

NON-CONFIDENTIAL



Borough of Tamworth

2 September 2024

Dear Councillor

You are hereby summoned to attend a **meeting of the Council of this Borough** to be held on **TUESDAY, 10TH SEPTEMBER, 2024** at 6.10 pm in the **TOWN HALL, MARKET STREET, TAMWORTH**, for the transaction of the following business:-

AGENDA

NON CONFIDENTIAL

1 Apologies for Absence

2 To receive the Minutes of the previous meeting (Pages 3 - 14)

3 Declarations of Interest

To receive any declarations of Members' interests (pecuniary and non-pecuniary) in any matters which are to be considered at this meeting.

When Members are declaring a pecuniary or non-pecuniary interest in respect of which they have dispensation, they should specify the nature of such interest. Members should leave the room if they have a pecuniary or non-pecuniary interest in respect of which they do not have a dispensation.

4 To receive any announcements from the Mayor, Leader, Members of the Cabinet or the Chief Executive

5 Question Time:

- (i) To answer questions from members of the public pursuant to Procedure Rule No. 10.
- (ii) To answer questions from members of the Council pursuant to Procedure Rule No. 11

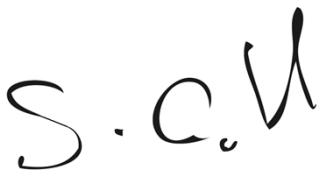
6 To Confer the Title of Honorary Alderman

On Tuesday 9th July 2024 it was resolved that, pursuant to section 249 (5) of the Local Government Act 1972 this Council does hereby confer the Title of Honorary Alderman of the Borough upon Mr Daniel Cook and Mr Robert Pritchard in recognition of their eminent services to the Borough of Tamworth whilst they were a member of Tamworth Borough Council.

7 Annual Report On The Treasury Management Service And Actual Prudential Indicators 2023/24 (Pages 15 - 34)

(Report of the Leader of the Council)

Yours faithfully



CHIEF EXECUTIVE

Access arrangements

If you have any particular access requirements when attending the meeting, please contact Democratic Services on 01827 709267 or e-mail democratic-services@tamworth.gov.uk. We can then endeavour to ensure that any particular requirements you may have are catered for.

Filming of Meetings

The public part of this meeting may be filmed and broadcast. Please refer to the Council's Protocol on Filming, Videoing, Photography and Audio Recording at Council meetings which can be found [here](#) for further information.

If a member of the public is particularly concerned about being filmed, please contact a member of Democratic Services before selecting a seat.

FAQs

For further information about the Council's Committee arrangements please see the FAQ page [here](#)

Marmion House
Lichfield Street
Tamworth



**MINUTES OF A MEETING OF THE
COUNCIL
HELD ON 9th JULY 2024**

PRESENT: Councillor G Coates (Mayor), Councillors C Bain, C Adams, B Clarke, M Clarke, R Claymore, T Clements, M Couchman, S Daniels, C Dean, D Foster, H Hadley, T Jay, K Norchi, J Oates, P Pallett, L Smith, S Smith, N Statham, M Summers, P Turner, L Wood and A Wells

The following officers were present: Stephen Gabriel (Chief Executive), Nicola Hesketh (Monitoring Officer) and Leanne Costello (Senior Scrutiny and Democratic Services Officer)

21 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors N Arkney, M Bailey, S Doyle, R Kingstone, B Price and J Wadrup.

22 TO RECEIVE THE MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 21st May 2024 were approved and signed as a correct record.

(Moved by Councillor Cllr L Wood and seconded by Councillor C Dean)

23 DECLARATIONS OF INTEREST

There were no Declarations of Interest.

24 TO RECEIVE ANY ANNOUNCEMENTS FROM THE MAYOR, LEADER, MEMBERS OF THE CABINET OR THE CHIEF EXECUTIVE

The Leader of the Councillor, Councillor C Dean made the following announcement:

I just thought it would be a good point to thank our Chief Executive, Stephen Gabriel and all the Officers for the work that they did in the past few weeks to secure an effective and successful election process. I know this has taken so much time out of everybody's day and we're grateful that it worked so well in Tamworth and that there no incidents so thank you for that. And of course, I'm more than pleased with the result and would like to record my congratulations to

our re-elected MP, Sarah Edwards and we look forward to working with her and a new Labour Government of course to the benefit of all the people of Tamworth and all our businesses of course.

The Leader of the Opposition, Councillor T Jay made the following announcement:

I would just like to echo the congratulations and we hope that she does a good job for all of us in Tamworth.

25 QUESTION TIME:

QUESTIONS FROM MEMBERS OF THE PUBLIC NO. 1

Under Procedure Rule No 10, P Sharman, will ask the Portfolio Holder for Housing, Homelessness and Planning Councillor B Clarke, the following question:-

In the absence of Mr Sharman the Mayor asked the following question on their behalf:

With the work on the bandstand now running passed it's initial timeframe when will the work be completed and what will the total cost of the refurbishment be?

Answer:-

Our contractors are in the final stages of the project, and it is anticipated that all works will now be completed by mid-August. As is often the case with structures of this nature additional elements that required repair and renewal were identified as the structure was opened up exposing parts of the structure that were not previously accessible. These additional elements of repair have resulted in the original programme being extended and the total cost of the building works is expected to be £107,000.

I would just like to add that this is an iconic landmark for Tamworth and want to get it right first time, hence the increased timeframe and I commend that work was started from the opposition on this important restoration.

QUESTIONS FROM MEMBERS OF THE PUBLIC NO. 2

Under Procedure Rule No 10, P Sharman, will ask the Portfolio Holder for Housing, Homelessness and Planning Councillor B Clarke, the following question:-

In the absence of Mr Sharman the Mayor asked the following question on their behalf:

With the ongoing work on this bandstand and the Initial cost rising was the job put out to tender in the first place?

Answer:-

Given the location of the bandstand and with it being a heritage asset it requires the attention of contractor who specialises in heritage works. The contract was not formally tendered as a separate piece of work, it was instead awarded to the contractor currently undertaking works at Tamworth Castle; this is a contractor who specialises in heritage type works and who has demonstrated their ability to deliver value for money on projects through a competitive procurement approach.

QUESTIONS FROM MEMBERS OF THE COUNCIL NO. 1

Under Procedure Rule No 11, Councillor T Jay will ask the Leader or the Council, Councillor C Dean, the following question:-

In your recent campaign you regularly mentioned 'forgotten estates', even though you were already elected to most of them. The answer seemed to be 'well we're not in control'. Whilst I disagree with the premise that these estates were ever 'forgotten', I would like to now ask that, now that you are in control, what exactly have you done to improve these areas?

Answer:-

in preparation for this meeting I took a ride around Belgrave ward this morning, taking pictures of the kind of problems that we've been talking about, unfortunately I can't download them to wave them about sorry.

As most of you will be aware we are already working on our new corporate plan which will incorporate a focused environmental strategic priority around this area and as we go forward with the corporate plan, we will we want to acknowledge that we will work in collaboration and cooperation on enhancements and maintenance to the public realm with many partners including Staffordshire County Council and a wider stakeholder group. But, as you have three leaders on your group you well understand the pace of change that goes within the Council so be assured, we are already working on things, we are looking at our plans and how we can achieve some of this, but plans do take more than six weeks to put in place.

I would like to acknowledge that there are some innovations already in place, working on improving some of those sites. There was a lot of work that has already been done by the opposition and very recently in one of our meetings there was more resource put into Street Scene and we would like to think that that's partly to do with us highlighting that this was needed to be done.

There are all sorts of systems that are in place; a new neighbourhood impact team launched in 23/24 to support the community resilience; we have assisted living schemes to support OAP's, so where we were told that people needed to take responsibility for their own things, it's nice to see that we have schemes in place that will help the vulnerable. We have a team focused on maintaining alleyways garage sites and dying areas, but unfortunately that was one of the pictures that I took today was a gully way so we do need to be doing more talking and looking at where these areas are focused on what we can do about

them. Our Chief Executive Stephen Gabriel is making appointments with all Councillors to do ward walks, for us to better understand our wards and for us to explain to Steven what we see and the various issues that are local to us and I understand councillor Turner is already taken advantage of this so the system is already started.

As we go forward and we look at the things that we want to do, we do have to look at any changes that we wish to make in context of the budget pressures, and although it's true to say that the previous Conservative administration has set a balanced budget and the funding is in place for the next three years, there is a big problem because this budget requires the council to dip into its reserves (it's savings) to the tune of £1 million this year, 3.2 million next year and 4.7 the year after and we all know that that's clearly unsustainable we can't run a council running that deficit and we have to act now.

Supplementary:

You were elected on a ticket for change apparently, well it only seems to be change for the worse at the moment it's getting worse, the electorate probably wanted positive change so where is it?

Answer:-

I would say you are all still Councillors, so if you are seeing those things, everybody needs to know about it, and it needs to be sent in in the normal way. Our Councillors on this side are out and about in their wards all the time and raising issues.

It is, as I said six weeks but that space with the General Election did seem to suck all the air out of everything so there has been little time mainly for our officers. We've had to keep working but we've been conscious of the effort that the officers have had to put in for the election, but as I say there are all sorts of plans in place. The corporate plan is taking shape and that will show our priorities, it will show where we need to do the work but we do need to be mindful of the budget so these things can't be done quickly, we've got to think about how we're going to fund things and what in that context we're not going to fund. We are hoping that the opposition will be coming forward and taking part in all those conversations because as I say again and again and again we want cooperation, we want collaboration, we want this to be done as a whole Council. We don't want to be seen as we're doing it, and you're opposing it, as we said this time last year, we're not going to oppose for the sake of it and I hope that that will come back the other way

QUESTIONS FROM MEMBERS OF THE COUNCIL NO. 2

Under Procedure Rule No 11, Councillor T Clements will ask the Portfolio Holder for People Services, Leisure & Engagement, Councillor L Smith, the following question:-

Can the cabinet member for events please tell me why on the 6th of June when the town came out to celebrate and remember D DAY there was not one single piece of bunting around the town?

Answer:-

To support the D Day celebration a range of events were hosted over the D-Day anniversary to commemorate it's anniversary.

The events included:

Over the DD anniversary weekend to commemorate the 80th Anniversary of the D-Day Landings, visitors were invited to send and receive messages via morse keys, use cypher wheels for a coding, guess the aircraft silhouette, and see if they have what it takes to pass an army medical.

In addition, at the Castle the Tamworth Wargames Club held a reenactment of some of the battles that followed the D Day Landings.

The Castle was also lit up over the weekend in red, white and blue to mark this important occasion too.

Further the D-Day Darlings performed two shows at the Tamworth Assembly Rooms as well as in the Market Square in Tamworth.

In terms of the use of bunting, unfortunately, this had not been discussed and in all honesty as a number of other large events were running was overlooked. I am sure members will appreciate Officers do work hard to offer a wide and varied range of events and we try to accommodate as many requests as we can. We are pleased to say the events mentioned earlier were well received, attended and appreciated.

Supplementary:

Without the veterans who fought and died for our country, we would have no heritage to celebrate and given that the town was decorated with other Athlestan banners at the time of D-Day, decorations could have been could have been done. Does the Cabinet Member feel that remembering our fallen is less worth it then remembering our heritage?

Answer:-

No of course not, however, as I've said the officers did put many events in place to commemorate our fallen during the D-Day anniversary. I understand and I do apologise for the fact that the bunting wasn't necessarily D-Day relevant however there was many things that were put on around the town to commemorate this event.

QUESTIONS FROM MEMBERS OF THE COUNCIL NO. 3

Under Procedure Rule No 11, Councillor T Clements will ask the Leader of the Council, Councillor C Dean, the following question:-

Can the cabinet member for finance please answer why when the budget process for the ensuing year was done a line was added for Armed Forces Day commemorations of £1k yet the Royal British Legion will be invoiced for the hire of the lower lawn? Surely this is exactly what the budget is for.

Answer:-

Officers worked to support the Royal British Legion who made an external hire request for the Lower Lawns in the Castle Grounds and this event also had the associated Event Management Plans and Safety Advisory Group in advance of the event taking place.

It would appear upon further investigation that the £1k discussed during last year's budget process was not recorded and therefore included in the policy changes for the budget and as such, a further policy change will be submitted for further consideration. As you know we work very well with the Royal British Legion and you as their representative will hopefully make sure that this is kept highlighted and can be sorted out. Please keep on to us to make sure that this is sorted for next time.

Supplementary:-

Can the Cabinet Member give Members the assurance Veterans will continue to get the unwavering support that they have always had from the Council?

Answer:-

Yes Councillor Clements. I think everyone in this rooms knows this debt that we owe to our Veterans and we really, really support the work of the Royal British Legion does and want to be in as many things as we can because it really needs to be a whole town approach to these events.

QUESTIONS FROM MEMBERS OF THE COUNCIL NO. 4

Under Procedure Rule No 11, Councillor M Summers will ask the Portfolio Holder for Housing, Homelessness & Planning, Councillor B Clarke, the following question:-

Further to the land on the Broom in Dosthill being taken up by school development. What is the council going to do to ensure other cherished public spaces in Trinity Ward and the wider town are not encroached upon by development.

Answer:-

Thank you for your question. An open space assessment is being carried out, by external consultants, as part of the evidence base to support the new local plan. The assessment will assess the quality and value of the open spaces around the

borough and help to determine which ones need to be protected/enhanced, and which ones might be suitable for alternative uses to meet the wider needs of Tamworth up to 2043. Open spaces in the Trinity Ward will also form part of the assessment.

I would also like to add that we do have the Local Plan Working Group and your input and ideas would be absolutely welcome if you would like to join that.

Supplementary:-

What specifically will we do to ensure that the County Council can't take bits of our parks and open spaces?

Answer:-

I think this is an issue that is going to take collaboration between different organisations, between the county and between the borough and collaboration across party. I don't have all of the answers so if we can together, we can properly work to protect our spaces and work out what use they are needed for. I get your point that we absolutely need to work together to make sure that our spaces are properly used and protected where necessary.

QUESTIONS FROM MEMBERS OF THE COUNCIL NO. 5

Under Procedure Rule No 11, Councillor M Summers will ask the Portfolio Holder for Environmental, Sustainability, Recycling and Waste, Councillor D Foster, the following question:-

Further to recent traveller visits. What are the controlling group doing to ensure a robust response to illegal incursions on to land in the borough? Bearing in mind that during my tenure in charge of this, I instructed use of PSPOs and injunctions, is this still happening? What is your strategy?

Answer:-

Thank you for your question. The process and protocols from an eviction perspective remain the same. The Environmental Health team continue to monitor unauthorised encampments on Borough Council land, undertake welfare checks, and if necessary, when encampments are not moving on quickly, attain a court order through legal processes. This work is undertaken with support from Tamworth police and, during the eviction process, bailiffs. Officers ensure that all times members are kept informed with daily updates.

The use of Public Space Protection Orders to prevent unauthorised encampments is a power that the Council can consider but must be proportionate in its use. PSPOs cannot be used as a means to evict people, but may afford some deterrent, nor can be used to target the traveller way of life.

A full Council workshop on this matter has been arranged through recommendation from the Travellers Working Group and will take place in September.

In light of a legal challenge by representative of the travelling community around Police powers of eviction, we will take further legal advice and provide an update at the meeting.

Supplementary:-

Are PSPO's and injunctions, which are the only legal means that we can take to prevent travellers encamping on land going to be pursued as an option?

Answer:-

If and when appropriate those powers will be used by this Council and we are actively looking at how and when those orders might be appropriate.

QUESTIONS FROM MEMBERS OF THE COUNCIL NO. 6

Under Procedure Rule No 11, Councillor T Jay will ask the Leader of the Council, Councillor C Dean, the following question: -

Having recently tried to report an issue via the myStaffs app, it redirected to the Borough Council website. It seems that since the pages on the new site have completely changed, I got a page not found error rather than the information I needed. What co-ordination has been done between anyone such as other authorities or government, who linked to our site to ensure that the links remain valid. Is anyone monitoring the missing page errors to ensure these are easily picked up and dealt with?

Response:-

Thank you for your question Cllr Jay

I can confirm that for all Tamworth Borough Council website, officers run a broken links checker on a weekly basis, so they are immediately(weekly) aware of when partners such as Staffordshire County Council and Lichfield District Council change links and any issues are corrected right away.

Tamworth Borough Council officers were not aware of any issue between mystaffs app and TBC websites, however they have made contact with relevant County Council officers to discuss and rectify any issues with links.

Supplementary:-

If they check it weekly, why was this one not found?

Answer:-

I will have to go back and check that as I don't know what the dates of these are, so I would have to ask the officers to look into that and ensure that the weekly check is being done.

QUESTIONS FROM MEMBERS OF THE COUNCIL NO. 7

Under Procedure Rule No 11, Councillor J Oates will ask the Portfolio Holder for People Services, Leisure & Engagement, Councillor L Smith, the following question:-

Before the election, this Conservative group was working on plans to hold a celebration for Tamworth Football Club. Their recent double promotion will draw visitors to our town and should be celebrated. To date, in almost two months, we have not heard any more on this. Can the cabinet member please confirm their commitment to supporting what we started?

Response:-

Thank you, Cllr Oates, for your question and I can confirm that I am committed to continuing what you started. There has been initial talks with Tamworth FC regarding the possibility of the council supporting a formal celebration of the clubs double promotion however, we are yet to hear back from the club in terms of suitable dates for the event. I would like to use this moment to congratulate Tamworth Football Club.

26 CONFER THE TITLE OF HONORARY ALDERMAN ON MICHAEL OATES

On Tuesday 21st May 2024 it was resolved that, pursuant to section 249 (5) of the Local Government Act 1972 this Council did hereby confer the Title of Honorary Alderman of the Borough upon Mr Michael Oates in recognition of his eminent services to The Borough of Tamworth whilst he was a member of Tamworth Borough Council.

27 NOMINATION OF HONORARY ALDERMAN - DANIEL COOK

Resolved: Pursuant to Section 249(5) of the Local Government Act 1972, in recognition of his services admit the title of Honorary Alderman of the Borough to Daniel Cook

(Moved by Councillor T Jay and seconded by Councillor R Claymore)

28 NOMINATION OF HONORARY ALDERMAN - ROBERT PRITCHARD

Resolved: Pursuant to Section 249(5) of the Local Government Act

1972, in recognition of his services admit the title of Honorary Alderman of the Borough to Robert Pritchard.

(Moved by Councillor J Oates and seconded by Councillor P Turner)

29 CONSTITUTION & SCHEME OF DELEGATION REVIEW

Report of the Leader of the Council / Monitoring Officer to obtain the Council's approval to the refreshed Constitution (including the Scheme of Delegation).

The Committee Considered the recommendation to approve and adopt the Council's refreshed Constitution (including the Scheme of Delegation) at Appendix 1.

A motion to amend the recommendation was proposed by Councillor M Summers.

Resolved that Council:

1. Approved and adopted the Council's refreshed Constitution (including the Scheme of Delegation) at Appendix 1 and introduce a postage allowance and budget for nonpolitical mailings, such as advertisement of Councillors surgeries, to residents in our wards, controlled by democratic services. The Amount of which to be determined as appropriate.

(Moved by Councillor M Summers and seconded by Councillor R Claymore)

30 CODE OF CONDUCT REVIEW

Report of the Leader of the Council / Monitoring Officer to obtain the Council's approval to the revised code of conduct procedures.

Resolved that Council:

1. That the Council approve and adopt the Council's revised code of conduct procedures at Appendix 1.
2. That the Council approve and adopt the Council's revised documentation at Appendix 2 and associated code of conduct form at Appendix 3.
3. That the Council approve the revised code of conduct to be applied to new complaints received after 9th July 2024.
4. That the Council delegates responsibility to the Monitoring Officer for the updating of the Councils Constitution to reflect the recommendations contained within the report.

(Moved by Councillor C Dean and seconded by Councillor L Wood)

31 EXCLUSION OF THE PRESS AND PUBLIC

To consider excluding the Press and Public from the meeting by passing the following resolution:-

“That in accordance with the provisions of the Local Authorities (Executive Arrangements) (Meeting and Access to Information) (England) Regulations 2012, and Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during the consideration of the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 1&2 of Part 1 of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public”

At the time this agenda is published no representations have been received that this part of the meeting should be open to the public.

(Moved by Councillor M Summers and seconded by Councillor C Dean)

32 HONORARY FREEMAN OF THE BOROUGH (INDIVIDUAL)

Report of the Chairman of the Nominations and Grants Committee to consider the Nomination received, considered and supported by the Nominations and Grants Committee.

Resolved that Council:

1. Considered the recommendation from the Nominations and Grants Committee;
2. Agreed that the Nomination is worthy of an award under S249 of the Local Government Act 1972.

(Moved by Councillor D Foster and seconded by Councillor T Clements)

The Mayor

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CABINET

THURSDAY 29TH AUGUST 2024

COUNCIL

TUESDAY 10th SEPTEMBER 2024

REPORT OF THE LEADER OF THE COUNCIL

ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2023/24

EXEMPT INFORMATION

None

PURPOSE

The Annual Treasury report is a requirement of the Council's reporting procedures. It covers the Treasury activity for 2023/24, and the actual Prudential Indicators for 2023/24.

The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes in accordance with Regulations issued under the Local Government Act 2003. It also provides an opportunity to review the approved Treasury Management Strategy for the current year and enables Members to consider and approve any issues identified that require amendment.

RECOMMENDATIONS

That Council ;

1. **Approve the actual 2023/24 Prudential and Treasury Indicators within the report and shown at Appendix 1; and**
2. **Note the Annual Treasury Management Report for 2023/24**

EXECUTIVE SUMMARY

This report covers Treasury operations for the year ended 31st March 2024 and summarises:

- the Council's Treasury position as at 31st March 2024; and
- Performance Measurement

The key points raised for 2023/24 are:

1. The Council's Capital Expenditure and Financing 2023/24
2. The Council's Overall Borrowing Need
3. Treasury Position as at 31st March 2024

4. The Strategy for 2023/24
5. Borrowing Outturn for 2023/24
6. Investment Outturn for 2023/24
7. Performance Measurement
8. The Economy and Interest Rates
9. Property Funds
10. Other Issues

The Treasury Function has achieved the following favourable results:

- The Council has complied with the professional codes, statutes and guidance;
- There are no issues to report regarding non-compliance with the approved prudential indicators;
- The Council maintained an average investment balance externally invested of £67.4m and achieved an average return of 4.92% (budgeted at £38.2m and an average return of 3.4%).
- The closing weighted average internal rate on borrowing is 4.05% (4.05% for 2023/24);
- The Treasury Management Function has achieved an outturn investment income of £3.4m compared to an original budget of £1.3m Investment balances were higher than budgeted throughout the year, and the average interest rates rose significantly.
- We also received £487k in dividends from our property fund investments (£458k in 2022/23), compared to a budget of £420k. However, the net value of the investments has fallen by £1.82m as at 31st March 2024.

During 2023/24 the Council complied with its legislative and regulatory requirements.

The Executive Director Finance confirms that there was no overall increase in borrowing within the year and the Authorised Limit was not breached.

At 31st March 2024, the Council's external debt was £63.060m (£63.060m at 31st March 2023) and its external investments, excluding property funds and bank account, totalled £59.108m (£60.610m at 31st March 2023).

RESOURCE IMPLICATIONS

There are no financial implications or staffing implications arising directly from the report.

LEGAL/RISK IMPLICATIONS BACKGROUND

The Council is aware of the risks of passive management of the Treasury Portfolio and with the support of Link Asset Services, the Council's current Treasury advisers, has proactively managed its debt and investments during the year.

EQUALITIES IMPLICATIONS

None

SUSTAINABILITY IMPLICATIONS

None

REPORT AUTHOR

If Members would like further information or clarification prior to the meeting please contact Joanne Goodfellow, telephone 01827 709241 or email joanne-goodfellow@tamworth.gov.uk

LIST OF BACKGROUND PAPERS

- Local Government Act 2003;
- Statutory Instruments: 2003 No 3146 & 2007 No 573;
- CIPFA Code of Practice on Treasury Management in Public Services;
- Treasury Management Strategy 2023/24 (Council 28th February 2023);
- Treasury Management Mid-Year Review 2023/24 (Council 12th December 2023);
- Treasury Outturn Report 2022/23 (Council 19th September 2023).

APPENDICES

Appendix 1 – Prudential and Treasury Indicators

Appendix 2 – Borrowing and Investment Rates

Annual Treasury Management Review 2022/23

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2023/24. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2023/24 the minimum reporting requirements were complied with:

- an annual treasury strategy in advance of the year (Council 28th February 2023)
- a mid-year (minimum) treasury update report (Council 12th December 2023)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

In addition, Cabinet has received quarterly Treasury Management updates as part of the quarterly performance reports.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members. This Council confirms that it has complied with the requirement under the Code to provide scrutiny of all of the above Treasury Management Reports to the Audit and Governance Committee. Member training on Treasury Management issues was provided in February 2024 and further training is planned during 2024/25.

During 2023/24, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows.

Prudential & Treasury Indicators	2022/23	2023/24	2023/24
	Actual £m	Estimate £m	Actual £m
Capital Expenditure			
Non HRA	4.889	30.988	12.416
HRA	13.876	14.613	11.320
Total	18.765	45.601	23.737
Capital Financing Requirement			
Non HRA	3.785	6.608	4.092
HRA	69.982	71.582	70.507
Total	73.767	78.190	74.600
Gross Borrowing			
External Debt	63.060	63.060	63.060
Investments			
Longer than 1 year	10.842	-	10.143
Less than 1 year	60.49	15.194	56.670
Total	71.332	15.194	66.813
Net Borrowing	-8.272	47.866	-3.753

It should be noted that **£30m** of Capital scheme spend has been re-profiled into 2024/25 (also including re-profiling from previous years) which has increased investment balances.

Other prudential and treasury indicators are to be found further in this report. The Executive Director Finance confirms that there was no overall increase in borrowing in year and the statutory borrowing limit (the authorised limit) was not breached.

1. The Council’s Capital Expenditure and Financing 2023/24

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council’s borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply internal funds, the capital expenditure would give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

General Fund	2022/23 Actual £m	2023/24 Estimate £m	2023/24 Actual £m
Capital Expenditure	4.889	30.988	12.416
Financed in year	4.837	27.331	11.902
Unfinanced capital expenditure	0.052	3.657	0.515
HRA	2022/23 Actual £m	2023/24 Estimate £m	2023/24 Actual £m
Capital Expenditure	13.876	14.613	11.320
Financed in year	13.788	13.757	10.795
Unfinanced capital expenditure	0.088	0.856	0.526

2. The Council’s Overall Borrowing Need

The Council’s underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council’s indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2023/24 unfinanced capital expenditure (see above table), and prior years’ net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council’s treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council’s cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLb] or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council’s (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council’s 2023/24 MRP Policy (as required by DLUHC Guidance) was approved as part of the Treasury Management Strategy Report for 2023/24 on 28th February 2023.

The Council’s CFR for General Fund and the HRA for the year are shown below, and represent a key prudential indicator.

CFR: General Fund	31st March 2023 Actual £m	31st March 2024 Budget £m	31st March 2024 Actual £m
Opening balance	3.937	3.909	3.785
Add unfinanced capital expenditure (as above)	0.052	3.657	0.515
Less MRP/VRP	(0.204)	(0.214)	(0.207)
Less PFI & finance lease repayments	-	-	-
Closing balance	3.785	7.352	4.092

CFR: HRA	31st March 2023 Actual £m	31st March 2024 Budget £m	31st March 2024 Actual £m
Opening balance	69.893	69.982	69.981
Add unfinanced capital expenditure (as above)	0.088	3.657	0.526
Less MRP/VRP	-	-	-
Less PFI & finance lease repayments	-	-	-
Closing balance	69.981	73.639	70.507

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2023/24 plus the estimates of any additional capital financing requirement for the current (2024/25) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2023/24. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

Gross borrowing and the CFR	31st March 2023 Actual £m	31st March 2024 Budget £m	31st March 2024 Actual £m
Gross borrowing position	63.060	63.060	63.060
CFR	73.767	78.190	74.600
Under / Over funding of CFR	-10.707	-15.129	-11.540

The lower than estimated CFR reflects re-profiling of spend within the capital programme to 2024/25 and lower than forecast borrowing.

The Authorised Limit - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2023/24 the Council has maintained gross borrowing within its authorised limit.

The Operational Boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

Actual Financing Costs as a Proportion of Net Revenue Stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Borrowing Limits	GF £m	HRA £m	Total £m
Authorised limit	9.608	79.407	89.015
Maximum gross borrowing position	-	63.060	63.060
Operational boundary	-	63.060	63.060
Average gross borrowing position	-	63.060	63.060
Budgeted financing costs as a proportion of net revenue stream %	(18.17)	26.48	8.31
Actual financing costs as a proportion of net revenue stream %	(38.11)	26.50	(11.61)

3. Treasury Position as at 31st March 2024

The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2023/24 the Council's treasury (excluding borrowing by finance leases) position was as follows:

General Fund	31st March 2023 Principal £m	Rate/ Return %	Average Life yrs	31st March 2024 Principal £m	Rate/ Return %	Average Life yrs
Total debt	-	-	-	-	-	-
CFR	3.785	-	-	4.092	-	-
Over / (under) borrowing	(3.785)	-	-	(4.092)	-	-
Investments:						
- in house	44.108	2.16	-	43.297	4.92	-
Total investments	44.108	2.16	-	43.297	4.92	-

HRA	31st March 2023 Principal £m	Rate/ Return %	Average Life yrs	31st March 2024 Principal £m	Rate/ Return %	Average Life yrs
Fixed rate funding:						
-PWLB	63.060	4.05	31.73	63.060	4.05	30.73
Total debt	63.060	4.05	31.73	63.060	4.05	30.73
CFR	69.982	-	-	70.507	-	-
Over / (under) borrowing	(6.922)	-	-	(7.447)	-	-
Investments:						
- in house	16.382	2.16	-	13.373	4.92	-
Total investments	16.382	2.16	-	13.373	4.92	-

Maturity Structures

The maturity structure of the debt portfolio was as follows:

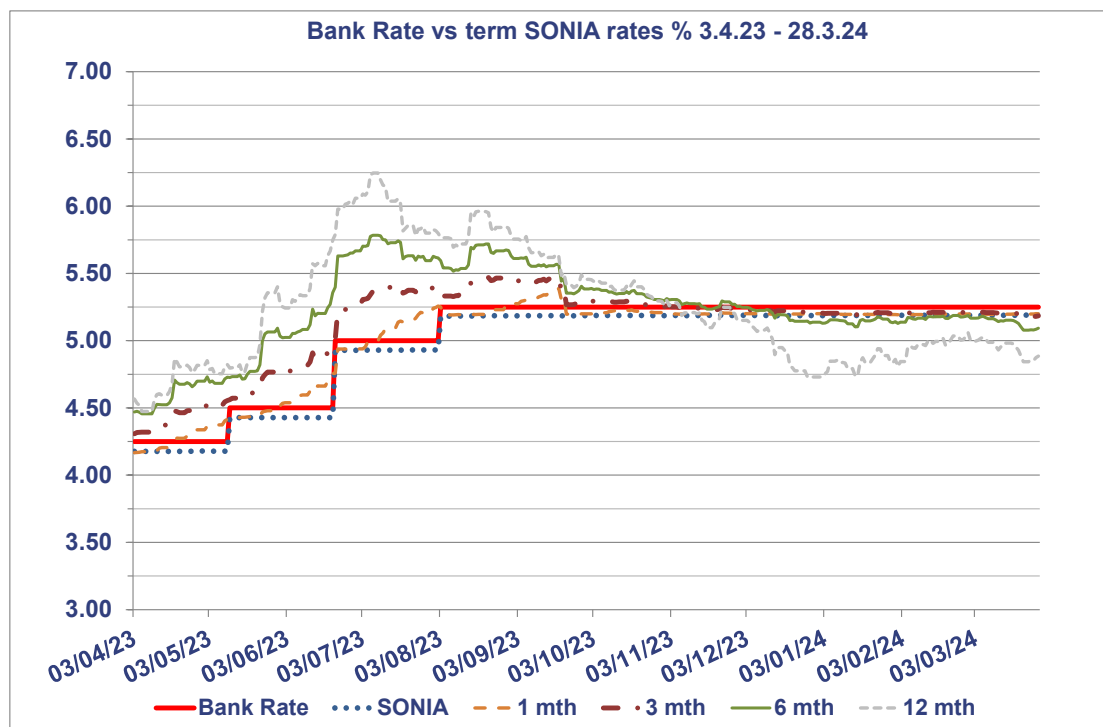
Duration	31st March 2023 Actual £m	2023/24 original limits %	31st March 2024 Actual £m
Under 12 months	-	20	-
12 months and within 24 months	-	20	-
24 months and within 5 years	-	25	-
5 years and within 10 years	1	75	1
10 years and within 15 years	4	100	4
15 years and within 50 years	58	100	58

All investments held by the Council were invested for up to one year, with the exception of £11.962m invested in property funds, which are held for the longer-term, 5 – 10 years.

4. The Strategy for 2023/24

4.1 Investment strategy and control of interest rate risk

Investment Benchmarking Data – Sterling Overnight Index Averages (Term) 2023/24



FINANCIAL YEAR TO QUARTER ENDED 28/03/2024						
	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	28/03/2024	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	5.03	4.96	5.02	5.13	5.23	5.25
Spread	1.00	1.01	1.22	1.17	1.33	1.77

Investment returns picked up throughout the course of 2023/24 as central banks, including the Bank of England, continued to respond to inflationary pressures that were not transitory, and realised that tighter monetary policy was called for.

Starting April at 4.25%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 5.25% by August. By the end of the financial year, no further increases were anticipated. Indeed, the market was pricing in a first cut in Bank Rate in either June or August 2024.

The upward sloping yield curve that prevailed throughout 2023/24 meant that local authorities continued to be faced with the challenge of proactive investment of surplus cash, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and “laddering” deposits on a rolling basis to lock in the increase in investment rates as duration was extended, became an on-going feature of the investment landscape.

With bond markets selling off, UK equity market valuations struggled to make progress, as did property funds, although there have been some spirited, if temporary, market rallies from time to time – including in November and December 2023. However, the more traditional investment options, such as specified investments (simple to understand, and less than a year in duration), have continued to be at the forefront of most local authority investment strategies, particularly given Money Market Funds have also provided decent returns in close proximity to Bank Rate for liquidity purposes. In the latter part of 2023/24, the local authority to local authority market lacked any meaningful measure of depth, forcing short-term investment rates above 7% in the last week of March.

While the Council has taken a prudent approach to investing surplus monies, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the Global Financial Crisis of 2008/09. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

4.2 Borrowing strategy and control of interest rate risk

During 2023/24, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow was used as an interim measure. This strategy was prudent as although near-term investment rates were equal to, and sometimes higher than, long-term borrowing costs, the latter are expected to fall back through 2024 and 2025 as inflation concerns are dampened. The Council has sought to minimise the taking on of long-term borrowing at elevated levels (>4%) and has focused on a policy of internal and temporary borrowing, supplemented by short-dated borrowing (<5 years) as appropriate.

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Executive Director Finance therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks

- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
- if it had been felt that there was a significant risk of a much sharper RISE in long and short-term rates than initially expected, perhaps arising from the stickiness of inflation in the major developed economies, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

Interest rate forecasts initially suggested further gradual rises in short, medium and longer-term fixed borrowing rates during 2023/24. Bank Rate had initially been forecast to peak at 4.5% but it is now expected to have peaked at 5.25%.

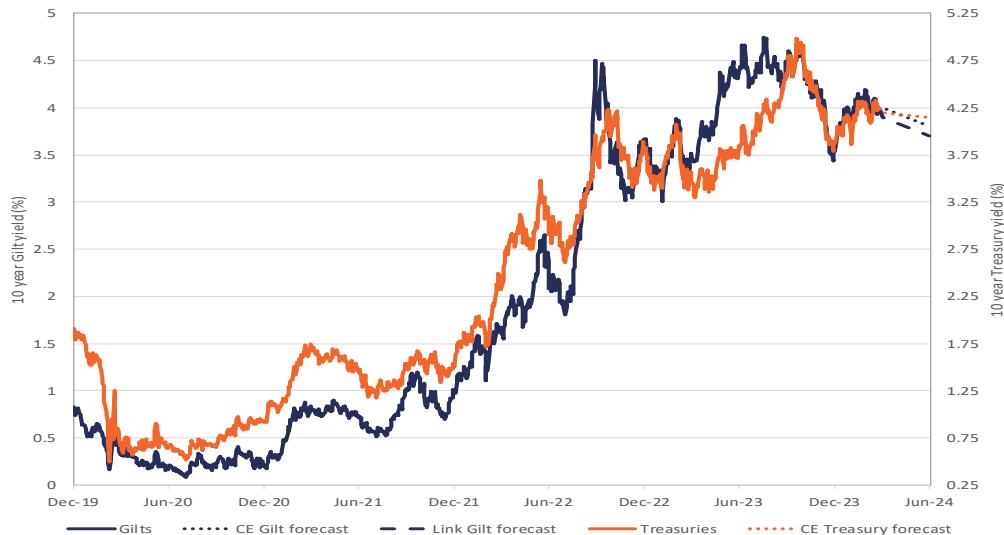
By January it had become clear that inflation was moving down significantly from its 40-year double-digit highs, and the Bank of England signalled in March 2024 that the next move in Bank Rate would be down, so long as upcoming inflation and employment data underpinned that view. Currently the CPI measure of inflation stands at 3.4% but is expected to fall materially below 2% over the summer months and to stay there in 2025 and 2026. Nonetheless, there remain significant risks to that central forecast, mainly in the form of a very tight labour market putting upward pressure on wages, and continuing geo-political inflationary risks emanating from the prevailing Middle East crisis and the Russian invasion of Ukraine.

PWLB Borrowing Rates

PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the FOMC, ECB and Bank of England are all being challenged by levels of persistent inflation that are exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.

Graph of UK gilt yields v. US treasury yields



Gilt yields have generally been on a continual rise since the start of 2021, peaking in the autumn of 2023. Currently, yields are broadly range bound between 3.5% and 4.25%.

At the close of the day on 28 March 2024, all gilt yields from 1 to 50 years were between 3.81% and 4.56%, with the 1 year being the highest and 6-7 years being the lowest yield.

Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

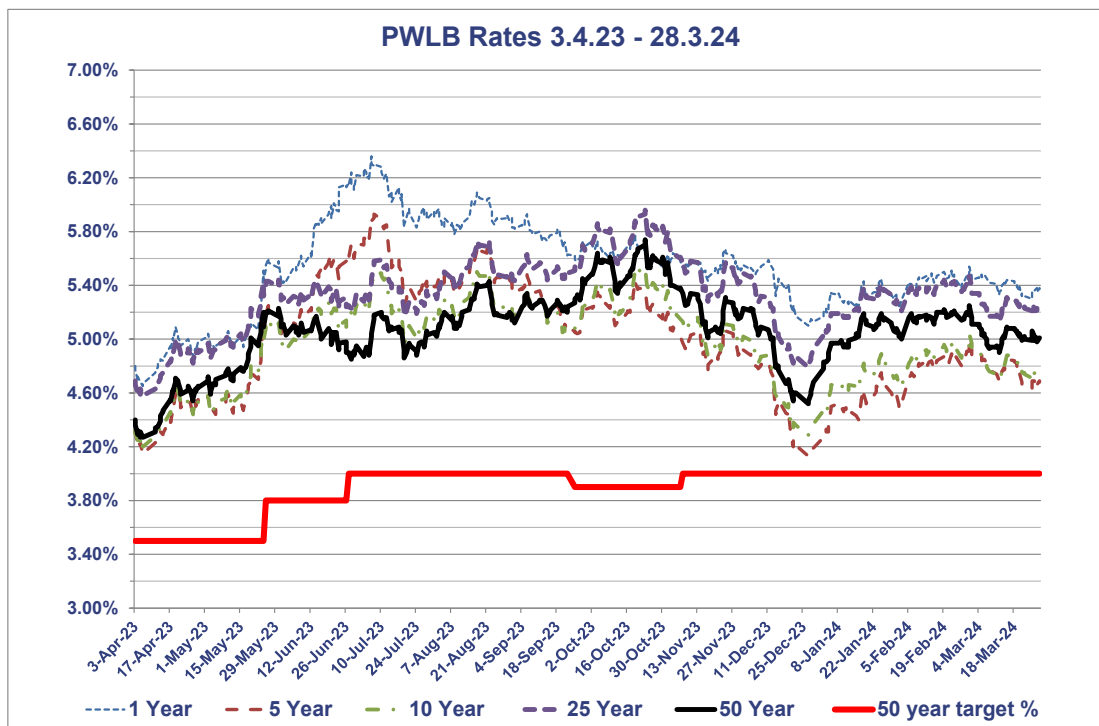
- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)
- **HRA Borrowing rate** is gilt plus 40 40bps (G+40bps)

There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate falls and inflation (on the Consumer Price Index measure) moves below the Bank of England's 2% target.

As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.

The Bank of England is also embarking on a process of Quantitative Tightening. The Bank's original £895bn stock of gilt and corporate bonds will gradually be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, and high in historic terms, is an unknown at the time of writing.

The graph and tables for PWLB rates below and in Appendix 2 show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



5. Borrowing Outturn for 2023/24

Treasury Borrowing

Due to the elevated cost of borrowing long-term, no borrowing was undertaken during the year.

Borrowing in Advance of Need

The Council has not borrowed more than, or in advance of, its needs, purely in order to profit from the investment of the extra sums borrowed.

Rescheduling

No rescheduling was done during the year as the approximate 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

6. Investment Outturn for 2023/24

Investment Policy – the Council’s investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by the Council on 28th February 2023. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Resources – the Council’s cash balances comprise revenue and capital resources and cash flow monies. The Council’s core cash resources comprised the following:

Balance Sheet Resources General Fund	31st March 2023 £m	31 st March 2024 £m
Balances	9.615	10.737
Earmarked Reserves	15.560	20.134
Provisions	1.825	2.426
Usable Capital Receipts	12.601	11.612
Capital Grants Unapplied	0.975	1.221
Total GF	40.576	46.130
Balance Sheet Resources HRA	31st March 2023 £m	31 st March 2024 £m
Balances	2.761	2.220
Earmarked Reserves	10.599	9.708
Provisions	-	-
Usable Capital Receipts	1.71	2.320
Total HRA	15.07	14.248
Total Authority Resources	55.646	60.378

Investments held by the Council – the Council maintained an average balance of £67.4m of internally managed funds. The internally managed funds earned an average rate of return of 4.92%. The comparable performance indicator is the average 3 month SONIA rate which was 5.13%. This compared with a budget assumption of £38.2m investment balances earning an average rate of 3.4%.

7. Performance Measurement

One of the key requirements in the Code is the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide. The Council's performance indicators were set out in the Annual Treasury Management Strategy Statement.

This service has set the following local performance indicator:

➤ *Average external interest receivable in excess of 3 month SONIA rate;*

Whilst the assumed benchmark for local authorities is the 7 day SONIA rate, a higher target is set for internal performance.

The actual return of 4.92% is compared to the average 3 month SONIA of 5.13% (0.21% below target). This is due to the sharp increase in interest rates between 1st April 2023 and 31st March 2024, with some investments fixed at lower rates at the beginning of the year.

8. The Economy and Interest Rates

UK Economy

Against a backdrop of stubborn inflationary pressures, the Russian invasion of Ukraine, and war in the Middle East, UK interest rates have continued to be volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2023/24.

Markets have sought an end to central banks' on-going phase of keeping restrictive monetary policy in place on at least one occasion during 2023/24 but to date only the Swiss National Bank has cut rates and that was at the end of March 2024.

UK, EZ and US 10-year yields have all stayed stubbornly high throughout 2023/24. The table below provides a snapshot of the conundrum facing central banks: inflation is easing, albeit gradually, but labour markets remain very tight by historical comparisons, making it an issue of fine judgment as to when rates can be cut.

	UK	Eurozone	US
Bank Rate	5.25%	4%	5.25%-5.5%
GDP	-0.3%q/q Q4 (-0.2%/y/y)	+0.0%q/q Q4 (0.1%/y/y)	2.0% Q1 Annualised
Inflation	3.4%/y/y (Feb)	2.4%/y/y (Mar)	3.2%/y/y (Feb)
Unemployment Rate	3.9% (Jan)	6.4% (Feb)	3.9% (Feb)

The Bank of England sprung no surprises in their March meeting, leaving interest rates at 5.25% for the fifth time in a row and, despite no MPC members no longer voting to raise interest rates, it retained its relatively hawkish guidance. The Bank's communications suggest the MPC is gaining confidence that inflation will fall sustainably back to the 2.0% target. However, although the MPC noted that "the restrictive stance of monetary policy is weighing on activity in the real economy, is leading to a looser labour market and is bearing down on inflationary pressures", conversely it noted that key indicators of inflation persistence remain elevated and policy will be "restrictive for sufficiently long" and "restrictive for an extended period".

Of course, the UK economy has started to perform a little better in Q1 2024 but is still recovering from a shallow recession through the second half of 2023. Indeed, Q4 2023 saw negative GDP growth of -0.3% while y/y growth was also negative at -0.2%.

But it was a strange recession. Unemployment is currently sub 4%, against a backdrop of still over 900k of job vacancies, and annual wage inflation is running at above 5%. With gas and electricity price caps falling in April 2024, the CPI measure of inflation - which peaked at 11.1% in October 2022 - is now due to slide below the 2% target rate in April and to remain below that Bank of England benchmark for the next couple of years, according to Capital Economics. The Bank of England still needs some convincing on that score, but upcoming inflation and employment releases will settle that argument shortly. It is noted that core CPI was still a heady 4.5% in February and, ideally, needs to fall further.

Shoppers largely shrugged off the unusually wet weather in February, whilst rising real household incomes should support retail activity throughout 2024. Furthermore, the impact of higher interest rates on household interest payments is getting close to

its peak, even though fixed rate mortgage rates on new loans have shifted up a little since falling close to 4.5% in early 2024.

From a fiscal perspective, the further cuts to national insurance tax (from April) announced in the March Budget will boost real household disposable income by 0.5 - 1.0%. After real household disposable income rose by 1.9% in 2023, Capital Economics forecast it will rise by 1.7% in 2024 and by 2.4% in 2025. These rises in real household disposable income, combined with the earlier fading of the drag from previous rises in interest rates, means GDP growth of 0.5% is envisaged in 2024 and 1.5% in 2025. The Bank of England is less optimistic than that, seeing growth struggling to get near 1% over the next two to three years.

As for equity markets, the FTSE 100 has risen to nearly 8,000 and is now only 1% below the all-time high it reached in February 2023. The modest rise in UK equities in February was driven by strong performances in the cyclical industrials and consumer discretionary sectors, whilst communications and basic materials have fared poorly.

Despite its performance, the FTSE 100 is still lagging behind the S&P 500, which has been at an all-time high for several weeks.

USA Economy.

Despite the markets willing the FOMC to cut rates as soon as June 2024, the continued resilience of the economy, married to sticky inflation, is providing a significant headwind to a change in monetary policy. Markets currently anticipate three rate cuts this calendar year, but two or less would not be out of the question. Currently, policy remains flexible but primarily data driven.

In addition, the Fed will want to shrink its swollen \$16 trillion balance sheet at some point. Just because the \$ is the world's foremost reserve currency (China owns over \$1 trillion) does not mean the US can continually run a budget deficit. The mix of stubborn inflation and significant treasury issuance is keeping treasury yields high. The 10 year stands at 4.4%.

As for inflation, it is currently a little above 3%. The market is not expecting a recession, but whether rates staying high for longer is conducive to a soft landing for the economy is uncertain, hence why the consensus is for rate cuts this year and into 2025...but how many and when?

EZ Economy.

Although the Euro-zone inflation rate has fallen to 2.4%, the ECB will still be mindful that it has further work to do to dampen inflation expectations. However, with growth steadfastly in the slow lane (GDP flatlined in 2023), a June rate cut from the current 4% looks probable.

9. Investment in Property Funds

Investment in property funds was included within the Commercial Investment Strategy, with the aim of generating improved returns of c.4-5% p.a. (plus asset growth) being long term investments of between 5 – 10 years (minimum) in order to make the necessary returns (after set up costs). Utilising the capital receipt proceeds of the sale of the Golf Course, a budget of £12m was allocated to long-term investment in a number of property funds. To date, the Council has invested £1.85m with Schrodgers UK Real Estate Fund, £6.057m with Threadneedle Property Unit Trust, and £4.057m with Hermes Federated Property Unit Trust. Total investment £11.962m.

Fund Valuations	Investment	Valuation 31/03/2022	Valuation 31/03/2023	Valuation 31/03/2024
Schroders UK Real Estate Fund	1,848,933	2,139,618	1,727,176	1,567,521
Valuation Increase / (reduction)		290,685	(121,757)	(281,412)
Threadneedle Property Unit Trust	2,000,249	2,097,097	1,732,373	1,648,601
Valuation Increase / (reduction)		96,848	(267,875)	(351,648)
Threadneedle Property Unit Trust	4,056,536	4,407,163	3,640,676	3,464,625
Valuation Increase / (reduction)		350,627	(415,860)	(591,912)
Hermes Federated Property Unit Trust	4,056,500	4,450,808	3,741,712	3,462,647
Valuation Increase / (reduction)		394,308	(314,788)	(593,853)
Total	11,962,218	13,094,687	10,841,938	10,143,394
Valuation Increase / (reduction)		1,132,469	(1,120,280)	(1,818,824)

The Council received £487k in dividends from its property fund investments in 2023/24 (£458k in 2022/23), £1.598m in total since 2018/19, offset against the valuation decrease of £1.819m over the same period.

10. Other Issues

IFRS 9 fair value of investments

Following the consultation undertaken by the Department of Levelling Up, Housing and Communities [DLUHC] on IFRS 9, the Government has extended the mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to 31st March 2025. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

Risk management will need to take account of the 2018/19 Accounting Code of Practice proposals for the valuation of investments. Key considerations are:

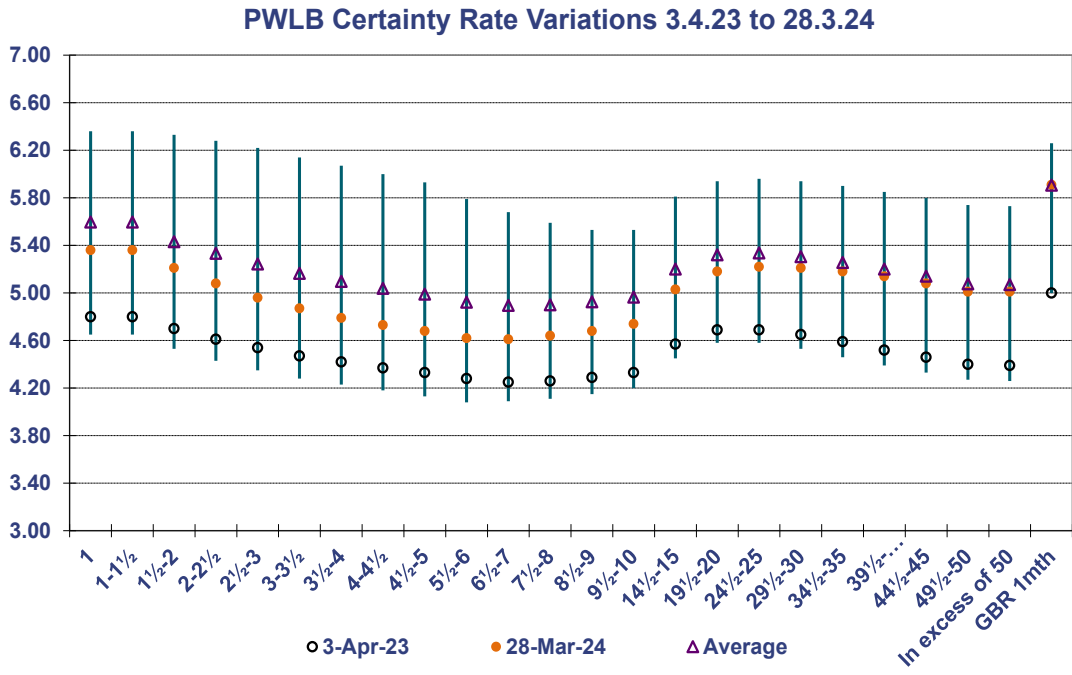
- Expected credit loss model. Whilst this should not be material for vanilla treasury investments such as bank deposits, this does impact our investment in property funds
- The valuation of investments previously valued under the available for sale category e.g., equity related to the “commercialism” agenda, property funds, equity funds and similar, will be changed to **Fair Value through the Profit and Loss (FVPL)**.

PRUDENTIAL AND TREASURY INDICATORS

APPENDIX 1

1. PRUDENTIAL INDICATORS	2022/23	2023/24	2023/24
Extract from budget and rent setting report	Actual	Original	Actual
Capital Expenditure	£m	£m	£m
Non - HRA	4.889	30.988	12.416
HRA	13.876	14.613	11.320
TOTAL	18.765	45.601	23.737
Ratio of financing costs to net revenue stream	%	%	%
Non - HRA	(26.854)	(18.17)	(38.11)
HRA	29.596	26.48	26.50
Gross borrowing requirement General Fund	£m	£m	£m
brought forward 1 April	3.937	3.909	3.785
carried forward 31 March	3.989	7.566	4.300
in year borrowing requirement	0.052	3.657	0.515
Gross borrowing requirement HRA	£m	£m	£m
brought forward 1 April	69.893	69.982	69.982
carried forward 31 March	69.981	73.639	70.507
in year borrowing requirement	0.088	3.657	0.526
	£m	£m	£m
Gross debt	63.060	63.060	63.060
Capital Financing Requirement	£m	£m	£m
Non – HRA	3.785	7.352	4.092
HRA	69.981	73.639	70.507
TOTAL	73.766	80.990	74.600
Annual change in Capital Financing Requirement	£m	£m	£m
Non – HRA	(0.152)	3.443	0.308
HRA	0.088	3.657	0.526
TOTAL	(0.064)	7.100	0.833

2. TREASURY MANAGEMENT INDICATORS	2022/23	2023/24	2023/24
	Actual	Original	Actual
	£m	£m	£m
Authorised Limit for external debt - General Fund			
borrowing	8.029	9.608	9.608
other long term liabilities	-	-	-
TOTAL	8.029	9.608	9.608
Authorised Limit for external debt - HRA			
borrowing	79.407	79.407	79.407
other long term liabilities	-	-	-
TOTAL	79.407	79.407	79.407
Operational Boundary for external debt - General Fund	£m	£m	£m
borrowing	-	-	-
other long term liabilities	-	-	-
TOTAL	-	-	-
Operational Boundary for external debt - HRA	£m	£m	£m
borrowing	63.060	63.060	63.060
other long term liabilities	-	-	-
TOTAL	63.060	63.060	63.060
Actual external debt	£m	£m	£m
	63.060	63.060	63.060



HIGH/LOW/AVERAGE PWLB RATES FOR 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	5.54%	4.99%	4.97%	5.34%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%