



Havering
LONDON BOROUGH

AUDIT COMMITTEE

30th January 2025

Subject Heading:

Treasury Update – Quarter 3 2024/25

ELT Lead:

Kathy Freeman
Strategic Director of Resources and
S151 Officer

Report Author and contact details:

Tony Piggott Treasury Manager
01708 434 368
Tony.piggott@havering.gov.uk

Policy context:

The Council has adopted the CIPFA Treasury Management in the Public Services Code of Practice (the CIPFA code) which requires the Committee to approve treasury management semi-annual and annual reports. This report provides an additional update.

Financial summary:

The Treasury Strategy forms part of the Authority's overall budget setting strategy and financial management framework

The subject matter of this report deals with the following Council Objectives

- | | |
|---|-------|
| People - Supporting our residents to stay safe and well | [] |
| Place - A great place to live, work and enjoy | [] |
| Resources - Enabling a resident-focused and resilient Council | [X] |

SUMMARY

The Council has adopted the CIPFA treasury management in the Public Services Code of Practice (the CIPFA Code) which requires the Council to report on the performance of the treasury management function to Full Council at least twice per year (mid-year and at year-end).

This quarterly report provides an additional update to Audit Committee to keep Members up-to-date with treasury activities and is intended to give a brief overview of the council's liquidity and debt position in light of the current financial situation rather than a detailed review of all prudential and treasury indicators.

The Authority borrowed and invested substantial sums of money and is potentially exposed to financial risk from loss of invested funds and the revenue impact from changing interest rates. This report covers activity on treasury managed investments and borrowings and the associated monitoring and control.

RECOMMENDATIONS

Audit Committee are asked to:

- To note the treasury management activities to the end of December 2024 as detailed in the report.
- To note the treasury management performance to the end of December 2024
- To note the adherence to the prudential and treasury indicators

REPORT DETAIL

1. Introduction

- 1.1 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). The primary requirements of the Code are as follows:

Audit Committee, 30 January 2025

- A mid-year, treasury update report (Audit Committee 3 December 2024)
 - An annual Treasury Management Strategy Statement (TMSS) in advance of the year (Council 28th February 2024)
 - An annual review following the end of the year describing the activity compared to the strategy, (Scheduled for Audit Committee after year end)
- 1.2 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 mid-year position for treasury activities and highlights compliance with the Authority's policies previously approved by Members.
- 1.3 The primary focus of effective treasury management is to ensure cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return.
- 1.4 The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning to ensure the Authority 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 Authority risk or cost objectives.
- 1.5 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. CURRENT TREASURY POSITION

- 2.1 Table 1 below shows the movement in both treasury investments and borrowing between the figures reported in the mid-year update and the quarter 3 position.

Table 1: Treasury Portfolio Position

	30/09/24		31/12/24	
	£m	%	£m	%
Treasury Investments				
Government & Local Authorities	45.5	100	47.6	100
Banks & Other Financial Institutions	0.0	0	0.0	0
Total Treasury Investments	45.5	100	47.6	100
Treasury Borrowing				
PWLB	425.1	97.2	475.1	97.9
Bank Loans (LOBO)	7.0	1.6	7.0	1.4
Local Authorities	5.0	1.1	3.0	0.6
Other loans	0.2	0.1	0.3	0.1
Total External Borrowing	437.3	100	485.4	100
Net Treasury Investments/(Borrowing)	(391.8)		(437.8)	

Investment Balances

- 2.2 The average weighted level of funds available for investment purposes during the first 3 quarters of the financial year was £78.3m
- 2.3 table 2 below sets out the investment performance for Quarter 3 of 2024/25 compared to the benchmark of 3 month SONIA (Sterling Over Night Indexed Average)

Table 2: investment Performance

Period	SONIA 3 month benchmark return	Authority performance	Investment interest earned
3 month	4.85%	5.27%	£3.1m

The Authority outperformed the benchmark by 42bp. The Authority's budgeted investment return for 2024/25 is £1.25m, and performance for the year to date is £1.85m above budget

- 2.4 A full list of treasury investments as at 31st December 2024 is included as appendix 1

Borrowing Balances

- 2.5 The Authority has appointed Link Group as its treasury advisors and part of their service is to assist the Authority to formulate a view on interest rates.
- 2.6 Following the 30 October Budget, the outcome of the US Presidential election on 6 November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7 November, LINK have significantly revised their central forecasts for the first time since May, (see Table3 below).

Table 3: Link Interest Rate Forecasts

Link Group Interest Rate View	11.11.24													
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50	
3 month ave eamings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50	
6 month ave eamings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50	
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50	
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90	
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10	
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50	
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30	

- 2.7 In summary, the Bank Rate forecast is now 50bps to 75bps higher than was previously the case, whilst the PWLB forecasts have been materially lifted to not only reflect the increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament.
- 2.8 Link’s central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent. They forecast the next reduction in Bank Rate to be made in February and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank’s Quarterly Monetary Policy Reports (February, May, August and November). Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data in the second half of 2025. The fact that the November MPC rate cut decision saw a split vote of 8-1 confirms that there are already some concerns around inflation’s stickiness, and with recent public sector wage increases beginning to funnel their way into headline average earnings data, the market will be looking very closely at those releases.
- 2.9 Table 3 shows the overall trend is for gilt yields and PWLB rates to fall back over the forecast period as inflation continues to fall in 2025. This is supported by other economic forecasts so officers are in agreement that any long term borrowing required should be on shorter durations (1 to 2 years) and to refinance on longer term duration when rates are expected to be lower.

Table 4: Current PWLB rates

Duration	Standard Rate %	Certainty Rate %	HRA Rate %
1 year	5.36	5.16	4.76
2 years	5.32	5.12	4.75
5 years	5.42	5.22	4.82
10 years	5.77	5.57	4.17
25 years	6.23	6.03	5.63
50 years	5.94	5.14	4.74

2.4 A full list of treasury long and short term borrowing as at 31st December 2024 is included as appendix 2 along with the Council's debt maturity profile

3. Compliance with Treasury & Prudential Indicators

3.1 It is a statutory duty for the Authority to determine and keep under review the Treasury and Prudential Indicators. To the 31st December 2024, the Authority has operated within the treasury and prudential indicators set out in the Authority's Treasury Management Strategy Statement for 2024/25.

3.2 The Operational boundary is the limit beyond which external debt is not normally expected to exceed. In most cases this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources

Operational Boundary £m	2024/25 Estimate	2024/25 Actual Debt @ 31/12/2024
Debt	900	485.4
Other long-term liabilities	10	0
Total	910	485.4

3.3 The Authorised Limit for External Debt is another key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit was set as part of the budget setting process

Authorised Limit for External Debt £m	2024/25 Estimate	2024/25 Actual Debt
Debt	950	485.4
Other long-term liabilities	10	0
Total	960	485.4

- 3.4 In addition to compliance with all Treasury and Prudential Indicators, All treasury management operations have also been conducted in full compliance with the Authority's Treasury Management Practices.

IMPLICATIONS AND RISKS

Financial implications and risks:

The Authority uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times. All decisions will be undertaken with regards to all available information, including, but not solely our treasury adviser.

Risk is inherent in all treasury activity. The Investment Strategy identifies the risk associated with different classes of investment instruments and sets the parameters within which treasury activities can be undertaken and controls and processes appropriate for that risk.

Treasury operations are undertaken by nominated officers as prescribed by the Treasury Management Policy Statement as approved by the Council.

Legal implications and risks:

There are no direct legal implications or risks from noting this report.

Part 1, Chapter 1 of the Local Government Act 2003, provides that the Council may borrow money for any purpose relevant to its functions, or for the purposes of the prudent management of its financial affairs. It must determine and keep under review its borrowing limit and how much money it can afford to borrow.

In doing so, the Authority must have regard to the CIPFA Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities. This report has been produced in accordance with both codes.

Human Resources implications and risks:

There are no HR implications from this report

Equalities implications and risks:

There are no Equalities implications arising from this report.

The report has no direct equalities implications.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS

There are no climate or environmental implications arising from this report, however the Council can make significant impact via future investment opportunities and operational changes. Numerous changes have already been made to ensure that climate is a key consideration when making investments. In line with the Council's climate change ambitions of becoming carbon neutral by 2040, investment activities will continue to contribute towards achieving this target, once requirements for the security and liquidity of investments have taken precedence.

Appendix 1

Treasury Investments as at 31st December 2024

Class	Type	Deal Ref	Start / Purchase Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
Deposit	Fixed	4462	31/12/24	02/01/25	DMADF (Debt Management Account Deposit Facility)	Maturity	4.7000%	-8,600,000.00
Deposit	Fixed	4440	13/12/24	13/01/25	Surrey County Council	Maturity	5.3000%	-5,000,000.00
Deposit	Fixed	4358	30/09/24	31/01/25	Blackpool Council	Maturity	5.0000%	-5,000,000.00
Deposit	Fixed	4420	22/11/24	22/05/25	Central Bedfordshire Council	Maturity	5.2500%	-5,000,000.00
Deposit	Fixed	4417	21/11/24	02/06/25	Uttersford District Council	Maturity	5.2000%	-4,000,000.00
Deposit	Fixed	4423	29/11/24	27/06/25	Hertfordshire Police and Crime Commissioner	Maturity	5.2500%	-5,000,000.00
Deposit	Fixed	4429	29/11/24	27/06/25	Suffolk County Council	Maturity	5.3500%	-5,000,000.00
Deposit	Fixed	4454	27/12/24	07/07/25	Warwickshire Police and Crime Commissioner	Maturity	5.6500%	-5,000,000.00
Deposit	Fixed	4457	24/12/24	24/09/25	Fife Council	Maturity	5.7000%	-5,000,000.00
Fixed Total							5.2252%	-47,600,000.00

Treasury Borrowing as at 31st December 2024

Class	Type	Deal Ref	Start / Purchase Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
Loan	Fixed	735 Housing Revenue A/C	19/02/24	19/02/25	PWLB	Maturity	5.0300%	35,000,000.00
Loan	Fixed	736 Housing Revenue A/C	29/02/24	28/02/25	PWLB	Maturity	5.0600%	45,000,000.00
Loan	Fixed	737 Housing revenue A/C	19/03/24	19/03/25	PWLB	Maturity	4.9300%	10,000,000.00
Loan	Fixed	738 Housing Revenue A/C	28/03/24	28/03/25	PWLB	Maturity	4.9200%	28,000,000.00
Loan	Fixed	484074 General Fund	06/04/00	04/04/25	PWLB	Maturity	4.8750%	478,411.83
Loan	Fixed	484074 Housing Revenue A/C	06/04/00	04/04/25	PWLB	Maturity	4.8750%	500,694.11
Loan	Fixed	739 Housing revenue A/C	29/11/24	01/12/25	PWLB	Maturity	4.7600%	20,000,000.00
Loan	Fixed	740 Housing revenue A/C	20/12/24	22/12/25	PWLB	Maturity	4.6500%	30,000,000.00
Loan	Fixed	500049 Housing Revenue A/C	28/03/12	28/03/26	PWLB	Maturity	2.9200%	2,801,126.17
Loan	Fixed	500049 General Fund	28/03/12	28/03/26	PWLB	Maturity	2.9200%	248,473.83
Loan	Fixed	500057 Housing Revenue A/C	28/03/12	28/03/27	PWLB	Maturity	3.0100%	15,178,400.38
Loan	Fixed	500057 General Fund	28/03/12	28/03/27	PWLB	Maturity	3.0100%	1,346,399.62
Loan	Fixed	482691 General Fund	14/07/99	27/06/27	PWLB	Maturity	4.7500%	478,411.83
Loan	Fixed	482691 Housing Revenue A/C	14/07/99	27/06/27	PWLB	Maturity	4.7500%	500,694.11
Loan	Fixed	500056 Housing Revenue A/C	28/03/12	28/03/28	PWLB	Maturity	3.0800%	15,178,400.38
Loan	Fixed	500056 General Fund	28/03/12	28/03/28	PWLB	Maturity	3.0800%	1,346,399.62
Loan	Fixed	481185 General Fund	23/07/98	04/04/28	PWLB	Maturity	5.5000%	956,823.67
Loan	Fixed	481185 Housing Revenue A/C	23/07/98	04/04/28	PWLB	Maturity	5.5000%	1,001,388.21
Loan	Fixed	500050 Housing Revenue A/C	28/03/12	28/03/29	PWLB	Maturity	3.1500%	15,178,400.38
Loan	Fixed	500050 General Fund	28/03/12	28/03/29	PWLB	Maturity	3.1500%	1,346,399.62
Loan	Fixed	500051 Housing Revenue A/C	28/03/12	28/03/30	PWLB	Maturity	3.2100%	15,178,400.38
Loan	Fixed	500051 General Fund	28/03/12	28/03/30	PWLB	Maturity	3.2100%	1,346,399.62
Loan	Fixed	500054 Housing Revenue A/C	28/03/12	28/03/31	PWLB	Maturity	3.2600%	15,178,400.38
Loan	Fixed	500054 General Fund	28/03/12	28/03/31	PWLB	Maturity	3.2600%	1,346,399.62
Loan	Fixed	500052 Housing Revenue A/C	28/03/12	28/03/32	PWLB	Maturity	3.3000%	15,178,400.38
Loan	Fixed	500052 General Fund	28/03/12	28/03/32	PWLB	Maturity	3.3000%	1,346,399.62
Loan	Fixed	500053 Housing Revenue A/C	28/03/12	28/03/33	PWLB	Maturity	3.3400%	15,178,400.38
Loan	Fixed	500053 General Fund	28/03/12	28/03/33	PWLB	Maturity	3.3400%	1,346,399.62
Loan	Fixed	500055 Housing Revenue A/C	28/03/12	28/03/34	PWLB	Maturity	3.3700%	15,178,400.38
Loan	Fixed	500055 General Fund	28/03/12	28/03/34	PWLB	Maturity	3.3700%	1,346,399.62
Loan	Fixed	500058 Housing Revenue A/C	28/03/12	28/03/42	PWLB	Maturity	3.5000%	27,555,674.58
Loan	Fixed	500058 General Fund	28/03/12	28/03/42	PWLB	Maturity	3.5000%	2,444,325.42
Loan	Fixed	Richard Beard Trust	01/04/94	01/04/44	Richard Beard	Maturity	0.3800%	6,971.26
Loan	Fixed	Lucas playsite trust	01/04/94	01/04/44	Lucas Playsite	Maturity	0.3800%	157,762.41
Loan	Fixed	Havering Theatre Trust	01/04/96	01/04/46	Havering Theatre Trust	Maturity	0.3800%	100,443.60
Loan	Fixed	491046 General Fund	23/01/06	23/01/56	PWLB	Maturity	3.7000%	956,823.67
Loan	Fixed	491046 Housing Revenue A/C	23/01/06	23/01/56	PWLB	Maturity	3.7000%	1,001,388.21
Loan	Fixed	491255 General Fund	27/01/06	23/01/56	PWLB	Maturity	3.7000%	956,823.67
Loan	Fixed	491255 Housing Revenue A/C	27/01/06	23/01/56	PWLB	Maturity	3.7000%	1,001,388.21
Loan	Fixed	491284 General Fund	31/01/06	23/01/56	PWLB	Maturity	3.9000%	956,823.67
Loan	Fixed	491284 Housing Revenue A/C	31/01/06	23/01/56	PWLB	Maturity	3.9000%	1,001,388.21
Loan	Fixed	491367 General Fund	14/03/06	14/03/56	PWLB	Maturity	4.1000%	2,818,135.14
Loan	Fixed	491367 Housing Revenue A/C	14/03/06	14/03/56	PWLB	Maturity	4.1000%	2,949,391.21
Loan	Fixed	491432 General Fund	06/04/06	04/04/56	PWLB	Maturity	4.2000%	642,028.68
Loan	Fixed	491432 Housing Revenue A/C	06/04/06	04/04/56	PWLB	Maturity	4.2000%	671,931.49
Loan	Fixed	491715 General Fund	16/06/06	16/06/56	PWLB	Maturity	4.2500%	1,210,674.25
Loan	Fixed	491715 Housing Revenue A/C	16/06/06	16/06/56	PWLB	Maturity	4.2500%	1,267,062.01
Loan	Fixed	492043 General Fund	31/08/06	28/08/56	PWLB	Maturity	4.2000%	478,411.83
Loan	Fixed	492043 Housing Revenue A/C	31/08/06	28/08/56	PWLB	Maturity	4.2000%	500,694.11
Loan	Fixed	493012 General Fund	08/03/07	28/02/57	PWLB	Maturity	4.2500%	2,392,059.17
Loan	Fixed	493012 Housing Revenue A/C	08/03/07	28/02/57	PWLB	Maturity	4.2500%	2,503,470.53
Loan	Fixed	479798 General Fund	07/08/97	01/08/57	PWLB	Maturity	6.8750%	1,435,235.50
Loan	Fixed	479798 Housing Revenue A/C	07/08/97	01/08/57	PWLB	Maturity	6.8750%	1,502,082.32
Loan	Fixed	480334 General Fund	22/12/97	01/08/57	PWLB	Maturity	6.2500%	334,888.28
Loan	Fixed	480334 Housing Revenue A/C	22/12/97	01/08/57	PWLB	Maturity	6.2500%	350,485.88
Loan	Fixed	479761 General Fund	05/08/97	05/08/57	PWLB	Maturity	6.8750%	3,588,088.75
Loan	Fixed	479761 Housing Revenue A/C	05/08/97	05/08/57	PWLB	Maturity	6.8750%	3,755,205.80
Loan	Fixed	480534 General Fund	04/03/98	01/02/58	PWLB	Maturity	6.0000%	334,888.28
Loan	Fixed	480534 Housing Revenue A/C	04/03/98	01/02/58	PWLB	Maturity	6.0000%	350,485.88
Loan	Fixed	99909632 LOBO - General Fund	18/11/05	18/11/65	Danske Bank	Maturity	3.6000%	3,420,347.79
Loan	Fixed	99909632 LOBO - Housing Revenue A/C	18/11/05	18/11/65	Danske Bank	Maturity	3.6000%	3,579,652.21
Loan	Fixed	273323 Housing Revenue A/C	01/12/20	01/12/69	PWLB	Maturity	1.5300%	30,000,000.00
Loan	Fixed	175002 Housing Revenue A/C	24/03/20	24/03/70	PWLB	Maturity	1.4800%	25,000,000.00
Loan	Fixed	725 General Fund	08/11/21	08/11/71	PWLB	Maturity	1.7000%	25,000,000.00
Loan	Fixed	734 General Fund	29/12/21	29/12/71	PWLB	Maturity	1.4300%	25,000,000.00
Fixed Total							3.6006%	482,389,455.78
Loan	Temporary Borrowing - Fixed	4451	18/12/24	19/02/25	Surrey Heath Borough Council	Maturity	4.9800%	3,000,000.00
Temporary Borrowing							4.9800%	3,000,000.00
Loan Total							3.6091%	485,389,455.78