

Gloucester City Council

Meeting:	Audit and Governance Committee	15th Jan 2024
Subject:	Treasury Management Update – Quarter Three Report 2023/24	
Report Of:	Cabinet Member for Performance and Resources	
Wards Affected:	All	
Key Decision:	No	Budget/Policy Framework: No
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Appendices:	1. Prudential and Treasury Indicators	
	2. Interest rate forecasts	

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that members be updated on treasury management activities at least quarterly. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.
- 1.2 This report will highlight issues specific to the Council and also highlight interest rate forecasts as provided by the Council's treasury advisors Link Asset Services.
- 1.3 The body of the report provides an overview of the Council's performance for the third quarter 2023/24;
 - **Appendix 1** highlights the key performance indicators in line with the Council's Treasury Management Strategy.
 - **Appendix 2** Interest Rate Forecast.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE** that the contents of the report be noted.

3.0 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by the Council on 23rd March 2022. It sets out the Council's investment priorities as being:

- Security of capital;

- Liquidity; and
- Yield

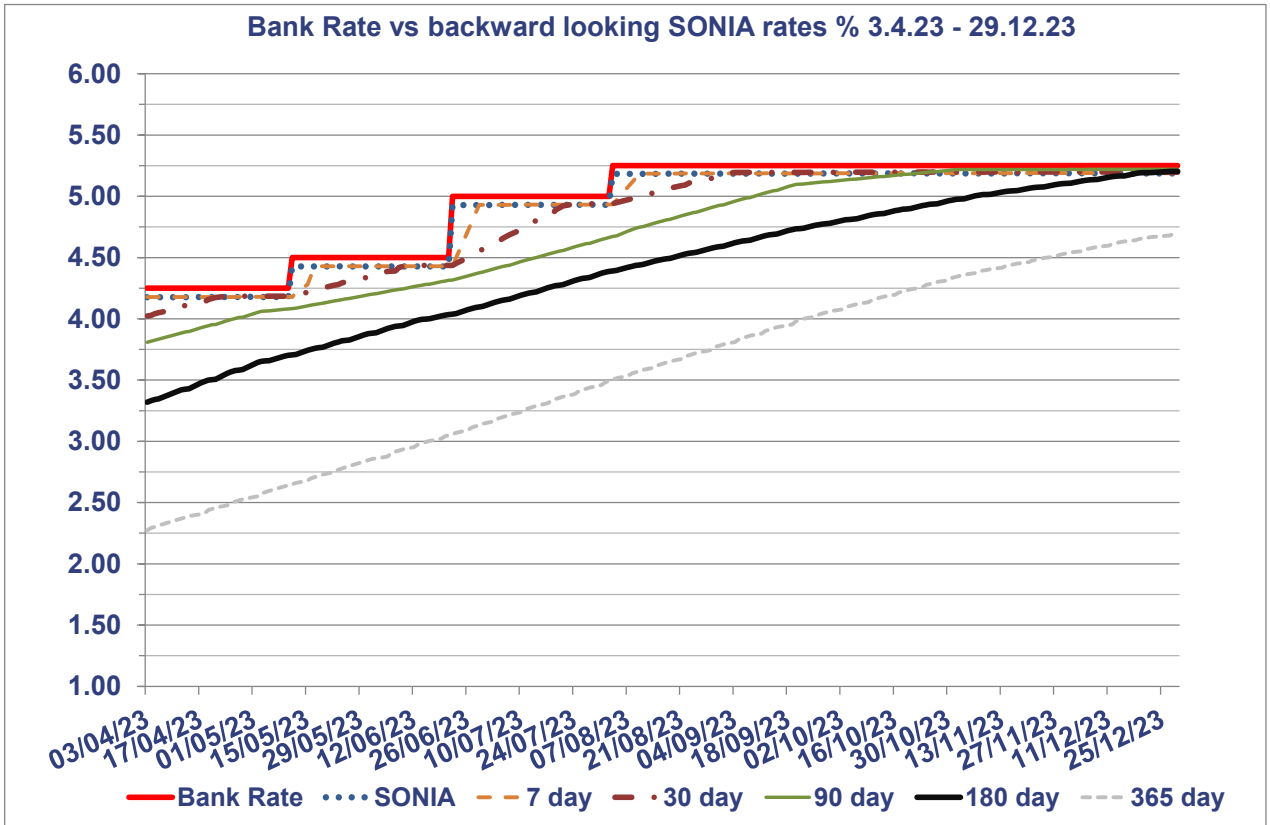
- 3.1 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council’s risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months, with highly credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information.
- 3.2 As shown by the interest rate forecasts in appendix 2, rates have improved dramatically during the first three quarters of 2023/24 and are expected to improve further as Bank Rate continues to increase.
- 3.3 The average level of funds available for investment purposes during the year to date was £8.887m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.
- 3.4 The Council holds £17.090m core cash balances for investment purposes (i.e. funds available for more than one year), the majority of these funds are held with the CCLA and have delivered £698k in dividends for the first nine months of the year.

Investment performance for the financial year to date as at 31st December 2023

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	4.37%	4.98%	£451,498
1 month	4.64%	N/A	N/A
3 month	4.44%	N/A	N/A
6 month	4.10%	N/A	N/A
12 month	3.16%	N/A	N/A

As illustrated, the Council outperformed the benchmark by 0.62 bps on 7 day investment returns.

Interest Rate Profile – Three quarter year ended 29th December 2023

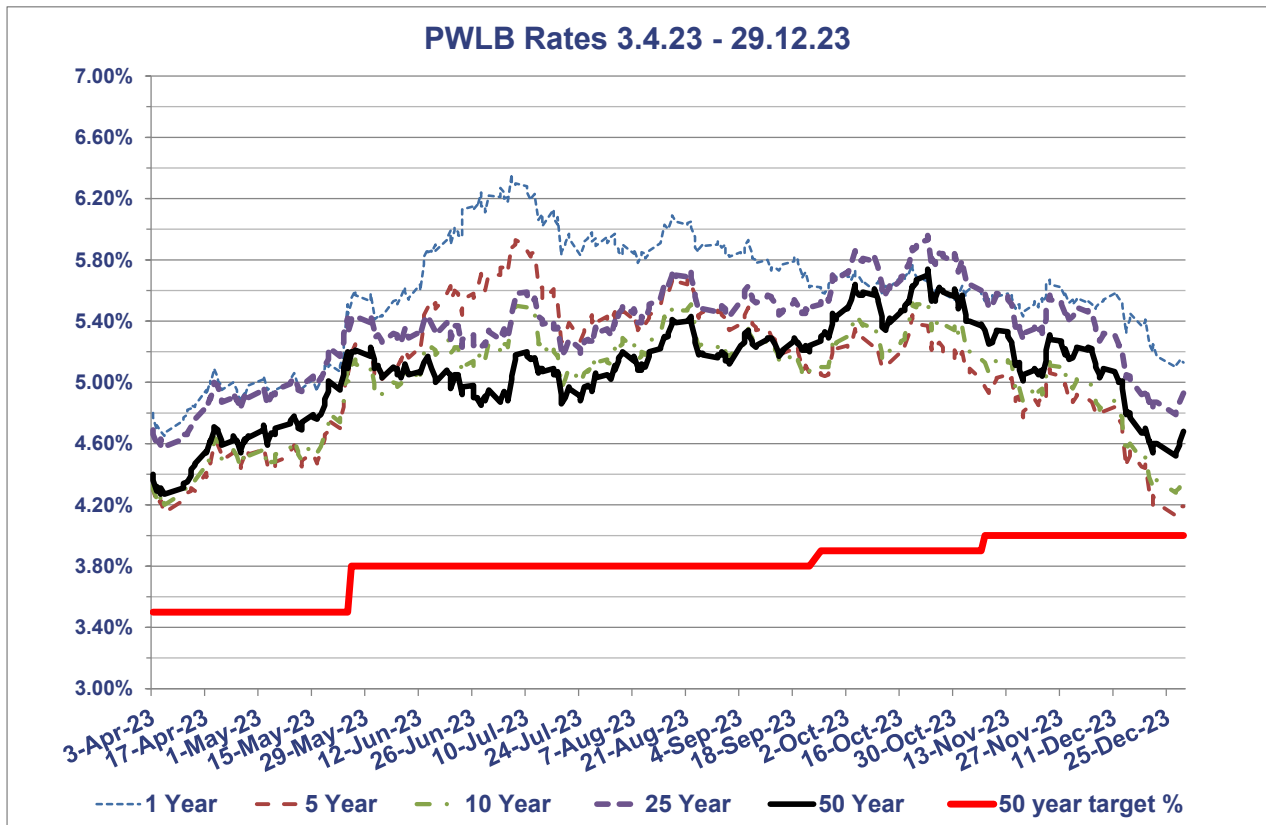


FINANCIAL YEAR TO QUARTER ENDED 29/12/2023						
	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
High	5.25	5.19	5.39	5.48	5.78	6.25
High Date	03/08/2023	24/11/2023	19/09/2023	30/08/2023	07/07/2023	07/07/2023
Low	4.25	4.18	4.17	4.31	4.46	4.47
Low Date	03/04/2023	04/04/2023	03/04/2023	03/04/2023	06/04/2023	06/04/2023
Average	4.95	4.89	4.96	5.10	5.26	5.36
Spread	1.00	1.01	1.22	1.17	1.33	1.77

4.0 New Borrowing

4.1 No new long-term borrowing was undertaken during the 3rd quarter of 2023/24.

4.2 The graph and table below show the movement in PWLB certainty rates for the first nine months of the year to date. Gilt yields and PWLB rates were on a rising trend between 1st April and 30th September. Followed by them falling in the third quarter, bring rates to similar levels experienced at the beginning of the year (2023-24).



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

5.0 Debt Rescheduling

5.1 Debt rescheduling opportunities have increased significantly in the current quarter where gilt yields, which underpin PWLB rates and market loans, have risen materially. Members will be advised if there is value to be had by rescheduling or repaying a part of the debt.

6.0 Compliance with Treasury and Prudential Limits

- 6.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.
- 6.2 During the financial year the Council has operated within the treasury limits set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

7.0 Other

- 7.1 The 2021 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g., for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy should be brought to members' attention in treasury management update.

8.0 Social Value Considerations

- 8.1 This report notes the treasury management performance of the Council. There are no anticipated Social Value considerations from this report as it is reporting performance and not making investment decisions.

9.0 Environmental Implications

- 9.1 This report notes the treasury management performance of the Council. There are no anticipated environmental implications from this report.

10.0 Financial Implications

- 10.1 Contained in the report

(Financial Services have been consulted in the preparation this report.)

11.0 Legal Implications

(Legal Services have been consulted in the preparation this report.)

12.0 Risk & Opportunity Management Implications

- 12.1 There are no specific risks or opportunities as a result of this report

13.0 People Impact Assessment (PIA):

- 13.1 A PIA screening assessment has been undertaken and the impact is neutral. A full PIA is not required.

14.0 Other Corporate Implications

Community Safety

14.1 None

Sustainability

14.2 None

Staffing & Trade Union

14.3 None