

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO POLICY & FINANCE COMMITTEE

INFORMATION

Meeting date: 12 NOVEMBER 2024
title: TREASURY MANAGEMENT MONITORING 2024/25
submitted by: DIRECTOR OF RESOURCES & DEPUTY CHIEF EXECUTIVE
principal author: VALERIE TAYLOR

1 PURPOSE

1.1 To provide you with a monitoring report on our treasury management activities for the period 1 April 2024 to 30 September 2024.

1.2 Relevance to the Council's ambitions and priorities:

- In accordance with the corporate strategy priority - "to ensure a well-managed Council, by maintaining critical financial management and controls." This report provides members with information regarding the treasury management activities for the period.

1.3 In accordance with our Treasury Management Policy, Committee receive regular monitoring reports on treasury management activities throughout the financial year.

2 BACKGROUND

2.1 Treasury management within an organisation is the '*management of the organisation's borrowing, investments and cash flows, 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*'

2.2 The Council's approach to treasury management is set out in its 'Treasury Management Policies and Practices' document which governs the way that investments and cashflows are managed. It is reviewed annually to ensure continued compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice.

2.3 Treasury Management Policies and Practices were reviewed in advance of the 2024/25 financial year and were approved by this Committee in April 2024 prior to Full Council in April 2024. The most recent document approved by Committee can be found [here](#).

3 TEMPORARY INVESTMENTS

3.1 In accordance with the approved treasury management policies and practices, surplus funds are temporarily invested via the money market at the best rate of interest available and with the minimisation of risk to the capital sum. Investment decisions are primarily concerned with the security of the funds invested and ongoing liquidity to meet financial commitments.

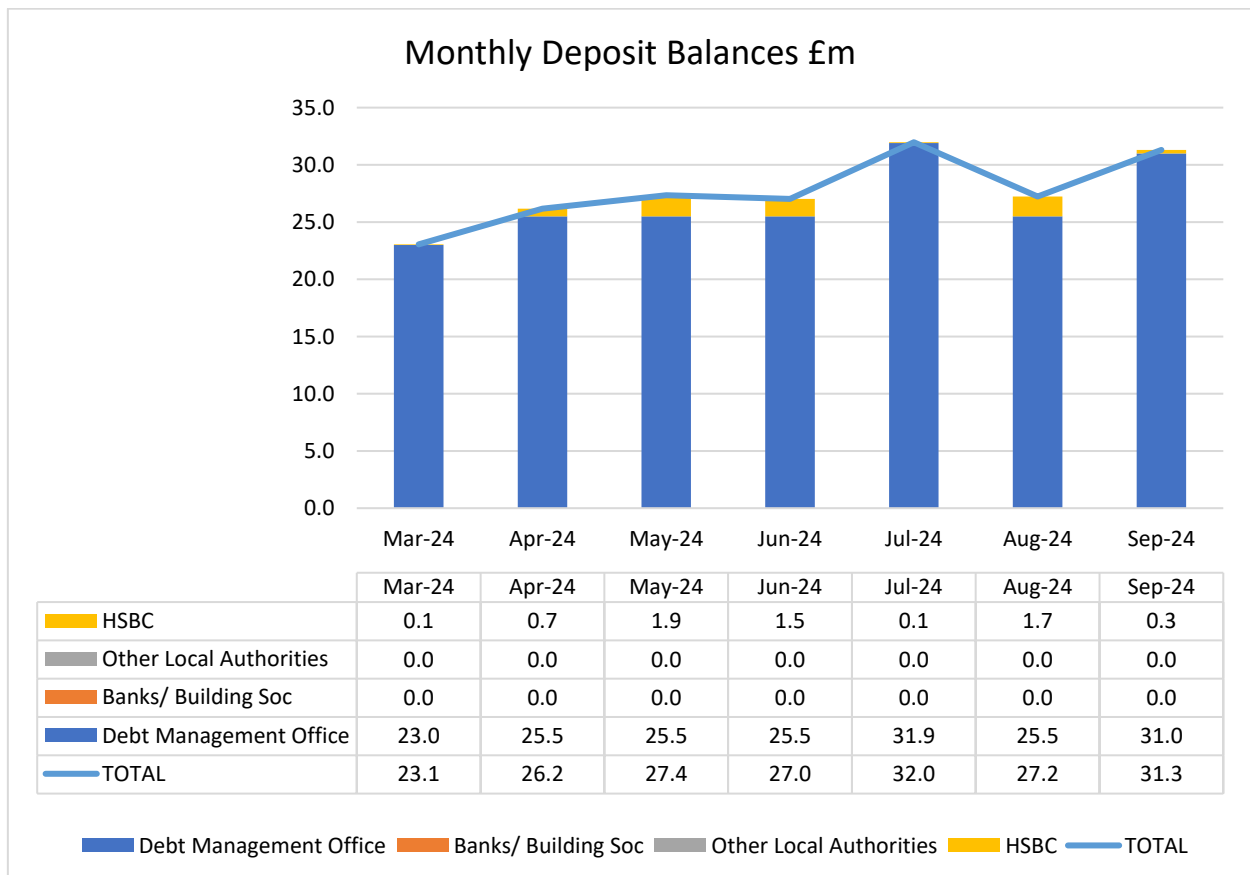
3.2 The movement in the Council's external investments during the reporting period are summarised below:

	Banks/ Building Societies £000	Debt Management Office (DMO) £000	Other Local Authorities £000	Total £000
Monies Invested at 1 April 2024	0	23,000	0	23,000
Net Movement	0	8,000	0	8,000
Fixed term deposits at 30 September 2024	0	31,000	0	31,000
Add funds held with HSBC (the Council's banking provider)	299	0	0	299
Sum of all funds invested				31,299
Interest earned April – September 2024				696

3.3 Funds invested at 30 September were held with the following organisations:

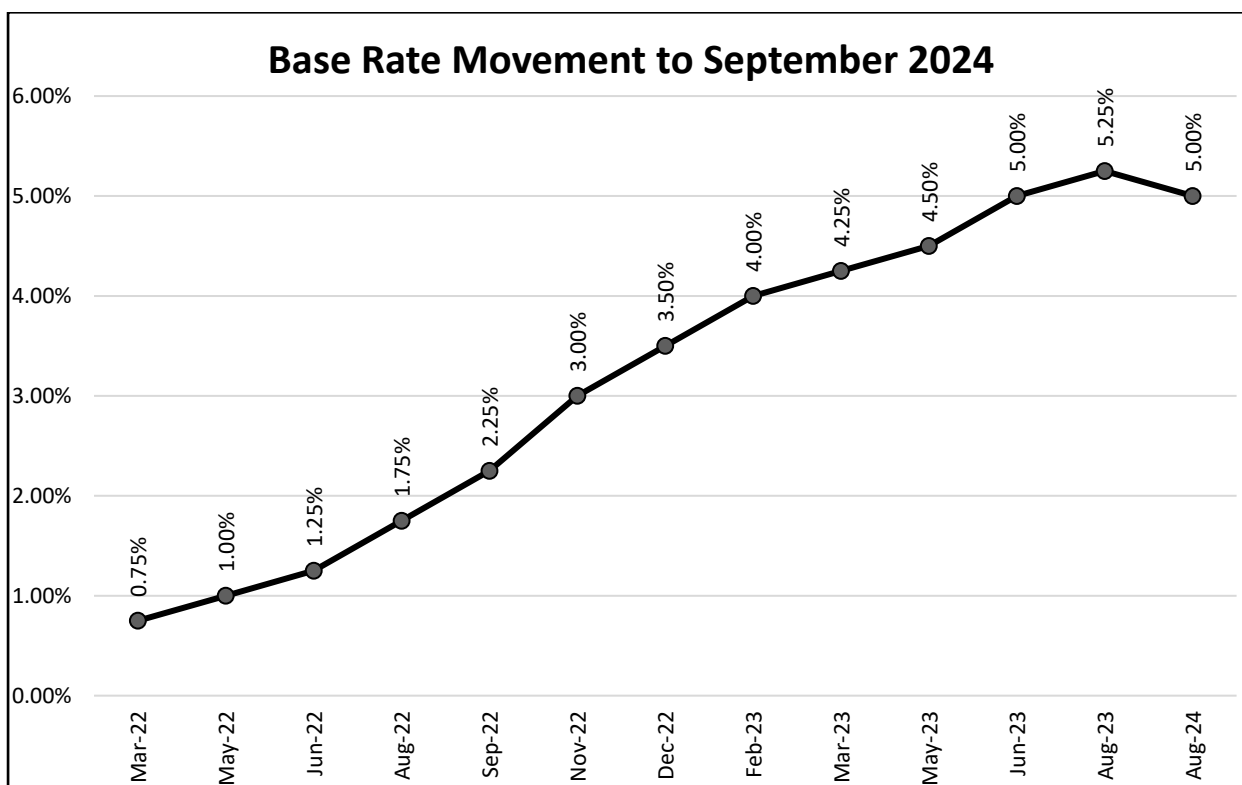
Borrower	Date Invested	Date of Repayment	Rate %	£'000
Debt Management Office (DMO)	30/09/2024	07/10/2024	4.94	31,000
Add funds held with HSBC (the Council's banking provider)				299
SUM of all investments at 30 September 2024				31,299

3.4 A detailed listing of investments placed and repaid during the reporting period is available in Annex 1. A summary of end of month balances is shown below:



4 INTEREST ON INVESTMENTS

4.1 The Bank of England base rate influences the rate of interest offered by banks and building societies on the Council’s investments. The rate increased as follows between March 2022 and September 2024:



4.2 The Council has generated returns on investments of £695,980 during the April to September period, which compares to £601,540 during the same period in 2023 when interest rates were lower.

4.3 The Council’s original budget estimate for the 2024/25 financial year includes a forecast that the council will earn £1.058m of investment income. A comparison between budgeted and actual income for the period is shown below:

Interest earned on Investments 2024/2025			
Budget for the full year	Budget to the end of September	Actual to the end of September*	Variance
-£1,058,270	-£529,135	-£695,980	-£166,845

*Including interest earned on balances held with HSBC, the council’s banking provider

4.4 The Council’s budget forecast was informed by market base rate projections at January 2024. At that time the markets estimated that by September 2024 the base rate would have reduced to 4.50%. As the base rate remained consistently higher than estimated during the reporting period the interest rates secured on the Council’s fixed term investments have been higher than originally forecast.

4.5 The latest forecast is that the Council may potentially achieve investment income for the full year 2024/25 of £1.370m.

5 PROSPECTS FOR INTEREST RATES

- 5.1 By late September the markets were predicting that the base rate will reduce gradually from the current 5% down to 4% by March 2025, and that the most likely time for the next reduction will be a cut of 0.25% in November 2024.

6 LOCAL GOVERNMENT BONDS AGENCY

- 6.1 The Council has one longer-term investment of £10,000 which was placed with the Local Government Bonds Agency in 2014. The agency is a freestanding independent body that is owned by the Local Government Sector with the purpose of raising money efficiently on the capital markets at regular intervals to on-lend to participating bodies.

7 BORROWING

- 7.1 The Council's Borrowing and Debt Strategy is set out within the Council's Capital and Treasury Management Strategy. The strategy is reviewed in advance of the financial year prior to approval by this Committee and Full Council. The strategy approved for the 2024/25 financial year can be found [here](#).

- 7.2 Generally long-term borrowing, which is classified as borrowing for a period of between 1-60 years, is normally only used to finance capital expenditure or replace maturing debt. The Council's policy is to meet long-term borrowing requirements from the Public Works Loan Board (PWLB).

- 7.3 The PWLB lending facility is operated by the UK Debt Management Office (DMO) on behalf of HM Treasury and provides loans to local authorities for capital projects.

- 7.4 The Council repaid all outstanding long-term loans that were held with the Public Works Loans Board during the 2022/23 financial year, and so currently does not hold any long-term loan debt.

- 7.5 On occasion it may be necessary to engage in short-term borrowing in order to finance temporary cash deficits, however by managing our cash flow effectively these will be kept to a minimum.

- 7.6 No temporary loans were taken out in the current financial year up to 30 September 2024, or in the same period during 2023.

8 PRUDENTIAL INDICATORS

- 8.1 Local authorities in England and Wales are required by the Local Government Act 2003 to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities.

- 8.2 The Capital and Treasury Management Strategy includes a number of prudential indicators.

- 8.3 These prudential indicators are designed to deliver accountability in taking capital financing, borrowing and treasury management decisions.

- 8.4 The treasury management specific indicators which form part of the prudential code are the following:

- **Authorised limit for external debt**

This sets a limit on the amount of external borrowing that reflects a level of borrowing, which while not desired, could be afforded but may not be sustainable. It is the upper limit

on the level of gross external indebtedness, which must not be breached without council approval. It is the **worse-case scenario**.

- **Operational boundary for external debt**

This indicator focuses on the day-to-day treasury management activity within the Council and reflects the most likely prudent but not worse-case scenario. Any sustained breaches to this boundary would give an indication that the Council may be in danger of stepping beyond the prudential boundaries it has set itself.

8.5 The Council's actual long-term debt at 30 September 2024 compared to the approved authorised limit and operational boundary indicators is as follows:

Prudential Indicator	Authorised Limit £000's	Operational Boundary £000's	Actual as at 30 th September 2024 £000's
Borrowing	15,593	1,472	0
Other Long-Term liabilities	0	0	0

8.6 The Treasury Management code requires that where an authority invests, or plans to invest, for periods of longer than one year that an upper limit for investments maturing in excess of this timeframe is set. This Council currently has a policy of not investing for periods of longer than one year and so no upper limits have been set and no investments have been made in the reporting period for longer than 365 days.

9 APPROVED ORGANISATIONS

9.1 Principally, Fitch credit ratings are used as an indication of the probability of organisations defaulting on our investments. Definitions for the ratings are provided at Annex 2.

9.2 The ratings show an indication of the current credit position and are monitored on a regular basis with any significant changes to be reported to this committee. Prior to investing any monies on a day-to-day basis the ratings given by rating agents S&P Global Ratings and Moody's are also monitored and considered alongside the Fitch ratings. The full list of ratings for our approved institutions at September 2024 is shown at Annex 3.

9.3 Investments with Building Societies are limited to the top eight building societies based on their total assets (provided they are included in Fitch ratings). Two of the top building societies do not currently have a Fitch rating, leaving the top six building societies based on their total assets:

Name	Full Transaction Review Date	Fitch Rating	
		Long Term	Short Term
Nationwide	21/03/2024	A	F1
Yorkshire	17/10/2023	A-	F1
Coventry	13/06/2024	A-	F1
Skipton	17/10/2023	A-	F1
Leeds	17/10/2023	A-	F1
Principality	17/10/2023	BBB+	F2

- 9.4 The banks we use are reviewed annually as part of the Treasury Management Policies and Practices to take into account their Fitch IBCA long-term and short-term credit rating. The Council has a policy to only use institutions with a short-term Fitch rating of F2 or above. The banks on the Council's approved list meeting this requirement at September 2024 are as follows:

Name	Fitch's Full Transaction Review Date	Long Term	Short Term
Santander UK Plc	07/12/2023	A+	F1
Barclays Bank Plc	21/06/2024	A+	F1
Bank of Scotland Plc	07/12/2023	A+	F1
HSBC Bank Plc	28/08/2024	AA-	F1+
Lloyds Bank Plc	07/12/2023	A+	F1
National Westminster Bank Plc	07/12/2023	A+	F1
Royal Bank of Scotland Plc (The)	07/12/2023	A+	F1

- 9.5 In addition to the building societies and banks we use for investments, also approved for use are other Local Authorities and the United Kingdom Debt Management Office, where the Government guarantees investments.

10 RECENT EVENTS

- 10.1 The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet a 2% inflation target.
- 10.2 At its meeting in September 2024 the MPC voted by a majority of 8-1 to maintain the base rate at 5%. One member preferred to reduce the rate to 4.75%.
- 10.3 The MPC noted in the September Monetary Summary that monetary policy will need to continue to remain restrictive for sufficiently long until the risks to inflation returning sustainably to the 2% target in the medium term have dissipated further.

11 EXPOSURE TO RISK

- 11.1 To ensure that our exposure to all treasury management risk is limited as far as possible, we continue with the following measures:

Daily early morning meetings to discuss the latest position:

- Lending arrangements
- A review of the Markets
- A review of our current investments and whether we consider they are still safe
- Institution Ratings
- Close monitoring of our cash flow position and estimates
- Authorisation prior to investments with either the Director of Resources or the Head of Financial Services
- Keep Leader/Chief Executive informed of any developments when necessary
- Look to arrange new secure options for investments as necessary

- Continue to factor market predictions around base rate movements into budget estimates

12 CONCLUSION

- 12.1 Through the careful investment of sums in line with the Council's strategy the level of risk to our investments has been kept to a minimum.
- 12.2 It is likely that the Bank of England's base rate will continue to reduce during this financial year which will in turn reduce the interest rates available on fixed term deposits. The latest forecast is that the Council may potentially achieve investment income for the full year 2024/25 of £1.370m.

SENIOR ACCOUNTANT

DIRECTOR OF RESOURCES AND
DEPUTY CHIEF EXECUTIVE

PF57-24/LO/AC
25 October 2024

For further information please ask for Valerie Taylor

**POLICY AND FINANCE COMMITTEE
TEMPORARY INVESTMENT ACTIVITY – 2024/25**

ANNEX 1

Reference	Organisation	Invested £	Date invested	Interest rate	Date of maturity	Interest to September £	Principal Repaid £	Long Term Rating	Short Term Rating
Investments brought forward into 2024/25									
82	Debt Management Office	23,000,000	28/03/2024	5.19%	08/04/2024	-35,974.52	-23,000,000	n/a	n/a
<i>Less interest accrued during 2023/24</i>						9,811.23			
Investments placed April - September 2024									
1	Debt Management Office	22,500,000	08/04/2024	5.19%	15/04/2024	-22,395.21	-22,500,000	n/a	n/a
2	Debt Management Office	26,000,000	15/04/2024	5.19%	22/04/2024	-25,878.90	-26,000,000	n/a	n/a
3	Debt Management Office	21,000,000	22/04/2024	5.19%	30/04/2024	-23,888.22	-21,000,000	n/a	n/a
4	Debt Management Office	25,500,000	30/04/2024	5.19%	07/05/2024	-25,381.23	-25,500,000	n/a	n/a
5	Debt Management Office	26,500,000	07/05/2024	5.19%	13/05/2024	-22,608.49	-26,500,000	n/a	n/a
6	Debt Management Office	26,500,000	13/05/2024	5.19%	20/05/2024	-26,376.58	-26,500,000	n/a	n/a
7	Debt Management Office	5,500,000	20/05/2024	5.19%	29/05/2024	-7,038.49	-5,500,000	n/a	n/a
8	Debt Management Office	20,500,000	20/05/2024	5.19%	31/05/2024	-32,064.25	-20,500,000	n/a	n/a
9	Debt Management Office	25,500,000	31/05/2024	5.19%	07/06/2024	-25,381.23	-25,500,000	n/a	n/a
10	Debt Management Office	24,500,000	07/06/2024	5.19%	24/06/2024	-59,222.88	-24,500,000	n/a	n/a
11	Debt Management Office	25,500,000	24/06/2024	5.19%	01/07/2024	-25,381.23	-25,500,000	n/a	n/a
12	Debt Management Office	5,000,000	01/07/2024	5.19%	03/07/2024	-1,421.92	-5,000,000	n/a	n/a
13	Debt Management Office	25,500,000	01/07/2024	5.19%	08/07/2024	-25,381.23	-25,500,000	n/a	n/a
14	Debt Management Office	27,000,000	08/07/2024	5.19%	15/07/2024	-26,874.25	-27,000,000	n/a	n/a
15	Debt Management Office	27,500,000	15/07/2024	5.19%	22/07/2024	-27,371.92	-27,500,000	n/a	n/a
16	Debt Management Office	27,000,000	22/07/2024	5.19%	29/07/2024	-26,874.25	-27,000,000	n/a	n/a
17	Debt Management Office	27,000,000	29/07/2024	5.12%	05/08/2024	-26,511.78	-27,000,000	n/a	n/a
18	Debt Management Office	4,900,000	31/07/2024	5.07%	07/08/2024	-4,764.41	-4,900,000	n/a	n/a
19	Debt Management Office	27,000,000	05/08/2024	4.94%	12/08/2024	-25,579.73	-27,000,000	n/a	n/a
20	Debt Management Office	26,500,000	12/08/2024	4.94%	19/08/2024	-25,106.03	-26,500,000	n/a	n/a
21	Debt Management Office	26,000,000	19/08/2024	4.94%	27/08/2024	-28,151.23	-26,000,000	n/a	n/a

**POLICY AND FINANCE COMMITTEE
TEMPORARY INVESTMENT ACTIVITY – 2024/25**

Reference	Organisation	Invested £	Date invested	Interest rate	Date of maturity	Interest to September £	Principal Repaid £	Long Term Rating	Short Term Rating
22	Debt Management Office	25,500,000	27/08/2024	4.94%	02/09/2024	-20,707.40	-25,500,000	n/a	n/a
23	Debt Management Office	31,500,000	02/09/2024	4.94%	09/09/2024	-29,843.01	-31,500,000	n/a	n/a
24	Debt Management Office	6,000,000	09/09/2024	4.940%	12/09/2024	-2,436.16	-6,000,000	n/a	n/a
25	Debt Management Office	26,000,000	09/09/2024	4.94%	16/09/2024	-24,632.33	-26,000,000	n/a	n/a
26	Debt Management Office	1,000,000	16/09/2024	4.925%	19/09/2024	-404.79	-1,000,000	n/a	n/a
27	Debt Management Office	26,000,000	16/09/2024	4.90%	23/09/2024	-24,432.88	-26,000,000	n/a	n/a
28	Debt Management Office	25,500,000	23/09/2024	4.94%	30/09/2024	-24,158.63	-25,500,000	n/a	n/a
29	Debt Management Office	31,000,000	30/09/2024	4.94%	07/10/2024	-4,195.62	still invested	n/a	n/a
Investments to September 2024		645,400,000			SUM	-644,464.28	-614,400,000		
Total Investments 2024/25 (including b/f from 2023/24)		668,400,000			SUM incl b/f	-670,627.57	-637,400,000		
Interest received on balances held at bank						-25,352.47			
Total Investments 2024/25 (Including b/f from 2023/24)		668,400,000			SUM incl b/f	-695,980.04	-637,400,000		

Fitch Rating Definitions

Fitch Rating Definitions	
International Long-Term Credit Ratings	
Long-term credit rating can be used as a benchmark measure of probability of default.	
AAA	Highest credit quality. 'AAA' denotes the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality. 'AA' ratings denote expectation of low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	High credit quality. 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than in the case for higher ratings.
BBB	Good credit quality. 'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative. 'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments.
B	Highly speculative. 'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.
International Short-Term Credit ratings	
Short-term rating has a time horizon of less than 13 months for most obligations and thus places greater emphasis on the liquidity necessary to meet financial commitments	
F1	Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.
F2	Good credit quality. A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
F3	Fair credit quality. The capacity for timely payment of financial commitments is adequate; however, near term adverse changes could result in a reduction to non-investment grade.
B	Speculative quality. Minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.
Outlooks	
Ratings Outlooks indicate the direction a rating is likely to move over a one to two-year period. They reflect financial or other trends that have not yet reached the level that would trigger a rating action, but which may do so if such trends continue.	

Full Rating List of Approved Institutions at 30 September 2024

Organisation	S&P Global Ratings			Moody's			Fitch			
	Long Term	Short Term	Outlook	Long Term	Short Term	Outlook	Full Review Date	Long Term	Short Term	Outlook
Building Societies										
Nationwide	A+	A-1	<i>Stable</i>	A1	P-1	<i>Stable</i>	21/03/2024	A	F1	<i>Stable</i>
Yorkshire	-	-	-	A2	P-1	<i>Stable</i>	17/10/2023	A-	F1	<i>Stable</i>
Coventry	-	-	-	A2	P-1	<i>Under Review</i>	13/06/2024	A-	F1	<i>Negative</i>
Skipton	-	-	-	A2	P-1	<i>Stable</i>	17/10/2023	A-	F1	<i>Stable</i>
Leeds	-	-	-	A3	P-2	<i>Stable</i>	17/10/2023	A-	F1	<i>Stable</i>
Principality	-	-	-	Baa1	P-2	<i>Stable</i>	17/10/2023	BBB+	F2	<i>Stable</i>
Banks										
Santander UK Plc.	A	A-1	<i>Stable</i>	A1	P-1	<i>Stable</i>	07/12/2023	A+	F1	<i>Stable</i>
Barclays Bank Plc.	A+	A-1	<i>Stable</i>	A1	P-1	<i>Stable</i>	21/06/2024	A+	F1	<i>Stable</i>
Bank of Scotland Plc.	A+	A-1	<i>Stable</i>	A1	P-1	<i>Stable</i>	07/12/2023	A+	F1	<i>Stable</i>
HSBC Bank Plc.	A+	A-1	<i>Stable</i>	A1	P-1	<i>Stable</i>	28/08/2024	AA-	F1+	<i>Stable</i>
Lloyds Bank Plc.	A+	A-1	<i>Stable</i>	A1	P-1	<i>Stable</i>	07/12/2023	A+	F1	<i>Stable</i>
National Westminster Bank Plc.	A+	A-1	<i>Stable</i>	A1	P-1	<i>Stable</i>	07/12/2023	A+	F1	<i>Stable</i>
Royal Bank of Scotland Plc.	A+	A-1	<i>Stable</i>	A1	P-1	<i>Stable</i>	07/12/2023	A+	F1	<i>Stable</i>
Banks not currently meeting minimum Fitch Short Term requirement of F2 (and not currently approved for investments)										
Co-operative Bank (The)				Baa3	P-3	<i>Under Review</i>	19/04/2024	BB+	B	<i>Positive</i>