Meeting of:	**Cabinet**
Date of Meeting:	**Thursday, 16 November 2023**
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Treasury Management Mid-Year Report 2023/24
Purpose of Report:	To provide a mid-year report on the Authority's Treasury Management operations for the period 1st April, 2023 to 30th September, 2023
Report Owner:	Executive Leader and Cabinet Member for Performance and Resources
Responsible Officer:	Matt Bowmer, Head of Finance/Section 151 Officer
Elected Member and Officer Consultation:	None
Policy Framework:	This report needs to be referred to Full Council for approval

Executive Summary:

- This interim report provides an update on the Authority's Treasury Management operations for the period 1st April to 30th September, 2023. All activities were in accordance with the Authority's approved strategy on Treasury Management.
- Total external borrowing as of 30th September, 2023 was £145.655M at an average rate of 4.37%. No new external borrowing was undertaken during the first 6 months of 2023/24.
- The Council invested with the Debt Management Deposit Facility, Local Authorities, Treasury Bills, Money Market Funds together with Lloyds Bank Call Accounts. Total investments as of 30th September, 2023 stood at £72.670M at an average rate of 4.28% over the six-month period.
- This report contains a review of the UK economy together for the period April 2023 to September 2023 with forecasts for interest rates.
- The Authority must ensure compliance with the Prudential Code, which has been developed and written by CIPFA as a professional code of practice. To demonstrate the Authority has met the necessary requirements, the Code sets out prudential indicators that should be implemented and the factors that must be considered. The Council fully complied with these prudential indicators during the first six months of 2023/24.
- The Council’s latest Prudential and Treasury Indicators are set out in Appendix 1.

- New loans have been raised to finance the capital programme for 2023/24 totalling £20.834M of which £17.382M is prudential and £3.452M supported borrowing. As the costs of borrowing funds on the market are elevated at present external borrowing will be kept at a minimum and internal borrowing from the Council’s balances to a maximum. Advice on any external borrowing will be sought from the Council's Treasury Management advisers.
- The Council has maturing Public Works Loan Board (PWLB) and other debt totalling £10.571M during 2023/24. Due to the prevailing high interest rates no decision to finance has been made.

Recommendations

1. That Cabinet approves the Treasury Management mid-year report for the period 1st April 2023 to 30th September, 2023 and refers the same to Council on 4th December, 2023, for consideration.
2. That the latest Treasury Management indicators as set out in Appendix 1 be approved and referred to Council on 4thDecember, 2023, for consideration.
3. That, notwithstanding recommendations 1 and2, the report also be forwarded to the next Governance and Audit Committee for consideration .

Reasons for Recommendations

1. To present the Treasury Management mid-year report as required by the CIPFA Treasury Management in the Public Services: Code of Practice.
2. To present an update of the Treasury Management indicators which are included in the Treasury Management Strategy.
3. To present this report to the Governance and Audit Committee in accordance with the remit of the Committee.

1. Background

Capital Strategy

1.1 In December 2021, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes which require all local authorities to prepare a Capital Strategy which is to provide the following: -

- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- An overview of how the associated risk is managed, and
- The implications for future financial sustainability.

1.2 The Council's Capital Strategy for 2023/24 was approved by Council on 6th March 2023, minute 777 refers, and the Draft Capital Strategy 2024/25 and

Initial Capital Programme Proposals 2024/25 to 2028/29 were taken to Cabinet on 20th July, 2023, (minute C70).

1.3 The progress and revisions to the Capital Programme are reported as part of the regular capital monitoring reports to Cabinet and the most recent Capital Monitoring for Quarter 2 is included on the agenda for Cabinet for 16th November, 2023.

Treasury Management

1.4 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in risk adverse counterparties, providing adequate liquidity initially before considering optimising investment return.

1.5 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.6 Accordingly, treasury management is defined as:

"The management of the Local Authority'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. Key Issues for Consideration

2.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021).

2.2 The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the way the Council will seek to achieve those policies and objectives.
- Receipt by the full Council of an annual Treasury Management Strategy Statement including the Annual Investment Strategy and Minimum Revenue

Provision Policy for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.

- Quarterly reports are also required for the periods ending April to June and October to December but may be assigned to a designated committee or panel as deemed appropriate to meet the Treasury Management governance and scrutiny aspects of the Council.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Corporate Resources and Performance Scrutiny Committee.

2.3 This mid-year report has been prepared in compliance with CIPFA's code of Practice on Treasury Management and covers the following:

- An economic update for the first half of the 2023/24 financial year.
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy for 2023/24.
- A review of the Council's capital expenditure and prudential indicators.
- A review of the Council's investment portfolio for 2023/24.
- A review of the Council's borrowing strategy for 2023/24.
- A review of any debt rescheduling undertaken during 2023/24 and
- A review of compliance with Treasury and Prudential Limits for 2023/24.

Economics and Interest Rates

UK Economic Review and Update as of 30th September, 2023

2.4 The first half of 2023/24 saw:

- Interest rates rise by a further 100 basis points taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
- Short, medium, and long-dated gilts remain elevated as inflation continually surprised to the upside.
- A 0.5% month/month decline in real Gross Domestic Profit (GDP) in July 2023, mainly due to more strikes.
- Consumer Price Index (CPI) inflation falling from 8.7% in April 2023 to 6.7% in August 2023, its lowest rate since February 2022, but still the highest in the Group of 7 largest industrialised democracies (G7).

- Core CPI inflation declining to 6.2% in August 2023 from 7.1% in April 2023, and May 2023, a then 31 years high.
- A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose to 7.8% in August 2023 excluding bonuses.

2.5 The 0.5% month/month fall in GDP in July 2023 suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July 2023 was due to there being almost twice as many working days lost to strikes in July 2023 (281,000) than in June 2023 (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.

2.6 The fall in the composite Purchasing Managers Index (PMI) from 48.6 in August to 46.8 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0.2% quarter/quarter rise in real GDP in the period April to June 2023, being followed by a contraction of up to 1% in the second half of 2023.

2.7 The 0.4% month/month rebound in retail sales volumes in August 2023 is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July 2023. Sales volumes in August 2023 were 0.2% below their level in May 2023, suggesting much of the resilience in retail activity in the first half of the year has faded.

2.8 With CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living crisis without recession. But even though the worst of the fall in real household disposable income is now in the past, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly.

2.9 Higher interest rates will soon bite harder too. The Bank of England is forecast to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

2.10 As the impact of higher interest rates intensifies over the next six months, it is predicted that the economy will continue to lose momentum and fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year.

2.11 The tightness of the labour market continued to ease, with employment in the three months to July 2023 falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August 2023 suggests that the labour market has loosened a bit further since July 2023. That is the first time it has fallen below 1m since July 2021.

2.12 The cooling in labour market conditions still has not fed through to an easing in wage growth. While the monthly rate of earnings growth eased sharply from an upwardly revised +2.2% in June 2023 to -0.9% in July 2023, a lot of that was due to the one-off bonus payments for NHS staff in June 2023 not being repeated in July 2023. The headline 3myy rate rose from 8.4% (revised up from 8.2%) to 8.5%, which meant UK wage growth remains much faster than in the United States (US)S and in the Eurozone (EZ). The Bank of England's prediction is for it to fall to 6.9% in September 2023.

2.13 CPI inflation declined from 6.8% in July 2023 to 6.7% in August 2023, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.2%. That reverses all the rises since March 2023 and means the gap between the UK and elsewhere has shrunk (US core inflation is 4.4% and, in the Eurozone, it is 5.3%).

2.14 Core goods inflation fell from 5.9% to 5.2% and the further easing in core goods producer price inflation, from 2.2% in July 2023 to a 29-month low of 1.5% in August 2023, suggests that it will eventually fall close to zero.

2.15 The positive development was the fall in services inflation from 7.4% to 6.8%. That reverses most of the rise since March 2023 and takes it below the forecast of 7.2% the Bank of England published in early August 2023.

2.16 In its latest monetary policy meeting on 20 September 2023, the Bank of England left interest rates unchanged at 5.25%. The weak August CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The minutes show the decision was finely balanced with five Monetary Policy Committee (MPC) members voting for no change and the other four voting for a 25-basis points hike.

2.17 The statement released following the MPC meeting did not say that rates have peaked and once again said if there was evidence of more persistent inflation pressures further tightening in policy would be required and rates will stay "sufficiently restrictive for sufficiently long".

2.18 This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates at the next meeting on 2nd November 2023, or even pause in November 2023 and raise rates in December 2023.

2.19 The yield on 10-year Gilts fell from a peak of 4.74% on 17th August, 2023 to 4.44% on 29th September, 2023, mainly on the back of investors revising down their interest rate expectations.

2.20 The pound weakened from its high of $1.30 in the middle of July 2023 to $1.21 in late September 2023 driven by the substantial shift up in UK interest rate expectations. However, over the past couple of months, interest rate expectations have dropped sharply as inflation started to come down, growth faltered, and the possibility of the Bank of England called an end to its hiking cycle.

Interest Rate Forecasts

2.21 The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 basis points) which has been accessible to most authorities since 1st November, 2012.

2.22 The latest forecast on 25th September, 2023 sets out a view that both short, medium, and long dated interest rates will be elevated for some time as the Bank of England seeks to squeeze inflation out of the economy.

2.23 PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 basis points, calculated as gilts plus 80 basis points) which has been accessible to most local authorities since 1st November, 2012.

Table One – PWLB Rate Forecasts

	Dec 2023	Mar 2024	Jun 2024	Sep 2024	Dec 2024	Mar 2025	Jun 2025	Sept 2025	Dec 2025	Mar 2026	Jun 2026	Sep 2026
Bank Rate	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75
3 Month Ave Earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80
6 Month Ave Earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90
12 Month Ave Earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00
5yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60
10yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50
25yr PWLB	5.40	5.20	5.10	4.90	4.70	4.14	4.30	4.10	4.00	3.90	3.80	3.80
50yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.70	3.70	3.60	3.60

PWLB maturity certainty rates (gilts plus 80bps) year to date to 29th September, 2023

2.24 Gilt yields and PWLB certainty rates were on a generally rising trend throughout the first half of 2023/24. At the beginning of April 2023, the 5-year rate was the cheapest part of the curve and touched 4.14% whilst the 25-year rate was relatively expensive at 4.58%.

2.25 July saw 2023 short-dated rates peak at their most expensive. The 1-year rate spiked to 6.36% and the 5-year rate to 5.93%. Although, in due course, short-dated rate expectations fell, the medium dates shifted higher through August 2023 and the 10-year rate pushed higher to 5.51% and the 25-year rate to 5.73%. The 50-year rate was 4.27% on 5th April, 2023 but rose to 5.45% on 28th September, 2023.

2.26 PWLB rates are forecast rates to fall back over the next two to three years as inflation dampens. The CPI measure of inflation is expected to fall below 2% in the second half of 2024, and the forecast for 50-year rates is 3.90% by the end of September 2025. However, there is considerable gilt issuance to be digested by the market over the next couple of years, as a minimum, so there is a high degree of uncertainty as to whether rates will fall that far.

Chart One – PWLB Rates April to September 2023

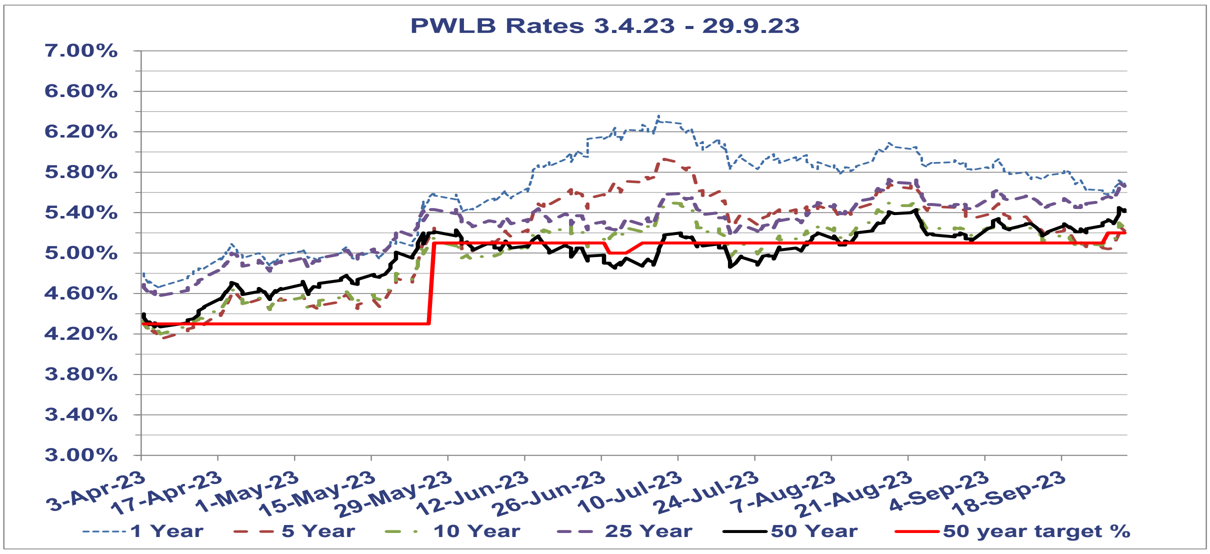

Chart Two – PWLB Certainty Rate Variations

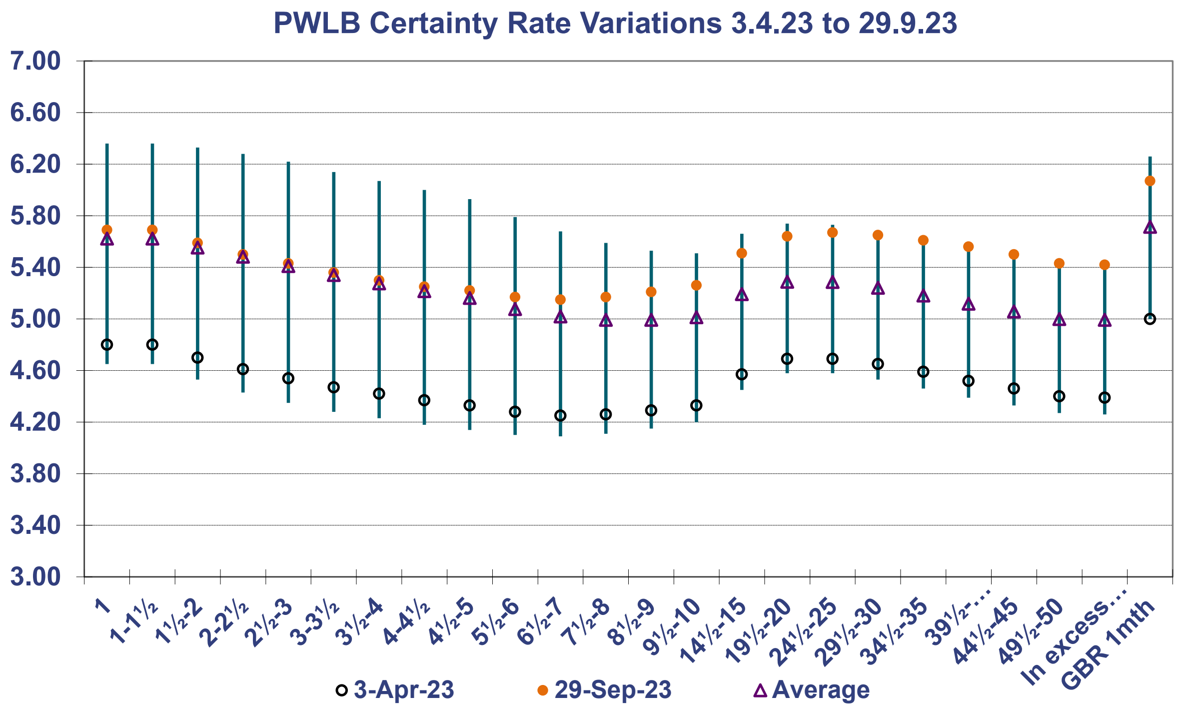

Table Two – High/Low/Average PWLB Rates for 01.04.23 to 30.09.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.14%	4.20%	4.58%	4.27%
Date	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.51%	5.73%	5.45%
Date	06/07/2023	07/07/2023	22/08/2023	17/08/2023	28/09/2023
Average	5.62%	5.16%	5.01%	5.29%	5.00%
Spread	1.71%	1.79%	1.31%	1.15%	1.18%

2.27 The current PWLB Rates are set as margins over gilt yields as follow:

- PWLB Standard Rate is gilt plus 100 basis points.
- PWLB Certainty Rate is gilt plus 80 basis points.
- Local Infrastructure Rate is gilt plus 60 basis points.
- PWLB Certainty Rate (HRA) is gilt plus 40bps.

Treasury Management Strategy 2023/24

2.28 Council approved the 2023/24 Treasury Management Strategy Statement (TMSS) at its meeting on 6th March, 2023 minute no 778.

2.29 The Authority's investment strategy is to secure the best return on its investments whilst having regard to capital security within the parameters laid down.

2.30 In line with the Authority's existing borrowing strategy the revised estimate for new loans required to support the capital programme for 2023/24 is £20.834M which is both supported and prudential borrowing. In addition, £12.000M has been included to replace maturing debt.

2.31 The effects of the above on the capital programme objectives are being assessed, therefore, the Authority's borrowing strategy will be reviewed and then revised to achieve optimum value and risk exposure in the long term.

2.32 Council officers in conjunction with the treasury advisors continually monitor the prevailing interest rates and the market forecasts and adopt a pragmatic approach to changing circumstances in respect of its borrowing needs.

2.33 The Head of Finance (Section 151 Officer) can positively report that all Treasury Management activity undertaken during the period complied with the approved strategy, the CIPFA Code of Practice and the relevant legislative provisions.

2.34 Throughout the period under review the Authority has continued to use the broader range of investment tools placing investments with other Local Authorities, the Debt Management Office (DMO), Treasury Bills, Money Market Funds (MMFs) and instant access accounts with Lloyds Bank PLC.

2.35 As of 30th September, 2023, there were no policy changes to the Treasury Management Strategy Statement (TMSS.) The details in this report update the position in the light of the updated economic position and budgetary changes which were already approved.

2.36 The introduction and implementation of IFRS16 Leasing will now commence from April 2024. The revision of the prudential indicators to include the additional financial liabilities brought onto the Council's balance sheet will form part of the 2024/25 Treasury Management and Investment Strategy and will be reported to Cabinet and Council early next year.

2.37 Work is still ongoing to establish values for the lease liabilities in accordance with the standard and to agree an acceptable low value lease policy with Audit Wales in accordance with this standard. Whilst it is not expected that the introduction of this standard will impact the bottom line of the Council's balance sheet the standard will attempt to quantify the additional debt that the Council commits to when it enters into leasing agreements which is set against a controllable asset for the period.

2.38 A more detailed report concerning the introduction of IFR16 was presented to the Governance and Audit Committee on 23rd September, 2021 (Min 399) to outline the Council's approach to implementing the standard. An assessment of the likely impact and implications was reported to the Governance and Audit Committee early in 2022 alongside the Treasury Management Strategy for 2022/23.

The Authority's Capital Position (Prudential Indicators)

2.39 This part of the report is structured to update:

- The Authority's capital expenditure plans.
- How these plans are being financed.
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow.
- Compliance with the limits in place for borrowing activity.

2.40 The Treasury Management prudential indicators are based on the 2023/24 capital programme included in the Quarter 2 Capital Monitoring which is on the agenda for Cabinet 16th November, 2023. The revised Prudential & Treasury indicators are sent out in Appendix 1 of this report.

2.41 It is a statutory duty for the Authority to determine and keep under review it’s affordable borrowing limits. During the half year ended 30th September, 2023, the Council has operated within the treasury and prudential indicators set out in the Council’s Treasury Management Strategy Statement for 2023/24. A review of the Council’s position at the mid year point of the year is included in Appendix 1 to this report. The Head of Finance (Section 151 Officer), reports that no difficulties are envisaged for the current or future years in complying with these indicators.

Investments

2.42 In accordance with the Code, it is the Council’s priority to ensure security of capital and liquidity and to obtain an appropriate level of return which is consistent with the Council’s risk appetite.

2.43 The Authority has made the following investments for the period 1st April 2023 to 30th September 2023 as set out below:

Table Three – Investments

Investment Counterparty	**Opening Balance 01/04/2023**	**Invested**	**Returned**	**Closing Balance 30/09/2023**
	£m	**£m**	**£m**	**£m**
UK Local Authorities	47.250	35.000	(34.750)	47.500
Debt Management Office	27.400	289.150	(312.600)	3.950
Treasury Bills	8.250	14.850	(11.250)	11.850
Money Market Funds (MMF)	11.000	48.725	(50.375)	9.350
Lloyds Deposit Accounts	0.020	0.000	(0.000)	0.020
Total	**93.920**	**387.725**	**(408.975)**	**72.670**

2.44 Interest, at an average rate of 4.28% and amounting to £1,084,799 including interest accrued has been received from these investments during the first 6 months of 2023/24.

2.45 Throughout the period under review the Authority placed investments in the broader mix of investment tools as detailed above.

2.46 This strategy is considered prudent considering the continuing pressures in the financial markets caused by the Russian Invasion of Ukraine, the Israeli invasion into the Gazza Strip and possible escalation to the Middle East, the political uncertainty in the UK, the cost of living crisis, the threat of bail in for fixed term investments with banks and the remaining uncertainty with Brexit. The Head of Finance (Section 151 Officer) will continue to have regard to the security and liquidity of the investments before seeking the highest rate of return or yield.

Borrowing

2.47 The Council's estimated revised CFR for 2023/24 is £210.715M. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing).

2.48 During 2021 PWLB introduced revised guidance that prevented Local Authorities borrowing for commercial purposes. The guidance set out several permitted purposes these were primarily for Service Capital Investment, Economic Regeneration and Debt Refinancing.

2.49 The following table sets out the monies externally borrowed and repaid during the period.

Table Four – Borrowings and Repayments

Loan Type	**Opening Balance 01/04/2023**	**Received**	**Repaid**	**Closing Balance 30/09/2023**
	£m	**£m**	**£m**	**£m**
PWLB	141.808	0.000	(2.658)	139.151
LOBO	4.000	0.000	(0.000)	4.000
Salix Loans	1.525	0.000	(0.171)	1.354
Temporary Loans	0.100	0.000	(0.000)	0.100
WG Loans	1.050	0.000	(0.000)	1.050
Total	**148.483**	**0.000**	**(2.825)**	**145.655**

- Loans borrowed from the PWLB are intended to assist local authorities in meeting their longer term borrowing requirements. The above PWLB loans are all at fixed rates of interest. The rate paid on each loan is largely dependent upon the original duration of the loan and date taken out. The loans taken out for the Housing Revenue Account Subsidy buyout were at a predetermined range of rates specified by HM Treasury. The Council has a significant repayment schedule over the next five years that will see the Council repay some historical debt at high interest rates with the opportunity to refinance at the current lower PWLB rates after considering cost of carry considerations.
- The Authority has not taken out any new PWLB loans during the period under review due to the prevailing high costs of borrowing.
- Maturing PWLB Debt repaid during the period under review totalled £2.658m at an average rate of 5.64%.
- Other longer term loans represent those non PWLB loans that are repayable at least 1 year or more from the date they are advanced. This debt is represented by a single LOBO loan of £4M.
- Two loans are included for Salix with balances outstanding totalling £1.354M which have been borrowed, interest free, for energy management schemes primarily Street Lighting. The Authority made Principal repayments of £0.171M on these loans over the last 6 months.
- Temporary loans represent those loans that are borrowed for a period of less than 1 year. They are borrowed on a 7-day notice arrangement.
- Welsh Government (WG) Loan is made up of two interest free loans provided by WG, a concessionary loan for £500K and a Town Centre Loan for £550K.

2.50 External interest at an average rate of 4.44% and amounting to £3.139M been paid on these loans during the first 6 months of 2023/24.

2.51 With current market uncertainty in the UK and worldwide and the increase in the PWLB rates it is the Council’s intention that external borrowing will be kept to a minimum during 2023/2024. The Council will maximise internal borrowing where possible. The Section 151 Officer will continue to liaise with Link Asset Management in respect of the Council's borrowing strategy and will keep any potential PWLB borrowing under review.

2.52 As of 31st March, 2023, the Authority internally borrowed £47.139M to finance the capital programme. This position will be kept under review by the Section 151 Officer, and advice sought from Link as required. The Council needs to keep this approach under review in the context surety of borrowing and use of reserves to ensure internal borrowing does not exceed a prudent proportion of reserves and core cash is maintained for operational purposes. An update will be included in the Treasury Management and Investment Strategy 2023/24.

2.53 Internal borrowing, borrowing that is not supported by a revenue stream is charged using the 3 month Sterling Overnight Interest Average rate (SONIA). The average rate calculated to 30th September, 2023 is 5.02%.

2.54 SONIA rates were introduced in the March 1997 and was reformed by the Bank of England in 2018 to provide a benchmark that complies with the international best practice. Sonia replaces the 3 month London Interbank Bid Rate (LIBID) previously used by Council which was phased out in the financial markets in 2021. Link Group Market Services, the Councils Treasury Management Advisors have stated that they would expect that most investors may well use the Term SONIA rates as their investment benchmarks, as these would reflect their own circumstances (cash flow, liquidity requirements, their own interest rate outlook etc.) as well as market expectations of policy rates as at the point of investment.

2.55 Internal Borrowing currently still represents a cheaper alternative to borrowing externally for the Council although the margins are diminishing. The estimated total interest to be charged to revenue for internal borrowing for pooled loans in 2023/24 is estimated to be £1.257M.

2.56 When pooling the interest charges for external and internal borrowing, the average rate charged to the Council to deliver the capital programme is estimated to be 4.56%.

2.57 In addition, the Council has previously internally borrowed for the Local Government Borrowing Initiative (LGBI) for 21st Century Schools, Affordable Housing and Highways initiatives. The interest to be charged for this element of the internal borrowing for 2023/24 is £340,083.

Debt Rescheduling

2.58 Debt rescheduling opportunities have been very limited in the current economic climate. No debt rescheduling has therefore been undertaken to date in the current financial year. However, now that the whole of the yield curve has shifted higher there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.

2.59 The Head of Finance/Section 151 officer will liaise with the Council's advisors concerning any opportunities that may arise.

Changes in Risk Appetite

2.60 The CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g., for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy should be brought to Members’ attention in treasury management update reports.

Treasury Bills

2.61 Treasury Bills have remained a competitive option throughout the period under review and are very low credit risk.

Money Market Funds

2.62 The 2018 No.325 (W.61) Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2018 introduced changes to accounting practice for Money Market Funds (MMFs) and they are no longer treated as capital expenditure.

2.63 The Authority uses this investment tool regularly and has accounts with CCLA and Federated Hermes. Instant access to the funds deposited has proved invaluable as cash flow forecasting has been problematic during the pandemic and now with the cost of living crisis where revenue streams and outgoings have not been easily identifiable.

2.64 Both funds are domiciled in the UK and their funds rated 'AAAmmf' (highest credit quality) by the Fitch credit rating agency. Funds to a maximum of £10m may be invested in each fund in accordance with the Council's revised counterparty limits.

Lloyds Deposit Accounts

2.65 The Authority opened two interest earning deposit accounts with Lloyds Bank in October 2020. The accounts are low yield and have been infrequently used during 2023/24 due to the exceptionally low returns. The Council has opted to place its highly liquid investments with MMFs to achieve a more favourable return at a lower credit risk.

2.66 As part of the agreement with Lloyds Bank, the Council is asked on an annual basis to sign a set off agreement. The agreement gives the bank the right at any time and without notice to combine or consolidate all these accounts with any of our liabilities and set off or transfer any credit balance towards setting off a liability.

2.67 The accounts covered by this agreement are managed on a day to day basis by the Council so that the total balance of these accounts remains positive. Following advice from the Council's bankers Lloyds TSB Bank the Authority no longer has a £2m overdraft facility opting to notify the bank in advance of any forecast overdrawn balances at the end of the working day. This is the most cost-effective way to manage the bank accounts.

Non-Treasury Investment

Big Fresh Catering Company

2.68 On 1st January, 2020, the Council set up a Local Authority Trading Company to deliver catering services called Big Fresh Catering Company. The Council owns 100% of the company shares. Profits from the venture will be given to local schools or reinvested back into the business. In accordance with WG Guidance this will be classified as a Non-Treasury Investment. The value of the Council's investment is £1.

Service Investment Strategy

2.69 In February 2022 a new Non-Treasury Investment Strategy to support Recovery and Regeneration through Economic Development schemes and development of Green Infrastructure was approved. Under the proposals up to £2.2M of earmarked reserves and £10M of PWLB borrowing could be utilised. These schemes are expected to recover the cost of financing any borrowing, however, they would increase the Council's Capital Financing Requirement, External Borrowing and Minimum Revenue Provision requirements. A specialist investment Committee would be set up to ensure sufficient oversight and scrutiny of any proposals. Further work is being carried out to identify potential opportunities, refine governance proposals and criteria for approving and monitoring funding proposals.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

3.1 The Treasury Management and Investment Strategy ensures that the financial plans of the Council are sustainable into the future and do not adversely impact on future generations.

3.2 The Treasury Management and Investment Strategy underpins the financial management of the Council and its ability to achieve its Well Being objectives as set out in the Corporate Plan.

4. Climate Change and Nature Implications

4.1 Councils and the UK Government are widely implemented on policy on the response the Climate change.

4.2 Money Market Funds selected by the Council regularly monitor the environmental, social and governance (ESG) risk management activities with whom they invest.

5. Resources and Legal Considerations

Financial

5.1 Money is borrowed for capital purposes and interest charged to revenue accounts.

5.2 The Council is required to consider the ESG position of its investments as part of its Treasury Management Strategy.

5.3 Most of the Council's investments are placed with the UK Government (DMADF and Treasury Bills) or Local Authorities. As most of these counterparties have declared a climate and nature emergency, the Council are accepting that they are following ESG principles and therefore will continue to place investments with them. Should the Council become aware of any Local Authority that goes against these principles the Council will raise the matter at Cabinet so Members can consider whether or the Council should continue to use that counterparty for investment purposes.

5.4 Some investments are held with the Money Market Fund CCLA. CCLA believe that investment markets and in turn, investment returns will only be as healthy as the environment and communities that support them. We therefore focus on some of the world's most pressing challenges to build a future that can continue to support sustainable returns for our clients, and outcomes for our planet. CCLA has a long track record of investing responsibly to deliver positive change in company practice and performance, and of pushing for progress to meet the world's sustainability challenges. CCLA aim to be a catalyst for change in the investment industry and to invest responsibly for their clients, and for the planet.

5.5 Some investments are held with the Money Market Fund Federated Hermes. Federated Hermes consider that they take a pragmatic view of the investment universe to identifying stocks with the most attractive combinations of fundamental characteristics. They look for companies with sustainable business models and competitive advantages. In addition, it is important that companies behave responsibly, which leads us to companies that are well governed and treat their responsibilities to society and the environment seriously. At Federated Hermes they consider that companies less exposed to ESG risks will outperform over the long term and that companies improving their ESG profiles can unlock significant shareholder value. Their investment philosophy can be encapsulated in three words: Pragmatism, Sustainability and Responsibility.

Employment

5.6 There are no direct employment issues relating to this report.

Legal (Including Equalities)

5.7 Compliance with the Local Government Act and CIPFA'S Code of Practice for Treasury Management in the Public Services is mandatory.

6. Background Papers

6.1 CIPFA’S Code of Practice for Treasury Management in the Public Services (2021Edition), and WG guidance on Local Authority investments.

Appendix 1

Mid Year Treasury Management Prudential Indicators 2023/24

1. Capital Expenditure

- The purpose of this indicator is to provide a summary of the Council's capital expenditure. It reflects the capital programme previously agreed at Cabinet on the 7th of September 2023 and the capital programmes proposed for the forthcoming financial periods. A supplementary table is included detailing the resources to be applied to finance the capital spend and so highlight any net financing need over the reporting period.

- This table shows a comparison of the capital programme as agreed by Cabinet with the latest updated Capital Programme which is reported as part of the Quarter 2 Capital Monitoring.

Table 1 – Capital Expenditure

Capital Expenditure	**2023/24 Original Estimate £m**	**2023/24 Revised Estimate £m**	**2024/25 Estimate £m**	**2025/26 Estimate £m**	**2026/27 Estimate £m**
Non HRA	58.949	57.726	63.057	48.605	26.435
HRA	45.019	49.927	44.555	35.257	23.746
Total Capital Expenditure	**103.968**	**107.653**	**107.612**	**83.862**	**50.181**

Capital Expenditure by Service	**2023/24 Original Estimate £m**	**2023/24 Revised Estimate £m**	**2024/25 Estimate £m**	**2025/26 Estimate £m**	**2026/27 Estimate £m**
Learning & Skills	36.697	26.880	19.634	1.360	2.750
Social Services	0.595	0.928	1.067	0.725	0.100
Environment & Housing	12.830	21.582	8.742	2.260	2.260
Place	4.039	4.886	3.431	1.305	1.305
Corporate Resources	1.130	1.944	1.006	1.619	2.119
City Deal	2.506	0.301	1.069	1.117	0.844
Pipeline Schemes	1.152	1.205	28.108	40.219	17.057
Housing Revenue Account (HRA)	45.019	49.927	44.555	35.257	23.746
Total Capital Expenditure	**103.968**	**107.653**	**107.612**	**83.862**	**50.181**

2. Changes to the Financing of the Capital Programme

- The table below shows the main sources of funding for the capital expenditure plans of the Authority shown above, highlighting the original supported and unsupported elements of the capital programme and the expected financing arrangements of this capital expenditure.

- The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt the Minimum Revenue Provision (MRP). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Table 2 – Net Financing Need

Sources of Capital Financing	**2023/24 Original Estimate £m**	**2023/24 Revised Estimate £m**	**2024/25 Estimate £m**	**2025/26 Estimate £m**	**2026/27 Estimate £m**
Total Capital Expenditure	103.968	107.653	107.612	83.862	50.181
Financed by:					
GCF Grant	4.478	5.456	3.545	2.378	2.378
General Fund Reserves & Revenue	16.796	14.024	4.498	1.298	1.296
HRA Reserves & Revenue	17.187	23.520	5.875	6.718	6.805
S106	6.816	7.046	1.011	0.600	2.350
Grants	27.477	32.186	45.240	33.589	18.538
Capital Receipts (General & HRA)	6.933	4.587	2.748	1.258	0.155
Total Financing	79,687	86.819	62.917	45.841	31.522
Net Financing need for the year	24.281	20.834	44.695	38.021	18.659
Prudential Borrowing Requirement	**20.829**	**17.382**	**41.242**	**34.570**	**15.208**
Supported Borrowing Requirement	**3.452**	**3.452**	**3.452**	**3.451**	**3.451**
Total	**103.968**	**107.653**	**107.612**	**83.862**	**50.181**

Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

3. Capital Financing Requirement

- The table below shows the CFR, which is the underlying external need for the Council to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary. The Authority has revised the Capital Financing Requirement estimate for 2023/24 downwards which primarily reflects a decrease in the estimated borrowing for the Housing Revenue Account (HRA), Vehicles, City Deal & The Sustainable Communities for Learning Programme.

Table 3 – Capital Financing Requirement

	2023/24 Original Estimate £m	**2023/24 Revised Estimate £m**	**2024/25 Estimate £m**	**2025/26 Estimate £m**	**2026/27 Estimate £m**
Prudential Indicator – the Capital Financing Requirement					
CFR – Non-Housing	121.664	120.715	128.761	139.183	141.501
CFR – HRA	93.234	90.000	120.427	141.028	149.555
Total CFR	214.958	210.715	249.188	280.211	291.056
Net Financing Need for the Year	25.101	32.834	52.694	39.661	20.659
Less Minimum Revenue Provision	(5.766)	(5.766)	(6.219)	(6.999)	(7.815)
Net movement in CFR	19.335	27.068	46.475	32.662	12.844

Non HRA Capital Financing Requirement	**2023/24 Original Estimate £m**	**2023/24 Revised Estimate £m**	**2024/25 Estimate £m**	**2025/26 Estimate £m**	**2026/27 Estimate £m**
Opening CFR	119.161	121.664	120.715	128.761	139.183
Net Financing Need for the Year	6.648	2.863	11.993	14.487	6.720
Less Minimum Revenue Provision	(4.145)	(3.812)	(3.947)	(4.065)	(4.402)
Closing Non HRA CFR	121.664	120.715	128.761	139.183	141.501

HRA Capital Financing Requirement	**2023/24 Original Estimate £m**	**2023/24 Revised Estimate £m**	**2024/25 Estimate £m**	**2025/26 Estimate £m**	**2026/27 Estimate £m**
Opening CFR	76.462	93.294	90.000	120.427	141.028
Net Financing Need for the Year	18.453	(1.340)	32.699	23.535	11.940
Less Minimum Revenue Provision	(1.621)	(1.954)	(2.272)	(2.934)	(3.413)
Closing HRA CFR	93.294	90.000	120.427	141.028	149.555

4. Borrowing Activity

- A key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and next two financial years. This allows some flexibility for limited early borrowing for future years. In line with CIPFA guidance the Council will not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed.

- Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. The figure shown below reflects the Council's current strategy in respect of maximising internal borrowing. This will be kept under review in consultation with the Council's Treasury Management advisers.

5. The Authorised Limit

- The Authorised Limit represents that limit beyond which borrowing is prohibited, and this needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Table 4 – Authorised Limit

Authorised limit for external debt	2023/24 Original Estimate £m	2023/24 Revised Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Borrowing	247.171	242.197	279.183	310.095	324.758
Other long-term liabilities	0	0			
Total	**247.171**	**242.197**	**279.183**	**310.095**	**324.758**

6. Operational Boundary

- The Operational Boundary is the limit beyond which external debt is not normally expected to exceed. Unlike the Authorised Limit, the Operational Boundary is not an absolute limit, but it reflects the Authority’s expectations of the level at which external debt would not ordinarily be expected to exceed.

- The Council will also set for the forthcoming financial year and the following two financial years an Operational boundary for its total gross external debt, separately identifying borrowing from other long-term liabilities.

Table 5 – Operational Boundary

Prudential Indicator – the Operational Boundary for External Debt	**2023/24 Original Estimate £m**	**2023/24 Revised Estimate £m**	**2024/25 Estimate £m**	**2025/26 Estimate £m**	**2026/27 Estimate £m**
Borrowing	234.021	229.823	266.246	296.161	310.907
Other Long-Term Liabilities	0	0			
Total Debt (Year End Position)	**234.021**	**229.823**	**266.246**	**296.161**	**310.907**

7. Gross Debt and the Capital Financing Requirement

- An authority should only borrow to support a capital purpose, and borrowing should not be undertaken for revenue or speculative purposes.

- To ensure that over the medium-term debt will only be for a capital purpose the Council should ensure that debt does not, expect in the short term, exceed the total Capital Financing Requirement in the preceding year plus the estimates of any additional Capital Financing Requirement for the current and next two financial years.

- The Council must disclose the closing balance for actual gross borrowing in respect of the financial period just ended. This will clarify to Members the Authority's overall level of external debt and allow comparison to the Authority's actual borrowing need as provided by the Gross debt and the CFR Indicator.

Table 6 – Gross Debt and CFR

	2023/24	2023/24	2024/25	2025/26	2026/27
	Original Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
CFR	214.958	210.715	249.188	280.211	291.056
Gross borrowing	175.513	171.246	216.481	249.288	260.610
Under/(over) borrowing	**39.445**	**39.469**	**32.707**	**30.923**	**30.446**

Table 7 – Gross Borrowing at Year End

	2023/24 Original Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	£m	£m	£m	£m	£m
Loans at start of year	148.483	148.483	171.246	216.481	249.288
Lease/PFI liabilities at start of year	0	0	0	0	0
Total gross borrowing at start of year	**148.483**	**148.483**	**171.246**	**216.481**	**249.288**
New borrowing for capital spends	25.101	20.834	44.694	37.661	18.659
New borrowing for maturing debt	12.000	12.000	8.000	2.000	2.000
New lease/PFI liabilities	0	0	0	0	0
Loan repayments	-10.071	-10.071	-7.459	-6.854	-9.337
Lease & PFI repayments	0		0	0	0
Loans at end of year	**175.513**	**171.246**	**216.481**	**249.288**	**260.610**
Lease/PFI liabilities at end of year	0	0	0	0	0
Total gross borrowing at end of year	**175.513**	**171.246**	**216.481**	**249.288**	**260.610**

Table 8 – Gross Debt / Internal Borrowing

	2023/24 Original Estimate £m	**2023/24 Revised Estimate £m**	**2024/25 Estimate £m**	**2025/26 Estimate £m**	**2026/27 Estimate £m**
External Net Borrowing	177.544	171.246	216.481	249.288	260.610
Other Long-Term Liabilities	0	0	0	0	0
Total Debt	177.544	171.246	216.481	249.288	260.610
CFR (Year End Position)	**214.958**	**210.715**	**249.188**	**280.211**	**291.056**
Estimated Internal Borrowing	**37.414**	**39.469**	**32.707**	**30.923**	**30.446**

- No difficulties are envisaged for the current or future years in complying with this prudential indicator.

8. Ratio of Relevant Financing Costs to Net Revenue Stream

- This Indicator shows the trend in the cost of capital borrowing and other longterm obligation costs against the net revenue stream i.e., Council Tax and Social Housing rent income.

- The higher the ratio, the higher the proportion of resources tied up just to service net capital costs and which represent a potential affordability risk.

- The Council will estimate for the forthcoming year and the following two financial years the proportion of financing costs to net revenue stream.
- After the year end, the proportion of financing costs to net revenue stream will be calculated directly from the Council's income and expenditure statement.

Table 9 – Ratio of Financing Costs to Net Revenue Stream

	2023/24 Original Estimate	2023/24 Revised Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	%	%	%	%	%
Non-HRA	2.37	2.46	2.45	2.74	2.86
HRA	21.31	21.88	24.79	30.34	32.93

- The analysis above shows the Council Fund implications remain relatively stable throughout the period. The HRA cost is increasing over the period in line with the aspirations for maintenance and regeneration set out in the draft Housing Business Plan. The plan demonstrates that this level of investment is affordable over the 30 year period of the plan.

9. The Liability Benchmark

- The revised prudential code (December 2021) requires the Council to adopt a debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement.
- The Council is required to provide a comparison of the existing loan portfolio against the committed borrowing needs. This is to provide evidence that it has a strong grasp of both its existing debt maturity profile and how MRP and other cash flows affect the future debt requirement.
- This indicator should cover as a minimum the forthcoming financial year and the following two years. However, CIPFA strongly recommend that it is produced for at least ten years and should ideally cover the full debt maturity profile.

- The presentation should be in the form of a chart covering the following four areas:

- Existing Loan Debt (current external debt borrowing portfolio split by type of loan and presented as a stacked bar chart).
- Loans CFR (excluding any part of the CFR relating to other long-term liabilities.
- Net loans requirement (loan debt less Treasury Management Investments at the last financial year end and projected into the future based on approved prudential borrowing, planned MRP and other major cash flow forecasts).

- Liability Benchmark (net loans requirement plus any short term liquidity allowance).

- The Liability Benchmark is effectively the Net Borrowing Requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of resources available for investment on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day to day cash flow.

- CIPFA recommends that the optimum position for external borrowing should be at the level of the Liability Benchmark where all balance sheet resources are used to maximise internal borrowing.

- The graph below shows a full updated 30-year projection.

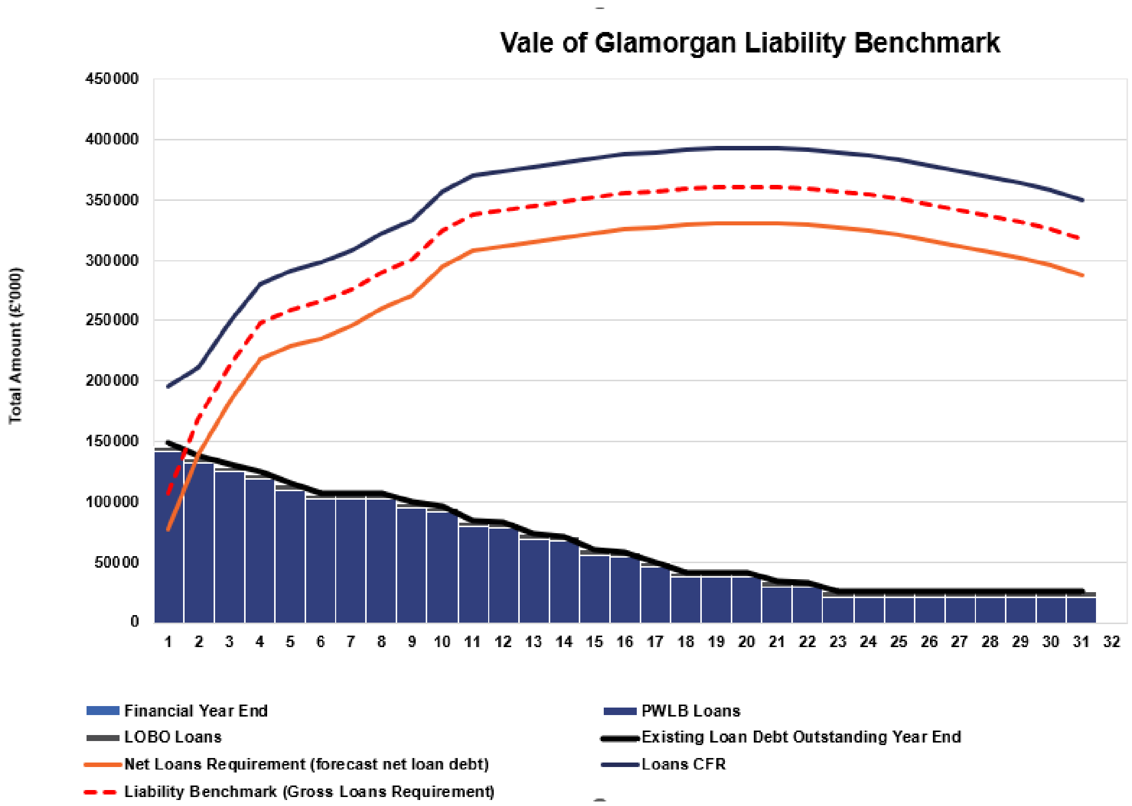

Table 10 – Liability Benchmark

Year	Projected CFR	Projected External debt	Under/Over Borrowing
	£m	£m	£m
2023/24	210.715	138.311	472.404
2024/25	249.188	130.852	118.336
2025/26	280.211	124.498	155.713
2026/27	291.056	115.161	175.895
2027/28	297.936	106.983	190.953
2028/29	307.976	106.918	201.058
2029/30	321.899	106.853	215.046
2030/31	333.348	99.799	233.549
2031/32	356.594	96.090	260.504
2032/33	369.803	99.799	270.004
2033/34	373.660	84.042	289.618
2034/35	377.474	73.362	304.112
2035/36	380.572	71.197	309.375
2036/37	384.205	60.141	324.064
2037/38	387.807	58.062	329.745
2038/39	389.686	49.981	339.705
2039/40	391.469	41.900	349.569
2040/41	392.735	41.817	350.918
2041/42	392.663	41.730	350.933
2042/43	393.162	33.640	359.522
2043/44	391.493	33.548	357.945
2044/45	389.312	25.454	363.858
2045/46	386.467	25.454	361.013
2046/47	383.324	25.454	357.870
2047/48	378.539	25.454	353.085
2048/49	374.197	25.454	348.743
2049/50	369.513	25.454	344.059
2050/51	364.024	25.454	338.570
2051/52	358.302	25.454	332.848
2052/53	350.297	25.454	324.843

- From the graph illustrating the 30-year projection of the Authority's Liability Benchmark, only in year one does the Councils external debt (the shaded area) exceeds the liability benchmark (the dotted line). This shows the Council in an overborrowed position and not making maximum use of its reserves and balances. This can be explained as follows:

- The Council has reserves that are ringfenced and cannot be used to fund capital expenditure.
- Some Council reserves need to be cash backed e.g. Housing Revenue Account (HRA)
- Higher than forecast reserve balances as the use of reserves in recent years was less than projected due to the slippage of the capital programme.
- The Council took PWLB funding in the last two years at favourable rates to mitigate interest rate risk with the Council's borrowing need.

- From year two onwards the chart shows that external borrowing falls significantly below the Council's Capital Financing Requirement. For as long as usable reserve balances are available the Council will maintain this under borrowed position.

- This means that the capital borrowing need was not fully funded with external loan debt as cash supporting the Council's reserves, balances and cash flow were used as an interim measure to finance the Council's borrowing requirement. This allows the Council to mitigate the volatility of the financial market and interest rates. The reserves are projected to reduce over the period under review and the Council is expected to externally borrow up to the CFR at the end of the period. The Council currently holds significant investments as detailed in this report, but these are expected to reduce as reserves are used. The Council will maintain a £30m investment buffer as part of the treasury management liquidity benchmark the value of this buffer will need to be kept under review in the context of the current inflationary factors.

10. Maturity Structure of Borrowing

- The Council is required to set gross limits on maturities for the periods shown and covers both fixed and variable rate borrowings. The reason being to try and control the Council's exposure to large sums falling due for refinancing.

- The Council will set for the forthcoming year both upper and lower limits with respect to the maturity structure of external borrowing. The periods to which these limits will apply are as follows:

  - Under 12 months
  - 12 Months and within 24 months
  - 24 months and within 5 years
  - 5years and within 10 years
  - 10 years and above

- As of 30th September 2023, the maturity breakdown of the Council's borrowing is set out in the table below.

Table 11 – Maturity Structure of Borrowing

	Actual	Lower Limit	Upper Limit
	%	%	%
Under 12 months	5.04	0	10
12 months and within 24 months	5.47	0	10
24 months and within 5 years	16.39	0	20
5 years and within 10 years	15.41	0	20
10 years and above	57.69	0	100

11. Limits for Long Term Treasury Management Investments

- This Indicator is seeking to support control of liquidity risk. The limits should be set regarding the Authority's liquidity needs and also reduce the potential need to have to make early exit from an investment in order to recover funds.

- The indicator relates solely to the Authority's investments for treasury management purposes.

- Where a Council invests, or plans to invest, for periods longer than a year, the Council will set an upper limit for each forward financial year period for the maturing of such investments**.**

Table 12 – Limits for Long Term Treasury Management Investments

	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Limit for investments > a year	**£10m**	**£10m**	**£10m**	**£10m**

12. Investment Yields

- The averagely monthly yields from the Council's investments for July 2023 to September 2023 are set out below. The increases in the Bank of England base rates to 5.25% in September 2023 are reflected in the returns from the Council's investments.

Table 14 – Average Monthly Interest

Average Monthly Interest	Local Authorities	Debt Management Office	Treasury Bills	Money Market Funds
	%	%	%	%
Jul-23	**3.97**	**4.90**	**4.71**	**4.86**
Aug-23	**4.09**	**5.15**	**5.01**	**5.11**
Sep-23	**4.34**	**5.19**	**5.07**	**5.24**