

WELWYN HATFIELD BOROUGH COUNCIL  
CABINET – 7 NOVEMBER 2023  
REPORT OF THE EXECUTIVE DIRECTOR (FINANCE AND TRANSFORMATION)

TREASURY MANAGEMENT MID-YEAR REPORT 2023/24

**1 Executive Summary**

- 1.1 In accordance with the Treasury Management Strategy (TMS), this report provides a mid-year update on the Council’s treasury activities from 1 April to 30 September 2023, including details of the investment and borrowing portfolios and an economic review from treasury advisors.

**2 Recommendation**

- 2.1 It is recommended that Members note the current treasury position and Treasury Management Indicators.

**3 Economic and regulatory update**

- 3.1 Attached at Appendix A is comment on the UK economy, market activity and credit risk over the period April to September 2023 from the Council’s treasury advisors, Arlingclose Ltd.

**4 Investment Activity**

- 4.1 In the first half of 2023/24 priority continued to be given to the security and liquidity of investments, in line with the councils Treasury Management Strategy. Surplus balances ranged between £25m and £47m, with a daily average of £37.2m.
- 4.2 Money market funds continued to be utilised, along with deposits in the DMADF, the government facility for investments within the Debt Management Office. With the multiple increases in Bank Rate in the first half of 2023/24, returns on these investments increased from an average of 4.07% to 5.31% in the period.
- 4.3 The weighted average return for investments in this period was 4.58% and total interest earned £853.8k, assuming a prudent 3% dividend on the CCLA Property Fund for Q2, which has yet to be determined. The interest earned for the same period in 2022/23 was estimated at £217.4k. All investments were made in accordance with the treasury management strategy applicable at the time of the deposits.
- 4.4 The table overleaf shows investment activity in the period 1 April to 30 September 2023.

<b>Investment Counterparty</b>	<b>Opening balance on 01/04/2023 £'000</b>	<b>Investments Made £'000</b>	<b>Maturities/ Investments Sold £'000</b>	<b>Closing balance on 30/09/2023 £'000</b>
Banks – ST deposits/accounts	0			
AAA rated Money Market Funds	13,648	56,968	54,670	15,946
UK Government	10,000	184,218	186,720	7,498
Pooled Property Fund	4,000	0	0	4,000
<b>TOTAL INVESTMENTS</b>	<b>27,648</b>	<b>241,186</b>	<b>241,390</b>	<b>27,444</b>

– share value subject to market changes

- 4.5 The maturity structure of investments is detailed in the table below and Appendix B details investments at 30 September 2023.

Matures in:	£'000
Instant access	15,946
0-3 Months	7,498
3-12 Months	0
No defined maturity date*	4,000
<b>Total</b>	<b>27,444</b>

\*CCLA Property Fund – this is being held for the long term

- 4.6 For the remainder of this financial year, it is anticipated that the return on investments may increase if Bank Rate has not yet peaked, but balances should reduce considering the underlying need of the Council to borrow.

## **5 Borrowing Activity**

- 5.1 In the first 6 months of 2023/24 £12.05m of HRA debt and £6.7m of General Fund debt matured and was repaid as scheduled. No new borrowing was undertaken as there was sufficient cash available to meet the Council's obligations.
- 5.2 The effect of the Council's capital programme and the repayment of another £12.15m of HRA loans will, however, lead to a need for additional borrowing during the second half of the financial year. The Council's treasury advisors, Arlingclose Ltd, therefore continue to monitor rates to alert treasury staff as and when it is recommended that borrowing be undertaken. Depending on the perceived trajectory for interest rates at that time, this may be short or long term borrowing, as appropriate.
- 5.3 The following table shows the movement in the first half of this financial year and Appendix B, the loans outstanding.

	Opening balance 01/04/23 £'000	Borrowing Matured £'000	New borrowing £'000	Closing balance 30/09/23 £'000	Average rate of borrowing on 30/09/23	Interest 01/04/23– 30/09/23 (accruals basis) £'000
HRA	230,099	12,050	0	218,049	2.687%	3,042
General Fund	26,571	709	0	25,862	2.273%	269
Short Term loans (GF)	13,000	6,000	0	7,000	4.179%	226
TOTAL	269,670	18,759	0	250,911		3,537

## 6 Treasury Management and Prudential Indicators

6.1 The Council measures its exposure to treasury management risks using the following indicators:

### 6.2 Maturity structure of borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

	Upper Limit	Lower Limit	Actual fixed borrowing at 30/09/23 £'000	% fixed borrowing at 30/09/23	Complied
Under 12 months	30%	0%	42,000	16.74	✓
12 months and within 24 months	30%	0%	26,550	10.58	✓
24 months and within 5 years	50%	0%	79,999	31.88	✓
5 years and within 10 years	80%	0%	57,500	22.92	✓
10 years and within 20 years	100%	0%	44,862	17.88	✓
20 years and within 30 years	100%	0%	0	0	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand payment.

### 6.3 Principal sums invested for periods longer than one year

The purpose of this indicator is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested. Although the CCLA Property Fund investment is being held on a long term basis, it is not included because the indicator only applies to investments with defined maturity dates.

	2022/23 £'000	2023/24 £'000	2024/25 £'000
Limit on principal invested for more than one year	5,000	5,000	5,000
Actual principal invested for more than one year*	0	0	0
Complied	✓	✓	✓

#### 6.4 Borrowing Limits

The Council is required to set limits on its borrowing activity. The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

The operational boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements. Other long-term liabilities comprise finance leases and other liabilities that are not borrowing but form part of the Council's debt.

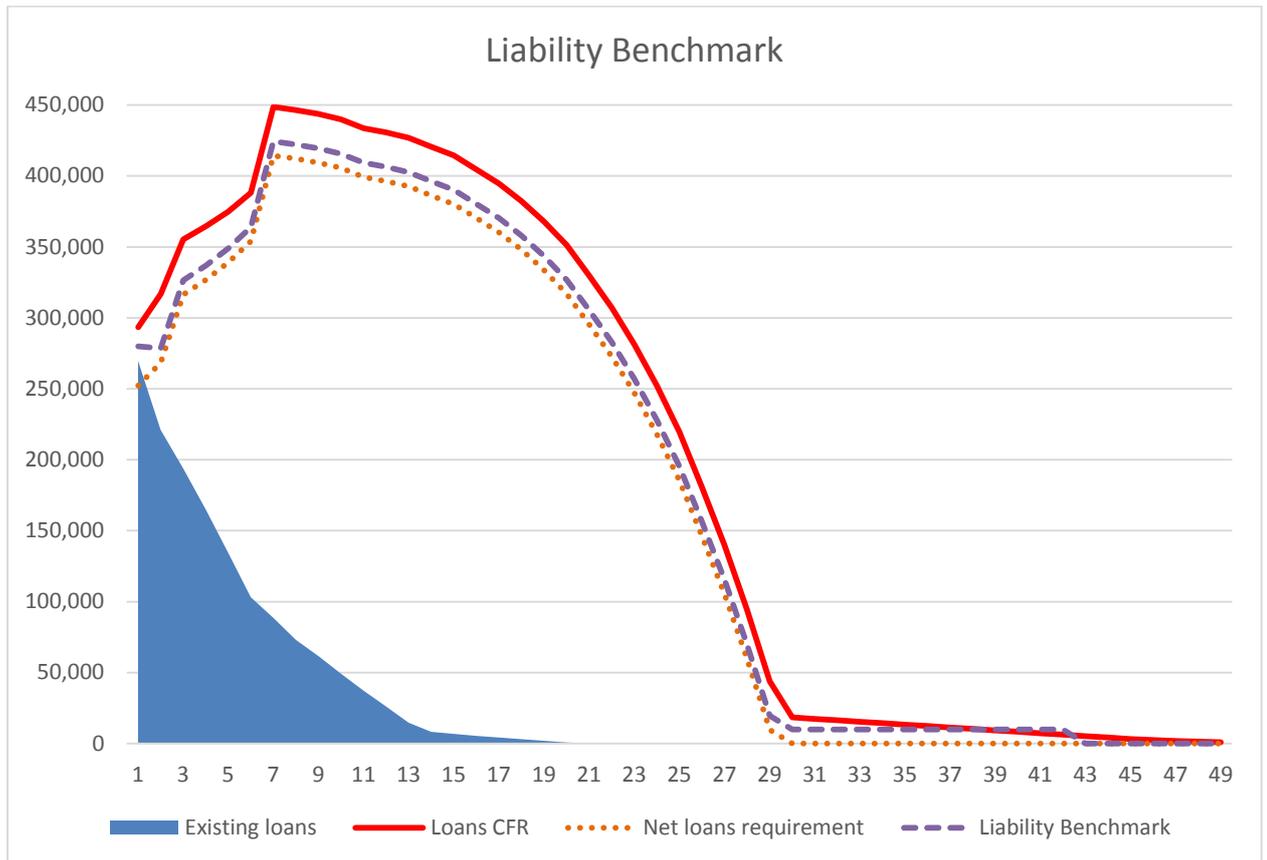
The table below shows that the operational boundary and authorised limit for all borrowing have been complied with in the first half of 2023/24.

	Maximum in period £'000	30/9/23 Actual £'000	2023/24 Operational Boundary £'000	2023/24 Authorised Limit £'000	Complied
External Borrowing	269,670	250,911	343,173	373,173	✓
Other Long Term Liabilities	2,266	2,266	2,266	2,266	✓
<b>TOTAL</b>	<b>271,936</b>	<b>253,177</b>	<b>345,439</b>	<b>375,439</b>	✓

#### 6.5 Liability Benchmark

The liability benchmark is effectively the net borrowing requirement of the Council plus a liquidity allowance and shows the lowest risk level of borrowing. The objective is to show the optimum level of borrowing in order to ensure appropriate funding and liquidity for both longer term projects and short term cashflow needs. The benchmark has been updated to reflect the borrowing at 30th September 2023 and the latest forecast of capital spend to be funded from borrowing. It is shown below in table and graphical form.

	31.03.23 Actual £'000	31.03.24 Estimate £'000	31.03.25 Estimate £'000	31.03.2 Estimate £'000
Loans CFR	293,319	316,742	355,394	364,536
Less: Balance sheet resources	(41,086)	(48,291)	(39,019)	(37,765)
<b>Net loans requirement</b>	<b>252,233</b>	<b>268,451</b>	<b>316,375</b>	<b>326,771</b>
Plus: liquidity allowance	27,648	10,000	10,000	10,000
<b>Liability Benchmark</b>	<b>279,881</b>	<b>278,451</b>	<b>326,375</b>	<b>336,771</b>



## **Implications**

### **7 Legal Implications**

7.1 There are no legal implications contained in this report.

### **8 Financial Implications**

There are no direct financial implications in the report, however levels of investment income and cost of borrowing are reviewed and adjusted accordingly through budget monitoring processes.

### **9 Risk Management Implications**

9.1 The Council's Treasury Management Strategy adheres to the CIPFA Code of Practice on Treasury Management, which promotes the assessment and control of risk related to treasury activities. It is believed the Strategy represents an appropriate balance between risk management and cost effectiveness. Utilising the Treasury Management Practices and information provided by advisors Arlingclose, the Council continues to review the national outlook for interest rates and changing factors affecting the Council's position in order to minimise risk.

9.2 Budgets relating to investments and borrowing are monitored monthly and any major variances affecting the Council's financial standing would be escalated through appropriate methods and reported to members if significant.

### **10 Security and Terrorism Implications**

10.1 There are no security or terrorism implications contained in this report.

## **11 Procurement Implications**

11.1 There are no procurement implications contained in this report.

## **12 Climate Change Implications**

12.1 There are no climate change implications contained in this report.

## **13 Human Resources Implications**

13.1 There are no human resources implications contained in this report.

## **14 Health and Wellbeing Implications**

14.1 There are no health and wellbeing implications contained in this report.

## **15 Communication and Engagement Implications**

15.1 There are no communication and engagement implications contained in this report.

## **16 Link to Corporate Priorities**

16.1 The subject of this report is linked to the Council's Corporate Priority 'Our Council' and specifically to the achievement of 'Value for Money'.

## **17 Equality and Diversity**

17.1 An EqIA was not completed because this report does not propose changes to existing service-related policies or the development of new service-related policies

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Background papers

WHBC Treasury Management Strategy 2023/24

### Appendices

Appendix A – Economic Commentary and Outlook – Arlingclose Ltd

Appendix B – Investments and Borrowing at 30/09/2023