This Report will be made public on 12 October 2022

Folkestone & Hythe District Council

Report Number **C/22/53**

To:	**Cabinet**
Date:	**20 October 2022**
Status:	**Non-Key Decision**
Head of Service:	**Charlotte Spendley – Director of Corporate Services**
Cabinet Member:	**Councillor David Monk, Leader and Portfolio Holder for Finance**
SUBJECT:	**TREASURY MANAGEMENT MONITORING REPORT 2022/23**

SUMMARY: This report provides an update on the Council's treasury management activities that have taken place during 2022/23 against the agreed strategy for the year. The report also provides an update on the treasury management indicators approved by Cabinet earlier this year.

REASONS FOR RECOMMENDATIONS:
Cabinet is asked to agree the recommendations set out below because:

a) Both the CIPFA Code of Practice on Treasury Management and the Council's Financial Procedure Rules require Members to receive a report on the Council's treasury management activities during the year.

RECOMMENDATIONS:
1. To receive and note report C/22/53.

1. BACKGROUND

1.1 Cabinet approved the Treasury Management Strategy Statement for 2022/23, including treasury management indicators, on 26 January 2022 (minute 68 refers). Full Council approved the Capital Strategy for 2022/23 covering capital expenditure and financing, treasury management and non-treasury investments on 23 February 2022 (minute 69 refers).

1.2 CIPFA published its revised Treasury Management Code of Practice (the TM Code) and Prudential Code for Capital Finance in December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments. The principles within the two Codes took immediate effect although local authorities could defer introducing the revised reporting requirements within the revised Codes until the 2023/24 financial year if they wish, which the Council has elected to do.

1.3 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk. The TM Code now also requires additional reporting for service and commercial investments and this is included in the report.

2. ECONOMIC UPDATE AND INTEREST RATE OUTLOOK

2.1 The UK's economic background over the first half of 2022/23 has seen a worsening position as the cost of living crisis deepens with significantly higher inflation, weakening growth and the prospect of a recession looming. In summary, the key issues currently affecting the domestic economy are:

i) **Inflation** – At August 2022 the annual headline rate of UK Consumer Price Inflation (CPI) stood at a near 40 year high of 9.9%, marginally down on its peak of 10.1% in July. The rise in energy and commodity prices in response to Russia's war in Ukraine coupled with global recovery in production following the pandemic were key factors for the level of inflation. However, the core CPI rate, which removes energy, fuel and food, was 5.6% at August which means other factors, including wage inflation, are part of the reason for the rise in overall inflation. The Bank of England's (BoE) target for inflation remains at 2%. The Government recently announced a £150 billion support package to limit energy bills to households and businesses through to 2024 and this may help to prevent inflation rising significantly higher.

ii) **Growth** – Gross Domestic Product (GDP) for the quarter ending June 2022 increased by 0.2%. The BoE's Monetary Policy Committee (MPC) forecast at September 2022 is for a small contraction in GDP of 0.1% for Q3 2022 and for the economy then to be in recession until later in 2023 as inflation continues to depresses consumer spending and confidence.

iii) **Wages and Employment** – Labour market data showed that the UK employment level for the three months to July 2022 had fallen marginally by 0.2% to 75.4%, still below the pre-pandemic level. The unemployment rate for the same period also reduced by 0.2% to 3.6%, the lowest rate since July 1974. Labour demand remained strong, evidenced by recruitment difficulties. Annual wage growth excluding bonuses was 5.2% for the quarter to July 2022, however this is a negative value of 2.8% when adjusted for inflation. This is one of the factors leading to the contraction in the UK economy.

iv) **Global Economy** – US inflation rate rose to 9.1% in June 2022 before easing to 8.3% in August 2022. The Federal Reserve continued its fight against inflation by raising its policy rates to a range of 3% - 3.25% over the period. The Eurozone inflation rate rose to 9.1% in August 2022, heavily impacted by the energy crisis following the situation in Ukraine. The European Central Bank's (ECB) response to inflation has been more guarded than the US amid concerns about the impact to some of the Eurozone's highly indebted members. However, the ECB's base deposit rate has risen from -0.5% to 0.75% over the 6 months to September 2022.

v) **UK Interest Rates** – The BoE Bank Rate has increased from 0.75% in March to 2.25% over the period to September 2022. Notably, in September the MPC voted 5-4 for a 0.5% increase, three for a 0.75% increase and one for a 0.25% increase. The Committee noted that domestic inflationary pressures are expected to remain strong, suggesting further interest rate rises should be expected.

2.2 Financial Markets

2.2.1 Gilt yields (UK Government bonds), which the Public Works Loan Board borrowing rates are linked to, have risen steadily in response to higher inflation and rising interest rates, but with periods of volatility, from April until the Chancellor's 'mini-budget' on 23 September 2022. However, market reaction to the mini-budget saw gilt yields rise sharply until the BoE intervened to buy long-dated gilts for a two week period until mid-October amid concerns over the impact to some pension funds. This helped to calm market concerns and saw gilt yields reduce nearer to their pre-mini-budget level. The movement in selected gilt yields from April to September 2022 is shown in the table below:

	01/04/2022	30/09/2022	Increase
5-year gilt	1.41%	4.40%	2.99%
10-year gilt	1.61%	4.15%	2.54%
20-year gilt	1.82%	4.13%	2.31%

2.2.2 The Sterling Overnight Rate (SONIA), used as a barometer for short term investments averaged 1.22% over the 6 month period to the end of September and increased broadly in line with the bank base rate.

2.3 **Credit Review** – Arlingclose completed a full review of its credit advice on unsecured deposits at UK and Non-UK banks earlier this year and recommended extending the maximum duration for five UK banks, four Canadian banks and four German banks to six months, from 100 days. The maximum duration for unsecured deposits to other UK and non-UK banks on their lending list remained at 100 days. There were no major changes to credit ratings affecting the Council's approved lending list in the period to the end of September 2022.

2.4 **Interest Rate Outlook**

2.4.1 Given the prospects for inflation and the worsening economic outlook, the Council's treasury advisor, Arlingclose, are forecasting the central case for the UK Bank Base Rate to rise to 5% by the end of 2022/23 and to remain at that level throughout 2023/24 and into 2024/25. The MPC is particularly concerned about the demand implications of fiscal loosening, the tight labour market, sterling weakness and the willingness of firms to raise prices and wages.

2.4.2 Arlingclose's central case for gilt yields is for them to remain broadly unchanged from their current levels for the remainder of 2022/23. Typically, a 10-year gilt will be around 4%-4.5% meaning a 10-year PWLB loan will be in the region of 4.8%-5.3% over the remainder of this year. However gilt yields will continue to be subject to periods of short-term volatility due to geo-political events.

3. LOCAL CONTEXT

3.1 On 31 March 2022, the authority had investments of £31.1m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in table 1 below.

Table 1: Balance Sheet Summary

	31.3.22 Actual £m
General Fund CFR	85.8
HRA CFR	47.4
Total CFR	**133.2**
Less: external borrowing	97.7
Balance: internal borrowing	**35.5**
Less: Usable reserves	(53.9)
Less: Working capital	(12.7)
Net borrowing (investments)	**(31.1)**

3.2 The authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, to reduce risk and keep interest costs low. The treasury management position as at 30 September 2022 and the change since the 31 March 2022 is show in table 2 below.

Table 2: Treasury Management Summary

	31.3.22 Balance £m	Net Movement £m	30.9.22 Balance £m	30.9.22 Rate %
Long-term borrowing	57.2	-	57.2	3.04%
Short-term borrowing	40.5	(5.0)	35.5	1.15%
Total borrowing	**97.7**	**(5.0)**	**92.7**	**2.32%**
Long-term investments	(16.0)	1.0	(15.0)	3.79%
Cash and cash equivalents	(15.1)	5.9	(9.2)	2.05%
Total investments	**(31.1)**	**6.9**	**(24.2)**	**3.19%**
Net borrowing	**66.6**	**1.9**	**68.5**	

3.3 The overall increase of £1.9m in net borrowing is not unexpected and broadly reflects the impact of the council's capital expenditure incurred over the period. So far it has been possible to continue with the strategy of using internal borrowing from available cash balances rather than taking out new loans, demonstrated by the reduction in investment balances.

4. BORROWING STRATEGY AND ACTIVITY 2022/23

4.1 As outlined in the treasury strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

4.2 Despite the increase in rates, during the half year the Council considered it to be more cost effective in the near term to use internal resources instead of taking up new borrowing. As previously highlighted in section 2.4, above, Arlingclose's view is PWLB interest rates are now likely to remain broadly unchanged over the remainder of 2022/23

4.3 At 30 September 2022, the Council held £92.7m of loans, a reduction of £5m compared to 31 March 2022, as part of its strategy for funding previous and current years' capital programmes. Following the introduction of the Housing Revenue Account (HRA) Self-Financing regime in 2012 the authority operates a two-pool debt approach allocating its loans between the General Fund and HRA. The borrowing position at 30 September 2022 compared to 31 March 2022 is shown in table 3 below. A list of the individual loans borrowed at 30 September 2022 is shown in appendix 1 to this report.

Table 3: Borrowing Position – Two-Pool Debt Approach

	31.3.22 Balance £m	**Net Movement £m**	**30.9.22 Balance £m**	**30.9.22 Rate %**
General Fund				
Public Works Loan Board	7.2	-	7.2	4.69%
Local Authorities (short-term)	42.5	(5.0)	37.5	0.76%
Total General Fund borrowing	49.7	(5.0)	44.7	1.40%
Housing Revenue Account				
Public Works Loan Board	45.0	-	45.0	3.23%
Local Authorities	3.0		3.0	0.95%
Total HRA borrowing	48.0	-	48.0	3.16%
Total borrowing	**97.7**	**(5.0)**	**92.7**	**2.32%**

4.4 The weighted average maturity of the overall loans portfolio at 30 September 2022 was 6.2 years.

4.5 **Borrowing to 31 March 2023** – The Council's projected borrowing requirement over the remainder of the current financial year is summarised in table 4, below:

Table 4: Borrowing Requirement in 2022/23

	£m
1. Loans maturing in year	40.5
2. Borrowing for approved capital expenditure	15.0
3. Reduction in internal borrowing	15.0
Total borrowing requirement	**70.5**

4.6 The duration and source of borrowing will be determined by Officers in consultation with Arlingclose. However, the Council is exposed to the higher interest rates already outlined in this report. A substantial part of the borrowing is expected to be taken up during the last quarter of the financial year so the impact to the 2022/23 budget position is anticipated to be quite limited and has largely been factored into the existing projected outturn for the General Fund and HRA. However, higher interest rates on borrowing is a significant issue going forward and is being factored into work currently taking place for the Council's Medium Term Financial Strategy which will be reported to Cabinet later this autumn.

5. TREASURY INVESTMENTS

5.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the period to 30 September 2022, the authority's investment balance has ranged between £21m and £38m due to timing differences between income and expenditure. The average investment balance for the period was £28m. The investment position during the period to 30 September 2022 is shown in table 5 below. A list of the individual investments held at 30 September 2022 is shown in appendix 2 to this report.

Table 5: Investment Position

	31.3.22 Balance £m	Net Movement £m	30.9.22 Balance £m	Average Return
Government (incl. local authorities)	5.0	(5.0)	-	0.55%
Money Market Funds	10.1	(0.9)	9.2	1.24%
Commercial Property Pooled Fund	6.2	0.2	6.4	3.67%
Multi-Asset Income Pooled Funds	9.8	(1.2)	8.6	3.80%
Total investments	**31.1**	**(6.9)**	**24.2**	**2.57%**

5.2 The weighted average maturity of the investment portfolio at 30 September 2022 was 26 days.

5.3 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

5.4 The Council is meeting its investment objectives and strategy for 2022/23. Firstly, the amount of short-term liquid cash for investments has been reduced by using it for internal borrowing to support capital expenditure, as outlined previously in sections 3 and 4 of this report. This has reduced the authority's exposure to credit risk. Secondly, the strategic investments in externally managed pooled funds, representing the authority's forecast minimum level of cash reserves and balances over the medium term, have been maintained.

5.5 **Pooled Funds** - Previously, the income returns on these funds, in the region of 4%, comfortably exceeded inflation. However, the returns from these funds are currently significantly lower than inflation, albeit still around 4%. The Multi-Asset Income Funds which invest in a mixture of equities, bonds, property and alternative investments have seen their (unrealised) capital values reduce by about £1.2m over the period to 30 September 2022, reflecting the economic pressure on both equity and bond markets. Over time, these funds are expected to recover their capital value, as happened following the pandemic. Although the short-term outlook for inflation is for it to remain high, the MPC remain committed to their 2% target over the medium term. By continuing to hold the pooled fund investments, the Council should see their capital values increase, avoiding crystalising a loss if the funds were to be redeemed now, and for the income returns, over the medium term, to get to a point where they again exceed inflation.

5.6 The increase in interest rates has been reflected in the returns from the Council's short-term cash investments in Money Market Funds in particular, where returns have risen from 0.6% in April to around 2% by the end of September. Rates for short-term cash investments are expected to rise in line with interest rate forecasts over the remainder of the current financial year.

5.7 **Investment Benchmarking**

5.7.1 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking for internally managed cash investments in table 6 below.

Table 6: Investment Benchmarking

	Credit Score	**Credit Rating**	**Bail-in Exposure**	**WAM* (days)**	**Income Return**
FHDC					
31.03.2022	3.99	AA-	68%	7	0.52%
30.06.2022	**4.84**	**AA-**	**100%**	**1**	**1.10%**
Similar LAs	4.44	AA-	64%	45	0.89%
All LAs	4.46	AA-	64%	16	0.92%

* Weighted Average Maturity period

5.7.2 The investment benchmarking, which is a snapshot at the end of each quarter, shows the Council's risk profile had increased slightly and was just above both its peer group and the wider local authority population at 30 June 2022 (measured against other Arlingclose clients only). The Council's internally managed cash investments at this point was entirely held in Money Market Funds which reflects the slightly higher credit score, income return and the higher 'bail-in' exposure. Money Market Funds are viewed as highly secure and liquid investment product and the Council follows investment counterparty advice regarding these from Arlingclose. At the time of writing this report the investment benchmarking outcomes for the quarter to 30 September 2022 were outstanding.

6. FINANCIAL SUMMARY

6.1 The projected outturn for the net cost of treasury management to the General Fund in 2022/23 is summarised in table 7 below:

Table 7: Financial Summary

	2022/23 Original Estimate	**2022/23 Projection**	**Variance**
	£'000	£'000	£'000
Interest on all Borrowing	2,243	2,703	460
Less Capitalised Interest	-	(589)	(589)
Related HRA Charge	(1,580)	(1,555)	25
General Fund Borrowing Cost	**663**	**559**	**(104)**
Investment Income	(605)	(821)	(216)
HRA Element	5	164	159
General Fund Investment Income	**(600)**	**(657)**	**(57)**
Net General Fund Borrowing Cost	**63**	**(98)**	**(161)**

6.2 The total cost of borrowing is projected to rise by £460k, mainly due to higher interest rates for maturing loans being replaced and new borrowing for capital expenditure. However, the impact to the General Fund has been mitigated through the Council's accounting policy of capitalising interest on qualifying schemes. In 2022/23 capitalised interest is being charged to the Otterpool Park and Princes Parade developments. Furthermore, the General Fund is projected to benefit from additional investment income mainly due to having higher than anticipated cash reserves and balances in 2022/23 which have benefitted from the rise in interest rates. After adjusting for changes in interest to the HRA, reflecting it having higher cash reserves, the projected net cost of borrowing to the General Fund is £161k lower than budgeted for the year.

7. Non-Treasury Investments

7.1 Although not classed as treasury management activities, the 2017 CIPFA Code and the MHCLG Investment Guidance requires the authority to report on investments for policy reasons outside of normal treasury management. This includes service investments for operational and/or regeneration as well as commercial investments which are made mainly for financial reasons. This includes the authority's investment in its wholly owned subsidiary organisations, Oportunitas Limited and Otterpool Park LLP. These are summarised in table 8 below:

Table 8: Non-Treasury Investments

Investment Type	Value 31/03/22 £m	Equated Value 2022/23 £m	Net Income 2022/23 £'000	Equated Rate of Return %
Investment Property				
Otterpool Property	69.5	70.5	217	(0.31)
Offices	16.8	16.8	(486)	2.89
Commercial Land	1.8	1.8	-	-
Commercial Units	1.9	2.0	(132)	6.61
Assets Under Construction	-	-	-	-
Total Investment Property	**90.0**	**91.1**	**(401)**	**(0.44)**
Subsidiary Companies				
Oportunitas loan	4.3	4.3	(208)	4.88
Oportunitas equity	2.3	2.3	60	(3.37)
Oportunitas - Total	6.6	6.6	(148)	2.41
Otterpool Park LLP equity	1.2	1.8	52	(3.00)
Otterpool Park LLP loan	1.3	4.2	(148)	3.50
Otterpool Park LLP - Total	2.5	6.0	(96)	1.60
Total Subsidiaries	**9.1**	**12.6**	**(244)**	**1.92**
Total	**99.1**	**103.7**	**(645)**	**0.62**

7.2 The net income and rate of return excludes the impact of any unrealised property valuation gains or losses. Ordinarily the rate of return on non-treasury investment assets would be expected to be higher than that earned on treasury investments reflecting the additional risks to the Council of holding such investments. This is demonstrated with the return on the commercial units and the loans being made to the Council's subsidiary organisations. However, the projected return on the investment property portfolio for 2022/23 is significantly distorted because of the land acquisitions taking place for the Otterpool Park project in particular. The Council is receiving rental streams from some of the Otterpool property in the short to medium term.

8. COMPLIANCE REPORT

8.1 The Director of Corporate Services is pleased to report that all treasury management activities undertaken to 30 September 2022 complied fully with the CIPFA Code of Practice and the authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 9 below.

Table 9: Investment Limits

	Maximum to 30.9.22	Actual 30.9.22	2022/23 Limit	Complied
Any single organisation, except UK Government	£5m	£5m	£5m each	✓
UK Central Government	£10m	-	Unlimited	✓
Any group of funds under the same management	nil	nil	£5m per group	✓
Negotiable instruments held in a broker's nominee account	nil	nil	£10m per broker	✓
Foreign countries	nil	nil	£5m per country	✓
Registered Providers	nil	nil	£15m in total	✓
Unsecured investments with Building Societies	nil	nil	£6m in total	✓
Loans to unrated corporates	nil	nil	£9m in total	✓
Money Market Funds	£18.3m	£9.2m	Unlimited	✓
Strategic Pooled Funds	£16.0m	£15.0m	£25m	✓
Any group of pooled funds under the same management	£7.49m	£8.24m	£10m per manager	✓
Real estate investment trusts	nil	nil	£15m in total	✓

8.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 10 below.

Table 10: Debt Limits

	Maximum to 30.9.22 £m	Actual 30.9.22 £m	2022/23 Operational Boundary £m	2022/23 Authorised Limit £m	Complied
Borrowing	97.7	92.7	162.6	207.7	✓
PFI & finance leases	-	-	-	-	✓
Total debt	**97.7**	**92.7**	**162.6**	**207.7**	✓

8.3 Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

9. TREASURY MANAGEMENT INDICATORS

9.1 The authority measures and manages its exposures to treasury management risks using the indicators shown below. The values for the interest rates exposures currently exceed the approved indicators and this is explained below.

9.2 **Security:** The authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Actual 30.9.22	**2022/23 Target**	**Complied**
Portfolio average credit rating	AA-	A	✓

9.3 **Liquidity:** The authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Actual 30.9.22	**2022/23 Target**	**Complied**
Total cash available within 3 months	£9.2m	£5m	✓

9.4 **Interest Rate Exposures**: This indicator is set to control the authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest was:

	Actual 30.9.22	**2022/23 Limit**	**Complied**
Upper limit on one-year revenue impact of a 1% **rise** in interest rates	£446,000	£187,000	x
Upper limit on one-year revenue impact of a 1% **fall** in interest rates	(£467,000)	(£245,000)	x

9.4.1 The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates. This is an advisory indicator designed to reduce the authority's exposure to interest rate changes on variable debt and investments. The actual upper limit on the one-year revenue impact of a 1% rise and fall in rates exceeds the limits set for the year. The original approved limits did not fully reflect the maximum amount of new or replacement borrowing the Council could be liable to take up over the next 12 months. The actual limit reflects the prudential borrowing need for the latest approved capital programme. Although this suggests a potential increased interest charge to revenue for a rise in rates, Members are reminded that the Council capitalises its interest cost directly related to borrowing for qualifying capital schemes and approximately £75k of the additional charge would be charged to these rather than revenue. This means for every 1% increase in interest rates, approximately £371k would be an additional charge to revenue, or an extra £187k when compared to the approved limit.

9.5 **Maturity Structure of Borrowing:** This indicator is set to control the authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	Actual 30.9.22	**Upper Limit**	**Lower Limit**	**Complied**
Under 12 months	17.1%%	30%	0%	✓
12 months and within 24 months	6.7%	40%	0%	✓
24 months and within 5 years	5.8%	50%	0%	✓
5 years and within 10 years	7.1%	80%	0%	✓
10 years and above	7.3%	100%	0%	✓

9.5.1 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

9.6 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2022/23	**2023/24**	**2024/25**
Actual principal invested beyond year end	-	-	-
Limit on principal invested beyond year end	£25m	£25m	£25m
Complied	✓	✓	✓

Note – Although the council's investments in pooled funds of £15.0m are accounted for as non-current (long term) assets, based on the intention to continue to hold them for longer than 12 months, they do not have a fixed maturity date and can be redeemed within a short notice period if required so do not feature in this indicator.

10. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

10.1 Legal Officer's Comments (NE)

There are no legal implications arising directly out of this report. Part 1 of the Local Government Act 2003 gives the Council the power to borrow and to invest for any purpose relevant to its functions or for the purposes of the prudent management of its financial affairs. It also requires the Council to act prudently when carrying out these activities, including an obligation to determine and keep under review how much money it can borrow. In addition, the Council is required by the Local Government Finance Act 1992 to produce a balanced budget. The Council must bear in mind its fiduciary duties to local taxpayers and its continuing obligation to ensure it has funding to perform the statutory undertakings it has to comply with.

10.2 Finance Officer's Comments (LW)

Prepared by Financial Services, no further comments.

10.3 Diversities and Equalities Implications

The report does not cover a new service or policy or a revision of either and therefore does not require an Equality Impact Assessment.

10.4 Communications (KA)

10.5 Climate Change Implications (OF)

There are no climate change implications arising directly from this report. It updates Cabinet on the treasury management activities undertaken so far during the 2022-23 financial year and confirms all borrowing and investment decision were made in accordance with the approved strategy for the year.

11. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

Lee Walker, Capital and Treasury Senior Specialist
Telephone: 01303 853593
E-mail: lee.walker@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report: None

Appendices:

Appendix 1 – Borrowing, Loans held at 30 September 2022
Appendix 2 – Investment held at 30 September 2022

APPENDIX 1 – BORROWING, LOANS HELD AT 30 SEPTEMBER 2022

Lender	Loan No	Loan Type	Start Date	Maturity Date	Principal Outstanding 30/09/2022	Interest Rate
					£	%
Public Works Loan Board	430141	Annuity	09/11/1973	01/11/2033	3,638.76	11.38
Public Works Loan Board	480111	Fixed	14/10/1997	31/03/2023	1,000,000.00	6.63
Public Works Loan Board	488942	Fixed	12/08/2004	07/08/2034	2,000,000.00	4.80
Public Works Loan Board	492233	Fixed	28/09/2006	15/03/2054	2,000,000.00	4.05
Public Works Loan Board	493698	Fixed	10/08/2007	07/08/2055	2,500,000.00	4.55
Public Works Loan Board	493914	Fixed	10/09/2007	07/02/2053	2,500,000.00	4.55
Public Works Loan Board	494027	Fixed	31/10/2007	15/03/2044	2,000,000.00	4.65
Public Works Loan Board	494028	Fixed	31/10/2007	15/03/2045	2,000,000.00	4.65
Public Works Loan Board	494029	Fixed	31/10/2007	15/03/2046	2,141,190.00	4.65
Public Works Loan Board	500536	Fixed	28/03/2012	28/03/2023	4,000,000.00	2.56
Public Works Loan Board	500537	Fixed	28/03/2012	28/03/2031	4,010,000.00	3.26
Public Works Loan Board	500538	Fixed	28/03/2012	28/03/2028	4,000,000.00	3.08
Public Works Loan Board	500540	Fixed	28/03/2012	28/03/2025	4,000,000.00	2.82
Public Works Loan Board	500541	Fixed	28/03/2012	28/03/2029	4,000,000.00	3.15
Public Works Loan Board	500542	Fixed	28/03/2012	28/03/2030	4,000,000.00	3.21
Public Works Loan Board	500543	Fixed	28/03/2012	28/03/2027	4,000,000.00	3.01
Public Works Loan Board	500546	Fixed	28/03/2012	28/03/2024	4,000,000.00	2.70
Public Works Loan Board	500548	Fixed	28/03/2012	28/03/2026	4,000,000.00	2.92
Total - Public Works Loan Board					**52,154,828.76**	
Leicester City Council	n/a	Fixed	31/01/2022	31/01/2024	5,000,000.00	0.40
London Borough of Wandsworth	n/a	Fixed	29/01/2021	31/01/2023	10,000,000.00	0.60
Durham County Council	n/a	Fixed	01/02/2021	03/10/2022	5,000,000.00	0.55
Leicester City Council	n/a	Fixed	01/03/2021	01/03/2023	5,000,000.00	0.65
North Somerset Council	n/a	Fixed	09/03/2022	09/03/2023	3,000,000.00	0.95
Lichfield District Council	n/a	Fixed	09/03/2022	09/03/2023	2,000,000.00	0.95
East Sussex County Council	n/a	Fixed	22/03/2022	21/03/2023	5,000,000.00	1.25
Leicester City Council	n/a	Fixed	22/03/2022	22/03/2024	5,000,000.00	1.25
Folkestone Town Council	n/a	Variable - 2 day call notice	Various May 2018	02/10/2022	500,000.00	2.00
Total - Non-PWLB Borrowing					**40,500,000.00**	
Total - Borrowing at 30/09/2022					**92,654,828.76**	

APPENDIX 2 – INVESTMENTS HELD AT 30 SEPTEMBER 2022

Category and Counterparty	Amount or Value £	Terms	Indicative Interest Rate or Yield %
Money Market Funds			
Aberdeen Standard MMF	4,205,000	No notice instant access	2.10
Federated MMF	5,000,000	No notice instant access	2.09
Other Pooled Funds			
Commercial Property Funds			
CCLA Property Fund	6,374,263	No specified maturity date	3.67
Multi-Asset Income Funds			
CCLA Diversified Income Fund	1,861,694	No specified maturity date	1.91
UBS Multi-Asset Income Fund	751,479	No specified maturity date	4.80
Aegon Asset Management Diversified Monthly Income Fund	2,940,790	No specified maturity date	5.27
Ninety-One Diversified Income Fund	3,060,581	No specified maturity date	4.38
Total Investments	**24,193,807**		3.19%