Appendix A

TREASURY MANAGEMENT MID-YEAR REPORT 2023/24

1. Treasury Management Activity

1.1 The Council's Treasury Management Strategy and associated policies and practices for 2023/24 were approved in February 2023 by the Council. The Council manages its cash deposits in-house and places cash with institutions on its approved lending list, aiming to achieve the optimum rate of return commensurate with appropriate levels of security and liquidity.

1.2 The Council's mid-year cash balance was approximately £247m. The table below provides a snapshot of the Council's treasury management activity cumulative to the end of September:

	Total B/f	Total Raised	Total Repaid	Outstanding
	£000	£000	£000	£000
LBBW	10,000	30,000	-20,000	20,000
GOLDMAN SACHS	20,000	40,000	-40,000	20,000
NATIONWIDE	20,000	40,000	-40,000	20,000
SANTANDER	20,000	40,000	-40,000	20,000
COVENTRY BUILDING SOCIETY	10,000	40,000	-30,000	20,000
LOCAL AUTHORITY	45,000	90,000	-70,000	65,000
INSIGHT MMF	0	65,800	-54,300	11,500
LGIM MMF	25,000	97,150	-97,150	25,000
BLACK ROCK	25,000	30,850	-55,850	0
JP MORGAN	10,050	110,400	-120,450	0
ABERDEEN STANDARD	12,150	72,150	-64,200	20,100
FEDERATED	1,600	173,150	-149,750	25,000
	198,800	**829,500**	**-781,700**	**246,600**

1.3 This shows that use has been made of the instant-access money market funds (MMFs) on the Council's counterparty list, and some use made of fixed-term loans to banks and building societies on the list, and to some local authorities (which have been grouped together in the table above). This approach reflects the Council's aim to keep much of the Council's cash deposits liquid, allowing it to temporarily defer borrowing and thereby minimise the risk and cost of carrying high cash balances.

1.4 The Council's policy is to benchmark its cash returns against the SONIA (Sterling Overnight Index Average) rate, which is the Bank of England's calculation of the risk-free inter-bank interest rate. In the half-year to September the Council earned £5.740m in interest, which equates to a rate of return (total interest receivable divided by the average outstanding principal) of 4.63%. Over the same period the average adjusted SONIA was 4.61%.

1.5 There were no changes made to the Council's lending criteria during the first half of the year. The lending list itself is regularly monitored, and updates are provided by LGPS Central.

2. Long Term Borrowing

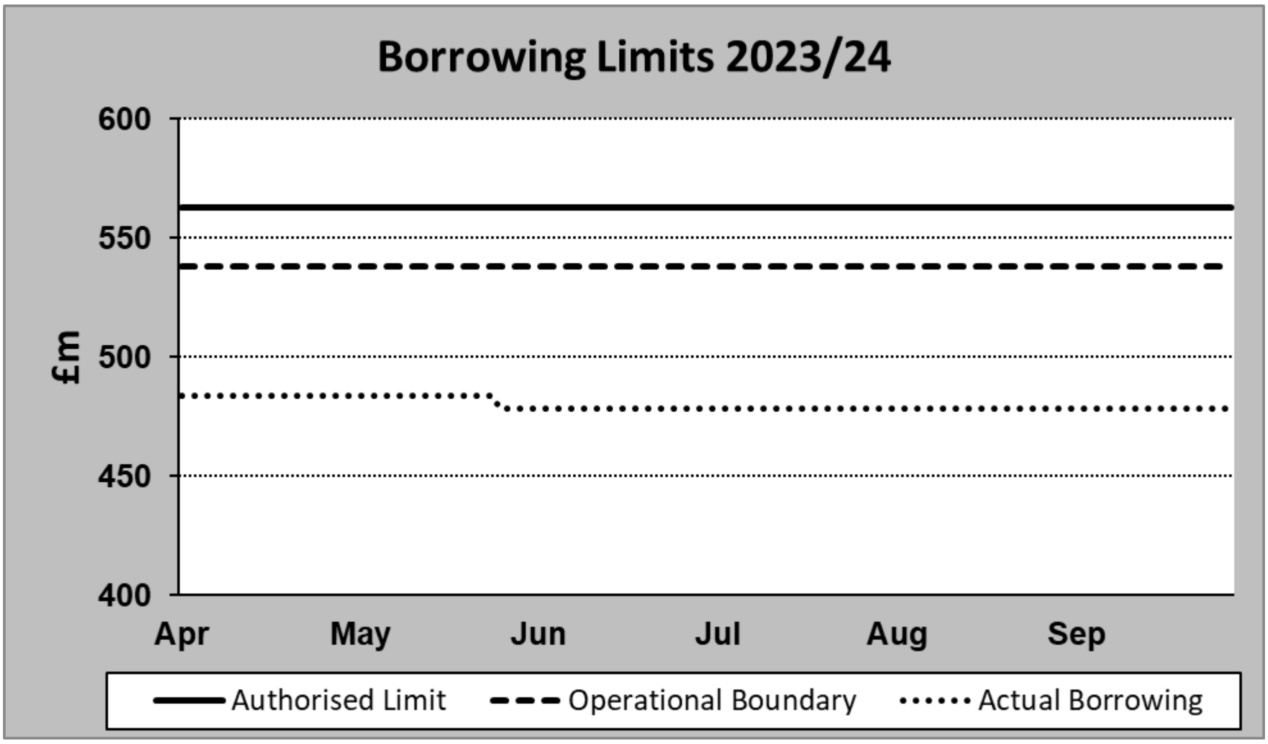
2.1 Over the past several years the Council has partly financed the capital programme by using its cash balances (referred to as 'internal borrowing'). This utilises earmarked reserves, general fund reserves and net movement on current assets until the cash is required for their specific purposes.

2.2 This strategy has the effect of postponing external borrowing, thereby making short-term savings for the Council. It also reduces short-term credit risk since it means we hold lower cash balances. However, this benefit must be weighed against future interest rate risk, and delaying borrowing could potentially lead to increased interest costs in the long-term. To balance these risks, therefore, it may sometimes be necessary for the Council to borrow before actual liquidity concerns arise.

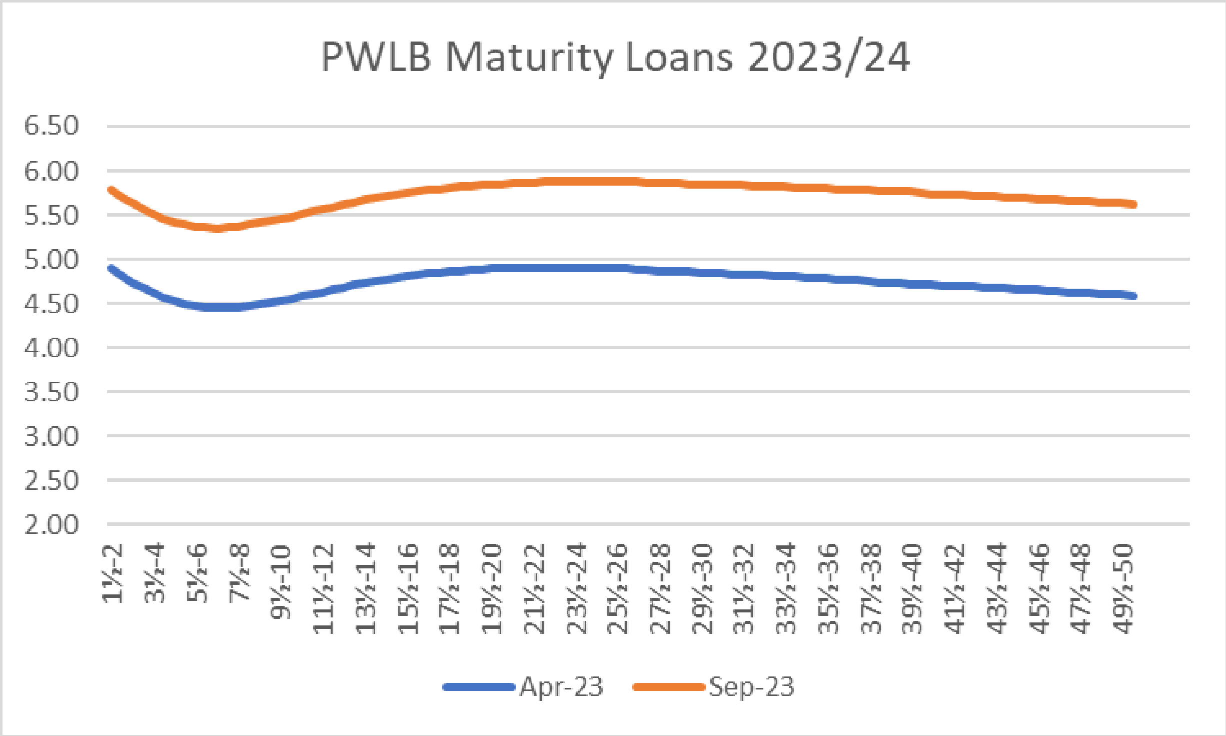
2.3 No new loans have been raised since the start of the financial year, and £5.2m of PWLB debt has been repaid on maturity. A further £5.6m is due to mature in November.

2.4 The Treasury Management Strategy approved in February 2023 forecast that the Council would require no actual borrowing during 2023/24, using instead its cash balances on a temporary basis. This nil borrowing requirement has been regularly reviewed in line with (a) slippage in the capital programme, and (b) changes in the forecast use of reserves, and it remains the case that no further borrowing will be required before 2027/28.

2.5 The chart below shows how the Council's total borrowing compares with the prudential indicators and that borrowing is being managed within these limits. The operational boundary for 2023/24 was set at £538m and the authorised limit at £563m.



2.6 The following chart shows that PWLB interest rates increased by around 1% over the first half of the financial year, and that loans around 8 years in duration currently provide marginally better value than other periods.



2.7 Treasury officers, guided by the Treasury Management Group, continue to monitor rates from both the PWLB and the market with a view to borrowing when this becomes necessary and the rates favourable.