

Appendix 10 – Treasury Management

Investments

The Bank of England (BoE) base rate was increased to 5.25% at the Bank’s August MPC meeting. Since then, the Bank has held base rate at this level. The market consensus is that this is likely to be the peak in base rate for this cycle. At the time of the Q4 report it was thought Base rates might start to be reduced by the BoE by summer and possibly autumn 2024. This remains the case with a possibility of a rate cut at the BoE meeting on 1st August.

Cash balances have been slightly higher than anticipated in Q1, but this is forecast to unwind in the autumn.

No further investment has been made in pooled funds during the quarter, we have sold the holding in the RLAM short term fixed interest enhanced fund for a small profit therefore reducing the £116.5m already invested by the five prior councils to £114.5m. It is likely we will be looking to reduce this level of investment further as the year progresses; however, most funds currently are priced lower than the initial cost and so selling is problematic as it would crystallise these losses.

A summary of investment balances and movements during the last three months is shown in **Table 1** below:

Table 1: Investment Balances and Movements for Quarter 1

	Balance as at 31-12-2024	Balance as at 31-06-2024	Movement
	£m	£m	£m
Money Market Funds	20.7	55.2	+34.5
Notice Bank Accounts	10.0	10.0	+0.0
Time deposits/CDs – Banks	0.0	20.0	+20.0
Time Deposits – LAs	45.0	28.0	-17.0
Debt Management Office	0.0	0.0	+0.0
Strategic Pooled Funds	116.5	114.5	-2.0
Total Investments	192.2	227.7	+35.5

Average Balance 2023-2024:	£251.9m
Average Balance 2024-2025 to end of Q1:	£231.7m
Average Interest Rate 2023-2024:	4.80%
BoE Base Rate:	5.25%
7-day SONIA:	5.15%

Borrowing

We continue to use cash resources to keep borrowing to a minimum, only taking out new borrowing as cashflow requires it. With cashflow being stronger in Q1 some LA debt maturities were not replaced during the quarter.

Cashflow forecasts currently indicate we will need to borrow further sums from November and considerably in Q4 when Council Tax and NNDR income reduces.

Table 2: Debt Balances and Movements for Quarter 1

	Balance on 31-03-24	Debt Matured / Repaid	New Borrowing	Balance on 31-06-24	Increase / Decrease in Borrowing
General Fund	£m	£m	£m	£m	£m
Local Authority	96.0	-64.0	+37.0	69.0	-27.0
PWLB	389.8	0.0	0.0	389.8	0.0
LOBOs	93.0	0.0	0.0	93.0	0.0
Fixed Rate Bank	57.5	0.0	0.0	57.5	0.0
Total General Fund	636.3	-64.0	+37.0	609.3	-27.0
HRA					
Local Authority	0.0	0.0	0.0	0.0	0.0
PWLB	153.7	0.0	0.0	153.7	0.0
Fixed Rate Bank	3.0	0.0	0.0	3.0	0.0
Total HRA	156.7	0.0	0.0	156.7	0.0
Total	793.0	-64.0	+37.0	766.0	-27.0

Average interest rate at 31-03-2024: 4.26%

Average interest rate at 30-06-2024: 4.27%

Interest budget 2024-2025: £33.661m

Actual interest paid 2023-2024 to end Q1: £7.000m

Treasury Prudential Indicators

SC has complied with its Prudential Indicators for 2024-25 for the period to end of Q1. Those indicators agreed by Full Council and actual figures as at 31st March are included below:

	2023-24 £m	As at 30-06 £m
Authorised limit (borrowing only)	1,020.0	774.9*
Operational boundary (borrowing only)	1,000.0	774.9*

* Includes non-treasury borrowing

Maturity structure of borrowing

	Upper Limit	Lower Limit	As at 30-06-24
Under 12 months	50%	15%	30.0%
>12 months and within 24 months	25%	0%	16.5%
>24 months and within 5 years	25%	5%	12.0%
>5 years and within 10 years	25%	0%	8.5%
>10 years and within 20 years	25%	0%	2.7%
>20 years and within 30 years	20%	0%	9.2%
>30 years and within 40 years	30%	10%	15.5%
>40 years and within 50 years	15%	0%	5.3%
50 years and above	5%	0%	0.4%

	2023-24 £m	As at 31-03 £m
Prudential Limit for principal sums invested for periods longer than 365 days	160.0	114.5

Credit Risk Indicator

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating / credit score 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 (in conjunction with Arlingclose) and will be calculated quarterly.

Credit risk indicator (Number to be below target)	Target	Actual
Portfolio average credit rating (score)	A (6)	A+ (4.70)