

Treasury Management Outturn Report 2023/24

Introduction

This report provides a summary of the treasury management activity undertaken by the Council during the financial year 2023/24. It has been produced in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes, the CIPFA Prudential Code for Capital Finance in Local Authorities and the Department for Levelling Up, Housing and Communities (DLUHC) Capital Finance: Guidance on Local Government Investments.

The Council's Treasury Management Strategy for 2023/24 went to Cabinet on 27th February 2023 and to Full Council for approval on 9th March 2023. The Council's Capital Strategy was approved by Full Council on 27th February 2023.

Economic Summary 2023/24

The economy showed resilience in the face of global uncertainties, with GDP growth driven by a robust services sector and increased consumer spending. Inflation and Interest Rates remained a significant concern, though they began to show signs of stabilizing towards the end of the year. The Bank of England maintained a tight monetary policy, keeping interest rates high to combat inflation, which helped slow price increases but also posted challenges for borrowing and investment.

Public sector net borrowing continued to decrease from the peaks seen during the Covid 19 pandemic. The government's focus on reducing debt as a percentage of GDP showed some progress and was crucial to maintaining economic stability and investor confidence.

The economic outlook was tempered by external risks, including geopolitical tensions and potential disruptions in energy and goods trade. These risks had the potential to impact inflation and economic stability.

The Bank of England increased the Bank Rate from 4.25 % at the beginning of the year to 4.5% in May, then again in June to 5% before a final rise in August to 5.25% where the Rate remained until the year end.

Borrowing Summary

On 31st March 2024, the Council had net borrowing of £437.3m 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 usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

The Council pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

Table 1: Borrowing Summary

	31.3.24 Actual £m
General Fund CFR	504.2
Housing Revenue Account CFR	138
Total CFR	642.2
Less: *Other Debt Liabilities	31.2
Borrowing CFR	611
External borrowing	459.4
Internal/Under borrowing	151.6

* The Other Debt Liabilities figure is comprised of Finance leases, PFI liabilities and transferred debt that form part of the Council's total debt. The CFR figures are subject to audit.

Table 2 below provides a summary of the Council's net borrowing position.

Table 2: Net Borrowing Summary

	31.3.23 Balance £m	Movement £m	31.3.24 Balance £m	31.3.24 Rate %
External Long-term borrowing	446.97	12.46	459.4	3.93%
External Short-term borrowing	143.5	-143.5	0	N/A
Total borrowing	590.47	-131.04	459.4	3.93%
Long-term investments	119.0	-119.0	0	
Cash and Cash Equivalents	22.0	0.10	22.10	3.84%
Net Total investments	141.00	-118.90	22.10	3.84%
Net borrowing	449.47	-12.14	437.32	

Note:

Long term borrowing and investments are repaid/matures over a period longer than a year whilst short-term borrowing / investments are repaid/matures over a period shorter than or

equal to one year.

Borrowing Update

On 31st March 2024 the Council held £459.4m of external loans. The target for the year end set in the 2023/24 Treasury Management Strategy of £404m. During 2022/23 debt actually reduced by £126.44m not the £145m forecast (to £590m). Whilst actual debt at the year-end 2024/25 was above forecast, no limits within the Treasury Management Strategy were breached.

The Council is following a debt reduction strategy to bring borrowing down to a sustainable and affordable level. Short term local authority debt of £143.5m held at the end of 2022/23 was paid off during the year. There were no changes to the levels of Bank debt during the year. No new borrowing for capital purposes was undertaken during the year. During the year £96.4m of maturing PWLB loans were refinanced including £12.5m which related to 2024/25. This accounts for the year-end balance being greater than the opening balance.

Along with the PWLB loans, the Council has one Bank loan of £4m and two Lender's Option Borrower's Option (LOBO) loans totalling £9m. A LOBO loan is structured so that the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. Maturity dates are between 2054 and 2066. No banks exercised their option during the year.

Loans outstanding on 31st March 2024 are summarised in Table 3 below.

Table 3: External Borrowing Position

	31.3.23 Balance £m	Net Movement £m	31.3.24 Balance £m	31.3.24 Weighted Average Rate %	31.3.24 Weighted Average Maturity (years)
Public Works Loan Board	433.97	12.46	446.43	3.18%	11.29
Banks (LOBO) (Lender's Option Borrower's Option)	9.00		9.00	3.87%	21.04
Bank Fixed Term	4.0		4.00	4.76%	30.30
Local authorities (short- term)	143.5	-143.5	0	N/A	N/A
Total borrowing	590.47	-131.04	459.43		

Other Debt Liabilities

The Council had other long-term liabilities of £31.2m at the year end. This was comprised of £28.1m of Private Finance Initiative finance and £3.1m of finance leases. This reflected repayments of £1.8m during the year.

Treasury Investment Activity

The Council invests surplus funds in accordance the Investment Strategy approved by Full Council. These funds represent income received in advance of expenditure plus balances and reserves. The investment position is shown in Table 4 below.

Table 4: Treasury Investment Position

	31.3.23 Balance £m	Net Movement	31.3.24 Balance £m	31.3.24 Income Return %
Government: DMADF	119.0	-119.0	0	N/A
Money Market Funds	22.0	-0.7	21.3	3.84
Bank (Overnight)	0.21	0.6	0.8	0
Total Investments	141.21	-119.1	22.1	3.84

The Council's Investment Strategy is to ensure that there is sufficient liquidity to meet corporate commitments. Investments were made throughout the year with the Debt Management Account Deposit Facility (DMADF) and Money Market Funds.

Non-Treasury Investments

The Council has invested in a number of property companies which fall under CIPFA's definition of Non-Treasury Investments. 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). Table 5 below provides details of these companies below.

Table 5: Non-Treasury Investments

Interest receivable 2022/23	Debtor	Balance at 31/3/2024	Interest Receivable 2023/24	Rate
£000s		£000s	£000s	%
1,551	James Elliman Homes	51,700	1,551	3%
144	SUR LLP*	735	144	5%
598	GRE 5 Ltd *	2,192	355	6%
0	Slough Children First Ltd*	5,000	71	1.41%
2	St Bernards School	Repaid	0	0
2,295		59,627	2,121	3.85%

*Subject to Audit

Compliance

The Chief Finance Officer reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in Table 6 below.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in Table 6 below.

Table 6: Debt Limits

	31.3.24 Actual	2023/24 Operational Boundary	2023/24 Authorised Limit	Complied?
Borrowing	£459.43m	£609m	£638m	Yes
PFI and Finance Leases	£31.20m			Yes
Total Debt	£490.63			

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. Total debt was above the operational boundary for 0 days since 1st April 2023.

Table 7: Investment Limits

	Minimum Credit Criteria	Max. % or amount per Institution	Max. Maturity Period	31.3.24 Actual	Complied? Yes/No
Specified Investments					
DMADF – UK Government	N/A	100%	6 Months	£0m	Yes
Money Market Funds	AAA	100%	Daily	£21.3m	Yes
Local Authorities	N/A	100%/£20m	10 Years	0	Yes
Lloyds Bank plc (the Council's bankers)	A+	£20m £5m	Overnight Up to 12mths	£0	Yes
Term deposits with banks & rated building societies	A+	£5m	Up to 3 Years	0	Yes

Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators:

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a rating 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 rating based on their perceived risk.

Table 8: Average Credit Score

	31.3.24 Actual	2023/243 Target	Complied?
Portfolio average credit score	AAA	A	Yes

Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk and is designed to protect against excessive exposures to interest rate changes in any one period. It measures the percentage and value of loan maturities in categories in line with CIPFA guidance. The upper and lower limits on the maturity structure of all borrowing are shown in Table 9 below.

Table 9 Maturity Structure

	31.3.24 Actual %	31.3.24 £m	Upper Limit %	Upper Limit £m	Lower Limit %	Complied?
Under 12 months	16.12	74.49	70%	321.60	0%	Yes
12 months and within 24 months	18.63	85.49	50%	229.71	0%	Yes
24 months and within 5 years	13.64	62.59	35%	160.80	0%	Yes
5 years and within 10 years	14.16	64.97	25%	114.85	0%	Yes
10 years and above	37.45	171.85	50%	229.71	0%	Yes

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.

Principal Sums Invested for Periods Longer than a year: 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 limits on the long-term principal sum invested to final maturities beyond the period end are shown in table 10 below.

Table 10: Principal Limits

	2023/24
Actual principal invested beyond year end	0
Limit on principal invested beyond year end	90
Complied?	Yes