

Title: Quarter Three Treasury Management Report - 2023/24

Meeting: Cabinet

Date: 4 March 2024

Classification: Part 1

Policy Context: All Corporate Priorities

Key Decision: No

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Executive Councillor: Councillor Cox Leader and Cabinet Member for SEND

1. Executive Summary

- 1.1. The Quarter Three Treasury Management Report covers the treasury management activity and compliance with the treasury management strategy for both quarter three and the period from April to December 2023.

2. Recommendations

That the following is approved:

- 2.1. **The Quarter Three Treasury Management Report for 2023/24.**

That the following is noted:

- 2.2. **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 December 2023.**
- 2.3. **The loan and investment portfolios were actively managed to minimise cost and maximise interest earned, whilst maintaining a low level of risk.**
- 2.4. **£4.811m of interest and income distributions for all investments were earned during this nine-month period at an average rate of 4.56%. This is 0.33% below the average SONIA rate (Sterling Overnight Index Average)**

and 0.39% below the average bank rate. Also, the value of the externally managed funds decreased by a net of £1.152m due to changes in the unit price, giving a combined overall return of 3.47%. (Section 8).

- 2.5. **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 December 2023 at an average rate of 3.46%.**
- 2.6. **The level of financing for ‘invest to save’ capital schemes decreased from £8.22m to £8.13m during the period from April to December 2023.**

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 2023/24 set out that reports would be submitted to Cabinet quarterly on the activities of the treasury management operation. This is the third quarter report for the financial year 2023/24, covering both quarter three and the period from April to December 2023.
- 3.3. Appendix 1 shows the in-house investment position at the end of quarter three of 2023/24.
- 3.4. Appendix 2 shows the treasury management performance specifically for quarter three of 2023/24.

4. National Context

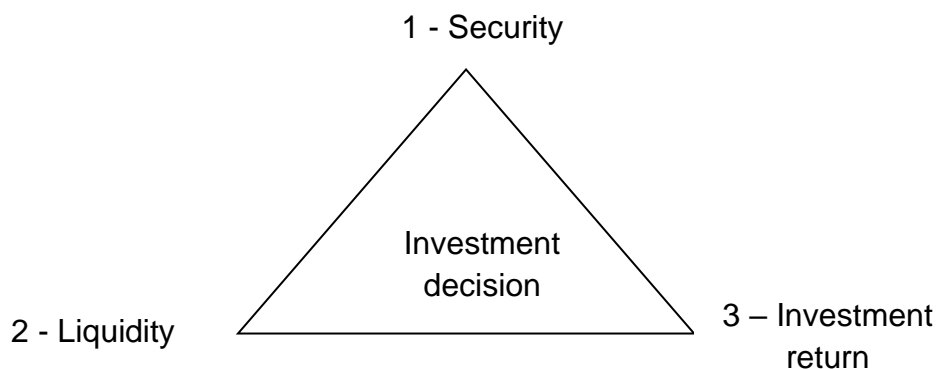
- 4.1 Given the ongoing economic and fiscal challenges UK gross domestic product (GDP) is estimated to have decreased by 0.1% in the quarter from July to September 2023, downwardly revised from a first estimate of no growth. UK GDP is now estimated to have shown no growth in the quarter from April to June 2023, revised down from a previous estimated increase of 0.2%.
- 4.2 The unemployment rate for the quarter from September to November 2023 was 4.2%, no change on the previous quarter. In October to December 2023 the estimated number of vacancies in the UK fell by 49,000 on the quarter to 934,000. Vacancies fell on the quarter for the 18th consecutive period, the longest consecutive run of quarterly falls ever recorded but still above pre-coronavirus pandemic levels.
- 4.3 The Consumer Prices Index including owner occupiers’ housing costs (CPIH) was at 4.7% in October, at 4.2% in November and 4.2% in December. (The

Consumer Prices Index excluding owner occupiers' housing costs (CPI) rose by 4.0% in the 12 months to December 2023.) The largest upward contributions to the annual CPIH inflation rate in December came from alcohol and tobacco while the largest downward contributions came from food and non-alcoholic beverages.

- 4.4 During the quarter, as a result of the decrease in the rate of inflation, the Bank of England maintained the bank base rate at 5.25%.
- 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 and as fixed term deposits matured, advantage could be taken of the increased rates when reinvesting those monies.
- 4.6 The continuation of the difficult economic conditions has had an impact on the monies invested by our Fund Managers for the property funds, with the unit price of those funds decreasing during the quarter. However, as noted throughout this report, 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. These investments are for the medium or long term and the markets are cyclical so the unit price can go up and down, but during the timescale over which they are invested they provide better returns than the in-house investments are able to.

5. Investments – quarter three (October to December)

- 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 and then other relevant information is considered. During the period from October to December 2023 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 monies invested is minimised through the Annual Treasury Management Investment Strategy.
- 5.4. Pie chart 1 of Appendix 1 shows that at the end of quarter three; 29% of our in-house investments were placed with financial institutions with a long-term rating of AAA, 26% with a long-term rating of A+, 45% with a long-term rating of A.
- 5.5. As shown in pie chart 2 of Appendix 1, these monies were placed with various counterparties, 71% being placed directly with banks and 29% 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 three £39.6m of our in-house monies were available on an instant access basis, £22.5m were held in fixed term deposits and £10.0m were held in notice accounts. The table below shows the fixed term deposits during the period October to December 2023.

Table 1: Fixed Term Deposits

Counterparty	Date of Deposit	Return Date	Number of days	Interest rate (%)	Amount (£m)
Santander UK plc	21/10/2022	23/10/2023	367	5.00	5
Santander UK plc	14/11/2022	14/11/2023	365	4.95	10
Lloyds Bank Corporate Markets (NRFB)*	29/09/2023	27/09/2024	364	5.78	10
National Bank of Kuwait (International) plc	17/05/2023	16/05/2024	365	5.27	12.5

* 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 £5.0m 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 3	£m	Investment return (%)
Value of fund at start of quarter	4.976	
Increase in fund due to value of unit price	0.059	4.68
Value of fund at end of quarter	5.035	
Income distributions	0.051	4.03
Combined investment income (income distribution plus change in fund value due to unit price)	0.110	8.71

5.10. The Council had an average of £87.9m of investments managed in-house over the period from October to December, and these earned an average interest rate of 5.23%. Of the in-house managed funds:

- an average of £23.2m was held in the Council's main bank account earning an average of 4.73% over the quarter.
- an average of £34.6m was held in money market funds earning an average of 5.40% 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 £1.4m was held in notice accounts earning an average of 5.75% over the quarter.
- an average of £28.7m was held in fixed term deposits and earned an average return of 5.41% 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. Overall, average in-house investment performance was 0.04% higher than the average SONIA rate (Sterling Overnight Index Average).

5.12. The SONIA rate fluctuated between 5.186% and 5.189% during the quarter. The bank base remained throughout the quarter at 5.25%. Performance is shown in Graph 1 of Appendix 2.

5.13. 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 three (October to December)

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 £7.4m 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 3	£m	Investment return (%)
Value of fund at start of quarter	7.282	
Increase in fund due to value of unit price	0.243	13.11
Value of fund at end of quarter	7.525	
Income distributions*	0.070	3.79
Combined investment income (income distribution plus change in fund value due to unit price)	0.313	16.90

* This income distribution is an estimate and will be confirmed and distributed in quarter 4.

- 6.5. An average of £7.0m 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 3	£m	Investment return (%)
Value of fund at start of quarter	6.940	
Increase in fund due to value of unit price	0.259	14.60
Value of fund at end of quarter	7.199	
Income distributions	0.078	4.42
Combined investment income (income distribution plus change in fund value due to unit price)	0.337	19.02

7. Property Funds – quarter three (October to December)

- 7.1. Throughout the quarter long term funds were invested in two property funds: Patrizia Hanover Property Unit Trust and Lothbury Property 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 £18.8m 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 3	£m	Investment return (%)
Value of fund at start of quarter	18.944	
Decrease in fund due to value of unit price	(0.483)	(10.20)
Value of fund at end of quarter	18.461	
Income distributions*	0.201	4.24
Combined investment income (income distribution plus change in fund value due to unit price)	(0.282)	(5.96)

* This income distribution is an estimate and will be confirmed and distributed in quarter 4.

- 7.5. An average of £10.7m was managed by Lothbury Investment Management 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 1 of Appendix 2.

Table 6: Lothbury Property Trust

Quarter 3	£m	Investment return (%)
Value of fund at start of quarter	11.024	
Decrease in fund due to value of unit price	(0.668)	(24.80)
Value of fund at end of quarter	10.356	
Income distributions	0.086	3.20
Combined investment income (income distribution plus change in fund value due to unit price)	(0.582)	(21.60)

8. Investments – quarter three cumulative position

- 8.1. During the period from April to December 2023 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 nine-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 December 2023:

Table 7: Investment position

	At 31 March 2023	At 31 December 2023	April to December 2023	
	Actual Balance (£000s)	Actual Balance (£000s)	Average Balance (£000s)	Average Rate (%)
Call accounts [#]	19,017	18,623	24,791	4.68
Money market funds	21,000	21,000	32,116	5.00
Notice Accounts	0	10,000	473	5.75
Fixed term deposits	27,500	22,500	33,300	5.09
Total investments managed in-house	67,517	72,123	90,680	4.95
Enhanced Cash Funds	4,962	5,035	4,980	5.79
Short Dated Bond Funds	14,262	14,724	14,196	8.23
Property Funds	30,504	28,817	30,053	(3.62)
Total investments managed externally	49,728	48,576	49,229	0.75
Total investments	117,245	120,699	139,909	3.47

[#] This includes the council’s main current account.

- 8.4. In summary the key factors to note are:

- An average of £90.7m of investments were managed in-house. These earned £3.380m of interest during this nine-month period at an average rate of 4.95%. This is 0.06% above the average SONIA rate and matched the average bank base rate at 4.95%.

- An average of £5.0m was managed by an enhanced cash fund manager. During this nine-month period this earned £0.144m from income distributions at an average rate of 3.85% and the value of the fund increased by £0.072m giving a combined overall return of 5.79%.
- An average of £14.2m was managed by two short-dated bond fund managers. During this nine-month period these earned £0.418m from income distributions at an average rate of 3.91% and the value of the funds increased by £0.463m giving a combined overall return of 8.23%.
- An average of £30.1m was managed by two property fund managers. During this nine-month period these earned £0.869m from income distributions at an average rate of 3.84% and the value of the funds decreased by £1.687m giving a combined overall return of -3.62%.

8.5. The total for interest and income distributions in paragraph 8.4 above is £4.811m. The total change in external fund values due to the unit price is a net decrease of £1.152m, 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	0.072
AXA Sterling Credit Short Duration Bond Fund	11	0.239
Royal London Investment Grade Short Dated Credit Fund	12	0.224
Patrizia Hanover Property Unit Trust	13	(0.650)
Lothbury Property Trust	14	(1.037)
Total net decrease due to changes in unit price		(1.152)

8.6. Some cash balances managed in-house are required to meet short term cash flow requirements and therefore throughout the nine-month period monies were placed 7 times for periods of one year or less. The table on the next page 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)	4	44
Goldman Sachs	Money Market Fund (Various Counterparties)	1	5
Aberdeen Liquidity Fund	Money Market Fund (Various Counterparties)	2	20
Total		7	69

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 cash flow movements to avoid having to pay higher rates to borrow from the market. During the period from April to December 2023 an average of £24.8m was held in such accounts.

8.8. For cash balances that are not needed to meet immediate or very short-term cash flow requirements, monies were invest in:

- a 35-day notice account with Santander UK plc.

8.9. 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 December 2023.

8.10. Table 10: Fixed Term Deposits

Counterparty	Date of Deposit	Return Date	Number of days	Interest rate (%)	Amount (£m)
National Bank of Kuwait (International) plc	17/05/2023	16/05/2024	365	5.27%	12.5
Santander UK plc	21/10/2022	23/10/2023	367	5.00%	5.0
Santander UK plc	14/11/2022	14/11/2023	365	4.95%	10.0
Lloyds Bank Corporate Markets (NRFB)*	29/09/2023	27/09/2024	364	5.78%	10.0
Lloyds Bank Corporate Markets (NRFB)*	29/12/2022	29/06/2023	182	4.33%	2.5
Lloyds Bank Corporate Markets (NRFB)*	29/12/2022	29/09/2023	274	4.71%	10.0

* NRFB – Non Ring-Fenced Bank

9. Short Dated Bond Funds – quarter three cumulative position

- 9.1. An average of £7.3m was managed by AXA Investment Managers UK Limited. The table below shows the movement in the fund value over the period from April to December, 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 December 2023	£m	Investment return (%)
Value of fund at start of financial year	7.286	
Increase in fund due to value of unit price	0.239	4.38
Value of fund at end of quarter 3	7.525	
Income distributions*	0.200	3.67
Combined investment income (income distribution plus change in fund value due to unit price)	0.439	8.05

* Q3 of this income distribution is an estimate and will be confirmed and distributed in quarter 4.

- 9.2. An average of £6.9m was managed by Royal London Asset Management. The table below shows the movement in the fund value over the period from April to December, 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 December 2023	£m	Investment return (%)
Value of fund at start of financial year	6.975	
Increase in fund due to value of unit price	0.224	4.27
Value of fund at end of quarter 3	7.199	
Income distributions	0.218	4.16
Combined investment income (income distribution plus change in fund value due to unit price)	0.442	8.43

10. Property Funds – quarter three cumulative position

- 10.1. An average of £19.0m was managed by Patrizia Property Investment Managers LLP. The table on the next page shows the movement in the fund value over the period from April to December, 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 December 2023	£m	Investment return (%)
Value of fund at start of financial year	19.111	
Decrease in fund due to value of unit price	(0.650)	(4.54)
Value of fund at end of quarter 3	18.461	
Income distributions*	0.590	4.12
Combined investment income (income distribution plus change in fund value due to unit price)	(0.060)	(0.42)

* Income distribution for Q3 is an estimate and will be confirmed and distributed in Q4.

- 10.2. An average of £11.1m was managed by Lothbury Investment Management Limited. The table below shows the movement in the fund value over the period from April to December, the income distributions for that period, the returns both for each element and the combined return.

Table 14: Lothbury Property Trust

April to December 2023	£m	Investment return (%)
Value of fund at start of financial year	11.393	
Decrease in fund due to value of unit price	(1.037)	(12.44)
Value of fund at end of quarter 3	10.356	
Income distributions	0.279	3.35
Combined investment income (income distribution plus change in fund value due to unit price)	(0.758)	(9.09)

- 10.3. As reported in the quarter two report, the Fund Managers had given notice to all unitholders that, in the event that no other option was identified for the continuation of the Fund by 31 December 2023, the Fund would terminate. If another option was identified and deemed to be viable prior to the termination date, then an EGM was to be held.
- 10.4. During quarter three, discussions continued in respect of a proposed merger with another property fund. An EGM was held on 14 December 2023 to consider and vote on the postponement of the Fund's termination date from 31 December 2023 to 31 March 2024, in order to conclude the discussions regarding the merger proposal. The resolution at the EGM was passed and the termination date for the Fund has been postponed until 31 March 2024. Depending on the progress of discussions in respect of the merger, a further EGM may be convened in the first quarter of 2024 which could also result in a further postponement of the termination date (subject to unitholder approval).
- 10.5. A further update will be provided as part of the outturn report to June Cabinet.

11. Borrowing – quarter three

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 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).

11.2. The Council began quarter three 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) interest rates and the future requirements of the capital programme, were taken into account when deciding the amount and timing of any 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 PWLB borrowing (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 over all the PWLB loans at the end of the quarter was 3.46%. A profile of the PWLB loan 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 events: 10-year PWLB rates between 4.33% and 5.56%; 25-year PWLB rates between 4.81% and 5.96% and 50-year PWLB rates between 4.54% and 5.74%. These rates are after the PWLB ‘certainty rate’ discount of 0.20%.

11.7. During quarter three no short-term loans were taken out for cash flow purposes. This is shown in Table 4 of Appendix 2.

12. Borrowing – quarter three cumulative position

12.1. The Council’s borrowing limits for 2023/24 are shown in the table below:

Table 15: Borrowing limits

	2023/24 Original (£m)
Authorised Limit	400
Operational Boundary	390

- 12.2. 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.
- 12.3. 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 Investment Programme. Periods where the actual position is either below or over the Boundary are acceptable subject to the Authorised Limit not being breached.
- 12.4. The Council’s outstanding borrowing as at 31st December 2023 was:
- | | |
|------------------------------|---------|
| Southend-on-Sea City Council | £355.4m |
| PWLB: £347.3m | |
| Invest to save: £8.13m | |
| ECC transferred debt | £8.83m |
- 12.5. Repayments in the first 9 months of 2023/2024 were:
- | | |
|------------------------------|--------|
| Southend-on-Sea City Council | £0.09m |
| PWLB: £0.0m | |
| Invest to save: £0.09m | |
| ECC transferred debt | £0.39m |
- 12.6. Outstanding debt relating to services transferred from Essex County Council (ECC) on 1st April 1998, remains under the management of ECC. Southend Borough Council reimburses the debt costs incurred by the County. The debt is recognised as a deferred liability on our balance sheet.
- 12.7. The interest payments for PWLB and excluding transferred debt, during the period from April to December 2023 were £8.1m which is the same as the original budget for the same period.
- 12.8. The table below summarises the PWLB borrowing activities over the period from April to December 2023:

Table 16: 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 2023	347.3	0	0	(0)	347.3
July to September 2023	347.3	0	0	(0)	347.3
October to December 2023	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

- 12.9. All PWLB debt held is repayable on maturity.

13. Funding for Invest to Save Schemes (included in Section 12)

- 13.1. Capital projects have been completed on energy efficiency improvements at the new Beecroft Art Gallery, replacement lighting on Southend Pier 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 the Council has taken out interest free loans of £0.079m 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 periods of five years with equal instalments to be repaid every six months. There are no 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. £0.009m of these loans were repaid during the period from April to December 2023.
- 13.3. At the meeting of Cabinet on 23rd 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 three was £8.118m. A repayment of £0.085m was made during the period from April to December 2023.
- 13.4. Funding of these invest to save schemes is shown in Table 5 of Appendix 2.

14. Compliance with Treasury Management Strategy – quarter three

- 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 23 February 2023. 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 2023/24 set out that reports would be submitted to Cabinet quarterly on the activities of the treasury management operation.

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. 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.

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

CIPFA Code of Practice for Treasury Management in the Public Sector.

23. Appendices

Appendix 1 – In-House Investment Position as at 31 December 2023

Appendix 2 – Treasury Management Performance for Quarter Three – 2023/24

Report Authorisation

This report has been approved for publication by:

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	Name:	Date:
S151 Officer	Joe Chesterton	07/02/2024
Monitoring Officer	Kim Sawyer	07/02/2024
Executive Director(s)	Joe Chesterton	07/02/2024
Relevant Cabinet Member(s)	Councillor Cox	07/02/2024