure funds are not overdrawn. As at 31 December 2023, the Council held the following investments totalling £17,150,000 and are summarised below.

Counterparty	Investment Date	Maturity Date	Amount Invested	Interest	Interest Rate %
HSBC Instant Access			£100,000	variable	variable
Lloyds Bank Corporate Markets	06/11/23	05/11/24	£1,000,000	£56,800	5.68
SMBC Bank International	15/12/23	15/01/24	£2,000,000	£9,002	5.30
Furness Building Society	04/04/23	04/01/24	£2,000,000	£67,507	4.48
Lloyds Bank Corporate Markets	05/04/23	05/01/24	£2,000,000	£74,137	4.92
Standard Chartered Bank	24/04/23	23/04/24	£1,000,000	£51,800	5.18
Lloyds Bank Corporate Markets	02/05/23	01/05/24	£2,000,000	£106,800	5.34
National Bank Of Kuwait (international)	03/05/23	02/05/24	£1,000,000	£53,700	5.37
Qatar National Bank	03/05/23	02/05/24	£1,000,000	£54,800	5.48
Standard Chartered Bank	04/05/23	02/02/24	£3,000,000	£111,477	4.95
Standard Chartered Bank	06/06/23	06/03/24	£1,000,000	£41,062	5.47
Westfield Development Community Association	07/06/23	06/02/24	£50,000	£1,000	2.00
Lloyds Bank Corporate Markets	16/06/23	14/06/24	£1,000,000	£60,633	6.08
Total			£17,150,000	£688,718	

Details of investments held from April 2023 to March 2024 are available on request. Details of the weighted average investment to December 2023 are shown in the table below together with the Industry Average, Sterling Overnight Index Average (SONIA) as a benchmark. The Council received a rate of return that is favourable compared with the returns available in the market (a return of 4.913% compared against 4.885%). Additionally, the weighted average period is within the maximum set of 0.5 years.

Period	Weighted Average invested	Average period (days)	HBBC Average Return	Overnight SONIA	1 Month SONIA	3 Month SONIA
Oct to Dec 2023	£18,011,604	23	4.913%	4.885%	4.954%	5.099%

Borrowing Activities

3.4 Long-term borrowing to finance Capital Expenditure

Excluding the HRA self financing element, the Council has a Capital Financing Requirement of £32.9m as at 31st March 2023 for the General Fund Capital programme which arises from previous decisions to incur Capital Expenditure that was not financed immediately by internal resources e.g., Capital Receipts or Grants giving rise to the need to borrow to finance the expenditure. This borrowing requirement can either be met by long- or short-term external borrowing or by internal borrowing i.e., using the cash behind the authority's balances and reserves and foregoing investment income. At the present time the interest payable on long term borrowing is significantly greater than the returns the Council could expect on its investments and therefore the Council has adopted a policy of being "under-borrowed" by £25m with only £8.3m of long-term loans on its books and a £7m loan for the MIRA infrastructure project.

Additionally, as part of the Self Financing HRA Settlement £67.652m has been borrowed from PWLB. Repayment options have been discussed with members and were presented to the Executive on 13th March 2012. Repayments for principal amounts for these loans commenced in March 2020. The remaining loan will be repaid in equal instalments of £2.9414m over 22 yrs.

Short Term Borrowing

3.5 Short term borrowing for the quarter ending 31 December 2023 is summarised in the table below. The cost of this was already allowed for within the general fund budget.

Date	Lender	Interest Rate %	Maturity Date	Principal	Interest	Days
21/04/23	NWLDC	4.00	28/04/23	£4,000,000	£3,068	7
26/05/23	Charnwood Borough Council	4.60	02/06/23	£5,000,000	£4,411	7
23/06/23	NWLDC	4.80	30/06/23	£1,000,000	£921	7
20/09/23	NWLDC	5.22	04/10/23	£2,500,000	£5,005	14
22/11/23	NWLDC	5.15	01/12/23	£4,500,000	£5,714	9

3.6 There has been no additional in year PWLB borrowing.

4. Exemptions in accordance with the Access to Information procedure rules

4.1 Report to be taken in open session.

5. Financial implications [IB]

5.1 Any variations to budgets resulting from borrowing investing activities are reported within the Outturn position.

6. Legal implications [MR]

6.1 There are no legal implications arising directly from this report.

7. Corporate Plan implications

7.1 This report supports the following Corporate Aims

- Thriving Economy

8. Consultation

8.1 None

9. Risk implications

9.1 It is the council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

9.3 The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) risks		
Risk description	Mitigating actions	Owner
That the Council has insufficient resources to meet its aspirations and cannot set a balanced budget	Budgets are scrutinised on an ongoing to ensure assumptions are robust and reflect financial performance and sufficient levels of reverses and balances are maintained to ensure resilience	A Wilson

10. Knowing your community – equality and rural implications

10.1 None

11. Climate implications

11.1 None

12. Corporate implications

12.1 By submitting this report, the report author has taken the following into account:

- Community safety implications
- Environmental implications
- ICT implications
- Asset management implications
- Procurement implications
- Human resources implications
- Planning implications
- Data protection implications
- Voluntary sector

Background papers: None

Contact officer: Ilyas Bham, Accountancy Manager x5924

Executive member: Councillor K Lynch