

Treasury Management Update

The Chartered Institute of Public Finance & Accountancy has published revised Treasury and Prudential Codes, which now require quarterly reporting of performance against forward looking prudential indicators. The performance of the council's treasury management activity to the end of December 2024 (TBM month 9), 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 December 2024 was 5.09% out-performing the benchmark rate by 8 basis points (or 0.08 percentage points), this is largely due to the time lag in Money Market Fund (MMF) rates adjusting to base rate shifts (meaning we have enjoyed higher MMF rates in a falling interest rate environment).

Average Investment Balance (Oct – Dec) £m	Average Investment return	Average Benchmark Rate*	Difference
50.057	5.09%	5.01%	0.08%

* 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 receive 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 0.001% and 0.003% between October 2024 and December 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 December	0.003%

Borrowing

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

	General Fund Borrowing £m	HRA Borrowing £m	Total Borrowing £m	Average Rate
PWLB	144.512	200.961	345.473	2.82%
Market Loans	16.251	18.749	35.000	4.33%
Total Long-Term Borrowing	160.763	219.710	380.473	2.96%
Average Rate of LT Borrowing	3.00%	2.93%	2.96%	
Short-Term Borrowing	5.500	-	5.500	5.40%
Average Rate of ST Borrowing	5.40%	-	5.40%	
Total Borrowing	166.263	219.710	385.973	

Appendix 8 – Treasury Update

The table below shows the forecast of the Capital Financing Requirement (CFR) for both the General Fund and the HRA at TBM month 9 compared to the estimate within the 2024/25 strategy approved in February 2024.

The General Fund Capital Programme forecast as at TBM month 9 includes projects funded by borrowing of £37.440m compared to an original estimate of £49.251m. The reduction is a result of reprofiling of projects in the capital programme from 2024/25 to future years.

The under-borrowing position, if no action is taken, is currently projected at £99.778m. 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 additional external borrowing of £24.778m 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 December 2024 £m
Opening General Fund CFR	236.649	233.587
Borrowing Need	49.251	37.440
Minimum Revenue Provision	(11.234)	(10.486)
Closing General Fund CFR	274.666	260.541
GF External Long-Term Borrowing as at 31 December 2024		160.763
Level of Under-borrowing		99.778

The TBM HRA Capital Programme forecast includes projects funded by borrowing of £48.910m compared to an original estimate of £62.002m.

The under-borrowing position, if no action is taken, is currently projected at £71.249m. This under-borrowing position decreased during December 2024 as a result of new PWLB borrowing of £25.000m for 1 year. The HRA strategy is to fully borrow to meet its CFR and it is therefore expected that external borrowing from the PWLB or the General Fund of £71.249m will be used to support the capital programme.

HRA Capital Financing Requirement (CFR) – Underlying Borrowing requirement	Original Estimate 2024/25 £m	Revised forecast as at 31 December 2024 £m
Opening HRA CFR	238.790	242.049
Borrowing Need	62.002	48.910
Minimum Revenue Provision	0.000	0.000
Closing HRA CFR	300.792	290.959
HRA External Long-Term Borrowing as at 31 December 2024		219.710
Level of Under-borrowing		71.249

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

Borrowing Limits	Operational Boundary £m	Authorised Borrowing Limit £m
Limit set for 2024/25	630.000	680.000
Less: PFI & Leases	(44.000)	(44.000)
Limit for Underlying Borrowing	586.000	636.000
Actual External Borrowing at 31 December 2024	385.973	385.973
Headroom*	200.027	250.027

**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 December 2024
Under 12 Months	0%	40%	1%
12 months to 2 years	0%	40%	1%
2 years to 5 years	0%	50%	3%
5 years to 10 years	0%	75%	5%
Over 10 years	40%	100%	90%

