

Treasury Management Prudential Indicators – Q2 2024/25

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 2024, are set out below.

Investments

Cash investment balances as at 30 September 2024 have fallen by 42% in one year, from £288.7m at Q2 2023/24 to £166.9m at Q2 2024/25. The average investment return over Q2 was 5.36%, performing above the benchmark rate by 33 basis points (or 0.33 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	217.354	5.48%	5.19%	0.29%
Q2	204.434	5.36%	5.03%	0.33%

**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 Q2 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 0.007% and 0.008%, reflecting the high proportion of investments held in highly secure and/or very liquid investments.

Investment Risk benchmark	0.050%
Maximum investment risk experienced Q2	0.008%

Borrowing

The table below shows the Council's total external borrowing and average rate as at 30 September 2024:

	Balance as at 30 September 2024 £m	Average Rate
PWLB	205.142	4.45%
Market Loans	6.450	4.25%
Total borrowing	211.592	4.44%

The table below shows the Q2 Forecast of the Capital Financing Requirement (CFR) compared to the estimate within the 2024/25 strategy approved in February 2024. The CFR is expected to give rise to new borrowing required of £61.738m by the end of the year, compared to the original estimate of £75.000m. The strategy currently forecasts that the level of reserves and balances in the medium term allows for internal borrowing (using internal resources such as useable reserves or temporary working capital) of up to £75.000m, and therefore it is expected no external borrowing is required to support the capital programme during 2024/25.

Capital Financing Requirement (CFR) (Underlying Borrowing Need)	Original Estimate 2024/25 £m	Revised forecast as at 30 September 2024 £m
Opening CFR	280.571	275.676
Borrowing Need	32.143	5.473
Minimum Revenue Provision	(7.406)	(7.819)
Closing CFR	304.684	273.330
External Borrowing as at 30 September 2024		211.592
Forecast Under-borrowing (if no action taken)		61.738

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	393.000	413.000
Less: PFI & Leases	58.000	58.000
Limit for Underlying Borrowing	335.000	355.000
Actual External Borrowing at 30 September	211.592	211.592
Headroom*	123.408	143.408

**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 30 September 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%	16%
Over 10 years	0%	90%	73%