

DMPC DECISION – PCD 1818

Title Treasury Management Mid-Year Review 2024/25

Executive Summary:

The Treasury Management Mid-Year Review provides details of MOPAC's investment and borrowing activities for the period from 1 April 2024 to 30 September 2024 (the Reporting Period) and highlights any relevant issues.

Returns on MOPAC's investments during the Reporting Period were £10.68m against an interest receivable budget for the full year of £13.30m (80.30%).

MOPAC's external borrowing reduced from £479.55m on 1 April 2024 to £478.75m at 30 September 2024.

All Treasury activity has been within the boundaries and levels set by the MOPAC Group and set out in the 2024/25 Treasury Management Strategy which was approved on 18 March 2024.

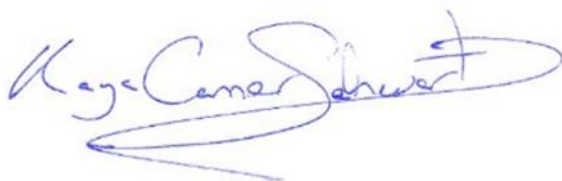
Recommendation:

The Deputy Mayor for Policing and Crime is asked to note the activity and performance on the Treasury Management function for the first half of 2024/25.

Deputy Mayor for Policing and Crime

I confirm that I have considered whether I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.



Signature:

Date 31/03/2025

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC

1. Introduction and Background

- 1.1. The Treasury Management Strategy for 2024/25 was approved on 18 March 2024 (PCD 1624). This report is submitted in accordance with a requirement under the CIPFA code for Treasury Management which requires the submission of a mid-year report on Treasury Management activities.
- 1.2. This report provides detail of all investment and borrowing activities for the period from 1 April 2024 to 30 September 2024. It provides a comparison of the closing investment and debt positions as at 30 September 2024 with the 2024/25 full year budget and revised 2024/25 full year forecast, where relevant.

2. Issues for Consideration

Economic Update and Interest Rates

- 2.1. Due to a number of economic factors, such as the Bank of England's reduction in the Bank Rate from 5.0% to 4.75% in November 2024 and the outcome of the US Presidential election on 6 November, Link (MOPACs Treasury Management Advisors) have significantly revised their central forecasts for the first time since May.
- 2.2. Link's central view is that monetary policy is sufficiently tight at present to cater for some further moderate rate cuts, the extent of which, however, will continue to be data dependent. The next reduction in Bank Rate is forecast 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).
- 2.3. The table below sets out the PWLB rate forecasts for the Certainty Rate (i.e. the PWLB standard interest rate reduced by 20 basis points, calculated as Gilts plus 80 basis points) which has been accessible to most authorities since 1 November 2012.

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 earnings	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 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
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

Borrowing Activity

- 2.4. The table below shows the Treasury Management position as at 30 September 2024. MOPAC's Interim CFO is currently reviewing the need to borrow.

External Borrowing (£m)	Long-Term	Short-Term	Total
Balance at 31 March 2024	£479.55m	£110.00m	£589.55m

Add New Loans	£0m	£0m	£0m
Less Loans Repaid	-£0.80m	-£110.0m	-£110.80m
Balance at 30 September 2024	£478.75m	£0m	£478.75m

Investment Activity

- 2.5. MOPAC's investment balances increased from £7.389m at 31 March 2024 to £331.140m at 30 September 2024.
- 2.6. Returns on MOPAC's investments during the reporting period were £10.68m against an interest receivable budget for the year of £13.30m, achieving 80.30% against budget.

CIPFA Prudential Code Indicators and Treasury Management Limits

- 2.7. It is a statutory requirement to determine and keep under review prudential and treasury management indicators for MOPAC. There have been no breaches of the indicators during the first half of 2024/25.
- 2.8. Further detail of performance against the prudential indicators and treasury management limits is included at Appendix One.

3. Financial Comments

- 3.1. As at 30 September MOPAC received 80.3% of budgeted interest receivable of £10.68 million:

	Actual as at 30/09/24 £m	Annual Budget 2024/25 £m	Actual vs Budget (%)
Interest Receivable	10.68	13.30	80.3%
Interest Payable for External Borrowing	8.04	25.90	31.0%

- 3.2. Throughout the period, all treasury activities have been conducted within the parameters of the 2024/25 Treasury Management Strategy Statement (TMSS), alongside best practice suggested by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Central Government.

4. Legal Comments

- 4.1. The DMPC has the authority to approve the "annual Treasury Management Strategy, which will include details of MOPAC investment and borrowing strategy" see para 4.7 of the MOPAC Scheme of Delegation and Consent. The DMPC approved the 2024/25 Treasury Management Strategy on 18 March 2024. The Treasury Management Strategy sets out the requirement for mid-year reporting which this paper fulfils.

5. GDPR and Data Privacy

- 5.1. GDPR matters have been discussed with the Data Protection Officer, who has confirmed that no Data Protection Impact Assessment (DPIA) is required for this area of spend. However, the personal details of any individuals or organisations with whom contract is made for the purposes of the engagement will be managed in accordance with MOPAC's wider Privacy Notice.

6. Equality Comments

- 6.1. MOPAC is required to comply with the public sector equality duty set out in section 149(1) of the Equality Act 2010. This requires MOPAC to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations by reference to people with protected characteristics. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 6.2. There are no equality and diversity implications arising from this report.

7. Background/supporting papers

- 7.1. Appendix 1 2024/25 Mid-Year Treasury Management Report

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOIA) and will be made available on the MOPAC website following approval.

If immediate publication risks compromising the implementation of the decision it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If yes, for what reason:

Until what date:

Part 2 Confidentiality: Only the facts or advice considered as likely to be exempt from disclosure under the FOIA should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a **Part 2** form – NO

ORIGINATING OFFICER DECLARATION

*confirm statement
(✓)*

Financial Advice:

The Strategic Finance and Resource Management Team has been consulted on this proposal.

✓

Legal Advice:

Legal advice is not required

✓

Equalities Advice:

Equality and diversity issues are covered in the body of the report.

✓

Commercial Issues

Commercial issues are covered in the body of the report.

✓

GDPR/Data Privacy

GDPR compliance issues are covered in the body of the report .

✓

Drafting Officer

Annabel Cowell has drafted this report in accordance with MOPAC procedures.

✓

Director/Head of Service: The MOPAC Chief Finance Officer and Director of Corporate Services has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓
--	---

Chief Executive Officer

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature _____

Date 31/03/2025

Appendix 1

MOPAC

2024-25 Q2 Treasury Management Report

1 Introduction

- 1.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services, the CIPFA Prudential Code for Capital Finance in Local Authorities and the Department for Levelling Up, Housing and Communities (DLUHC) Guidance on Local Government Investments. It provides details of MOPAC's investment and borrowing activities for the period from 1 April 2024 to 30 September 2024 (the Reporting Period) and highlights any relevant issues.
- 1.2 MOPAC's investment balances in the London Treasury Liquidity Fund (LTLF) were £331.14m at 30 September 2024. Returns on MOPAC's investments during the Reporting Period were £10.68m against an interest receivable budget for the full year of £13.30m (80.30%).
- 1.3 MOPAC's external borrowing reduced from £479.55m on 1 April 2024 to £478.75m at 30 September 2024.
- 1.4 All treasury activities have been conducted within the parameters of MOPAC's Treasury Management Strategy Statement for 2024-25 (TMSS) which was approved on 18 March 2024.
- 1.5 Treasury management has been delegated to the Greater London Authority (the GLA) under Section 401(A) of the GLA Act. The GLA relies on its own officers together with those of London Treasury Limited (LTL), its wholly owned subsidiary authorised and regulated by the Financial Conduct Authority (FCA), to deliver its treasury management shared service.

Economic Update

- 1.6 The Link Group (Link) has been appointed as treasury advisors to the GLA and the treasury management shared service participants. The information and commentary provided in this section are from Link.
- 1.7 The Bank of England further initiated its easing cycle by lowering interest rates from 5.0% to 4.75% at its November meeting. Following the 30 October Budget, the outcome of the US Presidential election on 6 November, and the 0.25% 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. In summary, Bank Rate forecast is now 0.50–0.75% higher than previously forecasts, whilst PWLB forecasts have been materially increased to not only reflect our increased concerns around the future path of inflation, but also the increased level of government borrowing over the term of the current Parliament.
- 1.8 After consideration of the 30 October Budget, Link's central case is that policy announcements will be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% per annum by the end of 2024 and staying at those levels until at least 2026. The Bank forecasts CPI to be 2.7% per annum (Q4 2025) and 2.2% (Q4 2026) before dropping back in 2027 to 1.8%.

The anticipated major investment in the public sector, according to the Bank, is expected to lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government's policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy

- Link's central view is that monetary policy is sufficiently tight at present to cater for some further moderate rate cuts, the extent of which, however, will continue to be data dependent. The next reduction in Bank Rate is forecast 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).
- 1.9 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, 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.

Interest rate forecasts

- 1.10 As part of its advisory services, Link provides interest rate forecasts. Link's latest forecasts dated 11 November 2024 are set out in the table below.
- 1.11 The PWLB rate forecasts set out below are for the Certainty Rate (i.e. the PWLB standard interest rate reduced by 0.20%, calculated as Gilts plus 0.80%) which has been accessible to most authorities since 1 November 2012.

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 earnings	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 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
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

Source: Link

2 Treasury Management Strategy Statement and Investment Strategy Update

- 2.1 There are no changes to MOPAC's TMSS and investment strategy.
- 2.2 During the reporting period, all treasury management operations have been conducted in full compliance with MOPAC's Treasury Management Practices (TMP's) as set out in MOPAC's TMSS.
- 2.3 MOPAC is both a participant in the GLA treasury management shared service and a limited partner in LTLF. As part of its shared service, the GLA provide MOPAC with a monthly cashflow, investment and borrowing report. As principal portfolio manager of LTLF, LTL also provides MOPAC with monthly and quarterly investment reports in relation to its investment in LTLF.

1 Treasury Management position at 30 September 2024

Treasury Management Position	Actual at 30/09/24	
	Amount	Rate
Long-Term Borrowing	£478.8m	3.23%
Short-Term Borrowing (Variable Rate)	£0m	
Total External Borrowing (A)	£478.8m	3.23%
PFI Liabilities	£91.0m	
Finance Lease Liabilities	£81.0m	
Total Other Long-Term Liabilities (B)	£172.0m	
Total Gross Debt (A+B)	£650.8m	
Capital Financing Requirement	£1,009.0m	
Less Other Long-Term Liabilities	-£172.0m	
Underlying Capital Borrowing Requirement (C)	£837.0m	
Under/(Over) Borrowing (C-A)	£358.3m	
Investments: Short/Long-Term (D)	£331.1m	
Total Net Borrowing (A-D)	£147.7m	

Interest Receivable and Payable	Actual at 30/09/24	2024-25 Budget (Full Year)	Actual vs Budget (%)
Interest Receivable	£10.68m	£13.30m	80.3%
Interest Payable for External Borrowing	£8.04m	£25.90m	31.0%

3 Borrowing Activities

- 3.1 The table below shows the movement in external borrowing during the Reporting Period.

External Borrowing (£m)		Long-Term	Short-Term	Total
Balance at 31 March 2024		£479.55m	£110.00m	£589.55m
Add New Loans		£0m	£0m	£0m
Less Loans Repaid		-£0.80m	-£110.0m	- £110.80m

Balance at 30 September 2024		£478.75m	£0m	£478.75m
------------------------------	--	----------	-----	-----------------

Investment Activities

- 3.2 MOPAC's investment balances increased from £7.389m at 31 March 2024 to £331.140m at 30 September 2024.

4 Investment Performance

- 4.1 Returns on MOPAC's investments during the reporting period were £10.68m against an interest receivable budget for the year of £13.30m, achieving 80.30% against budget.

5 Prudential and Treasury Management Indicators

- 5.1 It is a statutory requirement to determine and keep under review prudential and treasury management indicators for MOPAC.

Capital Expenditure Prudential Indicators

Capital Expenditure and Capital Financing Requirement	Actual at 30/09/24	2024-25 Budget (Full Year)
Capital Expenditure	£104m	£341m
Capital Financing Requirement	£1,009m	£1,326m

External Debt Prudential Indicators

Authorised Limit for External Debt (£m)	2024-25
Authorised Limit (External debt only -excluding PFI liabilities)	£1,261m
External Debt at 30 September 2024	£478.75m
Headroom	£782.25m

Operational Boundary for External Debt (£m)	2024-25
Operational Boundary (External debt only – excluding PFI Liabilities)	£1,136m
External Debt at 30 September 2024	£478.75m
Headroom	£657.25m

Treasury Management Prudential Indicators

Limits for Maturity Structure of Borrowing (%)	Upper Limit	Lower Limit	Actual at 30/09/24
Under 12 months	50	0	1%
12 months and within 2 years	20	0	1%
2 years and within 5 years	20	0	9%

5 years and within 10 years	35	0	17%
10 to 20 years	35	0	22%
20 to 30 years	50	0	46%
30 to 40 years	25	0	3%
40 to 50 years	20	0	0%