

### Treasury Management (TM) Update Report

#### 1 Changes in the external environment

##### Economic Outlook

- 1.1 The economic outlook remains uncertain following the impact of the coronavirus and the war in Ukraine. In view of this uncertainty, the Council will continue to take a cautious approach in relation to its investments.

#### 2 Investment Strategy

- 2.1 Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council has placed a far greater emphasis on investing with the UK Government's Debt Management Office (DMO) in order to minimise these risks. The majority of our investment cash is therefore placed with the DMO on a short-term basis to meet monthly outgoings and the remainder with an instant access call account up to a maximum limit of £5m.
- 2.2 The Council's cash flow position is monitored constantly with a view to undertake further borrowing if required later in the year as the level of our investment cash decreases.

#### 3 Borrowing Strategy

- 3.1 The Council borrowed £30m in 2022-23 from the Public Works Loan Board (PWLB) to fund on-going capital commitments. The Council will continue to monitor its cash position and interest rate levels to ensure that further long-term borrowing is undertaken from the PWLB at the optimal time to fund on-going capital commitments.
- 3.2 At the last strategy meeting with the Council's treasury advisers, Arlingclose Ltd, the analysis of the Balance Sheet projections showed that the Council is likely to have a significant borrowing requirement in the future so the Council will continue to fund this borrowing requirement through a mix of temporary local authority borrowing and long term PWLB borrowing. This is reviewed and discussed monthly in the Capital and Treasury Management update meeting.
- 3.3 The Council currently has 9 temporary loans from other local authorities for £50m in total over a 12-month period. This total is made up of £10m which is repayable in January, £10m in March, £10m in April, £15m in July and £5m in October. At that time, the Council will review its cash flow position and will either repay those loans or continue the loans for a further period if the cash is required. Local authority loans remain a readily available source of cash so the Council

will therefore continue to undertake temporary borrowing from other local authorities in the future as required to cover short-term cash flow requirements.

#### **4 PWLB Borrowing Update**

- 4.1 We are required to submit annually a detailed 3-year capital expenditure plan to the PWLB with confirmation of the purpose of our capital expenditure. In particular, we have to confirm that we are not planning to purchase 'investment assets primarily for yield' in the current or next two financial years. We have been able to give this assurance so we can continue to take advantage of PWLB borrowing at low rates.

#### **5 Controls**

##### **Prudential Indicators**

- 5.1 The Council sets prudential indicators which set boundaries within which its treasury management activity operates. The indicators are calculated to demonstrate that the Council's borrowing is affordable and include measures that show the impact of capital and borrowing decisions over the medium term. The Council has remained within all of its borrowing and investment limits for 2023/24 as stated in the TM Strategy Statement and the Capital Strategy Report agreed by Council in February 2023. The Council has not deviated from the capital related indicators either.
- 5.2 The capital related Prudential Indicators are included in the Capital Strategy Report. It is intended to give a high level, concise and comprehensible overview to all elected members of how capital expenditure, capital financing and treasury management activity contribute to the provision of the Council's services.
- 5.3 The Capital Strategy Report was included with the Capital Plan report to Council in February 2023 and included the following capital related Prudential Indicators:

Estimates of Capital Expenditure and Financing  
Ratio of Financing Costs to Net Revenue Stream  
Capital Financing Requirement  
Authorised Limit and Operational Boundary for External Debt

#### **5.4 Audit Reviews**

The last Internal Audit review undertaken in March 2023 found effective controls in place with good examples of working practices identified. A high assurance rating was awarded which shows that risks and controls are well managed and objectives are being achieved. The next Internal Audit review is due in November / December 2023.

### **6 Future**

#### **6.1 TM Strategy for next six months**

As planned capital expenditure is incurred, the Council will continue to monitor its cash flow position to ensure that temporary borrowing is undertaken if required. The Council will also monitor market conditions and interest rate levels to ensure that external PWLB borrowing is undertaken at the optimal time in line with the TM strategy.

#### **6.2 Staffing Changes**

We have a new Head of Finance, Liz Thomas, who started on 01/11/23 to replace Steve Gadd.

#### **6.3 Medium Term Capital Strategy**

Work is continuing to develop a medium-term strategy for capital. This will help identify projects that we are planning to develop and invest in over a 5 to 10 year period, but have not yet gone through the approval process. This will impact on the level of borrowing that the Council will require to undertake over the coming years. To complement and aid this work a new capital approval process has been developed which was reviewed by the Governance and Audit Committee and approved by Cabinet in December 2022. This included setting up a new Capital Scrutiny Group from April 2023, the papers of which are available to all Members.

#### **6.4 Reports**

The next reports to the Governance and Audit Committee will be the Treasury Management Strategy Statement and Prudential Indicators 2024/25 and the TM Update Report 2023/24 in January.