

Title: Treasury Management Report – Mid Year 2024/25

Meeting: Cabinet

Date: 18 November 2024

Classification: Part 1

Policy Context:

Key Decision: No

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Executive Councillor: Councillor Collins - Cabinet Member for Finance, Assets and Investments

1. Executive Summary

1.1 The Mid-Year Treasury Management Report covers the treasury management activity and compliance with the treasury management strategy for both quarter two and the period from April to September 2024.

2. Recommendations

That Cabinet:

2.1 Approves the Treasury Management Mid-Year Position report for 2024/25.

That Cabinet:

2.2 Notes that treasury management activities were carried out in accordance with the CIPFA (The Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management in the Public Sector during the period from April to September 2024; and

2.3 That the loan and investment portfolios were actively managed to minimise cost and maximise interest earned, whilst maintaining a low level of risk; and

2.4 That £3.106m of interest and income distributions for all investments were earned during this six-month period at an average rate of 4.71%. Also, the value of the externally managed funds increased by a net of £0.459m due to

changes in the unit price, giving a combined overall return of 5.40%. (Section 8); and

2.5 That the level of borrowing from the Public Works Loan Board (PWLB) (excluding debt relating to services transferred from Essex County Council on 1st April 1998) remained at £347.3m (Housing Revenue Account (HRA): £74.2m, General Fund: £273.1m) during the period from April to September 2024; and

2.6 That the level of financing for 'invest to save' schemes decreased from £8.03m to £7.93m during the period from April to September 2024.

3. Background

3.1 This Council has adopted the 'CIPFA Code of Practice for Treasury Management in the Public Sector' and operates its treasury management service in compliance with this code. The code recommends that local authorities submit reports regularly as part of its Governance arrangements.

3.2 Current guidance is that authorities should report formally at least twice a year and preferably quarterly. The Treasury Management Policy Statement for 2024/25 set out that reports would be submitted to Cabinet quarterly on the activities of the treasury management operation. This is the second quarterly report for the financial year 2024/25, covering both quarter two and the period from April to September 2024.

3.3 Appendix 1 shows the in-house investment position at the end of quarter two of 2024/25.

3.4 Appendix 2 shows the treasury management performance specifically for quarter two of 2024/25.

4. National Context

4.1 Despite the ongoing economic and fiscal challenges UK gross domestic product (GDP) is estimated to have grown by 0.5% in the quarter from April to June 2024, revised down from a first estimate increase of 0.6%. Services grew by 0.6% with widespread growth across the sector, but this was partially offset by falls in both the production and construction sectors.

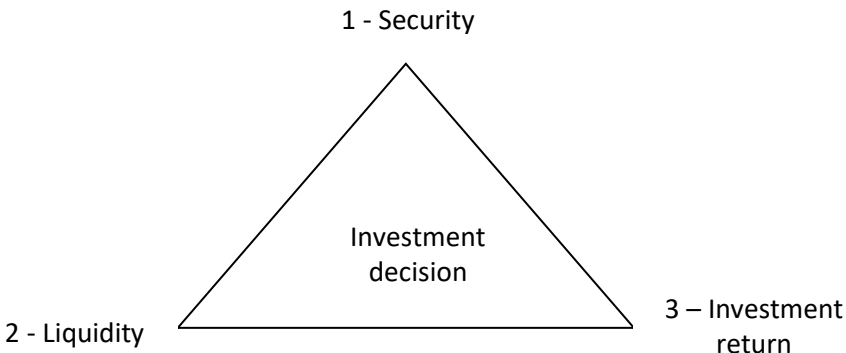
4.2 The latest unemployment rate for the quarter from June to August 2024 was 4.0%, below estimates of a year ago and a decrease of 0.4% on the previous quarter (March to May 2024). The number of payrolled employees rose by 3,000 over the quarter.

4.3 The Consumer Prices Index including owner occupiers' housing costs (CPIH) was at 3.1% in July, at 3.1% in August and 2.6% in September. The largest downward contributors to the CPIH inflation rate came from transport, with larger negative contributions from air fares and motor fuels. The largest offsetting upward contribution came from food and non-alcoholic beverages.

- 4.4 During the quarter, in response to the continued easing of inflationary pressures, the Bank of England decreased the bank base rate from 5.25% to 5.0% on 1 August. The Monetary Policy Committee will continue to closely monitor indications of inflationary pressures in the economy as a whole and now that the inflation rate has dipped below their 2% target, further rate cuts are widely expected. However, there is uncertainty as to how quickly and how far they will be reduced.
- 4.5 The economic situation together with the financial market conditions prevailing throughout the quarter provided opportunities for in-house treasury management activities. Variable rate instant access accounts benefited from the prevailing interest rates staying at higher levels for longer than was expected. As fixed term deposits matured, the monies were reinvested to lock in the current rates, as they are likely to fall further over time. The prevailing financial market conditions were favourable to the performance of the externally managed funds, with their unit prices increasing over the period from July to September 2024.

5. Investments – quarter two (July to September)

- 5.1 A prime objective of our investment activities is the security of the principal sums invested. To ensure this security before a deposit is made an organisation is tested against a matrix of credit criteria. During the period from July to September 2024 investment deposits were limited to those who met the criteria in the Annual Treasury Management Investment Strategy when the deposit was placed.
- 5.2 Other investment objectives are to maintain liquidity (i.e. adequate cash resources to allow the council to operate) and to optimise the investment income generated by surplus cash in a way that is consistent with a prudent level of risk. Investment decisions are made with reference to these objectives, with security and liquidity being placed ahead of the investment return. This is shown in the diagram below:



Security:

- 5.3 To maintain the security of sums invested, we seek to lower counterparty risk by investing in financial institutions with good credit ratings, across a range of

sectors and countries. The risk of loss of principal of monies is minimised through the Annual Treasury Management Investment Strategy.

5.4 Pie chart 1 of Appendix 1 shows that at the end of quarter two; 45% of our in-house investments were placed with financial institutions with a long-term rating of AAA, 14% with a long-term rating of A+ and 41% with a long-term rating of A.

5.5 As shown in pie chart 2 of Appendix 1, these monies were with various counterparties, 55% being placed directly with banks and 45% placed with a range of counterparties via money market funds.

5.6 Pie chart 3 of Appendix 1 shows the countries where the parent company of the financial institution with which we have monies invested is registered. For money market funds there are various counterparties spread across many countries. The cumulative balance of funds held with any one institution was kept within agreed limits.

Liquidity:

5.7 At the end of quarter two £42.9m of our in-house monies were available on an instant access basis, £10.0m were held in notice accounts and £20.0m was invested in fixed term deposits. The table below shows the fixed term deposits during the period July to September 2024.

Table 1: Fixed Term Deposits

Counterparty	Date of Deposit	Return Date	Number of days	Interest rate (%)	Amount (£m)
National Bank of Kuwait (International) plc	13/08/2024	13/11/2024	92	5.07	5
Lloyds Bank Corporate Markets (NRFB)*	27/09/2024	26/09/2025	364	4.56	10
Lloyds Bank Corporate Markets (NRFB)*	29/09/2023	27/09/2024	364	5.87	10
National Bank of Kuwait (International) plc	11/06/2024	11/06/2025	365	5.34	5

* NRFB – Non Ring-Fenced Bank

5.8 The maturity profile of our investments is shown in pie chart 4 of Appendix 1.

Investment return:

5.9 During the quarter the Council used the enhanced cash fund manager Payden & Rygel to manage monies on our behalf. An average balance of £5.1m was invested in these funds during the quarter. The table on the next page shows the movement in the fund value over the quarter, the income distributions for that quarter, the returns both for each element and the combined return. See also Table 3 of Appendix 2.

Table 2: Payden Sterling Reserve Fund

Quarter 2	£m	Investment return (%)
Value of fund at start of quarter	5.034	
Increase in fund due to value of unit price	0.021	1.63
Value of fund at end of quarter	5.055	
Income distributions	0.059	4.63
Combined investment income (income distribution plus change in fund value due to unit price)	0.080	6.26

5.10 The Council had an average of £87.7m of investments managed in-house over the period from July to September 2024, and these earned an average interest rate of 5.09%. Of the in-house managed funds:

- an average of £22.8m was held in the Council's main bank account earning an average of 4.33% over the quarter. These monies were held in this account to ensure adequate cash resources to allow the council to operate.
- an average of £35.1m was held in money market funds earning an average of 5.19% over the quarter. These work in the same way as a deposit account but the money in the overall fund is invested in a number of counterparties, therefore spreading the counterparty risk.
- an average of £12.1m was held in notice accounts earning an average of 5.55% over the quarter.
- an average of £17.7m was held in fixed term deposits and earned an average return of 5.57% over the quarter.

5.11 In accordance with the Treasury Management Strategy the in-house performance during the quarter is compared to the SONIA rate. At 5.09% the average interest rate earned is 0.06% above the average SONIA rate and 0.01% above the average bank base rate. Throughout the quarter in-house performance was higher than the SONIA rate which fluctuated between 4.950% and 5.200%. The bank base rate started the quarter at 5.25% and decreased to 5.00% on 1 August 2024. Performance is shown in Graph 1 of Appendix 2.

5.12 As investment balances fluctuate, all investment returns quoted in this report are calculated using the average balance over the period and are quoted as annualised returns.

6. Short Dated Bond Funds – quarter two (July to September)

6.1 Throughout the quarter medium term funds were invested in two short-dated bond funds: Royal London Investment Grade Short Dated Credit Fund and the AXA Sterling Credit Short Duration Bond Fund.

6.2 The monies are invested in units in the fund, the fund is then invested as a whole by the fund managers into corporate bonds in the one-to-five-year range. An

income distribution will be generated from the coupon on the bond and income distributions are paid to the Council. The price of units can rise and fall, depending on the value of the corporate bonds in the fund. So, these investments would be over the medium term with the aim of realising higher yields than short term investments.

6.3 In line with the capital finance and accounting regulations the Council's Financial Instrument Revaluation Reserve will be used to capture all the changes in the unit value of the funds and therefore there will be no impact from these changes on the revenue budget. Members should be aware that investment returns in some quarters will look very good and in other quarters there may be losses reported, but these will not impact the revenue account as only the distributions paid to the Council will impact that and not the change in the unit price.

6.4 An average of £7.5m was managed by AXA Investment Managers UK Limited. The table below shows the movement in the fund value over the quarter, the income distributions for that quarter, the returns both for each element and the combined return. See also Table 2 of Appendix 2.

Table 3: AXA Sterling Credit Short Duration Bond Fund

Quarter 2	£m	Investment return (%)
Value of fund at start of quarter	7.481	
Increase in fund due to value of unit price	0.081	4.30
Value of fund at end of quarter	7.562	
Income distributions*	0.078	4.12
Combined investment income (income distribution plus change in fund value due to unit price)	0.159	8.42

* This income distribution is an estimate and will be confirmed and distributed in quarter 3.

6.5 An average of £7.2m was managed by Royal London Asset Management. The table below shows the movement in the fund value over the quarter, the income distributions for that quarter, the returns both for each element and the combined return. See also Table 2 of Appendix 2.

Table 4: Royal London Investment Grade Short Dated Credit Fund

Quarter 2	£m	Investment return (%)
Value of fund at start of quarter	7.180	
Increase in fund due to value of unit price	0.088	4.85
Value of fund at end of quarter	7.268	
Income distributions	0.088	4.80
Combined investment income (income distribution plus change in fund value due to unit price)	0.176	9.65

7. Property Funds – quarter two (July to September)

- 7.1 Throughout the quarter long term funds were invested in three property funds: Patrizia Hanover Property Unit Trust, Lothbury Property Trust and UBS Triton Property Unit Trust.
- 7.2 The monies are invested in units in the fund, the fund is then invested as a whole by the fund managers into properties. An income distribution is generated from the rental income streams from the properties in the fund. Income distributions are paid to the Council. There are high entrance and exit fees and the price of the units can rise and fall, depending on the value of the properties in the fund, so these funds are invested over the long term with the aim of realising higher yields than other investments.
- 7.3 In line with the capital finance and accounting regulations the Council's Financial Instrument Revaluation Reserve will be used to capture all the changes in the unit value of the funds and therefore there will be no impact from these changes on the revenue budget. Members should be aware that investment returns in some quarters will look very good and in other quarters there may be losses reported, but these will not impact the revenue account as only the distributions paid to the Council will impact that and not the change in unit price.
- 7.4 An average of £18.4m was managed by Patrizia Property Investment Managers LLP. The table below shows the movement in the fund value over the quarter, the income distributions for that quarter, the returns both for each element and the combined return. See also Table 1 of Appendix 2.

Table 5: Patrizia Hanover Property Unit Trust

Quarter 2	£m	Investment return (%)
Value of fund at start of quarter	18.305	
Increase in fund due to value of unit price	0.362	7.80
Value of fund at end of quarter	18.667	
Income distributions*	0.162	3.49
Combined investment income (income distribution plus change in fund value due to unit price)	0.524	11.29

* This income distribution is an estimate and will be confirmed and distributed in quarter 3.

- 7.5 As the Lothbury Property Trust has now terminated there will be no further valuations undertaken. At the termination date of 30 May 2024 the redemption value of the units in the Lothbury Property Trust was notified as £9.968m. As the property disposal programme progresses it is the intention of the fund managers that distributions will be made in the first week of each month where sufficient sales have been achieved. During quarter two there were two distributions of £1.011m and £0.505m completed in the first week of July and August respectively, from the proceeds of the asset disposals that had taken place to those dates. There was no distribution made in September as no further sales had been made at that point in time.

- 7.6 The table below shows the movement in the fund value over the quarter, the income distributions for that quarter, the returns both for each element and the combined return.

Table 6: Lothbury Property Trust

Quarter 2	£m	Investment return (%)
Value of fund at start of quarter	5.595	
Distributions completed	(1.516)	
No change in fund due to value of unit price	(0.000)	(0.00)
Value of fund at end of quarter	4.079	
Income distributions*	0.035	3.22
Combined investment income (income distribution plus change in fund value due to unit price)	0.035	3.22

* This income distribution is an estimate and will be confirmed and distributed in quarter 3.

- 7.7 The Council has opted to have its fund distributions re-directed to the UBS Triton Property Unit Trust and during July and August, £1.011M and £0.505M of units were purchased respectively. The table below shows the movement in the fund value over the quarter, the income distributions for that quarter, the returns both for each element and the combined return. See also Table 1 of Appendix 2.

Table 7: UBS Triton Property Unit Trust

Quarter 2	£m	Investment return (%)
Value of fund at start of quarter	4.299	
Purchase of units	1.516	
Increase in fund due to value of unit price	0.089	8.61
Value of fund at end of quarter	5.904	
Income distributions	0.029	2.91
Combined investment income (income distribution plus change in fund value due to unit price)	0.118	11.52

8. Investments – quarter two cumulative position

- 8.1 During the period from April to September 2024 the Council complied with all the relevant statutory and regulatory requirements which limit the levels of risk associated with its treasury management activities. Its adoption and implementation of the Code of Practice for Treasury Management means its treasury practices demonstrate a low-risk approach.
- 8.2 The Council is aware of the risks of passive management of the treasury portfolio and has proactively managed levels of debt and investments over the six-month period with the support of its treasury management advisers.

8.3 The table below summarises the Council’s investment position for the period from April to September 2024:

Table 7: Investment position

	At 31 March 2024	At 30 September 2024	April to September 2024	
	Actual Balance (£000s)	Actual Balance (£000s)	Average Balance (£000s)	Average Rate (%)
Call accounts [#]	19,038	9,877	20,912	4.41
Money market funds	14,000	33,000	34,557	5.25
Notice accounts	10,000	10,000	11,612	5.65
Fixed term deposits	22,500	20,000	17,473	5.59
Total investments managed in-house	65,538	72,877	84,554	5.17
Enhanced Cash Funds	5,034	5,055	5,053	5.52
Short Dated Bond Funds	14,697	14,831	14,679	6.26
Property funds	28,345	28,649	27,252	5.66
Total investments managed externally	48,076	48,535	46,984	5.83
Total investments	113,614	121,412	131,538	5.40

[#]The council’s main current account.

8.4 In summary the key factors to note are:

- An average of £84.6 of investments were managed in-house. These earned £2.192m of interest during this six-month period at an average rate of 5.17%. This is 0.05% above the average SONIA rate and the same as the average bank base rate.
- An average of £5.1m was managed by an enhanced cash fund manager. During this six-month period this earned £0.118m from income distributions at an average rate of 4.67% and the value of the fund increased by £0.021m giving a combined overall return of 5.52%.
- An average of £14.7m was managed by two short-dated bond fund managers. During this six-month period these earned £0.327m from income distributions at an average rate of 4.44% and the value of the funds increased by £0.133m giving a combined overall return of 6.26%
- An average of £27.3m was managed by three property fund managers. During this six-month period these earned £0.469m from income distributions at an average rate of 3.43% and the value of the funds increased by £0.305m giving a combined overall return of 5.66%.

- 8.5 The total for interest and income distributions in paragraph 8.4 above is £3.106m. The total change in external fund values due to the unit price is a net increase of £0.459m, which is set out in the table below. In line with the capital finance and accounting regulations the Council's Financial Instrument Revaluation Reserve will be used to capture all the changes in the unit value of the funds and therefore there will be no impact from these changes on the revenue budget.

Table 8: Externally managed funds – changes in unit price

Fund	Table Number	Amount (£m)
Payden Sterling Reserve Fund	Paragraph 8.4	0.021
AXA Sterling Credit Short Duration Bond Fund	11	0.067
Royal London Investment Grade Short Dated Credit Fund	12	0.066
Patrizia Hanover Property Unit Trust	13	0.338
Lothbury Property Trust	14	(0.048)
UBS Triton Property Unit Trust	15	0.015
Total net increase due to changes in unit price		0.459

- 8.6 Some cash balances held by the Council are required to meet short term cash flow requirements and therefore throughout the six-month period monies were placed into Money Market Funds 3 times for periods of one year or less. The table below shows the most used counterparties overall and the countries in which they are based. All deals are in sterling despite the country the counterparties are based in.

Table 9: Counterparties used

Counterparty	Country	No. of Deals	Value of Deals (£m)
BlackRock	Money Market Fund (Various Counterparties)	1	16
Aberdeen Liquidity	Money Market Fund (Various Counterparties)	1	15
Insight	Money Market Fund (Various Counterparties)	1	10
Total		3	41

- 8.7 In addition to the above, use was also made of call accounts during the year, because they provide instant access to funds. This meant that funds were available for unexpected cash flow events to avoid having to pay higher rates to

borrow from the market. During the period from April to September 2024 an average of £20.9m was held in such accounts.

- 8.8 Monies were also invested in fixed term deposits of up to one year, depending on the liquidity requirements. The table below shows the fixed term deposits held during the period from April to September 2024.

Table 10: Fixed Term Deposits

Counterparty	Date of Deposit	Return Date	Number of days	Interest rate (%)	Amount (£m)
National Bank of Kuwait (International) plc	13/08/2024	13/11/2024	92	5.07	5
Lloyds Bank Corporate Markets (NRFB)*	29/09/2023	27/09/2024	364	5.87	10
Lloyds Bank Corporate Markets (NRFB)*	27/09/2024	26/09/2025	364	4.56	10
National Bank of Kuwait (International) plc	17/05/2023	16/05/2024	365	5.27	12.5
National Bank of Kuwait (International) plc	11/06/2024	11/06/2025	365	5.34	5

* NRFB – Non Ring-Fenced Bank

9. Short Dated Bond Funds – quarter two cumulative position

- 9.1 An average of £7.5m was managed by AXA Investment Managers UK Limited. The table below shows the movement in the fund value over the period from April to September, the income distributions for that period, the returns both for each element and the combined return.

Table 11: AXA Sterling Credit Short Duration Bond Fund

April to September 2024	£m	Investment return (%)
Value of fund at start of financial year	7.496	
Increase in fund due to value of unit price	0.067	1.78
Value of fund at end of quarter 2	7.563	
Income distributions*	0.155	4.13
Combined investment income (income distribution plus change in fund value due to unit price)	0.222	5.91

* This income distribution is an estimate and will be confirmed and distributed in quarter 3.

- 9.2 An average of £7.2m was managed by Royal London Asset Management. The table on the next page shows the movement in the fund value over the period from April to September, the income distributions for that period, the returns both for each element and the combined return.

Table 12: Royal London Investment Grade Short Dated Credit Fund

April to September 2024	£m	Investment return (%)
Value of fund at start of financial year	7.202	
Increase in fund due to value of unit price	0.066	1.85
Value of fund at end of quarter 2	7.268	
Income distributions	0.172	4.77
Combined investment income (income distribution plus change in fund value due to unit price)	0.238	6.62

10. Property Funds – quarter two cumulative position

- 10.1 An average of £18.4m was managed by Patrizia Property Investment Managers LLP. The table below shows the movement in the fund value over the period from April to September, the income distributions for that period, the returns both for each element and the combined return.

Table 13: Patrizia Hanover Property Unit Trust

April to September 2024	£m	Investment return (%)
Value of fund at start of financial year	18.329	
Increase in fund due to value of unit price	0.338	3.67
Value of fund at end of quarter 2	18.667	
Income distributions*	0.321	3.48
Combined investment income (income distribution plus change in fund value due to unit price)	0.659	7.15

* This income distribution is an estimate and will be confirmed and distributed in quarter 3.

- 10.2 As the Lothbury Property Trust has now terminated there will be no further valuations undertaken. At the termination date of 30 May 2024 the redemption value of the units in the Lothbury Property Trust was notified as £9.968m. As the property disposal programme progresses it is the intention of the fund managers that distributions will be made in the first week of each month where there are disposal proceeds to distribute. The initial distribution of £4.373M was completed in the first week of June, with further distributions in July of £1.011M and in August of £0.505M, from the proceeds of the asset disposals that had taken place to those dates. There was no distribution made in September as no further sales had been made at that point in time.
- 10.3 The table on the next page shows the movement in the fund value over the period from April to September, the income distributions for that quarter, the returns both for each element and the combined return.

Table 14: Lothbury Property Trust

April to September 2024	£m	Investment return (%)
Value of fund at start of financial year	10.016	
Distributions completed	(5.889)	
Decrease in fund due to value of unit price	(0.048)	(1.46)
Value of fund at end of quarter 2	4.079	
Income distributions	0.084	2.55
Combined investment income (income distribution plus change in fund value due to unit price)	0.036	1.09

* This income distribution is an estimate and will be confirmed and distributed in quarter 3.

- 10.4 The Council has opted to have its fund distributions re-directed to the UBS Triton Property Unit Trust and during June, July and August £4.373M, £1.011M and £0.505M of units were purchased respectively. The table below shows the movement in the fund value over the period from April to September, the income distributions for that quarter, the returns both for each element and the combined return. See also Table 1 of Appendix 2.

Table 15: UBS Triton Property Unit Trust

April to September 2024	£m	Investment return (%)
Value of fund at start of financial year	0.000	
Purchase of units	5.889	
Increase in fund due to value of unit price	0.015	1.22
Value of fund at end of quarter 2	5.904	
Income distributions	0.064	5.52
Combined investment income (income distribution plus change in fund value due to unit price)	0.079	6.74

11. Borrowing – quarter two

- 11.1 The Capital Financing Requirement (CFR) is the Council's theoretical need to borrow but the Section 151 Officer can manage the Council's actual borrowing position at any one time by either:

1. borrowing to the CFR;
2. choosing to use temporary cash flow funds instead of borrowing (internal borrowing) or;
3. borrowing for future increases in the CFR (borrowing in advance of need)

Over time the Section 151 Officer can manage the Council's actual borrowing position in a combination of the above.

- 11.2 The Council began quarter two in the second of the above scenarios, with actual borrowing below CFR.

- 11.3 This, together with the Council’s cash flow, the prevailing Public Works Loans Board (PWLB) and the future requirements of the capital investment programme, will be taken into account when deciding the amount and timing of any future loans. During the quarter no new PWLB loans were taken out, no loans matured, and no debt restructuring was carried out.
- 11.4 The level of borrowing from the Public Works Loan Board (PWLB) (excluding debt relating to services transferred from Essex County Council on 1st April 1998) remained the same at £347.3m during the quarter. The average rate of borrowing at the end of the quarter was 3.46%. A profile of the repayment dates is shown in Graph 2 of Appendix 2.
- 11.5 The level of PWLB borrowing at £347.3m is in line with the financing requirements of the capital investment programme and the revenue costs of this borrowing are fully accounted for in the revenue budget. The current level of borrowing is also in line with the Council’s prudential indicators and is proportionate, prudent, affordable and sustainable.
- 11.6 Interest rates from the PWLB fluctuated throughout the quarter in response to economic and political events: 10-year PWLB rates between 4.56% and 5.08%; 25-year PWLB rates between 5.07% and 5.51% and 50-year PWLB rates between 4.88% and 5.29%. These rates are after the PWLB ‘certainty rate’ discount of 0.20%.
- 11.7 During quarter two, no short-term loans were taken out for cash flow purposes. This is shown in Table 4 of Appendix 2.

12. Borrowing – quarter two cumulative position

12.1 The Council’s borrowing limits for 2024/25 are shown in the table below:

Table 16: Borrowing limits

	2024/25 Original (£m)
Authorised Limit	395
Operational Boundary	385

The Authorised Limit is the “Affordable Borrowing Limit” required by the Local Government Act 2003. This is the outer boundary of the Council’s borrowing based on a realistic assessment of the risks and allows sufficient headroom to take account of unusual cash movements.

The Operational Boundary is the expected total borrowing position of the Council during the year and reflects decisions on the amount of debt needed for the Capital Programme. Periods where the actual position is either below or over the Boundary are acceptable subject to the Authorised Limit not being breached.

12.2 The Council's outstanding borrowing as at 30 September 2024 was:

- Southend-on-Sea City Council £355.2m
 - PWLB: £347.3m
 - Invest to save: £7.93m
- ECC transferred debt £8.38m

Repayments in the first 6 months of 2024/2025 were:

- Southend-on-Sea City Council £0.10m
 - PWLB: £0.00m
 - Invest to save: £0.10m
- ECC transferred debt £0.41m

12.3 Outstanding debt relating to services transferred from Essex County Council (ECC) on 1st April 1998, remains under the management of ECC. Southend City Council reimburses the debt costs (principal repayments and interest) incurred by the County. Regarding the repayments the Council repays this debt at 4% per annum on a reducing balance basis and can choose to make voluntary overpayments to repay the debt at a faster rate, if the budget allows. The debt is recognised as a deferred liability on our balance sheet.

12.4 The interest payments for PWLB and excluding transferred debt, during the period from April to September 2024 were £6.010m which is the same as the original budget for the same period.

12.5 The table below summarises the PWLB borrowing activities over the period from April to September 2024:

Table 17: PWLB borrowing activities

Quarter	Borrowing at beginning of quarter (£m)	New borrowing (£m)	Re-financing (£m)	Borrowing repaid (£m)	Borrowing at end of quarter (£m)
April to June 2024	347.3	0	0	(0)	347.3
July to September 2024	347.3	0	0	(0)	347.3
<i>Of which:</i>					
General Fund	273.1	0	0	(0)	273.1
HRA	74.2	0	0	(0)	74.2

All PWLB debt held is repayable on maturity.

13. Funding for Invest to Save Schemes

13.1 Capital projects have been completed on energy efficiency improvements at the new Beecroft Art Gallery, replacement lighting on Southend Pier, lighting replacements at University Square Car Park and LED lighting at the Priory Park workshop which will generate on-going energy savings. These are invest-to-save

projects and the predicted revenue streams cover as a minimum the financing costs of the project.

- 13.2 To finance these projects in total the Council took out interest free loans of £0.161m with Salix Finance Ltd which is an independent, not for profit company, funded by the Department for Energy and Climate Change that delivers interest-free capital to the public sector to improve their energy efficiency and reduce their carbon emissions. The loans are for a period of four and five years with equal instalments to be repaid every six months. There are no net revenue budget implications of this funding as there are no interest payments to be made and the revenue savings generated are expected to exceed the amount needed for the repayments. £0.001m of these loans were repaid during the period from April to September 2024. At 30 September 2024 the loans regarding the lighting replacements at University Square Car Park and replacement lighting on Southend Pier have been fully repaid. The total loan amounts outstanding for the energy efficiency improvements at the new Beecroft Art Gallery and LED lighting at the Priory Park workshop is £0.002m and these are due to be repaid during Q3 of 2024/25 and Q1 of 2025/26 respectively.
- 13.3 At the meeting of Cabinet on 23 June 2015 the LED Street Lighting and Illuminated Street Furniture Replacement Project was approved which was to be partly funded by 25 year reducing balance 'invest to save' finance from L1 Renewables Finance Limited. The balance outstanding at the end of quarter two was £7.929m. A repayment of £0.100m was made during the period from April to September 2024.
- 13.4 Funding of these invest to save schemes is shown in Table 5 of Appendix 2.

14. Compliance with Treasury Management Strategy – quarter two

- 14.1 The Council's investment policy is governed by the CIPFA Code of Practice for Treasury Management in the Public Sector, which has been implemented in the Annual Treasury Management Investment Strategy approved by the Council on 22 February 2024¹. The investment activity during the quarter conformed to the approved strategy and the cash flow was successfully managed to maintain liquidity. This is shown in Table 7 of Appendix 2.

15. Reasons for Decisions

- 15.1 The CIPFA Code of Practice on Treasury Management recommends that Local Authorities should submit reports regularly. The Treasury Management Policy Statement for 2024/25 set out that reports would be submitted to Cabinet quarterly on the activities of the treasury management operation.

¹https://democracy.southend.gov.uk/documents/s60792/Appendix%203%20-%20Annual%20Treasury%20Management%20Investment%20Strategy%20-%202024_2025.pdf

16. Other Options

- 16.1 There are many options available for the operation of the Treasury Management function, with varying degrees of risk associated with them. The Treasury Management Policy aims to effectively control risk to within a prudent level, whilst providing optimum performance consistent with that level of risk.

17. Financial Implications

- 17.1 The financial implications of Treasury Management are dealt with throughout this report.

18. Legal Implications

- 18.1 The Council has adopted the 'CIPFA Code of Practice for Treasury Management in the Public Sector' and operates its treasury management service in compliance with this Code.

19. Carbon Impact

- 19.1 None arising from this report.

20. Equalities

- 20.1 None arising from this report.

21. Consultation

- 21.1 The key Treasury Management decisions are taken in consultation with our Treasury Management advisers.

22. Background Papers

None.

23. Appendices

Appendix 1 – In-House Investment Position as at 30 September 2024

Appendix 2 – Treasury Management Performance for Quarter Two – 2024/25

Report Authorisation

This report has been approved for publication by:

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	Name:	Date:
S151 Officer	Joe Chesterton	23/10/2024
Monitoring Officer	Susan Zeiss	21/10/2024
Executive Director(s)	Joe Chesterton	23/10/2024
Relevant Cabinet Member(s)	Councillor Collins	28/10/2024