



**AUDIT COMMITTEE/ CABINET
/ COUNCIL**

Portfolio Area: Resources and Transformation

**Date: 4 September 2024 / 18
September 2024 / 16 October
2024**



**ANNUAL TREASURY MANAGEMENT REVIEW 2023/24 AND PRUDENTIAL
INDICATORS**

NON-KEY DECISION

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1 PURPOSE

1.1 To review the operation of the 2023/24 Treasury Management and Investment Strategy.

2 RECOMMENDATIONS

2.1 Audit Committee

That, subject to any comments by the Audit Committee to the Cabinet, the 2023/24 Annual Treasury Management Review be recommended to Council for approval.

2.2 Cabinet

That, subject to any comments made by the Cabinet, in addition to those made by the Audit Committee, the 2023/24 Annual Treasury Management Review be recommended to Council for approval.

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2.3 Council

That, subject to any comments from the Audit Committee and the Cabinet, the 2023/24 Annual Treasury Management Review be approved.

3 BACKGROUND

3.1 Regulatory Requirement

3.1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2023/24. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

3.1.2 During 2023/24 the minimum reporting requirements were that the Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 7 February 2023)
- a mid-year treasury update report (Council 20 December 2023)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

3.1.3 In addition the Treasury management update at Q1 was reported to Cabinet in the Capital Monitoring Report Q1 & Q2, 15 November 2023.

3.1.4 In December 2017, CIPFA revised the Code to require, all local authorities to report on:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

These elements are covered in the annual Capital Strategy reported to Council in February each year.

3.1.5 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

3.1.6 This report summarises:

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;

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- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

3.1.7 Officers confirm that they have complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee and the Cabinet before they were reported to the Council.

3.2 Executive Summary

3.2.1 During 2023/24, the Council complied with its legislative and regulatory requirements¹ as outlined in paragraph 3.1.1 above. These requirements include: -

- The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

3.2.2 The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Table 1

Prudential and treasury indicators	31.3.23 Actual £000	2023/24 Original £000	31.3.24 Actual £000
Capital expenditure			
GF	17,814	34,017	8,880
HRA	43,966	62,420	37,569
Total	61,780	96,437	46,449
Capital Financing Requirement:	55,513	55,035	58,635

• ¹ For more detail please refer to Treasury Management Strategy including Prudential Code Indicators 2023/24 (Council 7 February 2023)

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Prudential and treasury indicators	31.3.23 Actual £000	2023/24 Original £000	31.3.24 Actual £000
GF	264,538	292,842	272,384
HRA	320,051	347,877	331,019
Total			
Gross borrowing²	235,057	280,452	242,557
Investments			
• Longer than 1 year	2,300	0	0
• Under 1 year	40,985	15,091	25,202
• Total	43,285	15,091	25,202
Net borrowing	191,772	265,361	217,355

3.2.3 There was slippage of planned capital expenditure from 2023/24 into future years resulted in an overall reduction in the use of borrowing to finance capital expenditure. Not all capital expenditure is funded from borrowing so the reduction in the capital financing requirement (the councils need to borrow) does not match the reduction in capital expenditure.

3.2.4 Other prudential and treasury indicators are to be found in the main body of this report. The Chief Finance Officer also confirms that borrowing (internal and external) was only undertaken for a capital purpose and the statutory borrowing limit (the authorised limit) was not breached.

3.2.5 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the year the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2023/24.

3.2.6 All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

4 THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING

4.1.1 Capital expenditure³ can be financed either by capital resources the Council has on its balance sheet (e.g. capital receipts and capital grants) or by making a revenue contribution to capital. If sufficient capital resources are not available to fund the expenditure the Council would need to borrow to meet the funding gap. This borrowing may be taken externally in new loans or internally from cash balances held by the Council. The need to borrow is measured and reported through the Prudential Indicators.

² Excludes Finance Leases

³ Council expenditure can be classified as capital when it is used to purchase assets with a life of more than one year, exceeds £7,500 in value and meets the guidelines laid out in CIPFA accounting practices.

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4.1.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

Table 2

2023/24 Capital Expenditure and Financing			
	31.3.23	2023/24 Q3 Working Budget	31.3.24
	£'000	£'000	£'000
General Fund			
Capital Expenditure:	17,814	13,300	8,880
Financed excluding borrowing	(12,928)	(7,571)	(4,700)
Unfinanced capital expenditure (borrowing)	4,886	5,729	4,180
HRA			
Capital Expenditure:	43,966	40,746	37,569
Financed excluding borrowing	(39,392)	(29,538)	(29,722)
Unfinanced capital expenditure (to be met from borrowing)	4,574	11,208	7,847

4.2 THE COUNCIL'S OVERALL BORROWING NEED

4.2.1 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). It represents the amount of debt it needs to/has taken out to fund the capital programme (and includes both internal and external borrowing). The CFR is then reduced as debt repayments are made and Minimum Revenue Provisions are made. A separate CFR is calculated for the General Fund and Housing Revenue Account and any transfers of assets (such as land or buildings) between the two accounts will impact on each fund's CFR. The CFR will go up on the fund "receiving" the assets and go down (by the same amount) on the fund "giving" the asset. There were no transfers of assets in 2023/24.

4.2.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLb], or the money markets), or utilising temporary cash resources within the Council.

4.2.3 Reducing the CFR – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need, (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available

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to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

4.2.4 The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

4.2.5 The Council's 2023/24 Minimum Revenue Provision Policy (MRP), as required by MHCLG Guidance, was approved as part of the Treasury Management Strategy Report for 2023/24 on 7 February 2023.

The MRP charged to the General Fund in 2023/24 was £374,923 of which:

- £35,119 is funded from investment property
- £89,101 is funded by the Garage Improvements Programme
- £130,703 is a net cost to the General Fund
- £120,000 (VRP) charged to leisure

4.2.6 The Council's CFR for the year is shown below and represents a key prudential indicator. It includes finance leases included on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

Table 3

CFR (£'000): General Fund	31.3.23 Actual	2022/23 Q3 Budget	31.3.24 Actual
Opening balance	46,366	50,363	55,513
Add: unfinanced capital expenditure (as above)	4,886	5,729	4,180
Increase in finance lease obligations	5,788	0	0
Less:			
Unfinanced capital expenditure from prior years now financed	(510)	(417)	(418)
MRP / VRP	(215)	(374)	(374)
Finance lease repayments	(239)	(266)	(266)
Appropriations to / from HRA	(540)	0	0
Other	(23)	0	0
Closing balance	55,513	55,035	58,635
Closing balance excluding finance lease	38,780	43,366	42,160

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CFR (£'000): HRA	31.3.23 Actual	2023/24 Q3 Budget	31.3.24 Actual
Opening balance	258,581	281,634	264,538
Add: Unfinanced capital expenditure (as above)	4,574	11,208	7,847
New finance lease	843	0	0
Appropriations to / from GF	540	0	0
Other	0	0	(1)
Closing balance	264,538	292,842	272,384
Closing balance excluding finance lease⁴	263,205	291,509	271,051

4.2.7 Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

4.3 Limits to Borrowing Activity

4.4 Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2023/24) plus the estimates of any additional capital financing requirement for the current (2024/25) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2023/24. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

Table 4

	31.3.23 Actual £'000	2023/24 Budget £'000	31.3.24 Actual £'000
Gross borrowing position	235,057	280,452	242,557
Finance Leases	18,067	17,808	17,808
CFR	(320,051)	(347,877)	(331,019)
(Under) / over funding of CFR – Internal Borrowing	(66,927)	(49,617)	(70,654)

4.5 The **authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2023/24 the Council has maintained gross borrowing within its authorised limit.

⁴ HRA leases 10 residential properties from Marshgate Ltd a wholly owned subsidiary of the council.

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4.6 The **operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

4.7 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

Table 5

Authorised limits	Operational Boundary £'000	Authorised Limit £'000	Actual External Debt £'000
Borrowing	354,503	362,503	246,849
Less Investments			(63,425)
Total	354,503	362,503	183,424

4.7.1 The ratio of financing costs to net revenue stream is equal to General Fund interest costs divided by the General Fund net revenue income from Council tax, Revenue Support Grant and retained business rates. For the HRA the net revenue stream is the income shown in the council's accounts – rents, service charges and other income. The ratio of financing costs to net revenue stream reflects the high level of debt as a result of self-financing.

4.8 TREASURY MANAGEMENT ACTIVITIES

TREASURY POSITION AS AT 31 MARCH 2024

4.8.1 The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices.

4.8.2 At the end of 2023/24 the Council's treasury position (excluding finance leases), was as follows:

Table 6

Treasury Position						
	2022/23			2023/24		
	31 March 2023 Principal £'000s	Rate / Return %	Average Life (Yrs.)	31 March 2024 Principal £'000s	Rate / Return %	Average Life (Yrs.)
PWLB Borrowing	227,487	3.28	12	234,987	3.26	11
Other Borrowing (LEP)	7,570	0	7	7,570	0	6

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Treasury Position						
	2022/23			2023/24		
	31 March 2023 Principal £'000s	Rate / Return %	Average Life (Yrs.)	31 March 2024 Principal £'000s	Rate / Return %	Average Life (Yrs.)
Total Debt	235,057			242,557		
Capital Financing Requirement ⁵	(301,985)			(313,211)		
Total Investments	43,285			25,202		
Over/(Under) borrowing	(23,643)			(45,452)		

The maturity structure of the debt portfolio was as follows:

Table 7

Debt Maturity Structure	31.3.23 Actual £'000	2023/24 Authorised Limit £'000	31.3.24 Actual £'000
Within 1 Year	0		0
Over 1 not over 2 years	0		500
Over 2 not over 5 years	18,956		28,056
Over 5 not over 10 years	64,700		55,100
Over 10 not over 15 years	100,663		100,663
Over 15 not over 20 years	37,658		45,158
Over 20 not over 30 years	5,510		5,510
Over 30 years	0		0
Total PWLB Debt	227,487		234,987
LEP Loan:			
Within 1 Year	0		1,000
Over 1 not over 2 years	1,000		0
Over 5 not over 10 years	6,570		6,570
Total LEP Loan	7,570		7,570
Total Debt	235,057	391,000	242,557

⁵ Excludes Finance Leases

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	31.3.23 Actual £000	31.3.23 Actual %	31.3.24 Actual £000	31.3.24 Actual %
Treasury investments – all managed in house				
Banks and Building Societies	26,600	61%	19,499	77%
Local authorities	7,300	17%	5,300	21%
Money Market Funds	9,385	22%	403	2%
Total treasury investments	43,285	100%	25,202	100%

Non-Treasury investments				
Subsidiaries (para 4.8.4)	11,938	100%	11,931	100%
Total Non-Treasury Investments	11,938	100%	11,931	100%
Treasury investments	43,285	78%	25,202	68%
Non-Treasury investments	11,938	22%	11,932	32%
Total of all Investments	55,223	100%	37,134	100%

The maturity structure of the investment portfolio is as follows:

Table 8

Investment Maturity Structure	31.3.23 Actual £000	31.3.24 Actual £000
Within 1 Year	40,985	35,801
Longer than 1 year	14,238	1,333
Total Investments	55,223	37,134

4.8.3 The General Fund loan from the Local Enterprise Partnership (LEP) is in relation to regeneration activities.

4.8.4 The non-treasury loan to the subsidiary is the loan made to Marshgate LTD (WOC), for the purchase and development of housing within the Borough in 2021/22 and 2022/23.

4.8.5 The fall in the treasury investment balances of £18M between 31 March 2023 and 31 March 2024 reflects the use of internal borrowing to fund the capital programme. Refinancing the remaining internal borrowing is scheduled to take place in 2024/25.

4.9 TREASURY MANAGEMENT STRATEGY 2023/24

4.9.1 The Treasury Management Strategy was approved by Council on 7 February 2023.

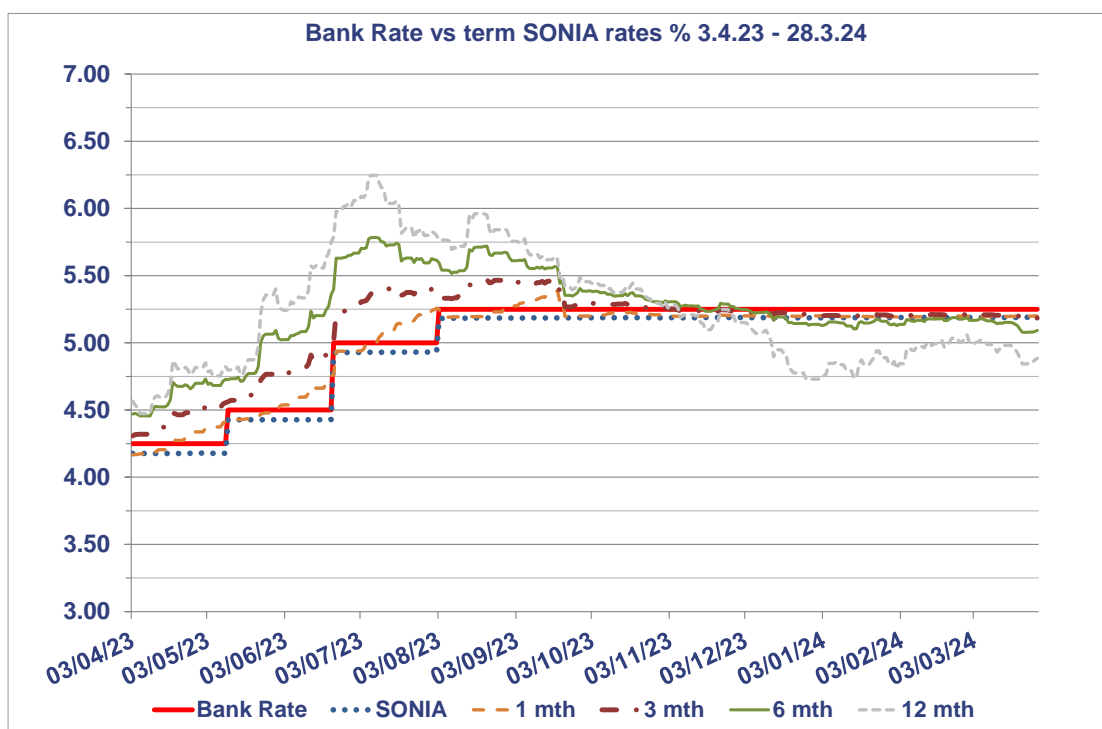
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There are no policy changes to the TMS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

4.10 Investment strategy and control of interest rate risk

4.10.1 Investment returns picked up throughout the course of 2023/24 as central banks, including the Bank of England, continued to respond to inflationary pressures. Starting in April 2023, at 4.25%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 5.25% by August 2023.

4.10.2 Investment Benchmarking Data – Sterling Overnight Index Averages (Term) 2023/24



4.11 Borrowing strategy and control of interest rate risk

4.11.1 During 2023/24, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow was used as an interim measure. This strategy was prudent when interest rates on investments were low and this also minimised counterparty risk.

4.11.2 The policy of avoiding new borrowing by running down spare cash balances has served the Council well over the last few years. However, this has been kept under review to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt. The Council has taken some limited borrowing in 2023/24 to ensure the Council’s cashflow position

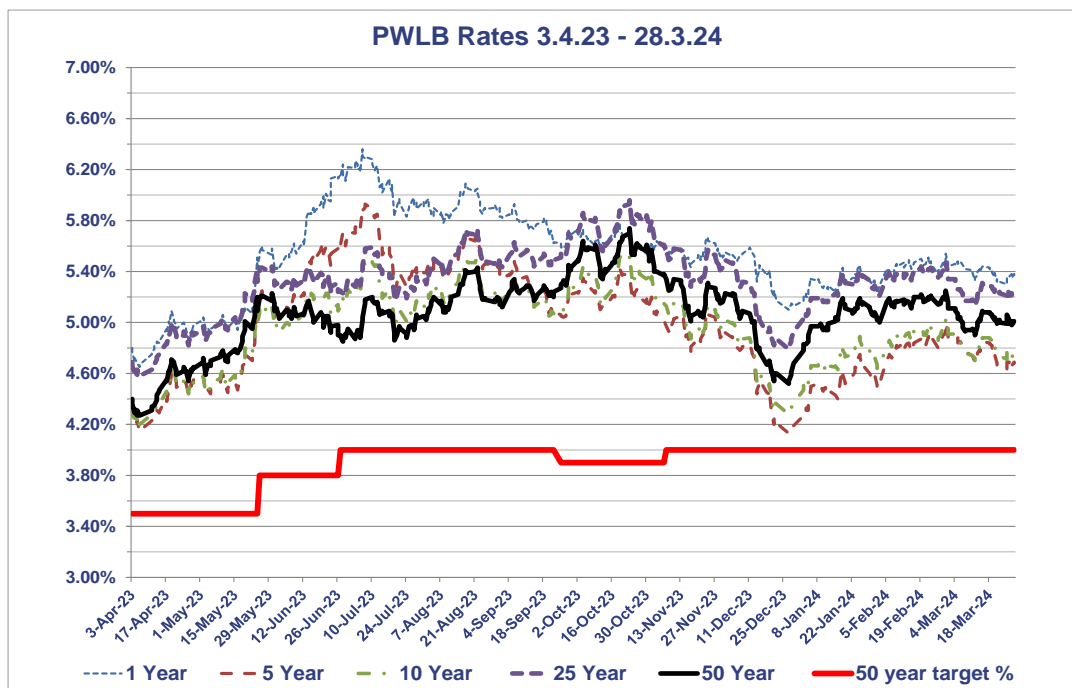
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is resilient and to ensure that if interest rates increase, large amounts of borrowing required are not all taken at higher rates.

- 4.11.3 Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2023/24. Bank rate had initially been forecast to peak at 4.5% but is now expected to have peaked at 5.25%.
- 4.11.4 By January it had become clear that inflation was moving down significantly from its 40-year double-digit highs, and the Bank of England signalled in March 2024 that the next move in Bank Rate would be down, so long as upcoming inflation and employment data underpinned that view. Currently the CPI measure of inflation stands at 2% (June) but is expected to fall materially below 2% over the summer months and to stay there in 2025 and 2026. Nonetheless, there remains significant risks to that central forecast, mainly in the form of a very tight labour market putting upward pressure on wages and continuing geo-political inflationary risks emanating from the prevailing Middle East crisis and the Russian invasion of Ukraine.
- 4.11.5 The PWLB certainty rate is gilts plus 80bps. Gilt yields have generally been on a continual rise since the start of 2021, peaking in the autumn of 2023. Currently, yields are broadly range bound between 3.5% and 4.25%.
- 4.11.6 There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rates falls and inflation (on the CPI measure) moved closer to the Bank of England's 2% target.
- 4.11.7 As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.
- 4.11.8 The Bank of England is also embarking on a process of Quantitative Tightening. The gradual reduction of the Bank's original £895Billion stock of gilt and corporate bonds will be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, is an unknown at the time of writing.
- 4.11.9 The Chart below shows the volatility of the PWLB borrowing rates from 1 April 2023 to 31 March 2024.

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PWLB RATES 2023/24
Chart 1



4.12 BORROWING OUTTURN

4.12.1 One new loan was taken out in the year. This was to refinance HRA internal borrowing, details being - £7.5M loan taken from 24 August 2023 to 23 August 2041 at an annual interest rate of 5.3%.

4.12.2 Interest paid on PWLB borrowing during the year was £ 7.6M – Housing Revenue Account (HRA) and £40K - General Fund (GF). This was against an original budget of £8.3M. The favourable variance of £0.7M is due to reduced capital expenditure in year against plan as well as the use of internal resources to fund capital expenditure while still overachieving on investment income versus latest budget.

4.13 INVESTMENT OUTTURN

4.13.1 Investment Policy – the Council’s investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 7 February 2023. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

4.13.2 There were no breaches to this policy in the year to 31 March 2024 with the investment activity conforming to the approved strategy. The Council had no liquidity difficulties and no funds have been placed with the Debt Management Office (DMO), demonstrating that counterparty limits and availability for placing funds approved in the TM Strategy were working effectively. It is

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possible that surplus funds that may be borrowed during 2023/24 will be placed in the DMO temporarily, if PWLB borrowing rates are advantageous and cash balances due to timing of taking out new loans would breach other counterparty limits.

4.13.3 In accordance with the Treasury Management Strategy, the Council invests its surplus cash balances that are committed for future approved spending. The policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data and counterparty limits dependant on level of cash balances held.

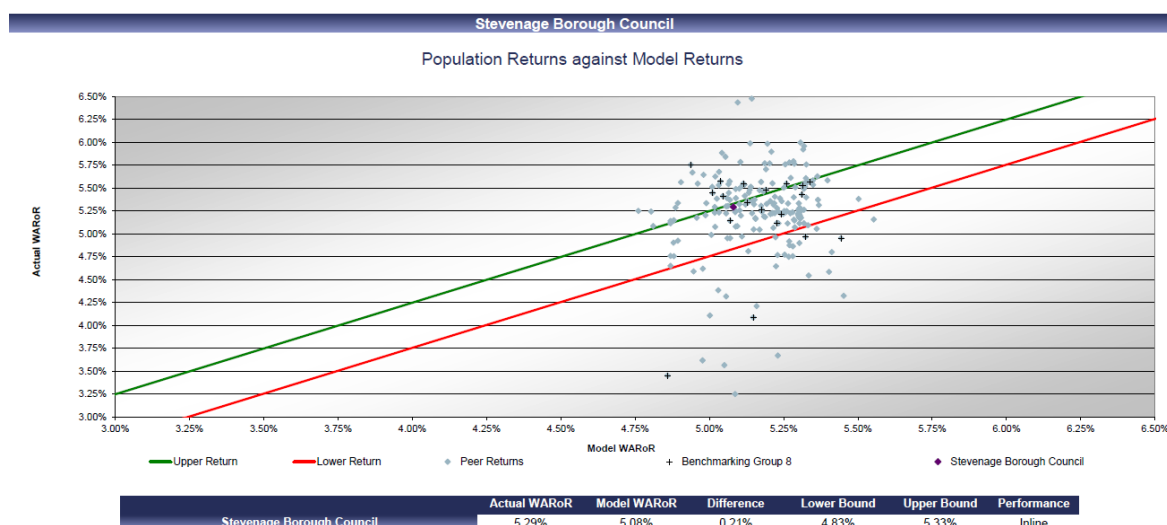
4.14 Investment performance year to date as of 31 March 2024

4.14.1 The Council’s current investment portfolio consists of “conventional” cash investments: deposits with banks and building societies, Money Market Funds and loans to other Local Authorities. No investments have been made with any of the other approved instruments within the Specified and Non-specified Investment Criteria.

4.14.2 Average level of funding available for investment purposes during the year was £48Million, earning an average interest rate of 5.19%. Interest earned to 31 March 2024 was £2.5Million on treasury investments. Against the working budget of £2.1M this resulted in additional contributions to the General Fund (£129K) and Housing Revenue Account revenue income (£263k).

4.14.3 The council’s treasury advisors (Link), provide regular benchmarking analysis of the performance of the council’s investments against a group of 20 other local authorities. The March 2024 report shows performance of the portfolio held at 31 March 2024 being in the upper return range against model returns. This performance is consistent across the year.⁶

Chart 2



⁶ WARoR = Weighted average rate of return on investments at 31 March 2024

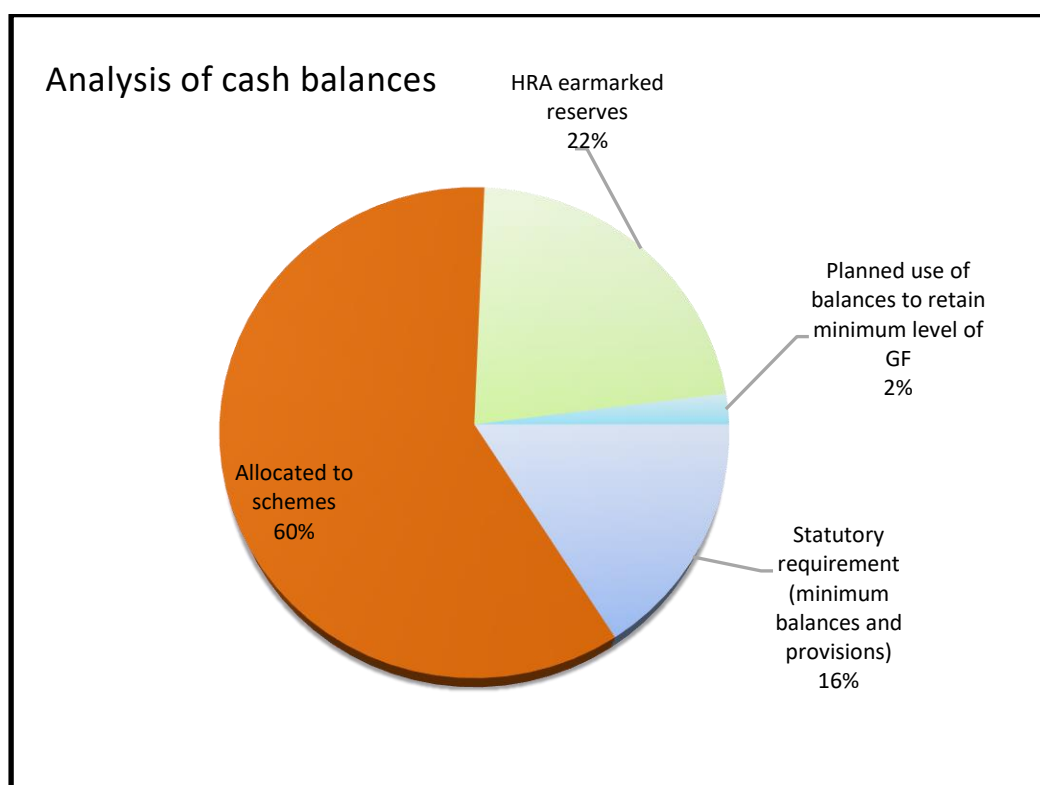
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4.14.4 The Council’s balances are made up of cash reserves e.g. HRA and General Fund balances, restricted use receipts e.g. right to buy one for one receipts and balances held for provisions such as business rate appeals.

4.14.5 In considering the Council’s level of cash balances, Members should note that the General Fund MTFs and Capital Strategy have a planned use of resources over a minimum of 5 years and the HRA Business Plan (HRA BP) a planned use of resources over a 30 year period, which means, while not committed in the current year, they are required in future years.

4.14.6 The following chart shows the planned use of cash balances as at 31 March 2024.

Chart 3



4.14.7 The restrictive use of a proportion of the cash balances set out above, plus the planned use of resources in line with the Council’s capital and revenue strategies mean that the investment balance of £25Million as at 31 March 24 is not available to fund new expenditure.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 This report is of a financial nature and reviews the treasury management function for 2023/24. Any consequential financial impacts identified in the

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Capital strategy and Revenue budget monitoring reports have been incorporated into this report.

- 5.1.2 During the financial year Officers operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury management practices.

5.2 Legal Implications

- 5.2.1 Approval of the Prudential Code Indicators and the Treasury Management Strategy are intended to ensure that the Council complies with relevant legislation and best practice.

- 5.2.2 There have been no changes to PWLB borrowing arrangements since the last Treasury report. Officers will ensure that any changes to the Prudential and Treasury Management codes from 2024/25 are reflected in treasury operations and reporting requirements.

5.3 Risk Implications

- 5.3.1 The current policy of minimising external borrowing internally where appropriate, taking advantage of the benefits differentials between investment income and borrowing rates is kept under ongoing review as these conditions change. This policy only remains financially viable while cash balances are high. Capital investment, not funded by capital receipts and grant funding reduce these balances if not supported by additional borrowing. The risk is that the Council may need to take borrowing at higher rates than budgeted which would increase revenue costs.

- 5.3.2 The Council's Treasury Management Strategy is based on limits for counterparties to reduce risk of investing with only a small number of institutions.

- 5.3.3 The thresholds and time limits set for investments in the Strategy are based on the relative ratings of investment vehicles and counter parties. These are designed to take into account the relative risk of investments and also to preclude certain grades of investments and counterparties to prevent loss of income to the Council.

- 5.3.4 There is a risk to the HRA BP's ability to fund the approved 30 year spending plans if interest rates continue at the current high level, although currently it is anticipated that rates will reduce (see para 4.11.6). This will be included in the HRA MTFS forecast in 2024.

5.4 Equalities and Diversity Implications

- 5.4.1 This report is technical in nature and there are no implications associated with equalities and diversity within this report. In addition to remaining within agreed counterparty rules, the council retains the discretion not to invest in countries that meet the minimum rating but where there are concerns over human rights issues. Counterparty rules will also be overlaid by any other ethical considerations from time to time as appropriate.

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5.4.2 The Treasury Management Policy does not have the potential to discriminate against people on grounds of age; disability; gender; ethnicity; sexual orientation; religion/belief; or by way of financial exclusion. As such a detailed Equality Impact Assessment has not been undertaken.

5.5 Climate Change Implications

1.1.1 There are no specific climate change implications resulting from this report.

BACKGROUND PAPERS

- BD1 Treasury Management Strategy including Prudential Code Indicators 2023/24 (Council 7 February 2023)
- BD2 2023/24 Mid-Year Treasury Management Review and Prudential Indicators (Council 20 December 2023)

APPENDICES

- Appendix A - Investment Portfolio, Link Investment Analysis Review March 2024
- Appendix B – Approved countries for investments