



**Hinckley & Bosworth
Borough Council**

Forward timetable of consultation and decision making

Finance & Performance Scrutiny

Wards affected: All Wards

Treasury Management Quarter 4 2022/23

Report of Head of Finance

1. Purpose of report

1.1 To inform the Committee of the Council's Treasury Management activity in the fourth 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 22nd 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 31st March 2023 saw:

1. Q4 GDP was positive at 0.1% q/q. Most recently, January saw a 0.3% m/m increase in GDP as the number of strikes reduced compared to December;
2. As of February 2023, CPI was 10.4%;
3. The bigger rise in employment kept the ILO unemployment rate unchanged at 3.7% in January;
4. While the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels;
5. Interest rates rise by 75bps over Q4 2022, taking Bank Rate to 4.25%;
6. The FTSE 100 started 2023 strongly, rising to a record high of 8,014 on 20th February, as resilient data and falling inflation boosted earnings. But global equities fell sharply after concerns over the health of the global banking system emerged early in March;

Details of the latest forecasts are in the table below:

	Sep 2023	Dec 2023	Mar 2024	Jun 2024	Sep 2024
Bank Rate	4.50%	4.25%	4.00%	3.50%	3.25%
5yr PWLB rate	4.10%	3.90%	3.80%	3.70%	3.60%
10yr PWLB rate	4.20%	4.00%	3.90%	3.80%	3.70%
25yr PWLB rate	4.50%	4.40%	4.20%	4.10%	4.00%
50yr PWLB rate	4.20%	4.10%	3.90%	3.80%	3.70%

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 March 2023, the Council held the following investments totalling £17,400,000 and are summarised below.

Counterparty	Investment Date	Maturity Date	Amount	Interest Rate
HSBC Call	30/09/2022	31/03/2023	£3,400,000	Variable
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
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
Lloyds Bank Corp Markets	01/11/2022	02/05/2023	£2,000,000	4.2200
SMBC Bank	28/03/2023	04/04/2023	£1,000,000	4.1500
Lloyds Bank Corp Markets	31/03/2022	29/12/2023	£1,000,000	5.0000
Total			£17,400,000	

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 2.069% compared against 2.238%.) This is due to deals secured early on in the financial year at lower rates before interest rates increased sharply. 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 March 2023	£23,551,091	28	2.069	2.238	2.406	2.721

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 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 March 2023 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
28/03/23	Derbyshire County Council	5.000	04/04/23	3,500,000	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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