

## Treasury Management – Borrowing & Investments

### Borrowing

Table 1 below shows the breakdown of the types of external borrowing held by the Council:

**Table 1 – Borrowing summary**

	31.3.23 Balance £m	Net Movement £m	31.12.23 Balance £m	31.12.23 Weighted Average Rate %	31.12.23 Weighted Average Maturity (years)
Public Works Loan Board	55.1	-2.1	53.0	3.41%	12.8
Banks (LOBO)	3.5	0.0	3.5	4.80%	0.0
Banks (fixed-term)	3.9	0.0	3.9	4.74%	2.0
Local authorities (long-term)	0.0	0.0	0.0	0.00%	0.0
Local authorities (short-term)	0.0	0.0	0.0	0.00%	0.0
<b>Total borrowing</b>	<b>62.6</b>	<b>-2.1</b>	<b>60.5</b>	<b>3.57%</b>	<b>14.8</b>

Since the beginning of the reporting period the Council has paid £1.2m in interest on borrowing. The forecast amount to be spent on interest on loans for the financial year 2023/24 in total is £2.2m. The overall interest rate on borrowing is 3.57%. There is no change to this budget and spending is in line with expectations.

During the reporting period the Council has paid back £2.1m principal on its loans. It is forecasting to repay £2.7m in PWLB loan principal by the end of the year. £1.2m of this is annuity loans whereby regular payments are made throughout the lifetime of the loan and the other is a maturity loan of £1.5m.

The Council also has a Lender Option Borrower Option (LOBO) loan whereby the lender has the option on call dates throughout the year to offer an alternative interest rate. This offer can be taken up by the Authority or the loan can be repaid when that offer is made. The Council holds £3.5m in LOBO loans. Existing procedures are in place for decisive action to be taken in the case of a 'call' to ensure best value for the Council. On 8 February 2024 the lender attempted to increase the interest rate from 4.8% to 5.8%. The Authority took the decision to repay the loan without penalty, rather than agree to the revised rate, which is higher than the current market rates, which are forecast to start falling next financial year anyway.

The budget for borrowing principal repayments was in line to be met. The only variation is that the LOBO has been called and repaid. This will cause an increased cost pressure of £3.5m in year, which will be managed by reducing investment balances.

### Investments

The breakdown of external investments held by the Council and movement since 31 December 2023 are shown in Table 2 below:

**Table 2 – Investment summary**

	<b>31.3.23 Balance</b>	<b>Net Movement</b>	<b>31.12.23 Balance</b>	<b>31.12.23 Income Return</b>	<b>31.12.23 Weighted Average Maturity (days)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>	
Banks & building societies (unsecured)	2.0	-0.0	2.0	4.78%	1
Government (incl. local authorities)	37.0	-3.0	34.0	4.30%	88
Money Market Funds	4.1	14.2	18.3	5.28%	0
<b>Total investments</b>	<b>43.1</b>	<b>11.2</b>	<b>54.3</b>	<b>4.65%</b>	<b>90</b>

The Authority has budgeted £0.981m income from investments in 2023/24. Income received up to 31 December 2023 was £1.685m. We are now forecasting the risk adjusted interest received by 31 March 2024, to be £2.03m and after deductions income to be £1.732m. This will be split between the Housing revenue Account (HRA) and General Fund (GF) in the amounts £0.805m for the GF and £0.926m for the HRA.

It is important to note the difficulty in making accurate interest return forecasts in a volatile economic environment. These forecasts are likely to change again over the coming months as such an 80% risk adjustment is placed on anticipated income to avoid overreliance on interest return on budgets.