

The Treasury Management activity during the year 2023/24

1. Investment activity and interest rates

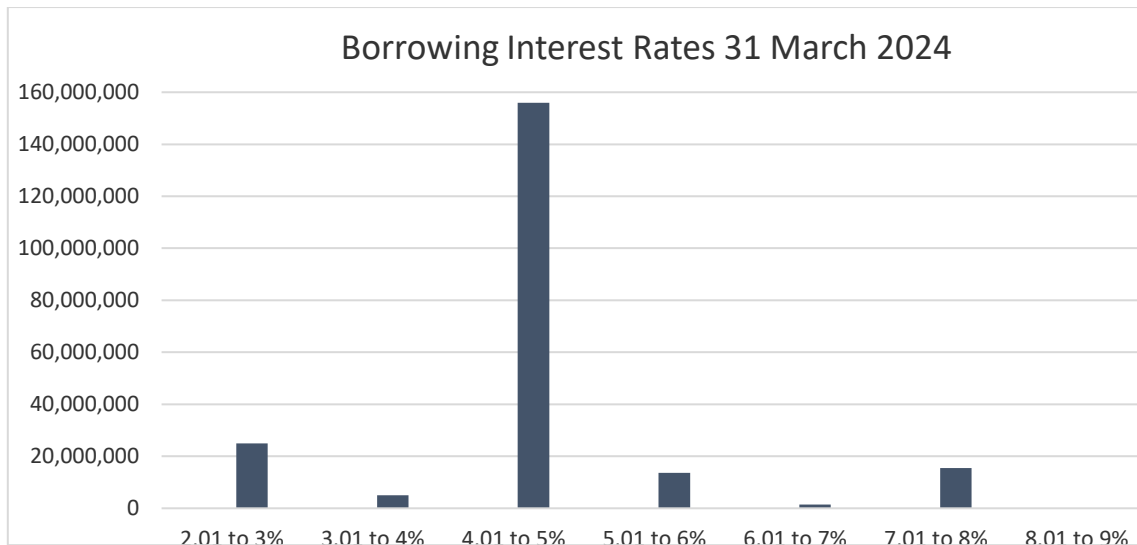
- 1.1 Investments were placed with reference to the core balance and cash flow requirements and the outlook for interest rates. The Bank of England (BoE) Base Rates averaged during the period were 5.00%.
- 1.2 During 2023/24 the Bank of England increased bank rate on three consecutive opportunities, the movements summarised below.

| | New Rate | Movement |
|---------------|-----------------|-----------------|
| 11 May 2023 | 4.50% | +0.25% |
| 22 June 2023 | 5.00% | +0.50% |
| 3 August 2023 | 5.25% | +0.50% |

- 1.3 The total amount received in short term interest for 2023/24 was £13.3m at an average rate of 4.89%. The Councils benchmark rate for the same period was 4.94%. The Standard Overnight Index Average (SONIA). Performance was marginally below the benchmark as a result of the investment portfolio taking time to catch up with a rising base rate as investments matured and subsequently re-invested at improved rates.
- 1.4 Throughout the year bank notice accounts, fixed term deposits with banks and Local Authorities were used to invest core balances up to duration of 12 months. Instant access cash money market funds were used to hold liquidity balances to meet day to day creditor requirements.
- 1.5 The rolling 18 month cashflow forecast was reviewed before new deposits placed during the year to ensure the lower points of the Council's cashflow cycle were covered for liquidity purposes. The steady maturity profile of investments ensures that liabilities can be funded without the need for temporary borrowing.

2. Long term borrowing

- 2.1 Officers constantly reviewed the need to borrow taking into consideration the potential movements in borrowing costs, the need to finance new capital expenditure, refinancing maturing debt, and the cost of carry that might incur a revenue loss between borrowing costs and investment returns.
- 2.2 During 2023/24 £4.3m of PWLB debt matured at an average rate of 7.64%. This historic maturing debt was not replaced with additional in year new borrowing. The average interest rate of all debt at 31 March 2024 of £216.6m was 4.52%. The average interest rate of debt will reduce marginally year on year as historic debt falls out of the debt portfolio.
- 2.3 No PWLB rescheduling was undertaken during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates has made rescheduling unviable.
- 2.4 The range of interest rates payable in all of the loans is illustrated in the graph below:



3. Short term borrowing

3.1 No borrowing was undertaken during 2023/24 to cover temporary overdraft situations.

4. Treasury Management Advisers

4.1 The Strategy for 2023/24 explained that the Council uses Link Asset Services as its treasury management consultant on a range of services which include:

- Technical support on treasury matters, Capital finance issues and advice on reporting;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings from the three main credit rating agencies and other market information;
- Assistance with training on treasury matters:

4.2 Whilst the advisers provide support to the internal treasury function, under current market rules and the Code of Practice the final decision on treasury matters remained with the Council. This service remains subject to regular review.

4.3 Link Asset Services is the largest provider of Treasury Management advice services to local authorities in the UK and they claim to be the market leading treasury management service provider to their clients. The advice has been and will continue to be monitored regularly to ensure a continued excellent advisory service.