

Appendix 10 – Treasury Management

Investments

The Bank of England (BoE) base rate continued to increase during quarter two, to end the quarter at 5.25%. However, with inflation starting to soften the BoE has kept this rate at its last two meetings and most forecasters believe this will be the peak in interest rates for this cycle. Rates are expected to stay at this level until late spring or summer 2024, before declining very gradually.

Cash balances have continued to fall during the quarter in lieu of taking out new borrowing.

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 are currently priced lower than the initial cost and so selling is problematic as it would crystallise these losses.

The continued fall in investment balances is likely to lead to missing the income budget for the year.

A summary of investment balances and movements during the last three months is shown in Table 2 below:

Table 2: Investment Balances and Movements for Quarter 2

	Balance as at 30-06-2023	Balance as at 30- 09-2023	Movement
	£m	£m	£m
Money Market Funds	35.7	26.5	(9.2)
Notice Bank Accounts	20.0	20.0	0.0
Time deposits/CDs – Banks	70.0	0.0	(70.0)
Time Deposits – LAs	30.0	20.0	(10.0)
Debt Management Office	0.0	0.0	0.0
Strategic Pooled Funds	116.5	116.5	0.0
Total Investments	272.2	183.0	(89.2)

Borrowing

The Council is currently managing the cost of borrowing through its Treasury Management activities, as set out in the approved Treasury Management Strategy, by utilising cash funds available rather than taking external debt. This is known as internal borrowing and the council has utilised this strategy over the past three years. This has seen some debt repaid on maturity with only selective deals being renewed. As we move forward through the 2023-24 financial year it is likely that additional debt will be required to manage cash balances and meet capital expenditure.

Paying down some debt initially has continued to allow us to make savings on debt interest costs in the quarter. The majority of the existing debt is fixed rate and therefore it is less sensitive to the increases in BoE base rate but the cost of new debt when needed will be higher than originally budgeted.

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

Table 3: Debt Balances and Movements for Quarter 2

	Balance as at 30-06-2023	Balance as at 30-09-2023	Movement
	£m	£m	£m
Local Authority	113.0	117.0	4.0
PWLB	239.8	239.8	0.0
Fixed Rate Bank	57.5	57.5	0.0
LOBO Ban	108.0	93.0	(15.0)
Total General Fund	518.3	507.3	(11.0)
Local Authority	15.0	10.0	(5.0)
PWLB	135.9	135.9	0.0
Fixed Rate Bank	3.0	3.0	0.0
Total HRA	153.9	148.9	(5.0)
Total Debt	672.2	656.2	(16.0)