

Treasury Management Prudential Indicators – Q4 2023/24

The Chartered Institute of Public Finance and Accountancy published the revised Treasury and Prudential codes in 2021, which now requires quarterly reporting of performance against forward looking prudential indicators. The performance of the Council's treasury management activity, against benchmarks and the key indicators in the Council's Treasury Management Strategy, as approved by Full Council at its meeting of 7 February 2023, are set out below.

Investments

The average investment return over Q4 was 5.39% performing above the benchmark rate by 19 basis points (or 0.19 percentage points). Performance has improved as a result of reinvesting maturing investments in a duration matched to a peak in the forecast Bank of England (BoE) bank interest rate.

Quarter	Average Investment Balance £m	Average Investment return	Average Benchmark Rate*	Difference
Q1	295.687	4.19%	4.34%	(0.15%)
Q2	293.169	4.82%	5.09%	(0.27%)
Q3	269.102	5.38%	5.19%	0.19%
Q4	223.163	5.39%	5.20%	0.19%

**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.*

During Q4 we have monitored the security of the Council's investment, to assess the risk of those investments losing their value. These risks were assessed using the financial standing of the groups invested in, the length of each investment, and the historic default rates. Our investment strategy sets an allowable risk level of 0.050% (i.e. that there is a 99.95% probability that the Council will get its investments back). The actual indicator ranged between 0.005% and 0.007%, reflecting the high proportion of investments held in highly secure and/or very liquid investments.

Investment Risk benchmark	0.050%
Maximum investment risk experienced Q4	0.009%

Borrowing

The table below shows the Council's total external borrowing and average rate as at 31 March 2024:

	Balance as at 31 March 2024 £m	Average Rate
PWLB	210.142	4.53%
Market Loans	6.450	4.25%
Total borrowing	216.592	4.52%

The table below shows the outturn position of the Capital Financing Requirement (CFR) compared to the forecast position within the 2023/24 strategy approved in February 2023. The closing CFR showed an under-borrowed position of £59.084m, compared to the original estimate of £83.932m under-borrowed. The strategy throughout the year forecast that the level of reserves and balances in the medium term allowed for internal borrowing of up to £50.000m, and therefore it could be expected that external borrowing of £9.084m may have been required during the 2023/24 year to support the capital programme. However, in the current economic environment delaying that external borrowing decision is a prudent Treasury Management action as the cost of borrowing is high and cash balances remain sufficient to delay that external borrowing in the short to medium term.

Capital Financing Requirement (CFR) (Underlying Borrowing Need)	Original Estimate 2023/24 £m	Outturn Position 2023/24 £m
Opening CFR	274.367	271.822
Borrowing Need	34.904	12.100
Minimum Revenue Provision	(7.429)	(8.246)
Closing CFR	301.842	275.676
External Borrowing as at 31 March 2024		216.592
Forecast Under-borrowing (if no action taken)		59.084

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 2023/24	376.000	396.000
Less: PFI & Leases	65.000	65.000
Limit for Underlying Borrowing	311.000	331.000
Actual External Borrowing at 31 December	216.592	216.592
Headroom*	94.408	114.408

*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 March 2024
Under 12 Months	0%	25%	2%
12 months to 2 years	0%	40%	2%
2 years to 5 years	0%	60%	7%
5 years to 10 years	0%	70%	20%
Over 10 years	0%	90%	68%