

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 Q3 report it was thought Base rates might start to be reduced by the BoE by spring 2024 but inflation has proved stickier than expected with expectations for the first-rate cut moving to summer and possibly autumn.

Cash balances have effectively now reached a level where it is not prudent to lower them further and so have plateaued.

No further investment has been made in pooled funds during the quarter, we have maintained the £116.5m already invested by the five prior councils. It is likely we will be looking to reduce this level of investment 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 4

	Balance as at 31-12-2023	Balance as at 31-03-2024	Movement
	£m	£m	£m
Money Market Funds	64.2	20.7	-43.5
Notice Bank Accounts	10.0	10.0	0.0
Time deposits/CDs – Banks	0.0	0.0	0.0
Time Deposits – LAs	5.0	45.0	+40.0
Debt Management Office	0.0	0.0	0.0
Strategic Pooled Funds	116.5	116.5	0.0
Total Investments	195.7	192.2	-3.5

Average Balance 2022-2023:	£311.3m
Average Balance 2023-2024:	£251.9m
Average Interest Rate 2023-2024:	4.80%
BoE Base Rate:	5.02%
7-day SONIA:	4.96%

Borrowing

We continue to use cash resources to keep borrowing to a minimum, only taking out new borrowing as cashflow requires it. However, with a significant proportion of council

tax collected over 10 months, as expected cashflow was poor in the last quarter of the financial year and it was necessary to take significant amounts of additional debt.

Even with the higher costs for new debt and the significant levels of debt that may well be needed in the final quarter of the year a significant underspend on debt costs is forecast for the full year.

Table 2: Debt Balances and Movements for Quarter 4

	Balance on 31-12-2023 £m	Debt Matured / Repaid £m	New Borrowing £m
General Fund			
Local Authority	123.0	-27.0	0.0
PWLB	294.8	-5.0	100.0
LOBOs	93.0	0.0	0.0
Fixed Rate Bank	57.5	0.0	0.0
Total General Fund	568.3	-32.0	100.0
HRA			
Local Authority	0.0	0.0	0.0
PWLB	150.9	-12.2	15.0
Fixed Rate Bank	3.0	0.0	0.0
Total HRA	153.9	-12.2	15.0
Total	722.2	-44.2	115.0

	Balance on 31-12-2023 £m	Debt Matured / Repaid £m	New Borrowing £m
General Fund			
Local Authority	123.0	-27.0	0.0

Average interest rate at 31-12-2023: 4.06%

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

Interest budget 2023-2024: £32.117m

Actual interest paid 2023-2024: £22.483m

Treasury Prudential Indicators

SC has complied with its Prudential Indicators for 2023-24. Those indicators agreed by Full Council and actual figures as at 31st March are included below:

2023-24 As at 31-03

	£m	£m
Authorised limit (borrowing only)	1,039.4	801.0*
Operational boundary (borrowing only)	1,004.4	801.0*

* Includes non-treasury borrowing

Maturity structure of borrowing

	Upper Limit	Lower Limit	As at 31-03-24
Under 12 months	50%	15%	28.42%
>12 months and within 24 months	25%	0%	17.74%
>24 months and within 5 years	25%	5%	13.99%
>5 years and within 10 years	25%	0%	8.13%
>10 years and within 20 years	25%	0%	2.60%
>20 years and within 30 years	20%	0%	6.32%
>30 years and within 40 years	30%	10%	17.36%
>40 years and within 50 years	15%	0%	5.07%
50 years and above	5%	0%	0.37%

	2023-24 £m	As at 31-03 £m
Prudential Limit for principal sums invested for periods longer than 365 days	160.0	116.5

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+ (4.93)