Brent	**Cabinet** 9 September 2024
	Report from the Corporate Director Finance and Resources
	Lead Member – Deputy Leader & Cabinet Member for Finance & Resources (Councillor Mili Patel)

Treasury Management Outturn 2023-24

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	Four: Appendix 1: Economic Commentary Appendix 2: Debt and Investments Portfolio Appendix 3: Average Rate vs Credit Risk Appendix 4: Prudential Indicators
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Nadeem Akhtar, Senior Finance Analyst Capital, Treasury & Commercial Email: nadeem.akhtar@brent.gov.uk Tel: 020 8937 5957 Alex Essilfie-Bondzie Interim Head of Finance (Capital, Treasury and Commercial) Capital, Treasury & Commercial Email: Alex.Essilfie-Bondzie@brent.gov.uk Tel: 020 8937 1679

1.0 Executive Summary

1.1 This report sets out the outturn for the Council's Treasury Management Activities for 2023/24. The Local Government Act 2003 and the Local Authorities (Capital Financing and Accounting) Regulations 2003 require that regular reports be submitted to the relevant Council Committee detailing the Council's treasury management activities.

1.2 This report updates Members on both the borrowing and investment decisions made by the Corporate Director Finance and Resources under delegated authority in the context of prevailing economic conditions and considers the Council's Treasury Management performance. The Council can only borrow for capital investment, it cannot borrow to fund operational, day to day expenditure. The borrowing supports the Council's capital investment programmes for both Council Housing (HRA) and General Fund.

1.3 Key emerging points are as follows:

1. The Council has complied with its Prudential Indicators for 2023/24.

2. Borrowing outstanding at 31 March 2024 was £814.3m and had increased from £774.9m over the course of the financial year, a change of £38.9m. The change in debt was due to raising £130.0m of new loans and repaying £91.1m of maturing debt.

3. Cash Investments outstanding at 31 March 2024 was £95.3m and had decreased from £116.2m over the course of the financial year, a change of £20.9m.

4. The Council's Capital Financing Requirement (CFR- representing the underlying need to borrow) changed from £1,138.8m to £1,236.6m, a change of £97.8m.

5. The Council's average debt pool rate was 3.89% as a 31 March 2024 and had changed from 3.49% (31 March 2023), caused by borrowing in rising interest rate environment.

6. The Council's rate of return on cash investments was 5.31% from 4.08% (31 March 2023) reflecting the numerous Bank of England Bank Rate changes during the financial year (3 times).

7. Minimum Revenue Provision (MRP) charge for 2023/24 for the General Fund was £18.1m in accordance with the Council's approved MRP Policy (date of approval 23/02/2023). The charge comprised of £13.4m that was chargeable on schemes funded by prudential borrowing; and £4.7m on PFI schemes. A further £0.9m was recognised for Service Loans, where no MRP was charged but principal payments reduced the debt liability in accordance with Statutory regulations.

2.0 Recommendation(s)

That Cabinet:

2.1 Note and comment in the overall financial performance for 2023/24.

2.2 Approve the submission of the report to Full Council for approval in accordance with the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice

3.0 Cabinet Member Foreword

3.1 The contribution of the Treasury Management function is critical to ensuring the Council's cash flow is adequately planned and managed. The function's activities underpin all Borough Plan priorities in providing cash management for all Council services and ensuring affordability for projects within the Capital Programme. The operations look to optimise the effect of borrowing costs and investment income whilst managing the risks associated with those activities in line with the Council's Treasury Management Strategy approved by Full Council in February 2023. The economic climate has been extremely volatile with the ongoing geo-political tensions across the world and the impact of managing rising inflation and interest rates. The report sets out details of how the function managed the Council's activities in accordance with the relevant professional codes and legislation during 2023/24.

3.2 The regular reporting of treasury management activities assists Members to scrutinise officer decisions and monitor progress on the implementation of its borrowing and investment strategy as approved by Full Council.

3.3 The Council's treasury management activity is underpinned by Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), which requires authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity.

4.0 Detail

4.1 Background

4.4.1 The Council has borrowed money over the long term to support investment in the Council's infrastructure and invests cash balances held for short periods. It is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are central to the Council's treasury management strategy.

4.1.2 The Council has adopted the CIPFA Code which requires the Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.

4.1.3 The 2021 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy and Treasury Management Strategy, complying with CIPFA's requirement, was approved by full Council at a Budget and Council Tax Setting Council meeting on 23 February 2023.

4.1.4 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. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

4.2 Economic Background

4.2.1 Key points emerging for 2023/24:

- UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.4% in February.
- The UK economy entered a technical recession in the second half of 2023.
- Bank Rate was maintained at 5.25% through to March 2024 having increased from 4.25% at the start of the financial year.
- Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year.
- Credit conditions improved during the financial year resulting in investment periods increasing from 35 days to 100 days.

4.2.2 Appendix 1 provides a full economic commentary for the financial year.

4.3 Balance Sheet Summary

4.3.1 As at 31 March 2024, the Council had a net borrowing position of £719.0m 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 balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.23 Actual (Original) £m	**31.3.23 Actual (Revised) £m**	**31.3.24 Actual £m**
General Fund CFR	851.4	844.6	935.7
HRA CFR	294.9	294.9	300.9
Total CFR	**1,146.4**	**1,139.5**	**1,236.6**
PFI & Lease Liabilities	36.2	36.2	32.5
Total Loan CFR	**1,182.6**	**1,175.72**	**1,269.11**

External borrowing (Excluding accrued interest)*	781.0	774.9	814.3
Internal Borrowing (Loans CFR less external borrowing)		**364.6**	**422.3**
Less Usable Reserves	(491.2)	(491.2)	(513.3)
Less Working Capital	(173.6)	10.4	(4.3)
Investments (or new borrowing)	116.2	116.2	95.3

*Original 2022/23 includes £6.1m accrued interest

4.3.2 The treasury management position at 31st March and the change during the year is shown in Table 2 below.

Table 2: Balance sheet summary

	31.3.23 Actual £m	**Movement**	**31.3.24 Actual £m**
Short-term Borrowing	91.1	(6.9)	84.2
Long-term Borrowing	683.8	46.2	730.0
Total External Debt	**774.9**	**39.4**	**814.3**
Money Market Funds	116.2	(25.9)	90.3
Local Authority Cash Investments	0.0	5.0	5.0
Total Cash Investments	**116.2**	**(20.9)**	**95.3**
Net Debt	**658.7**	**60.3**	**719.0**

4.3.3 Borrowing has increased in the past year, in order to meet the requirements of the Council's long-term Capital investment programme as internal cash resources were utilised.

4.3.4 Cash investments decreased over the year following the repayment of maturing debt and ongoing investment in the Council's capital programme in lieu of borrowing.

4.3.5 Appendix 2 details the debt and investment portfolio as at 31 March 2024.

4.4 Borrowing

4.4.1 The Council's main objective when borrowing is 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 Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

4.4.2 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

4.4.3 The Authority has not invested in assets primarily for financial return or that are not primarily related to the functions of the Authority. It has no plans to do so in future.

4.4.4 The Council had a borrowing position of £774.9m as at 1 April 2023. This had increased to £814.3m as at 31 March 2024. Table 3 provides the breakdown of loan balances.

Table 3- breakdown of debt

Loan Type	**01-Apr-23**	**New Loans**	**Repaid loans**	**31-Mar-24**
	£m	**£m**	**£m**	**£m**
PWLB	538.7	60.0	(8.9)	589.8
LOBO	70.5	0.0	(11.0)	59.5
Private Placement	95.0	0.0	0.0	95.0
Local Authority	70.0	70.0	(70.0)	70.0
Salix	0.7	0.0	(0.7)	0.0
Total Debt Outstanding	**774.9**	**130.0**	**(90.6)**	**814.3**
Accrued Interest	**6.1**	**10.0**	**(6.1)**	10.0
Total Debt and Accrued Interest Outstanding	**781.0**	**140.0**	**(96.7)**	**824.3**

4.4.5 The Council raised £130.0m of new loans during the Year. Two long-term loans totalling £60.0m (£40m and £20m) were raised with the PWLB on an Equal Instalment Principal (EIP) structure. A further £70.0m of short-term loans were raised with various local authorities to support the Council's daily cashflow activity as cash balances had depleted. This borrowing requirement was driven by the demands of delivering the capital programme not already funded through grants, contributions, capital receipts or reserves. Local authority loans were raised at an average rate of 5.70% with an average duration of 365 days. The interest rates reflect the current rising interest rate environment.

4.4.6 The two PWLB EIP loans raised in November 2023 were at a rate of 4.60% and 4.41% for a loan duration of 20 and 12 years respectively. The loans were applied for on the behalf of the HRA and the Council took advantage of the PWLB HRA concessionary rate. The PWLB HRA rate which is 0.4% below the certainty rate was made available from 15th June 2023. This rate will now be available to June 2025. The discounted rate is to support local authorities borrowing for the Housing Revenue Account. The loans have been applied to fund the following HRA capital expenditure that was initially financed by internal borrowing at the respective time:

i. 2021/22 and 2022/23 capital expenditure that was designated to be financed through borrowing: £25.1m and £26.2m respectively.

ii. 2023/24 capital expenditure- Out of a total of £16.5m that was financed through internal borrowing, £8.6m has been replaced with the PWLB loans.

4.4.7 During 2023/24 the Council repaid £90.6m of loans that were held with the PWLB (£8.9m); local authorities (£70.0m); LOBO loan (£11.0m) and Salix loans (£0.7m). The PWLB loans consisted of EIP loans whilst the local authority loans were temporary loans held for cashflow purposes. A LOBO loan held with Commerzbank AG was repaid following the Lender exercising the Call Option in accordance with the loan agreement. An alternative rate was offered by the Lender, which was higher than the current loan rate, but the offer was declined by the Council following an option appraisal of alternative options that were available to the Council at the time that offered better value. The LOBO loan was repaid from existing cash balances.

4.4.8 Overall, the total debt movement was an increase of £39.4m.

4.4.9 Interest rates have risen substantially over the last two years, although these rises have now begun to plateau. Gilt yields fell in late 2023, reaching April 2023 lows in December 2023 before rebounding to an extent in the first three months of 2024. Gilt yields have remained volatile, seeing upward pressure from perceived stickier inflation at times and downward pressure from falling inflation and a struggling economy at other times.

4.4.10 The cost of short-term borrowing from other local authorities has generally risen with Base Rate over the year. Interest rates peaked at around 7% towards the later part of March 2024 as many authorities required cash at the same time. These rates are expected to fall back to more normal market levels in April 2024.

4.4.11 **Loan Restructuring:** No loans were restructured during 2023/24. The Council will continue to monitor and evaluate the opportunity to reschedule existing loans. The Council received a proposal to restructure one of its LOBO loans on the loan review date, but the Council chose not to accept the proposal. Further details are below.

4.4.12 **LOBO Loans:** As at 31 March 2024 the Council was holding £59.5m of LOBO loans. A £11.0m LOBO loan was borrowed from Commerzbank AG on 12th February 2003 with an interest rate of 4.99% and was expected to mature 12th February 2067. The loan was structured with periodic rate review dates, with first one being February 2008 and then every four years thereafter. The loan was due for a rate review on 12th February 2024. The Bank had approached the Council prior to the review date and proposed a new rate of 5.76% for the remainder of the loan duration (subject to further periodic reviews). Upon consideration, the Council had declined the offer as it had sufficient cash balances at the time, as well as that the PWLB loans were trading between 4.67% and 5.35% depending on loan duration and loan structure, with a further expectation of loan rates coming down in the near to medium term future. The expectation being that the Council would defer the need to borrow until such time depleted cash (due to internally borrowing) was to be replaced.

4.4.13 There are no LOBO call reviews in 2024/25 but £35m is expected to be reviewed in 2025/26. Therefore, there is no immediate risk to these loans requiring early repayment or experiencing rate rises in 2024/25. The Council will keep LOBO loans under review in 2024/25 and consider any premature opportunities that arise to prepay or restructure the LOBOs rather than carrying an ongoing substantial interest risk.

4.4.14 **Forward Borrowing:** There were no forward agreed loans as at 31 March 2024.

4.5 Maturity Profile of Debt

4.5.1 As at 31 March 2024 the Council had 72 loans spread over 50 years with the average maturity being 25 years. The maturity profile allows the Council to spread the risk of high interest rates when debt matures in any one year.

Table 4: Debt maturity profile

Maturity Profile at 31 March 2024 (£m)	**2023/24**
<1 Year	84.2
1-2 Years	48.7
3-5 years	47.0
5-10 Years	73.4
10-15 Years	75.8
15-20 Years	68.5
20-25 Years	92.9
25-30 Years	29.4
30-35 Years	183.2
35-40 Years	6.1
40-45 Years	0.0
45+ Years	105.0
Debt outstanding	**814.3**

4.5.2 The Councils average debt pool rate at 31 March 2024 was 3.89%

4.6 Capital Financing Requirement

4.6.1 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). This is the amount of the Capital Programme, past and present, that is funded by borrowing and has not been paid for by revenue or other resources.

4.6.2 The Council's external borrowing was £814.3m and was within the Prudential Indicator for external borrowing, namely, that borrowing should not exceed the original estimated gross loan CFR for 2023/24 of £1,389.0m. Actual loan CFR as at 31 March 2024 stood at £1,236.6m. This can be split between the General Fund (£935.7m) and the HRA (£300.9m). The difference between the Loan CFR and external loans is internal borrowing. Internal borrowing occurs due to timing differences when capital expenditure that is meant to financed through external debt is instead paid for through cash resources that are intended for other purposes. Cash is replenished later. Internal borrowing at 31 March 2024 was £422.3m as shown in Tale 5.

4.6.3 During the year there were a number of assets (land and buildings) that moved between the HRA and the General Fund for the purpose of regeneration and development. In total assets with a certified value of £10.8m were transferred from the HRA to the General Fund, and the respective CFRs were adjusted.

4.6.4 The General Fund CFR was reduced by £18.9m following the application of Minimum Revenue Provision (MRP) charges and service loan repayments. MRP is discussed further below.

Table 5: **Capital Financing Requirement**

Capital Financing Requirement (CFR)	**31-Mar-23**	**31/03/2024 (Draft Accounts)**
	£m	**£m**
General Fund	844.6	935.7
Housing Revenue Account	295.0	300.9
Total CFR	**1,139.5**	**1,236.6**
Other Debt Liabilities	36.2	32.5
Loan CFR	**1,175.7**	**1,269.1**
External Borrowing	774.9	814.3
Internal Borrowing	364.6	422.3
2023/24 Council Approved Limits (Capital Strategy)		
Approved Operational Boundary Limit	1,200.0	1,500.0
Approved Authorised Limit	1,400.0	1,700.0
Forecasted CFR	**1,125.6**	**1,389.0**

4.6.5 The movement in the Loan CFR of £97.0m between 31 March 2023 and 31 March 2024 can be explained in Table 6.

Table 6: Movement in CFR

	£m
Opening Loan CFR April 2023	1,139.6
Closing Loan CFR 31 March 2024	1,236.6
Change in Loan CFR	**97.0**
Capital expenditure 2023/24	213.0
Capital expenditure Financing	(91.5)
MRP	(18.1)
Service Loans Repaid	(0.9)

I4B Technical Adjustment	(5.8)
Other	0.3
Total Movements in CFR	**97.0**

4.7 Minimum Revenue Provision

4.7.1 The Minimum Revenue Provision (MRP) is the charge to revenue made in respect of paying off the principal sum of the borrowing undertaken to finance the capital programme. The statutory guidance provides options for calculating a charge that is considered prudent. The approach for this calculation is approved as part of the budget setting process each February by Full Council in the Minimum Revenue Provision Statement.

4.7.2 The 2023/24 MRP charge was reviewed and some amendments were made to the assets where prudential borrowing has been undertaken. The changes include an update to asset lives and the MRP interest rate was aligned with the average annual PWLB Annuity rate for the respective asset life. The charge for the year totalled £18.1m and consisted of £13.4m for capital programme borrowings (historical supported borrowings and unsupported borrowings); and £4.7m for the PFI schemes. A further £0.9m was received by the Council for service loan repayments. Total debt repayments equated to £19.0m. The Council did not make any voluntary MRP during the year.

4.7.3 In December 2023 the Department for Levelling Up Housing and Communities (DLUHC) published two consultations: a “final” consultation on proposed changes to regulations and statutory guidance on MRP closing on 16th February 2024 and a “call for views” on capital measures to improve sector stability and efficiency closing on 31st January 2024. The Council responded to both consultations by putting forward its views.

4.7.4 Draft regulations and draft statutory guidance are included in the MRP consultation. The proposals remain broadly the same as those in June 2022 – to limit the scope for authorities to firstly make no MRP on parts of the capital financing requirement (CFR) and secondly to use capital receipts in lieu of a revenue charge for MRP.

4.7.5 In its call for views on capital measures, government wishes to engage with councils to identify and develop options for the use of capital resources and borrowing to support and encourage ‘invest-to-save’ activity and to manage budget pressures without seeking exceptional financial support. Whilst Government has identified some options including allowing authorities to capitalise general cost pressures and meet these with capital receipts, there is no commitment to take any of the options forward.

4.8 Cost of Borrowing

4.8.1 Total debt costs for the year were £31.2m, comprising of £30.3 interest costs and £0.9m non-interest costs. Details are provided in Table 7. The average interest rate paid on total external debt in 2023/24 was 3.89% (3.49% in 2022/23). Table 4 shows the Council’s total cost of maintaining its debt portfolio, as well as how the debt cost has been recharged to the HRA. The overall cost to the General Fund was £22.2m, whilst the HRA was recharged £8.9m for its share of debt.

Table 7: Debt costs

Capital Financing Costs at 31 March 2024 (£m)	2023/24 Actual
Total Gross External Debt Interest	**30.3**
Other Interest Payments	3.3
Total Interest Payable & Expenses	**33.6**
Interest Earned on Treasury Cash Investments	(6.4)
Interest Earned on Subsidiary and Service Loans	(18.1)
Total Interest Receivable	**(24.5)**
Net Interest	**9.1**
MRP (Excluding PFI)	13.4
Revenue Contributions to Capital Programme	**8.5**
Total Capital Financing Costs	**30.9**
Budget	25.0
Revenue Contribution from Service	0.5
Total Budget	**25.5**
Variance	**(5.4)**
Drawdown from Capital Reserve	**5.4**
Net Position at Outturn	**0.0**

General Fund Share of Capital Financing Cost	**22.5**
HRA Share of Capital Financing Cost (Net)	**7.9**
Total Capital Financing Cost	**30.4**

4.8.2 Other interest payable and expenses relates to the following items:

i. Barham Park Fund- Interest: £0.02m
ii. Professional fees £0.1m
iii. Loan premiums £0.8m

4.8.3 Higher interest rates throughout 2023/24 have increased the cost of short-term loans. The Council pursued its strategy of keeping external borrowing lower than its underlying level by temporarily using cash held for other purposes, known as internal borrowing, in order to reduce risk and minimise the interest costs incurred from external borrowing.

4.8.4 Interest on treasury cash investments has been generated on cash balances held within money market funds, investments with other local authorities and the Debt Management office. The Council has generated a rate of return of 5.31% for 2023/24.

4.8.5 Interest on subsidiary loans relate to I4B and First Wave Housing, two wholly owned Council companies. The interest relates to loans advanced to the Companies.

4.8.6 Service loan interest relates to loan advances to Brent schools, the West London Waste Authority and Alperton Academy.

4.9 Investment Activity

4.9.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

4.9.2 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves. During the year, the Council's investment balances ranged between £86.4m and £192.8m due to timing differences between income and expenditure. The investment position is shown in table 8 below.

Table 8: Treasury investment activity

	31-Mar-23	Movement	31-Mar-24
	£m	**£m**	**£m**
Local Authority and DMADF Deposits	0.0	5.0	5.0
Money Market Funds	116.2	(25.9)	90.3
Total Cash Investments (Excluding accrued interest)	**116.2**	**(20.9)**	**95.3**

4.9.3 The CIPFA Treasury Management Code requires local authorities to consider their counterparty policies in light of environmental, social and governance (ESG) information. The Council has regard to funds who have signed up to ESG related initiatives, including the UN Principles for responsible investment, the UK Stewardship Code and the Net-Zero Asset Managers Initiative.

4.9.4 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 treasury 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.

4.9.5 Increasing interest rates have led to improved returns on our short-dated holdings. At 31st March 2024, the Council achieved circa 5.3% from cash investment holdings, which compares to compares to 4.1% a year earlier. Rates have increased throughout the year in line with the increase in Bank Rate. Appendix 3 details the average rate earned on investments against credit risk exposure.

4.9.6 Given the higher interest rate environment and the Council's need to hold cash for day-to-day requirements, deposits have been held in short term investments, providing the Council with improved liquidity. This has also led to increased investment income given the increased deposit rates that followed from changes in the Bank of England base rate. There was also a focus on holding funds with high credit ratings, providing increased security over the Council's investment portfolio.

4.9.7 The Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of money market funds will be maintained to allow access to cash to fund daily cashflow outgoings.

4.9.8 The progression of risk and return metrics are shown in the extracts from Arlingclose quarterly investment benchmarking in the table 9 below.

Table 9: Investment benchmarking

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return
31.03.2022	5.06	A+	100%	1	0.52%
31.03.2023	5.03	A+	100%	1	4.08%
31.03.2024	4.91	A+	95%	10	5.31%
Similar Local Authorities*	4.80	A+	70%	24	5.13%
All Local Authorities*	4.82	A+	61%	9	5.03%

*Arlingclose clients only

4.10 **Non-Treasury Investment Activity**

The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e., management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return). The non-Treasury investments are held to further service objectives and are therefore categorised as for service purposes. The non-Treasury investments are classified under shareholdings to subsidiaries and loans to subsidiaries, detailed in the paragraph below.

4.10.1 Investment Guidance issued by DLUHC and the Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.

4.10.2 The Council also held £257.0m of such investments in:

- Shareholding in subsidiaries: £103.5m (£103.5m in 2022/23).
- Loans to subsidiaries £153.5m (£152.8m in 2022/23).

4.10.3 I4B Holdings Limited is a company wholly owned by Brent Council that was incorporated on 16 December 2016. The primary purpose of the company is to deliver the housing options defined in the Temporary Accommodation reform plan. As of 31st March 2024, the Council had provided funding of £182.1m to i4B (£182.1m in 2022/23) which are secured against the company's properties. The Council received £5.3m (£5.2m in 2022/23) in interest for loans to I4B. The loans are secured against the properties held within the company.

4.10.4 First Wave Housing (FWH) is a registered provider of housing in Brent and is wholly owned by Brent Council. FWH was formally known as Brent Housing Partnership (BHP) The Council received £0.7m in interest for loans to FWH (£0.7m in 2022/23). As of 31 March 2024, there were outstanding loans to Brent Council totalling £34.3m (£34.7m in 2022/23) which are secured against the properties held within the company.

4.10.5 These investments generated £6.0m of income for the Council in 2023/24 (£5.9m in 2022/23). This investment income covers the borrowing cost of investing in housing through wholly owned subsidiaries. These borrowing costs would be incurred by the Council regardless of the method through which the Council develops new housing; however, this is the vehicle of choice for such investments.

4.10.6 There were no new loans given to the Council's subsidiaries in 2023/24, and loan repayments (capital and interest) were received in a timely manner.

4.11 Treasury Management Training

4.11.1 The needs of the Council's treasury management staff for training in investment and debt management are kept under review. These are considered as part of the staff appraisal process and additionally when the responsibilities of individual members of staff change.

4.11.2 Training for Members is also kept under review.

4.12 Compliance

4.12.1 The Corporate Director for Finance and Resources reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

4.12.2 Compliance with the approved prudential indicators, and in particular the authorised limit and operational boundary for external debt is demonstrated within Appendix 4 (Prudential Indicators) as required by the 2021 CIPFA Treasury Management Code.

5 Stakeholder and Ward Member Consultation and Engagement

5.2.1 Given the nature of this report, there has been no stakeholder and ward member consultation and engagement.

6 Financial Considerations

6.1 The financial implications are noted in the report.

7 Legal Considerations

7.1 The Local Government Act 2003 and the Local Authorities (Capital Financing and Accounting) Regulations 2003 require that regular reports be submitted to the relevant Council Committee. Brent Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this code and as such, following consideration by Cabinet, a report setting out the Council's Treasury Management activity for the year should be submitted to Full Council for approval.

8 Equity, Diversity & Inclusion (EDI) Considerations

8.1 There are no equity, diversity and inclusion considerations arising from this report.

9 Climate Change and Environmental Considerations

9.1 As part of the Council's Treasury Management Strategy, the Council will ensure an assessment is made with regards to environmental, social and governance (ESG) matters for the council's long-term investments. There were no new long-term investments made during 2023/24.

10 Communication Considerations

10.1 No additional communication strategies are required for this report.

<u>Report sign off:</u>

Minesh Patel
Corporate Director Finance and Resources