



EAST STAFFORDSHIRE BOROUGH COUNCIL

REPORT COVER SHEET

Title of Report:	Treasury Management Update Report 2024/25 – Quarter 1	To be marked with an 'X' by Democratic Services after report has been presented
Meeting of:	Audit Committee - 25 th September 2024	
	Cabinet – 16 th December 2024	



<p>Is this an Executive Decision:</p>	<p>YES</p>	<p>Is this a Key Decision:</p>	<p>NO</p>
<p>Is this in the Forward Plan:</p>	<p>YES</p>	<p>Does this report contain Confidential or Exempt Information:</p> <p>If the report Contains Confidential Information, please provide reason.</p> <p>If the report contains Exempt Information, please state relevant paragraph from Schedule 12A LGA 1972:</p>	<p>NO</p>

Essential Signatories:

ALL REPORTS MUST BE IN THE NAME OF A HEAD OF SERVICE



Monitoring Officer: **John Teasdale**

Date Signature

Chief Finance Officer: **Lloyd Haynes**

Date Signature

EAST STAFFORDSHIRE BOROUGH COUNCIL

Report to Audit Committee

Date: 25 September 2024

REPORT TITLE: Treasury Management Update Report 2024/25 –
Quarter 1

PORTFOLIO: Finance & Treasury Management

CHIEF OFFICER: Lloyd Haynes

CONTACT OFFICER: Daniel Binks **Ext. No. x1139**

WARD(S) AFFECTED: All

1. Purpose of the Report

- 1.1 This report provides a summary of the Treasury Management position of the Council for Quarter 1 of 2024/25. The purpose of the report is to exercise management and oversight of the Council's finances, in accordance with Council regulations.

2. Contribution to Corporate Priorities

- 2.1. The effective management of treasury activity will support the delivery of all corporate priorities.

3. Treasury Management

- 3.1 The 2024/25 Treasury Management Strategy was recommended by Audit Committee on 8 February 2024 and approved by Council on 19 February 2024. The purpose of this section is to provide an update on Treasury Management Activity.

Investment Returns

- 3.2 The Council's budgeted interest income for 2024/25 is £2.093m. The budget assumes an average interest rate of 4.5% and average cash balances of £46.5m. The average interest rate includes an assumption that interest rates

will be higher at the start of the financial year but will then reduce. The average cash balance includes a calculation that cash balances are higher at the start of the financial year, as some funding is front loaded and then will reduce during the year.

- 3.3 The Council's financial strategy approved the transfer of any investment income above £1.368m (i.e. £725k of the budgeted income) into an 'interest rate smoothing' earmarked reserve, with the balance of the reserve then used to support the Council's budget as interest rates reduce.
- 3.4 Currently, interest income is forecast to be £240k higher than budgeted. The assumption at present is that this extra income will also be transferred to earmarked reserve, in line with the process approved as part of the budget. This assumption can be reviewed if required, dependent on the overall forecast outturn position for the Council, as we progress through the financial year.
- 3.5 The forecast interest income is higher due to the Bank of England rate remaining at 5.25% for longer than originally anticipated when setting the budget. The Council's investments held as at 31 March 2024 are on average yielding 5.36%. This is in excess of the Bank of England base rate, which was 5.25% at the end of the financial year. Average investment returns for the year to date are 5.37%.
- 3.6 Appendix A shows the existing investments the authority had in place as at 30 June 2024. These investments are also summarised by type in the table below.

Investments	31 st March 2024		30 th June 2024	
	£'000	%	£'000	%
Banks	153	0.3%	69	0.1%
Certificate of Deposit*	26,500	53.4%	31,500	52.3%
Money Market Funds	10,500	21.1%	18,000	29.9%
UK Treasury Bills	12,500	25.2%	9,000	14.9%
UK Debt Management	0	0.0%	1,650	2.7%
Other Local Authorities	-	-	-	-
Total	49,653	100%	60,219	100%

*Certificate of Deposits are placed with a number of UK based banks and a range of highly rated foreign banks which offer significant counterparty strength as well as diversification of the investment portfolio.

- 3.7 As can be seen, investment balances increased from £49.65m at 31 March 2024 to £60.22m at 30 June 2024 (for comparison at 30 June 2023 investment balances were £58.7m). As noted above, investment balances will increase in the first quarter. Council Tax and Business Rates are generally collected over the first 10 months of the year. Some Government funding streams are received prior to the spend occurring.

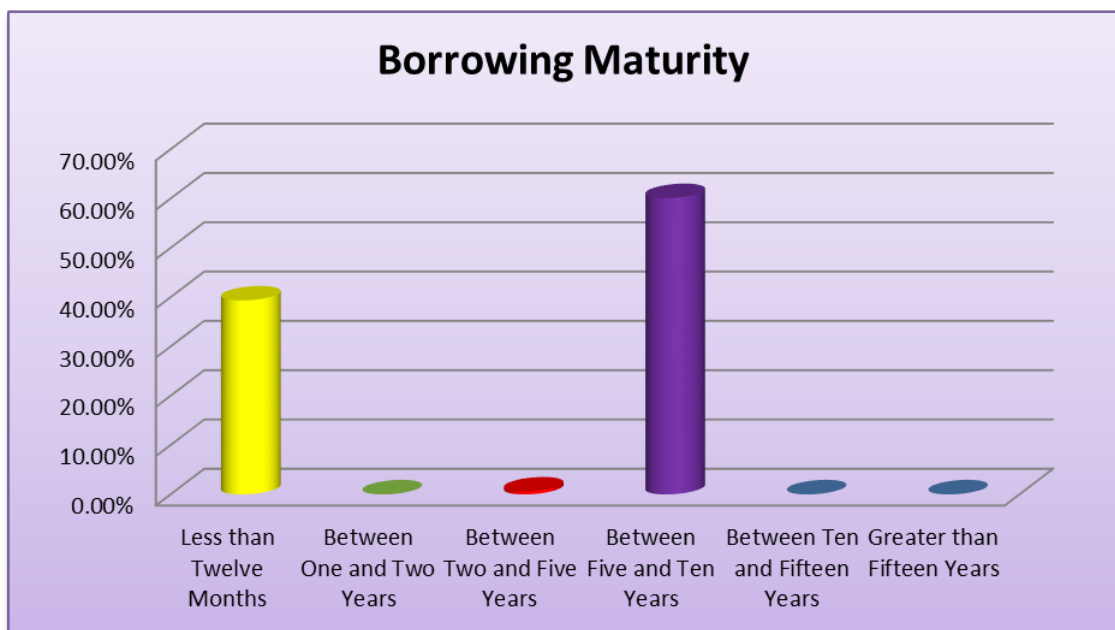
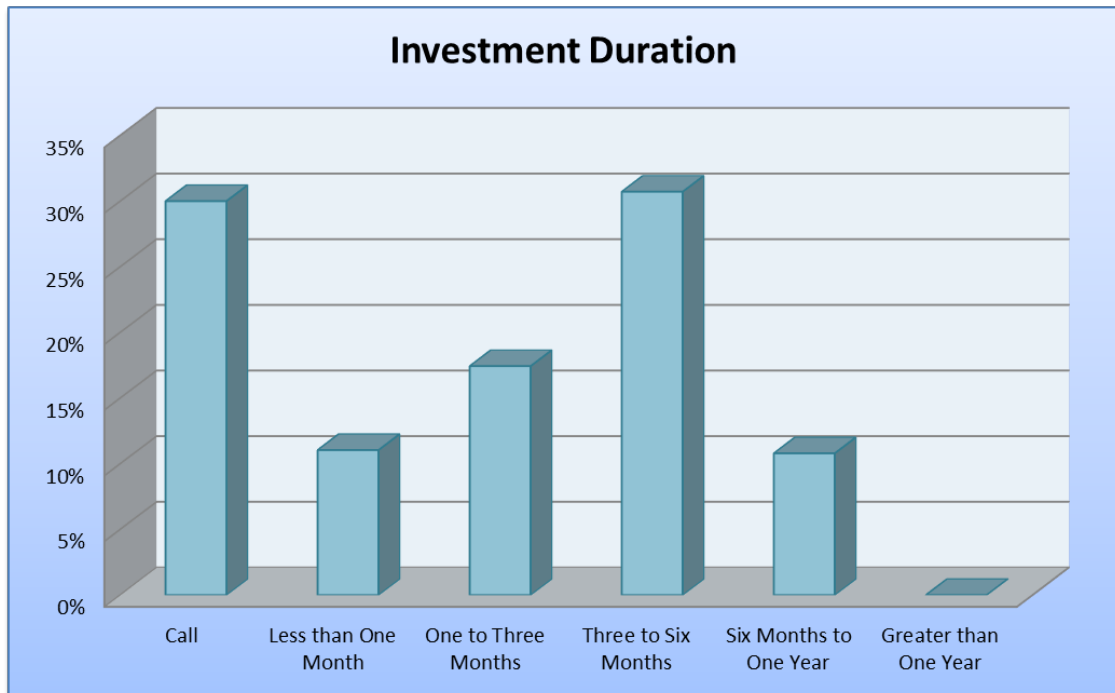
Borrowing

- 3.8 The average rate payable on the Council's external borrowing as at 30 June 2024 was 4.860%, and external debt totalled £6.33m. This is shown in the table below.

Debt Type	Principal Outstanding (£)	Average Rate
Total Fixed Debt		
PWLB Maturity	5,700,000	4.646%
PWLB Annuity	259,369	9.564%
Total Variable Debt		
Market	-	0.000%
GBSLEP Loan	375,000	
Total External Debt	6,334,369	4.860%

Maturity Structure of Investments and Borrowing

- 3.9 The following charts highlight the maturity structure for investments and for fixed term borrowing. Investment maturities have been profiled by analysing both interest rate forecasts and cash flow requirements. Overall, nearly all of the maturities are spread out in tranches, between being immediately accessible to maturing in less than one year.
- 3.10 40% of the borrowing is due to mature in the next 12 months, with most of this relating to a maturity on 19 April 2025. As this maturity date approaches, interest rates will reduce. Further, the Council may not refinance the maturity in the medium-term due to its current surplus cash position.



4. Financial Considerations

4.1. This report deals solely with financial matters.

5. Risk Assessment and Management

5.1. The Corporate Risk Register (item C13) identifies the risk of Treasury Management counterparties failing to deliver the benefits anticipated. This

could be caused through market volatility or geo-political issues, resulting in counterparty failure and financial loss to the Council.

- 5.2. A robust Treasury Management Strategy (TMS) and prudent approach to investment is in place to mitigate this risk. The Council receives advice from professional treasury advisors who monitor market developments and carry out regular benchmarking. The TMS, which sets out the processes and controls that the Council will use to manage counterparties, was reviewed and updated, with a revised TMS presented to and approved by Audit Committee and Council in February 2024. The TMS will be further reviewed and updated during 2024/25.

6. Legal Considerations

This section has been approved by the following member of the Legal Team:
John Teasdale

- 6.1. There are no direct legal issues arising from this Report.
- 6.2. The Local Government Act 1972 (Sec 151) states that “every local authority shall make arrangements for the proper administration of their financial affairs...” Moreover the Report is in accordance with the Council’s Financial Regulations and the Accounts and Audit Regulations 2015.

7. Equalities and Health

- 7.1. **Equality impacts:** The subject of this Report is not a policy, strategy, function or service that is new or being revised. An equality and health impact assessment is not required.
- 7.2. **Health impacts:** The outcome of the health screening question does not require a full Health Impact Assessment to be completed. An equality and health impact assessment is not required.

8. Data Protection Implications – Data Protection Impact Assessment (DPIA)

- 8.1. A DPIA must be completed where there are plans to:
- use systematic and extensive profiling with significant effects;
 - process special category or criminal offence data on a large scale; or
 - systematically monitor publicly accessible places on a large scale
 - use new technologies;
 - use profiling or special category data to decide on access to services;
 - profile individuals on a large scale;
 - process biometric data;
 - process genetic data;
 - match data or combine datasets from different sources;
 - collect personal data from a source other than the individual without providing them with a privacy notice (‘invisible processing’);
 - track individuals’ location or behaviour;

- profile children or target marketing or online services at them; or
- process data that might endanger the individual's physical health or safety in the event of a security breach

8.2 Following consideration of the above, there are no Data Protection implications arising from this report which would require a DPIA.

9. Human Rights

9.1. There are no Human Rights issues arising from this Report.

10. Environmental Impacts

Consider impacts related to the Climate Change & Nature Strategy aims:

- Reducing greenhouse gas emissions (climate change mitigation)
- Preparing for future climate change (adaptation)
- Protecting and enhancing nature
- Using resources wisely and minimising waste and pollution

10.1. Does the proposal have any positive or negative environmental impacts? No

11. Recommendation(s)

11.1. That Audit Committee note the position in relation to the Council's investment and borrowings as at 30 June 2024.

12. Appendices

12.1. Appendix A – Investments at 30 June 2024

Appendix A - Investments as at 30th June 2024

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date
<u>Call Accounts & Money Market Funds</u>				
RBS SIBA	69,301	3.25%		
Barclays	-	0.20%		
Santander 95 Day Notice Account	-	0.25%		95 Day Notice
Bank of Scotland 95 Day Notice Account	-	0.05%		95 Day Notice
Lloyds 95 Day Notice Account	-	0.05%		95 Day Notice
Insight MMF	6,000,000	5.23%		Call
Aberdeen MMF	-	5.19%		Call
Federated MMF	6,000,000	5.22%		Call
BlackRock MMF	-	5.10%		Call
CCLA MMF	6,000,000	5.21%		Call
<u>Fixed Deposits/Certificates of Deposit</u>				
Lloyds Bank CD	1,500,000	5.25%	02/02/2024	02/08/2024
Lloyds Bank CD	2,000,000	5.19%	11/04/2024	11/10/2024
National Westminster Bank CD	1,000,000	6.00%	18/08/2023	16/08/2024
National Westminster Bank CD	1,000,000	5.31%	06/02/2024	06/08/2024
National Westminster Bank CD	2,000,000	5.11%	19/01/2024	17/01/2025
National Westminster Bank CD	1,000,000	5.21%	13/06/2024	13/12/2024
Santander CD	2,000,000	5.26%	10/04/2024	10/07/2024
Toronto Dominion Bank CD	1,500,000	5.89%	06/10/2023	04/10/2024
Toronto Dominion Bank CD	1,000,000	5.42%	12/12/2023	12/12/2024
Toronto Dominion Bank CD	1,000,000	5.23%	12/04/2024	13/01/2025
DZ Bank CD	2,000,000	6.02%	21/07/2023	19/07/2024
DZ Bank CD	1,500,000	5.16%	27/03/2024	27/09/2024
Rabobank CD	1,000,000	6.22%	24/07/2023	23/07/2024
Rabobank CD	1,500,000	5.48%	01/12/2023	29/11/2024
Commonwealth Bank of Australia (CBA) CD	1,500,000	5.97%	13/09/2023	12/09/2024
Commonwealth Bank of Australia (CBA) CD	1,500,000	5.79%	20/10/2023	18/10/2024
UBS CD	1,000,000	5.14%	12/01/2024	10/01/2025
UBS CD	1,500,000	5.24%	17/04/2024	16/04/2025
UBS CD	1,000,000	5.35%	24/05/2024	23/05/2025
Credit Agricole CD	1,000,000	5.31%	03/06/2024	03/12/2024
Credit Agricole CD	1,000,000	5.30%	20/06/2024	20/09/2024
Royal Bank of Canada (RBC) CD	1,500,000	5.84%	22/09/2023	20/09/2024
DNB CD	1,500,000	5.72%	06/11/2023	04/11/2024
DMO (UK Debt Management)	1,650,000	5.20%	28/06/2024	22/07/2024
UK Treasury Bill	1,500,000	5.11%	08/04/2024	07/10/2024
UK Treasury Bill	1,500,000	5.15%	15/04/2024	14/10/2024
UK Treasury Bill	1,500,000	5.17%	29/04/2024	28/10/2024
UK Treasury Bill	1,500,000	5.21%	28/05/2024	25/11/2024
UK Treasury Bill	1,500,000	5.20%	03/06/2024	11/11/2024
UK Treasury Bill	1,500,000	5.22%	10/06/2024	09/09/2024

Investments Rate of Interest as at 30 Jun 2024	Principal (£)	Interest Rate
Total Investments	60,219,301	5.36%
Average Rate of Interest (Year to Date)	Principal (£)	Interest Rate
Total Investments	64,001,516	5.37%