



## Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Finance & Performance Scrutiny                      3 July 2023

Wards affected:    All Wards

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### Treasury Management Quarter 3 2022/23

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Report of Head of Finance

#### **1. Purpose of report**

1.1 To inform the Committee of the Council's Treasury Management activity in the third quarter of 2022/23.

#### **2. Recommendation**

2.1 That the Committee note the report.

#### **3. Background to the report**

3.1 At its meeting on 22<sup>nd</sup> February 2022 Council approved the Council's Treasury Management Policy for the year 2022/23 and delegated the oversight of the execution of the Policy to this Committee.

This report sets out the Treasury Management activities in 2022/23 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 31<sup>st</sup> December 2022 saw:

1. A 0.5% m/m rise in GDP in October, mostly driven by the reversal of bank holiday effects;
2. Signs of economic activity losing momentum as households increased their savings;
3. CPI inflation fall to 10.7% in November after peaking at 11.1% in October;
4. A small loosening in the labour market which pushed the unemployment rate up to 3.7% in October;
5. Interest rates rise by 125bps over Q4 2022, taking Bank Rate to 3.50%;
6. Reduced volatility in UK financial markets but a waning in global risk appetite;

Details of the latest forecasts are in the table below:

	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Bank Rate	4.50%	4.50%	4.50%	4.00%	3.75%
5yr PWLB rate	4.20%	4.10%	4.00%	3.90%	3.80%
10yr PWLB rate	4.40%	4.30%	4.10%	4.00%	3.90%
25yr PWLB rate	4.60%	4.50%	4.00%	4.20%	4.10%
50yr PWLB rate	4.30%	4.20%	4.10%	3.90%	3.80%

## 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 which tightens the controls already in place in the approved investment strategy. The Council's investment criteria were approved by Council in February 2022.

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 2022, the Council held the following investments totalling £30,817,010 and are summarised below.

Counterparty	Investment Date	Maturity Date	Amount	Interest Rate
HSBC Call	30/09/2022	31/03/2023	£317,010	0.5295
National Counties BS	24/08/2022	23/02/2023	£1,000,000	2.4800
Furness BS	05/08/2022	05/05/2023	£2,000,000	2.3000
Melton Mowbray BS	01/09/2022	01/06/2023	£1,000,000	3.4000
Furness BS	23/03/2022	22/03/2023	£1,000,000	1.9000
Thurrock BC	01/04/2022	31/03/2023	£2,000,000	1.6000
National Counties BS	12/04/2022	11/04/2023	£1,000,000	1.5000
Standard Chartered Bank	13/04/2022	13/04/2023	£1,000,000	1.8800
Standard Chartered Bank	19/04/2022	18/04/2023	£2,000,000	1.8800
Standard Chartered Bank	27/04/2022	26/04/2023	£3,000,000	2.0100
Furness BS	09/05/2022	09/02/2023	£1,000,000	1.7500
Melton Mowbray BS	01/06/2022	08/02/2023	£2,500,000	1.7000
Standard Chartered Bank	15/06/2022	15/03/2023	£1,000,000	2.3700
Lloyds Bank Corp Markets	01/11/2022	02/05/2023	£2,000,000	4.2200
First Abu Dhabi Bank	01/12/2022	01/03/2023	£5,000,000	3.5900
SMBC Bank	01/12/2022	03/01/2023	£4,000,000	3.2400
SMBC Bank	06/12/2022	06/01/2023	£1,000,000	3.3000
<b>Total</b>			<b>£30,817,010</b>	

Details of investments held from April 2022 to March 2023 are available on request.

Details of the weighted average investment to March 2023 are shown in the table below together with the Industry Average, Sterling Overnight Index Average (SONIA) as a benchmark. The weighted average period is within the maximum set of 0.5 years. Average investment returns are slightly lower than the comparable overnight index average (a return of 1.429% compared against 1.735%.) This is due to a third of our deals (£10,500,000) earning less than 2% because they were agreed before interest rates rose significantly. Average returns will gradually improve as these older investments are returned and re invested at higher rates.

Period	Weighted Average invested	Average period (days)	HBBC Average Return %	Overnight SONIA %	1 Month SONIA %	3 Month SONIA %
April to December 2022	£33,303,469	45	1.429	1.735	1.924	2.284

## 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 £30.98m for the current year 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 13<sup>th</sup> 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 is summarised in the table below. The cost of this was already allowed for within the general fund budget.

Date	Lender	Rate %	Maturity Date	Principal	Days
21/10/22	NWLDC	2.500	28/10/22	1,000,000	7
25/10/22	NWLDC	2.500	01/11/22	1,000,000	7
22/11/22	NWLDC	2.500	29/11/22	1,500,000	7
20/12/22	NWLDC	3.300	03/01/23	750,000	14
23/12/22	NWLDC	3.300	30/12/22	500,000	7

## 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
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Background papers: Civica Reports  
Link Reports

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