Appendix A

202324 Treasury Management Quarter 3 Activity Report

1. Introduction

1.1. The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve treasury management semi-annual and annual reports. This quarterly report provides an additional update and includes the new requirement in the 2021 Code, mandatory from 1 April 2023, of quarterly reporting of the treasury management prudential indicators.

1.2. The Council's treasury management strategy for 2023/24 was approved at a meeting on 23 February 2023. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

2. External Context (provided by Arlingclose Ltd)

2.1. **Economic background**: UK inflation rates finally started to decline, mirroring the sharp but earlier drop seen in the Eurozone and US. Despite the fall, the Consumer Price Index (CPI) remained substantially in excess in the Bank of England's (BoE) 2% target, at 3.9% for November 2023. Market expectations for further rises in Bank Rate fell from October through to year end, indicating that the 5.25% level reached in August 2023 was indeed the peak for Bank Rate.

2.2. Economic growth in the UK remained weak over the period, edging into recessionary territory. In calendar Q3 2023, the economy contracted by 0.1%, following no change in Q2. Monthly GDP data showed a 0.3% contraction in October, following a 0.2% rise in September. While other indicators have suggested a pickup in activity in the subsequent months, Q4 GDP growth is likely to continue the weak trend. A further contraction of 0.3% in Q4 GDP was confirmed on 15th February 2024, which means that the UK entered into a technical recession during the last 6 months of 2023.

2.3. July data showed the unemployment rate increased to 4.2% (3mth/year) while the employment rate rose to 75.7%. Pay growth edged lower as the previous strong pay rates waned; total pay (including bonuses) growth was 7.2% over the three months to October 2023, while regular pay growth was 7.3%. Adjusting for inflation, pay growth in real terms were positive at 1.3% and 1.4% for total pay and regular pay respectively.

2.4. Inflation continued to fall from its peak as annual headline CPI declined to 3.9% (down from 4.6%) in November 2023. The largest downward contribution came from energy and food prices. The core rate also surprised on the downside, falling to 5.1% from 5.7%.

2.5. The BoE's Monetary Policy Committee held Bank Rate at 5.25% throughout the period, although a substantial minority continued to vote for a 25 basis point rate rise. The Bank continues to tighten monetary policy through asset sales, as it reduces the size of its balance sheet. Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data showed that higher interest rates were working in the UK, US, and

Eurozone.

2.6. Following the December MPC meeting, Arlingclose, the Council's treasury adviser, maintained its central view that 5.25% is the peak in Bank Rate. Short term risks are broadly balanced, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

2.7. The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, it is likely this will reverse at some point and spending will struggle. Higher rates will also impact exposed businesses; according to S&P/CIPS survey data, the UK manufacturing and construction sectors contracted during the quarter. The services sector recovered, however, with the PMI rising strongly in December, possibly due to improving consumer confidence.

2.8. The US Federal Reserve held its key interest rate at 5.25-5.50% over the period. While policymakers continued to talk up the risks to inflation and therefore interest rates, this stance ebbed over the quarter culminating in a relatively dovish outcome from the December FOMC meeting.

2.9. The European Central Bank continues to resist market policy loosening expectations, but the Eurozone CPI rate has fallen sharply as GDP growth as markedly slowed, hitting 2.4% in November (although rising to 2.9% on energy-related base effects).

2.10. **Financial markets**: Financial market sentiment and bond yields remained volatile, but the latter rapidly trended downwards towards the end of 2023 on signs of sharply moderating inflation and economic growth.

2.11. Gilt yields fell towards the end of the period. The 10-year UK benchmark gilt yield rose from 4.57% to peak at 4.67% in October before dropping to 3.54% by the end of December 2023. The Sterling Overnight Rate (SONIA) averaged 5.19% over the period.

2.12. **Credit review**: Arlingclose maintained the advised maximum duration limit for all banks on its recommended counterparty list to 35 days over the period.

2.13. In October, Moody's revised the outlook on the UK's Aa3 sovereign rating to stable from negative. This led to similar rating actions on entities that include an element of government support in their own credit ratings, including banks and housing associations. Local authorities were, however, downgraded on expectations of lower government funding.

2.14. Following the issue of a Section 114 notice, in November Arlingclose advised against undertaking new lending to Nottingham City Council. After reducing its recommended duration on Warrington Borough Council to a maximum of 100 days in September, the local Council was subsequently suspended from the Arlingclose recommended list following a credit rating downgrade by Moody's to Baa1.

2.15. Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress, but no changes were made to recommended durations over the period.

2.16. Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Council’s counterparty list recommended by Arlingclose remains under constant review.

3. Local Context

3.1. On 31 December 2023, the Council had net borrowing of £6.2m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.23 Estimated £m	31.3.24 Estimated £m
General Fund CFR	43.9	45.5
HRA CFR	53.0	50.5
Total CFR	**96.9**	**96.0**
External borrowing	62.6	56.3
Internal borrowing	34.3	39.7
Total Borrowing	**96.9**	**96.0**

3.2. The treasury management position as of 31 December and the change over the year to date are shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.23 Balance £m	Movement £m	31.12.23 Balance £m	31.12.23 Rate %
Long-term borrowing	59.8	0.0	59.8	3.72%
Short-term borrowing	2.7	-2.1	0.6	2.30%
Total borrowing	**62.6**	**-2.1**	**60.5**	**3.58%**
Long-term investments	0.0	0.0	0.0	0.00%
Short-term investments	39.0	-3.0	36.0	5.30%
Cash and cash equivalents	4.1	14.2	18.3	5.28%
Total investments	**43.1**	**11.2**	**54.3**	**5.29%**
Net borrowing	**19.5**	**-13.3**	**6.2**	

4. Borrowing

4.1. CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Council. Public Works Loan Board (PWLB) loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

4.2. The Council currently holds £8.9m in commercial investments that were purchased prior to the change in the CIPFA Prudential Code. These commercial investments are primarily for local regeneration and growth and are all located within the District. Financial return is a secondary objective of these investments. Before undertaking further additional borrowing the Council will review the options for exiting these investments.

4.3. As shown in table 1 the Council has internally borrowed £39.7m. This internal borrowing foregoes a potential interest income rate of 4.65%. Current one-year external borrowing rates with the PWLB were 5.13% as of 31 December 2023. An additional rate for HRA specific borrowing has been implemented from June 2023 which is 0.4% lower than standard PWLB rates as discussed below. As at 31 December 2023 the interest savings of being internally borrowed, based on the above rates was £190k per annum.

5. Borrowing strategy and activity

5.1. As outlined in the treasury strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

5.2. Interest rates have seen substantial rises over the last two years, although these rises began to plateau in the later months of 2023. Rates over the last 3 quarters were at the peak between June and October, since then they have fallen back to lows last seen in April 2023. Gilt yields have remained volatile, facing upward pressure following signs that UK growth had been more resilient and inflation stickier than expected. However more recent signs of slowing inflation and the perception of an increasingly struggling economy have now begun to change this sentiment, resulting in falling gilt yields and, consequently, PWLB rates.

5.3. On 31st December, the PWLB certainty rates for maturity loans were 4.33% for 10 year loans, 4.90% for 20-year loans and 4.67% for 50-year loans. Their equivalents on 31 March 2023 were 4.33%, 4.70% and 4.41% respectively.

5.4. A new PWLB HRA rate which is 0.4% below the certainty rate has been made available from 15 June 2023. Initially available for a period of one year, this discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans, providing a window of opportunity for HRA-related borrowing.

5.5. At 31 December 2023 the Council held £60.5m of loans, a decrease of £2.1m from 31 March 2023, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31 December 2023 are summarised in Table 3 below.

Table 3: Borrowing Position

	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	0.00%	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
Total borrowing	**62.6**	**-2.1**	**60.5**	**3.57%**	**14.8**

5.6. The Authorities Borrowing strategy has been maintained whereby no new borrowing is undertaken and the loans are repaid at maturity. This strategy has meant that there has been no increase in borrowing costs as a result of the increased borrowing rate as no new short-term borrowing has been undertaken.

5.7. Currently the Council is able to do this as it has sufficient cash to meet resource demands. However, there is a possibility that new borrowing may be required within the next few years as shown in the Liability Benchmark in section 9.2.

5.8. There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Council will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.

5.9. **Loans restructuring**: The continuing rise in gilt yields since early 2022 has resulted in some of the Council's loans being in or close to a discount position if repaid early. However, as the prepaid loans may need to be replaced by new loans at higher interest rates in the next few years, this isn't a cost-effective option for the Council currently. The projection on borrowing requirement is constantly reviewed by the Council to try to find areas where savings can be made.

5.10. On 31 December 2023, the Council held £3.5 million in Lender Option Borrower Option (LOBO) loans, with a future call date set for 8 February, 2024. These LOBO loans come with a provision that allows the lender to propose a higher interest rate on the specified call dates, requiring the borrower to choose between accepting the elevated interest rate or repaying the loan in full. On 8 February 2024, the bank proposed a 1% increase in rate. This could potentially have locked the Council into a high long-term rate when interest rates are forecast to fall. As we planned to repay the loan at no additional cost and we had cash available in our investment balances, the Section 151 approved the repayment of the loan. It is worth noting that this repayment may necessitate future borrowing, such borrowing is anticipated to be of short-term duration if required.

6. **<u>Treasury Investment Activity</u>**

6.1. CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

6.2. The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held and money borrowed in advance of need. During the year, the Council's investment balances ranged between £43.2m and £68.2m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.23 Balance £m	Net Movement £m	31.12.2023 Balance £m	31.12.2023 Income Return %	31.12.2023 Weighted Average Maturity days
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
Total investments	**43.1**	**11.2**	**54.3**	**4.65%**	**90**

6.3. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

6.4. As demonstrated by the liability benchmark in this report, the Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments.

6.5. Bank Rate increased by 1% over the period, from 4.25% at the beginning of April to 5.25% by the end of December. Short term rates peaked at 5.6% for 3-month rates and 6.6% for 12-month rates during the period, although these rates subsequently began to reduce towards the end of the period. Money Market Rates also rose and were between 5.23% and 5.37% by the end of December.

6.6. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.12.2023	4.99	A+	37%	90	5.30%
Similar Las	4.81	A+	57%	54	5.12%
All Las	4.8	A+	60%	11	4.95%

6.7. It is pleasing to see that the Council has enjoyed a higher investment return than both similar and all Local Council clients of Arlingclose, despite using investment counterparties with a higher credit score, which indicates higher security.

6.8. Financial market conditions remained volatile between October and December. Global government bond yields initially rose before inflation data undershooting estimates led to a rally with prices rising and yields falling on the premise that the major central banks' rate hiking cycles were over. Optimism that bond yields would fall further rapidly was tempered by tight labour markets and core inflation remaining above central banks' targets. Nevertheless, for existing longer-term investors in fixed income securities, the prospect of interest rate cuts in 2024 improved sentiment.

6.9. November and December were good months for UK, Euro area and US equity markets as investors priced in a soft landing with the economies avoiding recession. Despite cautionary central bank warnings that the full effects of monetary tightening are yet to be felt and corporate refinancing in coming years will be at higher levels, expectations of interest rate cuts helped propel sentiment. On 31 December 2023 the FTSE All Share index was 4232 compared with 4127 on 30 September and 4157 on 31 March. The MSCI All Countries World Index was 3169 compared to 2853 on 30th September and 2791 on 31 March.

6.10. Investor sentiment for UK commercial property remained subdued with caution showed by buyers and sellers. With interest rates and bond yields remaining relatively high and investors demanding higher yields, property prices remained under pressure. The outlook for offices remains challenging from changing working practices.

6.11. The change in the Council's funds' capital values and income return over the 6-month period is shown in Table 4.

6.12. The Council has budgeted £981,300 income from investments in 2023/24. Income received up to 31 December 2023 was £1.7m. We are now forecasting the risk adjusted interest received by 31 March 2024, to be £2.03m and after deductions income to be £1.73m. 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.

6.13. The Council's Investment interest return percentage on 31 December 2023 was 5.3%. For comparison purposes the Daily Sterling Overnight Index Average (SONIA) which is used for benchmarking purposes was 5.186%. For similar local authorities the most recent benchmarking data which is from 31 December 2023 showed an investment return of 4.95% largely due to the poor performance of external funds which the Council does not hold. This is shown in **Appendix 1**.

6.14. One of the investments held by the Council is a loan of £5m to Birmingham City Council. On September 5, 2023, Birmingham issued a Section 114 notice, stating that they lack the necessary resources to balance their budget. This shortfall primarily arises from their inability to meet substantial liabilities linked to increasing equal pay claims.

6.15. It is important to emphasise that the Council's funds were secure, as they were backed by central government support. The Council's Treasury advisors at Arlingclose have confirmed this, expressing full confidence that the investment would be repaid in full upon maturity. Previous instances of Section 114 notices at other local authorities have not led to investments going unpaid.

6.16. **Statutory override**: In April 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for two years until 31 March 2025 but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not. The Council will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.

7. Non-Treasury Investments

7.1. The definition of investments in the Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

7.2. Investment Guidance issued by DLUHC and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.

7.3. The Council also held £8.9m of such investments in directly owned property and land. A full list of the Council’s non-treasury investments is available in the Investment Strategy 2023-24 document. The main purpose of these investments is regeneration of the local area rather than investment income. All commercial investments are located within the District.

8. Compliance

8.1. The Chief Finance Officer reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Council’s approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 6 below.

Table 6: Investment Limits

	Q3 Maximum £m	31.12.2023 Actual £m	2023/24 Limit £m	Complied?
The UK Government	37.0	9.0	Unlimited	**Yes**
Local authorities & other government entities	29.5	25.0	60.0	**Yes**
Secured investments	0.0	0.0	60.0	**Yes**
Banks (unsecured)	9.8	2.3	60.0	**Yes**
Building societies (unsecured)	0.0	0.0	5.0	**Yes**
Registered providers (unsecured)	0.0	0.0	12.5	**Yes**
Money market funds	22.0	18.3	60.0	**Yes**
Strategic pooled funds	0.0	0.0	25.0	**Yes**
Real estate investment trusts	0.0	0.0	12.5	**Yes**
Other investments	0.0	0.0	2.5	**Yes**
Totals	**98.3**	**54.6**		

8.2. Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 7 below.

Table 7: Debt and the Authorised Limit and Operational Boundary

	Q3 Maximum During Period £m	31.12.23 Actual £m	2023/24 Operational Boundary £m	2023/24 Authorised Limit £m	Complied?
Borrowing	62.6	60.5	101.8	111.8	**Yes**

8.3. Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

9. Treasury Management Prudential Indicators

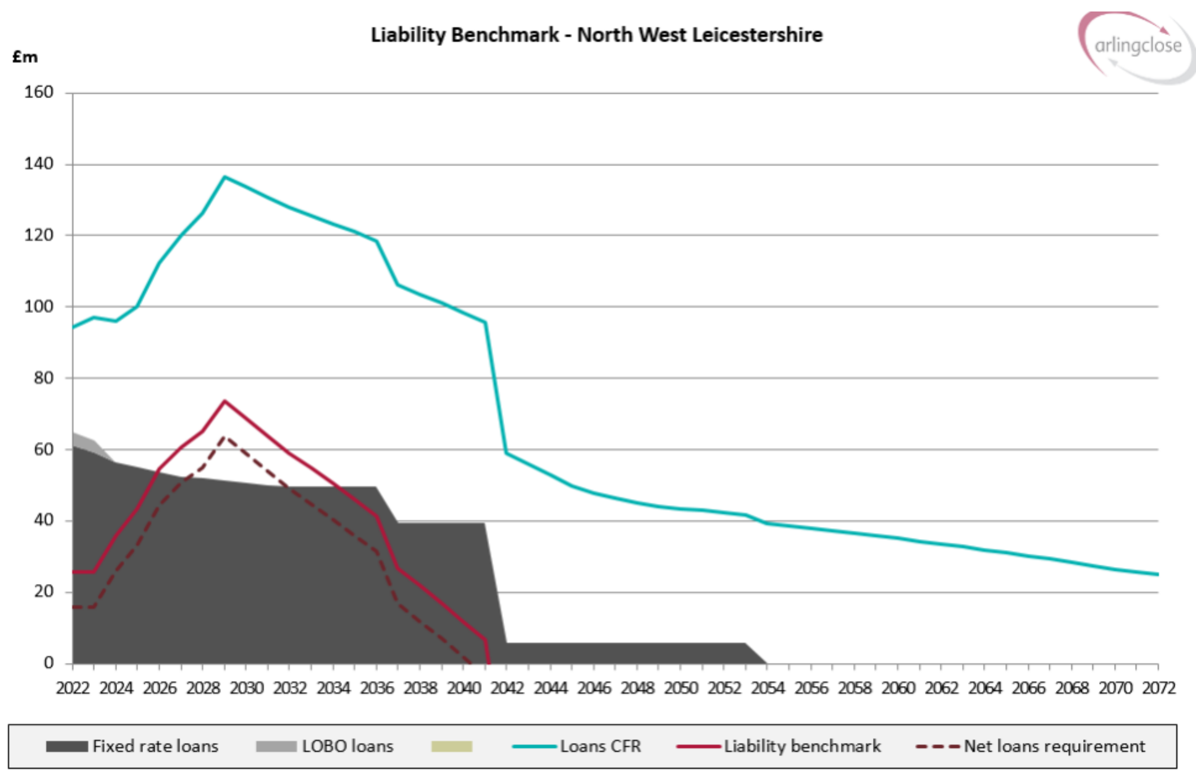
9.1. As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

9.2. **Liability Benchmark:** This new indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £10m required to manage day-to-day cash flow.

Table 8: Liability Benchmark

	31.3.23 Estimate	31.3.24 Forecast	31.3.25 Forecast	31.3.26 Forecast
Loans CFR	96.9	96	100.2	112.4
Less: Balance sheet resources	-81.2	-70	-67	-68
Net loans requirement	**15.7**	**26**	**33.2**	**44.4**
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	**25.7**	**36**	**43.2**	**54.4**
Existing external borrowing	**62.6**	**56.3**	**55.1**	**53.8**

9.3. Following on from the medium-term forecast above, the long-term liability benchmark assumes GF Capital expenditure funded by borrowing of £0 a year after 31 March 2024, minimum revenue provision on new capital expenditure based on a variable asset life (depending on type of asset) and income, expenditure and reserves all increasing by inflation of 2.5% p.a. This is shown in the chart below together with the maturity profile of the Council's existing borrowing. It also assumes HRA Capital expenditure funded by borrowing of between £3.8m and £7.6m per annum.



9.4. The Liability Benchmark shows the underlying need to borrow (Loans CFR) in the blue line at the top of the graph, the grey shaded area as existing external loans and the strong red line as the requirement for external borrowing (the dotted red line is without a liquidity allowance of

£10m. The lighter grey shaded demonstrates the Council's LOBO loans discussed in section 5.10 above. The space in-between the underlying need to borrow and the external borrowing demonstrates the use of internal resources to cover borrowing requirements. Otherwise known as internal borrowing.

9.5. Internal borrowing is generally considered to be good value for money as it is often more expensive to borrow than the returns you get for investment. Therefore, if the internal resources were invested and the funds borrowed to cover the borrowing requirement this likely would lead to a net loss.

9.6. This graph demonstrates that by using internal resources the Council is likely to not have a future external borrowing requirement and that existing borrowing is sufficient to meet requirements.

9.7. **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

Table 9: Maturity Structure of Debt

	31.12.23 Actual £m	31.12.23 Actual %	Lower Limit	Upper Limit	Complied?
Under 12 months	5.4	9%	0%	70%	**Yes**
12 months and within 24 months	1.3	2%	0%	30%	**Yes**
24 months and within 5 years	2.5	4%	0%	30%	**Yes**
5 years and within 10 years	1.9	3%	0%	30%	**Yes**
10 years and within 20 years	43.7	73%	0%	90%	**Yes**
20 years and above	5.7	9%	0%	30%	**Yes**
Totals	**60.5**	**100%**			

9.8. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. Therefore, the LOBO was considered to be maturing in under 12 months despite the maturity date being 2055.

9.9. **Long-term Treasury Management Investments:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

Table 10: Long-Term Investments

	2023/24	2024/25	2025/26	No Fixed Date
Actual principal invested beyond year end	£30m	£0	£0	£0
Limit on principal invested beyond year end	£60m	£10m	£10m	£10m
Complied?	**Yes**	**Yes**	**Yes**	**Yes**

9.10. Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

10. Additional indicators

10.1. **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating 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.

Table 11: Security

	31.12.23 Actual	31.09.23 Actual	2023/24 Target	Complied?
Portfolio average credit rating	A+	AA-	A-	**Yes**

10.2. **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing. The Council currently holds a high level of liquidity due to two reasons:-

- Short term interest rates are higher than long term interest rates, therefore there is no need to tie funds up longer,
- As year-end approached cashflow tends to be highly volatile.

Table 12: Liquidity

		31.12.23 Actual	2023/24 Target	Complied?
Total cash available within 3 months	90	£34	£2.5m	**Yes**

10.3. **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. Bank Rate remained at 5.25% throughout the quarter to 31 December 2023.

Table 13: Interest Rate Exposures

Interest rate risk indicator	31.12.23 Actual	2023/24 Limit	Complied?
Upper limit on one-year revenue impact of a 1% rise in interest rates	406,473	600,000	**Yes**
Upper limit on one-year revenue impact of a 1% fall in interest rates	-406,473	-600,000	**Yes**

10.4. For context, the changes in interest rates during the financial year to date were:

Table 14:Interest Rate Changes

Context - Interest Rate changes	31/3/23	31/12/23
Bank Rate	4.25%	5.25%
1-year PWLB certainty rate, maturity loans	4.78%	5.13%
5-year PWLB certainty rate, maturity loans	4.31%	4.19%
10-year PWLB certainty rate, maturity loans	4.33%	4.33%
20-year PWLB certainty rate, maturity loans	4.70%	4.90%
50-year PWLB certainty rate, maturity loans	4.41%	4.68%

10.5. The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at new market rates.

Appendix 1

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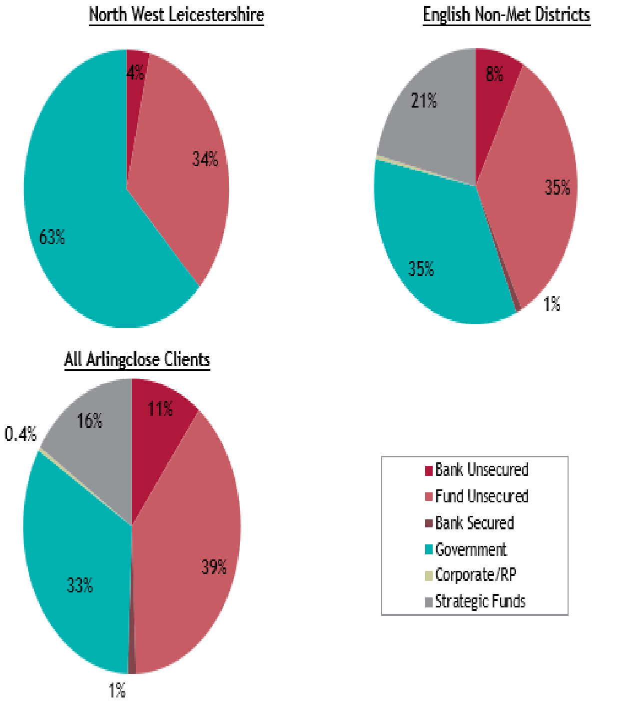
Investment Benchmarking
31 December 2023

	North West Leicestershire	46 English Non-Met Districts Average	127 LAs Average
Internal Investments	£54.3m	£39.1m	£61.6m
Cash Plus & Short Bond Funds	£0.0m	£0.9m	£0.6m
Strategic Pooled Funds	£0.0m	£11.8m	£10.6m
TOTAL INVESTMENTS	**£54.3m**	**£51.8m**	**£72.8m**
Security			
Average Credit Score	4.99	4.81	4.80
Average Credit Rating	A+	A+	A+
Average Credit Score (time-weighted)	5.30	4.73	4.77
Average Credit Rating (time-weighted)	A+	A+	A+
Number of Counterparties / Funds	12	14	13
Proportion Exposed to Bail-in	37%	57%	60%
Liquidity			
Proportion Available within 7 days	37%	44%	52%
Proportion Available within 100 days	63%	66%	72%
Average Days to Maturity	90	54	11
Market Risks			
Average Days to Next Rate Reset	106	73	51
Strategic Fund Volatility	-	2.9%	3.7%
Yield			
Internal Investment Return	5.30%	5.09%	5.08%
Cash Plus Funds - Income Return	-	3.25%	3.41%
Strategic Funds - Income Return	-	4.90%	4.86%
Total Investments - Income Return	**5.30%**	**5.00%**	**5.04%**
Cash Plus Funds - Capital Gain/Loss	-	1.69%	1.66%
Strategic Funds - Capital Gain/Loss	-	-0.85%	-1.59%
Total Investments - Total Return	**5.30%**	**5.12%**	**4.95%**



Notes

- Unless otherwise stated, all measures relate to internally managed investments only, i.e. excluding external pooled funds.
- Averages within a portfolio are weighted by size of investment, but averages across authorities are not weighted.
- Pooled fund returns are 1-year to the end of the quarter.
- Credit scores are calculated as AAA = 1, AA+ = 2, etc.