

Treasury Management Update

The Chartered Institute of Public Finance & Accountancy Treasury and Prudential Codes require quarterly reporting of performance against forward looking prudential indicators. The performance of the council's treasury management activity to the end of May (TBM month 2), measured against benchmarks and the key indicators in the council's Treasury Management Strategy are set out below. The key indicators were approved by Budget Council at its meeting of 22 February 2024.

Investments

The average investment return to 31 May 2024 was 5.33%, outperforming the benchmark rate by 13 basis points (or 0.13 percentage points).

Average Investment Balance (Apr – May) £m	Average Investment return	Average Benchmark Rate*	Difference
93.253	5.33%	5.20%	0.13%

* The Benchmark rate used is the Standard Overnight Index Average (SONIA); a rate administered by the Bank of England based on actual transactions of overnight borrowing by financial institutions.

** Pooled funds have been excluded from this assessment due to volatility of return.

As part of the investment strategy for 2024/25 the council agreed a maximum risk benchmark of 0.05% i.e. there is a 99.95% probability that the council will get its investments back. The benchmark is a simple target that measures risk based on the financial standing of counterparties and length of each investment based on historic default rates. The actual risk indicator has varied between 0.004% and 0.006% between April 2024 and May 2024, reflecting the high proportion of investments held in high security and/or very liquid investments. It should be remembered however that the benchmark is an 'average risk of default' measure and does not constitute an expectation of loss for any particular investment.

Investment Risk benchmark	0.050%
Maximum investment risk experienced to August	0.006%

Borrowing

The table below shows the Council's total external borrowing and average rates as at 31 May 2024, split between the General Fund and the HRA:

	General Fund Borrowing £m	HRA Borrowing £m	Total Borrowing	Average Rate
PWLB	151.692	182.925	334.617	2.78%
Market Loans	16.251	18.749	35.000	4.33%
Total borrowing	167.493	201.674	369.617	2.92%
Average Rate	3.08%	2.79%	2.92%	

The table below shows the forecast of the Capital Financing Requirement (CFR) for both the General Fund and the HRA at TBM month 2 compared to the estimate within the 2024/25 strategy approved in February 2024.

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The General Fund Capital Programme forecast as at TBM2 includes projects funded by borrowing of £57.505m compared to an original estimate of £49.251m. The increase is a result of reprofiling of projects in the capital programme from 2023/24 into 2024/25.

The under-borrowing position, if no action is taken, is currently projected at £113.628m. The General Fund strategy currently forecasts that the level of reserves and balances in the medium term allows internal borrowing of up to £75.000m, and therefore it is currently expected that external borrowing of £38.628m may be required to support the capital programme.

General Fund Capital Financing Requirement (CFR) – Underlying Borrowing requirement	Original Estimate 2024/25 £m	Revised forecast as at 31 May 2024 £m
Opening General Fund CFR	236.649	234.087
Borrowing Need	49.251	57.505
Minimum Revenue Provision	(11.234)	(10.471)
Closing General Fund CFR	274,666	281.121
GF External Borrowing as at 31 May 2024		167.493
Forecast Under-borrowing		113,628

The TBM HRA Capital Programme forecast includes projects funded by borrowing of £52.888m compared to an original estimate of £62.002m. The reduction is a result of reprofiling of projects in the capital programme from 2024/25 to 2025/26.

The under-borrowing position, if no action is taken, is currently projected at £93.263m. The HRA strategy is to fully borrow to meet its CFR and therefore it is currently expected that external borrowing or borrowing from the General Fund of £93.263m may be required to support the capital programme.

HRA Capital Financing Requirement (CFR) – Underlying Borrowing requirement	Original Estimate 2024/25 £m	Revised forecast as at 31 May 2024 £m
Opening HRA CFR	238.790	242.049
Borrowing Need	62.002	52.888
Minimum Revenue Provision	0	0
Closing HRA CFR	300.792	294.937
HRA External Borrowing as at 31 May 2024		201.674
Forecast Under-borrowing (if no action taken)		93.263

The table below shows that the Council is operating within the Operational Boundary and Authorised Borrowing Limits set within the Treasury Management strategy and has sufficient headroom to cover the borrowing need arising from the year's capital programme.

Borrowing Limits	Operational Boundary £m	Authorised Borrowing Limit £m
Limit set for 2024/25	630.000	680.000

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Less: PFI & Leases	34.000	34.000
Limit for Underlying Borrowing	596.000	646.000
Actual External Borrowing at 31 May 2024	369.617	369.617
Headroom*	226.383	276.383

**Authorised Borrowing headroom cannot be less than zero*

The maturity profile of the Authority's borrowing is within the limits set within the strategy.

Maturity Structure of borrowing	Lower Limit set	Upper Limit set	Actual as at 31 May 2024
Under 12 Months	0%	40%	4%
12 months to 2 years	0%	40%	3%
2 years to 5 years	0%	50%	3%
5 years to 10 years	0%	75%	7%
Over 10 years	40%	100%	83%

