

**APPENDIX A****TREASURY MANAGEMENT MONITORING REPORT FOR THE THIRD QUARTER OF 2022/23****A1. SUMMARY OF TREASURY MANAGEMENT INDICATORS**

The City Council approved the authorised limit (the maximum amount of borrowing permitted by the Council) and the operational boundary (the maximum amount of borrowing that is expected) when it considered the budget on 15 February 2022. The Council's debt on 30 December was as follows:

<b>Prudential Indicator</b>	<b>Limit £m</b>	<b>Actual £m</b>
Authorised Limit - the maximum amount of borrowing permitted by the Council	1,009	744
Operational Boundary - the maximum amount of borrowing that is expected	995	744

The maturity structure of the Council's fixed rate borrowing was:

	<b>Under 1 Year</b>	<b>1 to 2 Years</b>	<b>3 to 5 Years</b>	<b>6 to 10 Years</b>	<b>11 to 20 Years</b>	<b>21 to 30 Years</b>	<b>31 to 40 Years</b>	<b>41 to 50 Years</b>
Minimum proportion of loans maturing	0%	0%	0%	0%	0%	0%	0%	0%
Maximum proportion of loans maturing	10%	10%	10%	20%	30%	40%	40%	40%
Actual proportion of loans maturing	1%	1%	4%	13%	15%	8%	31%	27%

The maturity structure of the Council's variable rate borrowing was:

	<b>Under 1 Year</b>	<b>1 to 2 Years</b>	<b>3 to 5 Years</b>	<b>6 to 10 Years</b>	<b>11 to 20 Years</b>	<b>21 to 30 Years</b>	<b>31 to 40 Years</b>	<b>41 to 50 Years</b>
Minimum proportion of loans maturing	0%	0%	0%	0%	0%	0%	0%	0%
Maximum proportion of loans maturing	10%	10%	10%	20%	30%	40%	40%	40%
Actual proportion of loans maturing	2%	2%	7%	11%	24%	26%	13%	15%

Surplus cash invested for periods longer than 365 days on 31<sup>st</sup> December 2022 was:

	<b>Limit</b>	<b>Quarter 3 Actual</b>
	£m	£m
Maturing after 31/3/2023	125	73
Maturing after 31/3/2024	50	27
Maturing after 31/3/2025	50	5

## **A2. GOVERNANCE**

The Treasury Management Policy approved by the City Council on 15 March 2022 provides the framework within which treasury management activities are undertaken.

On Friday 02 December a £5m deposit was made which increased the total amount deposited with a counter party to £29m. The approved Treasury Management Policy limits deposits with this counterparty to a maximum of £26m in aggregate. Consequently, the Treasury Management deposit limit for this counter party was exceeded by £3m. Immediately following the trade being updated into the loans register later the same day, the error became apparent, and action was promptly taken to remedy the error by requesting, via the broker, the return of the £5m deposited. Consequently, the funds were returned to the Council on the next bank working day which was Monday 05 December.

### A3. INTEREST RATE FORECASTS

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates.

The latest forecasts are shown below.

Link Group Interest Rate View 19.12.22													
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
<b>BANK RATE</b>	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

PWLB is the Public Works Loans Board

On 03 November, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 75 basis points to 3.00%, and on 15 December moved rates up a further 50 basis points to 3.50%. The later increase reflected a split vote – six members voting for a 50 basis points increase, one for 75 basis points and two for none.

Link's central forecast for interest rates was most recently updated on 19 December and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases, but the Government's policy of emphasising fiscal rectitude will probably mean Bank Rate will not need to increase to further than 4.5%.

In the medium term, Link anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us.

### A4. BORROWING ACTIVITY

No borrowing was undertaken in 2022.

The Council's gross borrowing on 31 December 2022 of £744m is within the Council's Authorised Limit (the maximum amount of borrowing approved by City Council) of £1,009m and within the Council's Operational Boundary (the limit beyond which borrowing is not expected to exceed) of £995m.

The Council plans for gross borrowing to have a reasonably even maturity profile. This is to ensure that the Council does not need to replace large amounts of maturing borrowing when interest rates could be unfavourable.

The actual maturity profile of the Council's borrowing is within the limits contained within the Council's Treasury Management Policy (see paragraph A1).

#### Early Redemption of Borrowing

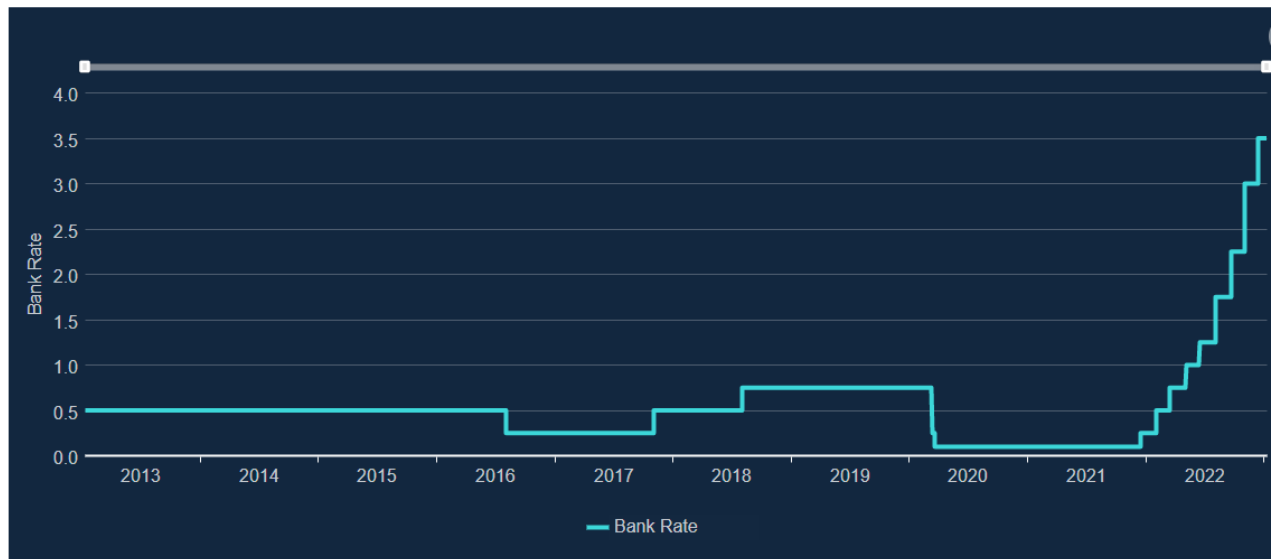
No debt rescheduling or early repayment of debt has been undertaken in 2022 as it has not been financially advantageous for the Council to do so.

### **A5. INVESTMENT ACTIVITY**

There have been few changes to credit ratings over the quarter under review.

The Bank of England base rate has been at a low level for the last decade and fell to a particularly low level of 0.10% in March 2020 when the coronavirus pandemic struck. The Bank of England has steadily increased its base rate since December 2021, with particularly large increases of 0.75% and 0.50% in the third quarter of 2022/23. This can be seen in the graph below.

Official Bank Rate



The Council's investments averaged £453m to 31 December. The Council's investments made an average annualised return of 0.91% in the first three quarters of 2022/23. This is compared with the performance in prior years in the table below.

<b>Year</b>	<b>Overall Return</b>
2020/21	0.99%
2021/22	0.31%
2022/23 (to 31 <sup>st</sup> December)	0.91%

Although the base rate fell to 0.10% for much of 2020/21, the return on the Council's investments did not sharply fall immediately, with the rate of return being held up by investments that had been made previously when base rate was higher. However, as previously made investments matured in 2021/22, the return on the Council's investments did fall sharply. With the increase in base rate, new investments made in 2022/23 have had higher returns, and this has resulted in the overall rate of return on the Council's investments increasing. This is expected to continue, but the rate of return on the Council's investments is being held back by older investments that were made when interest rates were lower.

#### **A6. COMBINED BORROWING AND INVESTMENT POSITION (NET DEBT)**

The Councils net debt position on 30 September 2022 is summarised in the table below.

	<b>Principal</b>	<b>Average Interest Rate</b>	<b>Interest to 31 December 2022</b>
Borrowing (including finance leases & private finance initiative (PFI) schemes)	£744m	3.15%	£17.6m
Investments	(£415m) *	(0.91%)	(£3.1m)
Net Debt	£329m		£14.5m

\*Although the Council's investments were £415m on 30 December 2022, the average sum invested over this period was £453m.