

# Treasury Management Strategy and Mid-Year Activity Monitoring 2023-2024

## Purpose

To provide scrutiny with an overview of the Treasury Management Strategy which will be submitted to Cabinet and Council in February 2024 as part of the suite of budget reports.

This report provides an update on the mid-year 2023-2024 Treasury Management activities for both the General Fund and the Housing Revenue Account

# Treasury Management

The Local Government Act 2003 and supporting regulations require the council to 'have regard to' the CIPFA Prudential Code and Treasury Management Code of Practice, and to set out indicators to ensure that the Council's capital investments plans are affordable, prudent and sustainable.

CIPFA define Treasury Management as the:

'Management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.'

# Treasury Management Strategy

The Strategy report covers six elements:

- Treasury management Strategy - summarises in strategic terms the approach the council will take in performing its treasury management activities
- Annual Investment Strategy – sets out the conditions under which the council will place investments
- Prudential and Treasury Management Indicators – lists the prudential and treasury management indicators
- Minimum Revenue Position (MRP) Statement - details the formula used to calculate MRP
- Certainty Rate - enables the council to access cheaper borrowing rates of 20 basis points below the standard rate
- Treasury management Policy Statement and Practices – policy statement and practices as required by the CIPFA Code of Practice on TM

## Borrowing

- We can only borrow for capital purposes
- Capital plans provide a guide to the borrowing need to the Council
- The capital programme is also funded by grants, capital receipts and other contributions.
- Borrowing requirements are detailed in the TM strategy
- We have a statutory duty to determine and keep under review how much we can afford to borrow
- Our strategy is to use cash balances to fund capital expenditure to avoid the need for borrowing – this is called internal borrowing
- The Prudential Code requires authorities to set and observe a range of prudential indicators to monitor the use of borrowing

# Borrowing

- Local authorities must not borrow to invest primarily for financial return
- Authorities can borrow and invest for the following purposes
  - Financing capital expenditure primarily related to the delivery of a local authority's functions (subject to the considerations set out in the code)
  - Temporary management of cash flow within the context of a balanced budget
  - Securing affordability by removing exposure to future interest rate rises
  - Refinancing current borrowing, including adjusting levels of internal borrowing, to manage risk, reduce costs or reflect changing cash flow circumstances
  - Other treasury management activity that seeks to prudently manage treasury risks without borrowing primarily to invest for financial return.

## **Public Works Loans Board (PWLB) – Lending Terms**

- Local authorities are required to submit a high level description of their capital spending and financing plans including the expected use of PWLB
- Plans need to include a breakdown of expenditure under the following categories
  - Service spending
  - Housing
  - Regeneration
  - Prevention Action
  - Treasury management
  - Debt for yield

## City of Wolverhampton Investments

- Section 151 Officer is required to confirm that there is no intention to buy investment assets primarily for yield purposes
- Wolverhampton has the following investments:
  - Treasury management short term cash investments- we do not hold any long term investments
  - Investment in the Airport
  - Investment in Help to Own
  - Investment and loans to WV Living
  - Capital expenditure in line with Council priorities (investment in our assets)



## Prudential Indicators

- The Council is required to set a number of prudential and treasury management indicators which are approved by Full Council each year
- An update on these indicators is provided during the year in the quarterly monitoring activity reports
- Examples of Prudential Indicators we report on are:
  - Capital expenditure –directly linked to the Capital Programme
  - Capital financing requirements (underlying need to borrow)
  - Authorised borrowing limits
  - Gross debt and the capital financing requirements
  - Financing capital expenditure as a % of net revenue

# Mid Year Activity Monitoring 2023-2024

## **Mid-Year Activity**

We operated within our prudential and treasury indicators

No new borrowing undertaken since March 2019.

Level of borrowing as at 30 September 2023 was £703.2 million.

During quarter 2 (July – September) no loans were repaid.

## **Mid-Year Activity**

Lender Option Borrower Option Loans (LOBOs)

At the 31 March 2023, the Council held 9 LOBOs

The lender can 'call' the loan in i.e. change certain conditions – interest rates.

Council then has the option to continue with the loan or redeem it in full without a penalty.

In October 2023 (quarter 3) the council received one 'call in' for £7 million – the council redeemed this in full.

## Out-turn Position 2023-2024 – General Fund and HRA

Treasury Management budget:

This budget covers both interest payments due and funds that are set aside to repay loans when they fall due (known as minimum revenue provision (MRP))

	Approved Budget £000	Forecast Outturn £000	Variance £000
General Fund	38,765	37,972	(793)
HRA	12,999	11,512	(1,487)
<b>Total</b>	<b>51,764</b>	<b>49,484</b>	<b>(2,280)</b>

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