Sefton Council

Report Title:	Treasury Management Outturn 2023/24		
Date of meeting:	Thursday 12 September 2024		
Report to:	Council		
Report of:	Executive Director of Corporate Services and Commercial		
Portfolio:	Corporate Services		
Wards affected:	All wards		
Is this a key decision:	Yes	Included in Forward Plan:	Yes
Exempt/confidential report:	No		

Summary:

This outturn report provides Members with a review of the Treasury Management activities undertaken during 2023/24 and an update to 31 July 2024. Council receives this outturn report to allow monitoring against the Treasury Management Policy & Strategy and Prudential Indicators approved by Cabinet and Council in March 2023.

Recommendation(s):

Members are requested to note the Treasury Management position during 2023/24 and the update to 31 July 2024, to review the effects of decisions taken in pursuit of the Treasury Management Strategy and to consider the implications of changes resulting from regulatory, economic and market factors affecting the Council's treasury management activities.

The Rationale and Evidence for the Recommendations

1. Introduction

1.1. The CIPFA Prudential Code for Capital Finance in Local Authorities (The Prudential Code) was introduced following the Local Government Act 2003. The Prudential Code details a number of measures / limits / parameters (Prudential Indicators) that, to comply with legislation, must be set in respect of each financial year to ensure that the Council is acting prudently and that its capital expenditure proposals are affordable.

1.2. A requirement of the Prudential Code is the reporting to Cabinet and Full Council of the outturn position of indicators following the end of the financial year. In accordance with this requirement, this report outlines the 2023/24 outturn for the following Prudential Indicators:-

i. Capital Expenditure (Section 2);
ii. Capital Financing Requirement (Section 3.1);
iii. Gross Debt and the CFR (Section 3.2);
iv. Borrowing Limits (Section 3.3);
v. Financing Costs as a proportion of Net Revenue Stream (Section 3.4);
vi. Debt Maturity Profile (Section 5);
vii. Liability Benchmark (Section 6);
viii. Treasury Management Indicators (Section 7).

1.3. The Treasury Management Policy and Strategy Statements are agreed annually by the Council as part of the budget process. A requirement of the Policy Statement is the reporting to Cabinet and Full Council of the results of the Council's treasury management activities in the previous year. Treasury management in this context is defined as:

'The management of the authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

1.4. In accordance with the above this report outlines the results of treasury management activities undertaken in 2023/24 covering the following issues:

- borrowing strategy and practice
- compliance with Treasury Limits
- compliance with Prudential Indicators
- investment strategy and practice.

1.5. The results of treasury management activities in 2023/24 are reflected in the net expenditure on Capital Financing Costs included within the Council's Revenue Budget. The Capital Programme is also agreed annually as part of the budget process. It sets out the anticipated capital expenditure to be incurred within the year.

2. Capital Expenditure

2.1. The original estimate for 2023/24 expenditure together with the actual capital expenditure calculated on an accruals basis for the financial year is as follows:

	Estimate £m	Actual £m
Capital Expenditure	76.543	40.937

2.2. Capital expenditure in 20233/24 was £35.606m less than the original estimate reported in March 2023. The Council has therefore remained within the limits for expenditure set at the start of the year. The variation is due to the phasing of capital budgets and grant allocations to future years. These adjustments were approved by Cabinet and Council as part of the monthly budget monitoring for the capital programme during 2023/24.

2.3. A full report on capital expenditure and the out-turn position for 2023/24 can be found in the separate Financial and Corporate Performance report also presented at this meeting.

3. The Council's Overall Borrowing Need

3.1. Capital Financing Requirement

3.1.1. The Capital Financing Requirement (CFR) reflects the Authority's underlying need to borrow for capital purposes and is based on historic capital financing decisions and the borrowing requirement arising from the financing of actual capital expenditure incurred in 2023/24.

3.1.2. The Council is currently internally borrowed (see 4.4 below) meaning it temporarily uses its own cash balances to fund some capital schemes instead of external borrowing, a strategy which saves the cost of interest payments on loans.

3.1.3. The actual level of Capital Financing Requirement as at 31 March 2024 compared to the initial estimate for 2023/24 is as follows:

	Estimate £m	Actual £m
Capital Financing Requirement	236.071	229.451

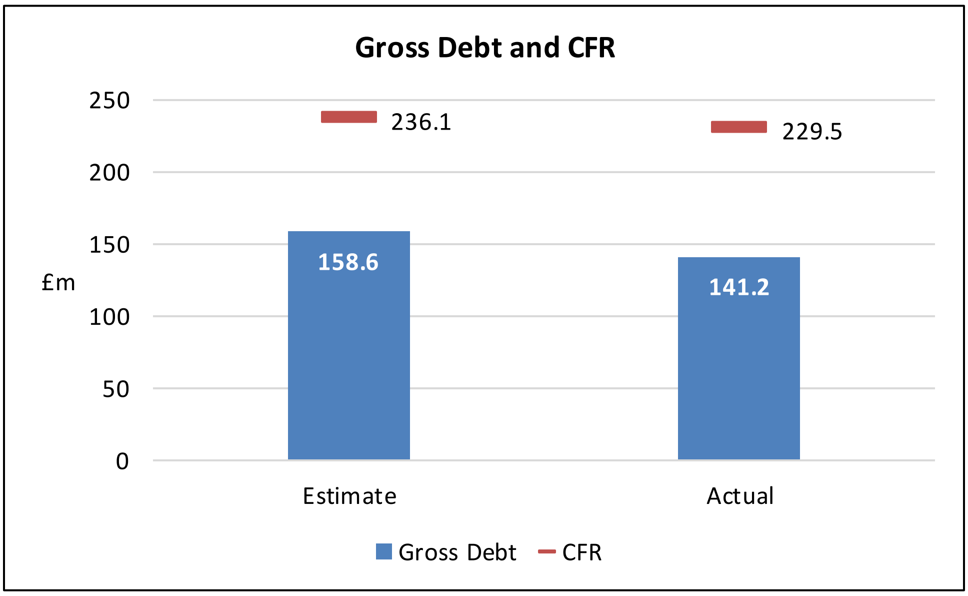
3.1.4. As mentioned in paragraph 2.2 (above), the level of capital expenditure for 2023/24 was less than anticipated and therefore the requirement for the financing of this expenditure from borrowing is also lower.

3.2. Gross Debt and the CFR

3.2.1. CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following statement as a key factor of prudence:

"In order to ensure that over the medium-term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

3.2.2. In the report to Cabinet and Council in March 2023, it was stated that the Authority would comply with this requirement in 2023/24. During the financial year, gross external borrowing did not exceed the total of the Capital Financing Requirement. The chart below shows the out-turn position compared to the CFR and a comparison with the original



estimate:

3.2.3. The actual level of borrowing at year end was significantly lower than anticipated compared to the original estimate for the year. As mentioned previously, the Council is currently internally borrowed meaning it will take the opportunity where prudent to use its own cash balances instead of external borrowing, a strategy which has continued throughout 2023/24 financial year.

3.3. Borrowing Limits

	2023/24 £m
Authorised limit	**190.000**
Operational boundary	**165.000**
Maximum Gross Borrowing Position	**143.969**

3.3.1. The Operational Boundary sets a boundary on the total amount of long term borrowing that the Council is estimated to enter into. It reflects an estimate of the Authority's current commitments, existing capital expenditure plans, and is consistent with its approved Treasury Management Policy Statement and practices.

3.3.2. The Authorised Limit sets a limit on the amount of external borrowing (both short and long term) that the Council can enter into. It uses the Operational Boundary as its base but also includes additional headroom to allow for exceptional cash movements.

3.3.3. The Maximum Gross Borrowing Position shows the highest level of actual borrowing undertaken during 2023/24 financial year. This level remained within the Operational Boundary and did not exceed the Authorised limit.

3.4. Financing Costs as a Proportion of Net Revenue Stream

3.4.1. This indicator measures the financing costs of capital expenditure as a proportion of the net resource expenditure of the General Fund.

	Estimate 2023/24	Actual 2023/24
Financing Costs / Net Revenue	5.7%	5.3%

3.4.2. The overall ratio is lower than the original estimate by 0.4%. The financing costs for the repayment of debt was lower than originally forecast as a result of less borrowing being undertaken for the capital programme due to the phasing of capital projects. The net revenue stream for 2023/24 was also higher by comparison hence the reduced ratio. The Council's debt therefore remained within affordable levels.

4. Borrowing Strategy and Practice

4.1. The Council's debt portfolio at the 31st March 2024 and a comparison to the position at the end of last financial year is summarised as follows:

Actual Debt Outstanding	31st March 2023 £m	31st March 2024 £m
Public Works Loans Board	133.694	136.778
Other Long-Term Liabilities	5.497	4.415
TOTAL	**139.191**	**141.194**

4.2. The category of other long-term liabilities represents transferred debt from the Merseyside Residuary Body (£0.438m) and finance lease liabilities (£3.978m).

4.3. The Council's PWLB debt activity during 2023/24 is summarised in the following table:

Movement in Year	Actual £m
PWLB opening debt 1st April 2023	133.694
Less principal repayments	(11.916)
Add new borrowing	15.000
Closing PWLB debt 31st March 2024	**136.778**

4.4. The Council's PWLB borrowing as at 1st April 2023, plus other long-term liabilities, was £139m, as against an actual CFR of £231m. This means that the Council had, through previous borrowing decisions, opted not to take out external loans for a further £92m which would take the borrowing level to the level of the CFR. This strategy is described as being internally borrowed which has the advantage of reducing exposure to interest rate and credit risk. To be internally borrowed is a conscious decision to use cash balances to fund capital expenditure, rather than borrow from the PWLB. This position can be reversed at any time by borrowing from the PWLB, or any other appropriate organisation up the level set by the Authorised Limit. The new borrowing of £15m undertaken in 2023/24 therefore represents borrowing undertaken to replace maturing loans and partially reverse the Councils internal borrowing position to meet ongoing liquidity requirements.

4.5. The average rate of interest on Council loans with the Public Works Loans Board (PWLB) in 2023/24 and a comparison to the previous year is shown below:

	2022/23	2023/24
Average PWLB Interest Rate in Year	**3.89%**	**3.75%**

5. Debt Maturity Profile

5.1. This is a profile measuring the amount of borrowing that is fixed rate maturing in each period as a percentage of total borrowing that is fixed rate:

Fixed Rate Debt Maturity	Upper Limit	Lower Limit	Actual 31st March 2024
Under 12 months	15%	0%	**3%**
12 months and within 24 months	20%	0%	**7%**
24 months and within 5 years	20%	0%	**11%**

5 years and within 10 years	45%	10%	**22%**
10 years and within 15 years	45%	10%	**19%**
15 years and above	50%	30%	**38%**

5.2. The spread of debt across the various maturity periods shows how the authority has acted prudently and controlled its exposure to refinancing risk by not having overly large amounts of debt concentrated in one period, especially those in the shorter term.

6. Liability Benchmark

6.1. This new indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £10m required to manage day-to-day cash flow.

6.2. The table below compares the estimated liability benchmark for 2023/24 with the benchmark calculated at 31 March 2024:

Liability Benchmark	**31.03.24 Estimate £m**	**31.03.24 Actual £m**
Loans CFR *	229.7	223.9
Less: Balance sheet resources	-93.1	-110.1
Net loans requirement	136.6	**113.8**
Plus: Liquidity allowance	10.0	10.0
Liability benchmark	146.6	**123.8**

** CFR excluding other long-term debt liabilities*

6.3. The actual liability benchmark at 31st March 2024 was lower than the estimate calculated for 2023/24. This is due to the phasing of capital schemes funded by borrowing to future years and the availability of balance sheet resources that has allowed the Council to continue its policy of internal borrowing and thus maintain a lower level of external borrowing without taking on additional risk.

6.4. The Council's total external borrowing (excluding long term liabilities) was however, higher when compared to the benchmark at 31st March 2024 by £13m. As outlined in 4.4 (above), additional borrowing of £15m was taken out during 2023/24. This borrowing was undertaken in February when cash balances are temporarily low, and the Council must meet its minimum liquidity requirements in advance of central government grants being received early in the new financial year. A forecast for the next three financial years has been provided in paragraph 14.2 below. As can be seen from the table, the forecast borrowing for 2024/25 is predicted to return back in line with the benchmark.

7. Compliance with Treasury Limits

7.1. The following Treasury Limits were approved by Council during the 2023/24 Budget Setting process:

7.2. Borrowing Limits

	Limit £m	Maximum Borrowing 2023/24 £m
Authorised Borrowing Limit	190.000	**143.969**
Short Term Borrowing Limit	30.000	**0**

7.3. Investment Limits

	Upper Limit £m	Maximum Invested 2023/24 £m
Principle sums invested for longer than 365 days	15	**5**

7.4. The amounts above show the maximum amounts borrowed or invested during the year compared to the limits set. The Council therefore remained within the limits for borrowing and investments set for the year and no short-term borrowing was undertaken.

8. Investment Strategy and Practice

8.1. The Council invests all available cash balances, which includes school balances and the insurance fund, following a policy of obtaining maximum returns whilst minimising risks.

i. **Externally Managed Investments**
No externally managed funds are held.

ii. **Internally Managed Investments**
The Council's available funds during the year averaged £46.38m and were managed internally with advice from our treasury consultants.

8.2. The level of the Council's investments during 2023/24 and comparable figures from the previous year are summarised in the following table:

	2022/23	**2023/24**
Total Investment of Cash Balances at year end	£31.11m	£16.77m
Average Investment Balance during the year	£91.10m	£46.38m
Average Return on Investments	2.25%	4.93%

8.3. In 2023/24 a weighted average return of 4.93% was achieved. The majority of the funds are invested with major banks and Money Market Funds (MMF's), with the remaining balance of £5m invested with the CCLA Property Fund. The return of 4.93% can be disaggregated into a return of 4.86% on bank and MMF investments, whilst 5.16% was returned by the CCLA investment.

8.4. Bank Rate increased by 1% over the period, from 4.25% at the beginning of April 2023 to 5.25% by September 2023 and remaining unchanged to the end March 2024. Short term rates peaked at 5.7% for 3-month rates and 6.7% for 12-month rates during the period, although these rates subsequently began to decline towards the end of the period. Money Market Rates also rose and were between 4.6% and 5.3% by the end of March 2024. The Council's investments have therefore significantly outperformed the target set in the budget as the majority of funds were invested in the short term and increased in line with short term money market rates. The table below shows the outturn position for 2023/24:

Budget Profile	**Budget £m**	**Actual £m**	**Variance £m**
Outturn 2023/24	1.317	2.306	0.989

9. Non-Treasury Investments

9.1. The definition of investments in the Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

9.2. At the end of 2023/24 the Council held £6.030m of investments for service purposes comprised of:

- shareholding in subsidiaries £0.001m
- loans to subsidiaries £6.029m.

9.3. The Council's non-treasury commercial investments at the end of 2023/24 consisted of an investment property portfolio with a Net Book Value of £28.137m which, after deducting maintenance costs, generated a net income of £2.688m, a return of 9.6%, which also contributed to the provision of services.

9.4. Net Income from Commercial and Service Investments to Net Revenue Stream

9.4.1. This indicator measures the proportion of the authority's net revenue stream that is derived from non-treasury investments such as service investments (loans to subsidiaries) and commercial investments (investment properties). The indictor is a measure of the exposure to loss of income should the net return from those investments fall short of the target set in the budget.

	Estimate 2023/24	**Actual 2023/24**
Commercial and Service Investments / Net Revenue	1.0%	1.2%

9.4.2. As can be seen from the ratios above this is a relatively low percentage of the Council's overall revenue stream indicating that the Council's budget was not overly reliant on commercial and service investment income during 2023/24. The total income from commercial and services investments was higher than forecast and so represented a slightly higher proportion of the revenue stream compared to the estimate.

10. Treasury Position for 2024/25 – Update to 31st July 2024

10.1. Investments held at the 31/07/2024 comprise the following:

Institution	Deposit £m	Rate %	Maturity	Rating
Money Market Funds:				
Aberdeen	2.67	5.16	01.08.24	AAA
Aviva	2.67	5.21	01.08.24	AAA
Blackrock	0.41	5.09	01.08.24	AAA
BNP Paribas	2.67	5.26	01.08.24	AAA
Goldman-Sachs	2.67	5.11	01.08.24	AAA
Invesco	2.67	5.18	01.08.24	AAA
Morgan Stanley	2.67	5.15	01.08.24	AAA
Federated	2.67	5.21	01.08.24	AAA
Insight	2.67	5.21	01.08.24	AAA
Total	21.77			
Property Fund:				
CCLA	5.00	5.32	n/a	n/a
Total	5.00			
TOTAL INVESTMENTS	**26.77**			

10.2. The Authority holds significant invested funds, representing grant income received in advance of expenditure plus balances and reserves held. The cash is initially held in a number of highly liquid Money Market Funds to ensure security of the funds until they are required to be paid out. This approach is consistent with the Council's approved Treasury Management Policy and Strategy for 2024/25. The balance of investments is therefore expected to fall over the coming months as the income is fully expended.

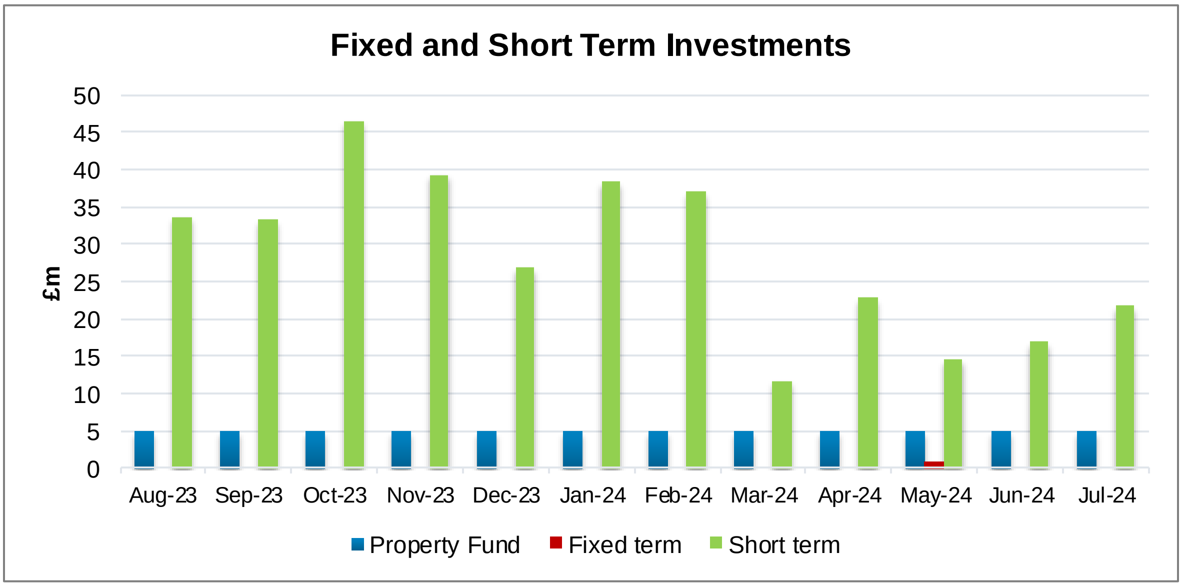
10.3. All of the investments made since April 2024 have been with organisations on the current counterparty list. The maximum level of investment permitted in the Treasury Management Strategy in any one institution, or banking group, is currently £15m. Whilst the maximum should be retained, in light of current economic conditions, a day to day operational maximum of 10% of the total portfolio is currently being imposed for investments. This will spread the risk for the Council but will have a small detrimental impact on the returns the Council will receive in the future. The Council has remained within that boundary during the year. At present, it is not expected that there will be any need to review this limit.

10.4. The Council will only invest in institutions that hold a minimum Fitch rating of A- for banking institutions, or AAA for money market funds. The ratings applied to investment grade institutions, and the much riskier speculative grade institutions, as defined by Fitch, have been placed into a risk matrix (paragraph 10.8).

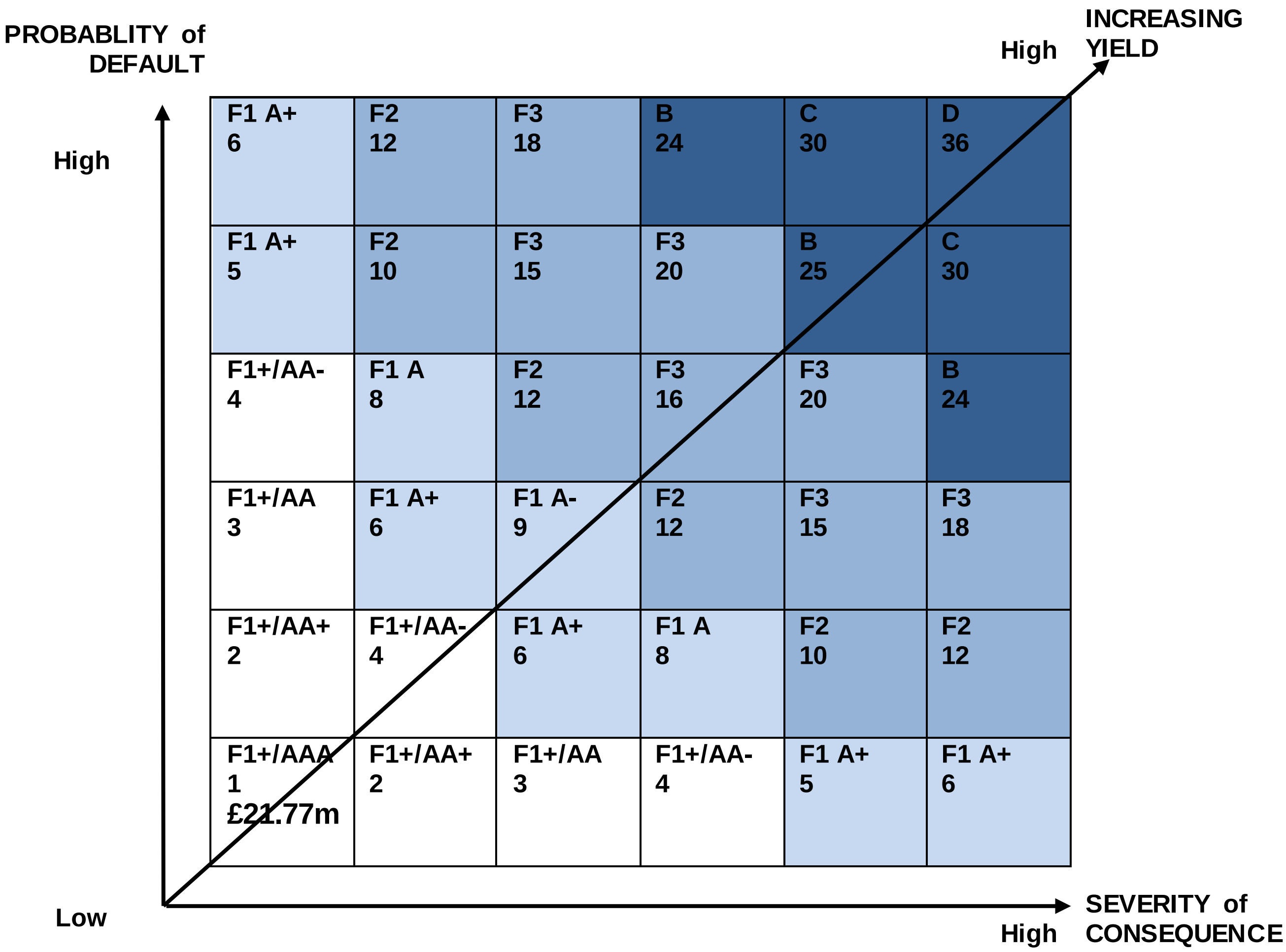
10.5. An investment has been made with the Church, Charities and Local Authority Investment Fund (CCLA) in June 2014. CCLA invest in commercial property which is rented out to enterprises such as retail units, warehousing, and offices. The majority of properties owned are in the south of the country where the market is often more buoyant than the north. The Council has in effect bought a share of the property portfolio and returns paid are in the region of 4%. This is seen as a long-term investment with the potential for the capital value of the investment to vary as property prices fluctuate.

10.6. The Net Asset Value (NAV) of the Property Fund has decreased over a 12-month period to July 2024 from 284.97p per unit to 275.93p per unit, a decrease of 3.2%. The fund is considered to be a long-term investment and fluctuations in value are to be expected with this type of asset. The situation will continue to be monitored closely however, and advice taken from the Council's treasury advisers should its position in the fund need to be reviewed. The income yield on the Property fund at the end of July 2024 was 5.32% which, is higher than returns received in the past and represents a reasonable return on the Council's investment.

10.7. The ratio of overnight deposits (short term) to fixed term investments and the property fund is shown below:



10.8. The matrix below shows how the Council has set its risk appetite by being risk averse and putting security and liquidity before yield when investing:



SEFTON RISK TOLERANCE:

Risk Level	Score	Grade	Amount Invested
LOW	1 - 4	Investment Grade	**£21.77m**
LOW - MEDIUM	5 - 9	Investment Grade	-
MEDIUM	10 - 20	Investment Grade	-
HIGH	21 - 36	Speculative Grade	-

10.9. The Council will continue to maximise any investment opportunities as they arise although it is not envisaged that any substantial increase in returns can be achieved for the remainder of the current financial year as balances available for investment will be held in short term deposits to allow the council to respond to any exceptional demands for cash as they arise. The security and availability of cash will be prioritised over improved yields as per the agreed Treasury Management Strategy and advice received from Sefton's treasury management advisors.

11. Interest Earned

11.1. The actual performance of investments against the profiled budget to the end of July 2024 and the forecast performance of investments against total budget at year end is shown below:

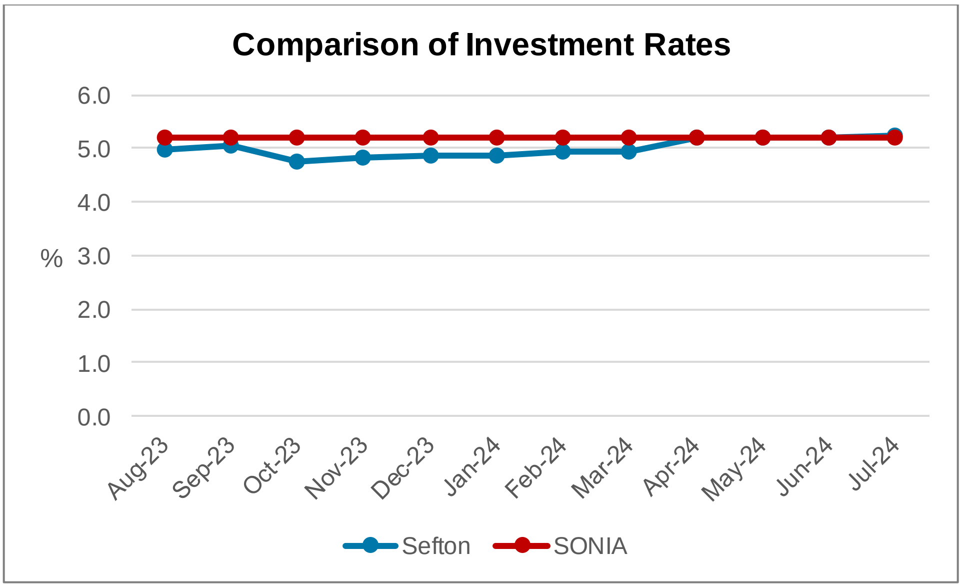
	Budget £m	Actual £m	Variance £m
Jul-24	0.425	0.501	0.076

	Budget £m	Forecast £m	Variance £m
Outturn 2024/25	1.343	1.670	0.327

11.2. The forecast outturn for investment income shows the level of income to be above target against the budget for 2024/25. Investment rates have remained at a higher level over the past twelve months (see 11.4. below) when compared to previous years largely in response to rises in interest rates. The budgeted income for 2024/25 has therefore been set at a higher level when compared to previous financial years.

11.3. As mentioned in paragraph 10.9, it is not envisaged that improved rates will lead to a significant increase over and above the current forecast income from investments during 2024/25 as cash balances are diminishing and held in short term deposits.

11.4. The Council has achieved an average rate of return on its investments of 5.20%. The chart below shows the average rate of return plotted against the SONIA benchmark.



11.5. As can be seen from the chart above, Sefton's investments have performed in line with the SONIA to the end of July 2024.

12. Borrowing Strategy

12.1. As outlined in the Treasury Management Strategy approved by Council in February, the Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

12.2. Interest rates have seen substantial rises over the last two years, although these rises have now plateaued and more recently a cut of 0.25% has been made. The Bank Rate rose by 1% from 4.25% at the beginning of April 2023 to 5.25% by the end of September 2023. The Bank Rate was 3% higher than at the end of September 2022.

12.3. The Council has PWLB loan maturities of £8.846m scheduled during 2024/25 comprising several historic loans. The Council has pursued a strategy of internal borrowing in recent years as per the Treasury Management Strategy approved by Council. Cash balances have therefore been reduced to replace maturing loans where possible and when interest rates on deposits remain lower than PWLB borrowing rates. This position is however, considered temporary and may be reversed at any time in response to the ongoing liquidity needs of the Authority or when exceptional demands for cash may arise.

Impact of the High Needs Deficit:

12.4. Cabinet receives regular reports on the Council's High Needs Budget and the current deficit position that has been increasing over a number of years due to rising demand for provision coupled with a shortfall in funding made available from central government. The deficit position reported to Cabinet on 25 July 2024 was £38m as at the end of 2023/24 financial year. Due to the increased pressure the High Needs Deficit has placed on the availability of cash balances it is now forecast that the Council will need to take out additional external borrowing in 2024/25 to reverse (in part) its internal borrowing position.

12.5. Officers will continue to take advice from the Council's external treasury advisers when undertaking new borrowing in order to ensure borrowing remains prudent and affordable and to minimise the financial impact to the Council.

13. Interest Rate Forecast

13.1. Arlingclose, the Council's treasury advisors, have provide the following interest rate view as at August 2024:

	Current	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	5.00	5.00	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00

Underlying assumptions:

• In a 'finely balanced' decision, the Bank of England cut Bank Rate in August by 25bps to 5.00%, in line with the forecast Arlingclose made in September 2023.
• In a 5-4 vote, a majority of MPC members thought inflationary pressures had eased enough to justify a rate cut, while others continued to maintain caution over underlying inflationary persistence and voted for no change.
• Despite the rate cut, the MPC continues to judge that there are upside risks to domestic inflation, which suggests rapid monetary easing in the immediate term is not likely and we have not changed our expected path for Bank Rate.
• CPI inflation stayed at the 2% target in June but the Bank expects this to rise to 2.75% in the second half of this year, as declines in energy prices last year fall out of the annual comparison and reveal more clearly the prevailing persistence of domestic inflationary pressures. Wage growth has fallen but remains elevated and services inflation is higher than had been expected. The actual path of inflationary pressures will be key to the MPC's decision making.
• Following Q1 GDP of 0.7%, UK growth in the first half of the year has been stronger than expected and risks around domestic demand lie to the upside. Stronger economic activity, alongside a higher equilibrium rate of unemployment than assumed, could leave wage growth and inflation persistently higher. Governor Bailey commented that the MPC needs to be careful "not to cut rates too much or too quickly".
• Official ONS Labour market data continues to be unreliable but wider indicators suggest the market is loosening, albeit remaining relatively tight by historic standards. Anecdotal evidence has suggested lower pay growth for some time, and we expect a weaker labour market situation to hasten that outcome.
• We expect that the continuation of restrictive monetary policy will bear down on activity and will require more substantial loosening in 2025 to boost activity and inflation.

• Global bond yields will remain volatile and investors' positioning for the timing of US monetary loosening will continue to influence movements in gilt yields. Moreover, there is a heightened risk of fiscal policy, credit events and/or geo-political events causing substantial volatility in yields.

Forecast:

• In line with our forecast, the MPC cut Bank Rate by 0.25% to 5.0% in August.
• The MPC will continue to cut rates to stimulate the UK economy but will initially be cautious given lingering domestic inflationary pressure. We see another rate cut in 2024 (Q4), but more significant monetary easing in 2025, with Bank Rate falling to a low of around 3%.
• Upside risks to inflation remain which could limit the extent of monetary easing.
• Long-term gilt yields have fallen following fears of a US recession. Arlingclose's central case is for yields to be volatile around a relatively narrow range, reflecting the likelihood for monetary policy loosening in the Eurozone, UK and US.

14. Compliance with Treasury Management Limits

14.1. As at the end of July 2024, the Council has operated within the treasury limits for borrowing and investments set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

14.2. The Council also monitors its levels of external debt (excluding long term liabilities) against a prudential indicator for the liability benchmark. The benchmark for 2024/25 and the following two financial years is shown below compared to the Council's forecast level of borrowing:

Liability Benchmark	31.03.25 Estimate £m	31.03.26 Estimate £m	31.03.27 Estimate £m
Loans CFR *	229.2	222.3	234.8
Less: Balance sheet resources	-56.1	-30.8	-27.6
Net loans requirement	173.1	191.5	207.2
Plus: Liquidity allowance	10.0	10.0	10.0
Liability benchmark	**183.1**	**201.5**	**217.2**
Forecast Borrowing	**163.8**	**189.5**	**208.0**

** CFR excluding other long-term debt liabilities*

14.3. The Council's forecast borrowing has remained broadly in line with the benchmark although this may be exceeded from time to time due to temporary liquidity requirements and where there is a need to reverse the Council's internal borrowing position. As mentioned in 12.4 above, additional borrowing may be required due to exceptional demands from the High Needs deficit and a prudent estimate of this demand has been included above. The level of forecast borrowing will not exceed the Authorised Limit and Operational Boundary for 2024/25 agreed by Council in February.

Financial Implications

A surplus in investment income has been experienced for 2023/24 financial year and is also forecast for 2024/25.

Legal Implications

The Council has a statutory duty under the Local Government Act 2003 to review its Prudential Indicators and Treasury Management Activities.

Corporate Risk Implications

Treasury management risks are assessed and managed under the Treasury Management Policy and Strategy and the Treasury Management Practices. Having operated with the limits and parameters set at the beginning of the year, the Council has remained within its agreed risk appetite and there are no additional risk implications to be considered.

Staffing HR Implications

None

Conclusion

The Council has acted in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities and has reviewed its Prudential Indicators to comply with legislation and is acting prudently in that its capital expenditure proposals remain affordable.

Alternative Options Considered and Rejected

None.

Equality Implications: There are no equality implications.
Impact on Children and Young People: None.
Climate Emergency Implications: The recommendations within this report will have a neutral impact. The Council has during 2023/24, invested its reserves and balances overnight with either banks or money market funds in order to maintain high security and liquidity of such balances. It has not had the opportunity to invest in longer term financial instruments or investment funds for which there may be a chance to consider the impact on the Council's Climate Emergency motion. In the event that the Council has more surplus balances available in future that may lead to longer term investing, the Council will take account of the climate emergency when discussing the options available with the Treasury Management Advisors.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Services and Commercial (FD7757/24) and the Chief Legal and Democratic Officer (LD5857/24) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

The Council's external Treasury Management Advisors: Arlingclose have provided advice with regards to Treasury Management activities undertaken during the financial year.

Implementation Date for the Decision:

Immediately following the meeting.

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Appendices:

There are no appendices to this report

Background Papers:

There are no background papers to this report