Classification: Open	Decision Type: Non-Key

Report to:	Cabinet	**Date:** 04 September 2024
Subject:	2023-24 Treasury Management Outturn	
Report of	Cabinet Member for Finance and Transformation	

1 Summary

1.1 The report outlines the financial position and provides an update on the following aspects of the Treasury Management function throughout 2023/24.

The report covers:

- An economic update for 2023/24.
- An update of the Council's current treasury management position.
- Council Borrowing.
- Treasury Investment Activity.
- Non-Treasury Investments.
- Treasury Performance for 2023/24.
- Treasury Management Prudential Indicators.

1.2 The Council is required by legislation to produce an annual Treasury Management review of activities and the actual prudential and treasury indicators for the year. This report meets 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).

Recommendation(s)

1.3 Cabinet is recommended to:

- Note and approve for onward submission to Council on 11 September 2024, the:
    - o 2023/24 Prudential and Treasury Indicators.
    - o Treasury Management 2023/24 Outturn Report.

1.4 Council is asked to:

- Note the:
    - o 2023/24 Prudential and Treasury Indicators.
    - o Treasury Management 2023/24 Outturn Report.

Reasons for recommendation(s)

1.5 It is a requirement of the CIPFA Code that the Council receives an annual Treasury Management Outturn Report. It should be noted that the Council met all its Prudential Indicators relating to Treasury Management in financial year 2023/24.

Alternative options considered and rejected

1.6 Regular reporting to members on the Council's Treasury Management arrangements, controls and performance forms a key element of its overall governance and financial administration. Given this, no alternative options were considered when preparing this report.

2 Introduction

2.1 In February 2023 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve, as a minimum, treasury management semi-annual and annual outturn reports.

2.2 This report includes the requirement in the 2021 Code, mandatory from 1st April 2023, of reporting of the treasury management prudential indicators.

2.3 The Council's Treasury Management Strategy for 2023/24 was approved by Council at the Budget Council meeting on 22 February 2023, two further updates to the Treasury Management Strategy were approved by Council on 22 November 2023 and 21 February 2024.

2.4 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

3 Economic update for 2023/24

3.1 UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.4% in February but was still above the Bank of England's 2% target at the end of the period. The core measure of CPI, i.e. excluding food and energy, also slowed in February to 4.5% from 5.1% in January, a rate that had stubbornly persisted for three consecutive months.

3.2 The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022. Towards the end of the financial year the Office for National Statistics reported a rebound in activity with economy expanding 0.2% in January 2024. Inflation has continued to fall during 2024 towards the target of 2.0% and the Bank of England announced a reduction in Bank Rate of 0.25% (from 5.25% to 5.0%) at its meeting on 1 August 2024.

3.3 During financial year 2023/24 employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e. including bonuses) and 7.8% for regular pay growth (i.e. excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England's forecast.

3.4 Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March 2024. The vote at the March was 8-1 in favour of maintaining rates at this level, with the single dissenter preferring to cut rates immediately by 0.25%. Although financial markets shifted their interest rate expectations downwards with expectations of a cut in June, the MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term. As noted above, last month the MPC voted 5-4 in favour of a cut in Bank Rate from 5.25% to 5.0%.

3.5 In the Bank's quarterly Monetary Policy Report (MPR) released in August 2023 the near-term projection for services price inflation was revised upwards, goods price inflation widespread across products, indicating stronger domestic inflationary pressure with second-round effects in domestic prices and wages likely taking longer to unwind than they did to emerge. In the February 2024 MPR the Bank's expectations for the UK economy were positive for the first half of 2024, with a recovery from the mild recession in calendar H2 2023 being gradual. Headline CPI was forecast to dip below the 2% target quicker than previously thought due to declining energy prices, these effects would hold inflation slightly above target for much of the forecast horizon.

3.6 Following this MPC meeting, Arlingclose, the Council's treasury adviser, maintained its central view that 5.25% would be the peak in Bank Rate and that interest rates would most likely start to be cut later in 2024. The risks in the short-term were deemed to be to the downside if a rate cut came sooner than expected, but then to be more broadly balanced over the medium term.

3.7 The US Federal Reserve also pushed up rates over the period, reaching a peak range of between 5.25-5.50% in August 2023, where it has stayed since. US policymakers have maintained the relatively dovish stance from the December FOMC meeting and at the meeting in March, economic projections pointed to interest rates being cut by a total of 0.75% in 2024. The first reduction (probably of 0.25%) is anticipated to be agreed at its meeting in September 2024.

3.8 Following a similarly sharp upward trajectory, the European Central Bank hiked rates to historically high levels over period, pushing its main refinancing rate to 4.5% in September 2023, where it remained until June 2024, when it was reduced by 0.25% to 4.25%. Economic growth in the region remains weak, with a potential recession on the cards, but inflation remains above the ECB's target, putting pressure on policymakers on how to balance these factors.

Financial markets

3.9 Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October they started declining again before falling sharply in December as falling inflation and dovish central bank attitudes caused financial markets to expect cuts in interest rates in 2024. When it emerged in January that inflation was stickier than expected and the BoE and the Federal Reserve were data dependent and not inclined to cut rates soon, yields rose once again, ending the period some 50+ bps higher than when it started.

3.10 Over the financial year, the 10-year UK benchmark gilt yield rose from 3.44% to peak at 4.75% in August, before then dropping to 3.44% in late December 2023 and rising again to 3.92% (28th March 2024). The Sterling Overnight Rate (SONIA) averaged 4.96% over the period to 31st March.

Credit review

3.11 In response to an improving outlook for credit markets, in January 2024 Arlingclose moved away from its previous temporary stance of a 35-day maximum duration and increased its advised recommended maximum unsecured duration limit on all banks on its counterparty list to 100 days.

3.12 Earlier in the period, S&P revised the UK sovereign outlook to stable and upgraded Barclays Bank to A+. Moody's also revised the UK outlook to stable, Handelsbanken's outlook to negative, downgraded five local authorities, and affirmed HSBC's outlook at stable while upgrading its Baseline Credit Assessment. Fitch revised UOB's and BMO's outlooks to stable.

3.13 In the final quarter of the financial year, Fitch revised the outlook on the UK sovereign rating to stable from negative based on their assessment that the risks to the UK's public finances had decreased since its previous review in October 2022, the time of the mini-budget.

3.14 Moody's, meanwhile, upgraded the long-term ratings of German lenders Helaba, Bayern LB and LBBW on better solvency and capital positions, despite challenges from a slowing German economy and exposure to the commercial real estate sector. Moody's also upgraded or placed on review for an upgrade, Australian banks including ANZ, CBA NAB and Westpac on the back of the introduction of a new bank resolution regime.

3.15 Credit default swap prices began the financial year at elevated levels following the fallout from Silicon Valley Bank and collapse/takeover of other lenders. From then the general trend was one of falling prices and UK lenders' CDS ended the period at similar levels to those seen in early 2023. Earlier in the year some Canadian lenders saw their CDS prices rise due to concerns over a slowing domestic economy and housing market, while some German lenders were impacted by similar economic concerns and exposure to commercial real estate towards the end of the period, with LBBW remaining the most elevated.

3.16 Heightened market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remain under constant review.

4 Capital Expenditure and Financing

4.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

4.2 The actual capital expenditure in each financial year forms one of the required prudential indicators. The table below shows the actual expenditure and how this was financed.

Capital Expenditure & Financing	2022/23 Actual £m	2023/24 Budget (Nov 23) £m	2023/24 Budget (Feb24) £m	2023/24 Actual £m
Capital Expenditure:				
Non-HRA	£35.093	£58.252	£55.533	£35.744
HRA	£13.297	£18.255	£19.314	£16.572
Non-Financial Investments	£20.099	£0.628	£0.628	£0.628
Total Capital Expenditure	**£68.489**	**£77.135**	**£75.475**	**£52.944**
Resourced by:				
Capital Receipts	£0.254	£2.105	£6.651	£2.649
Capital Grants	£17.760	£36.380	£36.038	£22.295
HRA	£12.257	£18.255	£13.597	£12.600
Revenue	£0.706	£1.085	£1.566	£0.488
Total Resourced by:	**£30.977**	**£57.825**	**£57.852**	**£38.032**
Financing Requirement	**£37.512**	**£19.310**	**£17.623**	**£14.912**

4.3 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2023/24 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

4.4 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.

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

4.6 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).

The Council's 2024/25 MRP Policy, (as required by DLUHC Guidance), was approved as part of the Treasury Management Strategy Report for 2024/25 on 21st February 2024.

The Council's CFR for financial year 2023/24 is shown below and represents a key prudential indicator. It includes PFI and leasing schemes 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 (if applicable).

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

Capital Financing Requirement	2022/23 Actual	2023/24 Budget (Nov 23)	2023/24 Revised (Feb 24)	2023/24 Actual

	£m	£m	£m	£m
CFR – Non HRA	£186.618	£203.025	£201.213	£198.502
CFR – HRA	£119.216	£119.216	£119.216	£119.216
CFR – Non-Financial Investments	£65.296	£65.924	£65.793	£65.793
TOTAL CFR	**£371.130**	**£388.165**	**£386.222**	**£383.511**
Financing Requirement	£37.512	£19.310	£17.623	£14.912
MRP	(£1.798)	(£2.275)	(£2.531)	(£2.531)
Movement in CFR	**£35.714**	**£17.035**	**£15.092**	**£12.381**

4.8 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 current financial year 2023/24 and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure.

4.9 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. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	2022/23 Actual £m	**2023/24 Budget (Nov 23) £m**	**2023/24 Budget (Feb 24) £m**	**2023/24 Actual £m**
Gross Borrowing Position	£243.629	£262.939	£282.855	£262.429
CFR	£371.130	£388.165	£386.222	£383.511
(Under) / Over Funding of CFR	**(£127.501)**	**(£125.226)**	**(£103.367)**	**(£121.082)**

5 Treasury Position as at 31 March 2024

5.1 The treasury management position at 31st March and the change during the year is shown in the table below:

5.2 The Council's treasury position at the end of 2023/24 (excluding borrowing by PFI and finance leases), position was as follows:

	31 March 2023 Balance £m	**Raised / Invested £m**	**Repaid / Realised £m**	**31 March 2024 Balance £m**	**Average Rate %**
Borrowing					
PWLB	£162.329	£65.000	(£0.200)	£227.129	3.87
LOBOs	£33.000	£0.000	(£20.000)	£13.000	4.23
Banks	£5.000	£0.000	(£0.000)	£5.000	3.30
Local Authority	£43.300	£38.900	(£64.900)	£17.300	3.39
Total Borrowing	**£243.629**	**£103.900**	**(£85.100)**	**£262.429**	
Investments					
Short-term Investments	£0.250	(£0.250)	£0.000	£0.000	
Cash and Cash Equivalents	£1.470	£411.486	£404.956)	£8.000	
Total Investments	**£1.720**	**£411.236**	**(£404.956)**	**£8.000**	

Net Borrowing	£241.909			£254.429	

5.3 The maturity structure of the debt portfolio was as follows:

Maturity structure of fixed rate borrowing	2022/23 Actual £m	2022/23 Actual %	2023/24 Actual £m	2023/24 Actual %
Under 12 months	£36.200	14.78%	£22.163	8.45%
12 months and within 24 months	£7.504	2.99%	£4.868	1.85%
24 months and within 5 years	£1.192	0.23%	£15.184	5.79%
5 years and within 10 years	£52.174	20.93%	£85.498	32.58%
10 years and within 15 years	£27.320	10.67%	£35.760	13.63%
15 years and over	£119.239	50.40%	£98.956	37.70%
Total Debt	**£243.629**	**100.00%**	**£262.429**	**100.00%**

5.4 The Council's investment portfolio was as shown below:

	31 March 2023 Investment balance £m	Amount Invested In-year £m	Investments Realised In-year £m	31 March 2024 Investment balance at £m
Notice Accounts				
Barclays Bank - 32-day Notice account	£0.250	(£0.250)	0.000	£0.000
Barclays Bank - 95-day Notice account	£0.250	(£0.250)	0.000	£0.000
Total Notice Accounts	**£0.500**	**(£0.500)**	**£0.000**	**£0.000**
Call Accounts				
Barclays Bank - Flexible Interest-Bearing Current Account	£1.220	£313.516	(£311.236)	£3.500
Bank of Scotland - Call Account	£0.000	£98.220	(£93.720)	£4.500
Total Call Accounts	**£1.220**	**£411.736**	**(£404.956)**	**£8.000**
Total Investments	**£1.720**	**£411.236**	**(£404.956)**	**£8.000**

5.5 All of the Council's investments are held for a period of up to 1 year.

6 Investment and Borrowing Strategy

6.1 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Council. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

6.2 Bury MBC has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council. It has no plans to do so in future.

6.3 The main 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 Council’s long-term plans change being a secondary objective. The Council’s borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

6.4 Interest rates have seen substantial rises over the last two years, although these rises have now begun to plateau. Gilt yields fell in late 2023, reaching April 2023 lows in December 2023 before rebounding to an extent in the first three months of 2024. Gilt yields have remained volatile, seeing upward pressure from perceived sticker inflation at times and downward pressure from falling inflation and a struggling economy at other times.

6.5 The PWLB certainty rates for maturity loans were:

Loan Term	31 March 2023	31 March 2024
10-Year Rate	4.33%	4.98%
20-Year Rate	4.70%	5.39%
50-Year Rate	4.41%	5.21%

6.6 The cost of short-term borrowing from other local authorities has generally rose with Base Rate over the year. Interest rates peaked at around 7% towards the later part of March 2024 as many authorities required cash at the same time. These rates have fallen back to more normal market levels since April 2024.

6.7 A new PWLB HRA rate which is 0.4% below the certainty rate was made available from 15th June 2023. This rate will now be available to June 2025. The discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans.

6.8 As at 31st March 2024 the Council held £262.429m of loans, an increase of £18.800m on the previous year as part of its strategy for funding previous and current years’ capital programmes. Outstanding loans on 31st March are summarised in 5.2 above.

7 Borrowing and Investment Outturn

<u>Borrowing movement in-year</u>

7.1 On 1st April 2023 the Council held £33.0m of LOBO (Lender’s Option Borrower’s Option) loans where 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 and terms or to repay the loan at no additional cost.

7.2 As market interest rates rose, LOBOS call option on Council's loans were exercised and the Council repaid two loans totalling £20.0m replaced by PWLB loans.

7.3 Higher rated temporary borrowing and Market Loans were also replaced by PWLB loans in year.

Treasury Investment Activity

7.4 The CIPFA Treasury Management Code defines treasury management investments as those investments which arise from the Council's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use during business.

7.5 As of 31 March 2024, the council held £8m of invested funds, representing income received in advance of expenditure plus balances and reserves held.

7.6 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

7.7 As demonstrated by the liability benchmark in this report, the Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments.

7.8 Bank Rate increased by 1% over the period, from 4.25% at the beginning of April 2023 to 5.25% by 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. Investment Rates also rose and were between 0.66% and 5.14% by the end of March 2024.

7.9 2023/24 was characterised by significant volatility in bond markets. Adjusting to central banks' intention of keeping policy rates unchanged amid persistently higher core inflation, tight labour markets and resilient growth, global bond yields rose (i.e. bond prices fell), the August-October 2023 period being a particularly weak one for bond markets with falling prices negatively impacting credit market sentiment and bond fund performance as well as weighing on multi-asset fund returns. November and December saw a turnaround with a significant fall in US and global bond yields (i.e. bond prices rising), the catalyst being a signal from the US Federal Reserve that it was prepared to cut rates in 2024. The 10-year UK gilt yield, which had increased nearly 1.25% since the beginning of the financial year fell back to 3.44% by the end of December, close to its 1st April level. Thereafter, the first quarter of 2024 proved more difficult for government bonds as stubborn inflation led fixed income markets to question if the expectation of the number of rate cuts over 2024 and the accompanying fall in yields had been overdone.

7.10 Strong demand for credit resulted in the tightening of credit spreads which was supportive of high yield corporate bonds and emerging market debt.

7.11 By contrast, shrugging off geopolitical concerns, global equities were buoyed by healthy corporate earnings, resilient economic data and moderating inflation and the view central banks had reached the peak of their rate tightening cycles. Several indices, including the S&P 500 and Nasdaq, posted record highs driven by AI exuberance. The performance of the S&P 500 was primarily driven by its top seven tech-related mega-cap growth stocks (these securities do not heavily feature in equity income funds).

7.12 After an initial period of caution due to the likelihood of recession, the UK economy fared better than anticipated with a shallow recession, falling inflation and improved consumer confidence providing support for UK equities, with stocks trading at attractive valuations relative to their global peers. The FTSE All-Share was one of the top performing stock markets in September and December 2023. The total return on the FTSE All Share index for the 12 months ending March 2024 was 8.2%, FTSE 100 was 8.1% and MSCI All World was 25.7%.

7.13 The market background for commercial property improved marginally in 2023 and was more stable, in contrast to the very challenging backdrop of 2022. Low transactional volumes were a constraint on valuations and made prospective sellers and buyers more cautious. Although many sectors lacked momentum, there was growing confidence in the longer-term outlook as occupier demand and rental markets held up. Industrial and retail warehousing sectors remained strong, but the retail and offices sectors remained weak, the latter continuing to be hindered by low occupancy from hybrid working practices.

8 Non-Treasury Investments

8.1 The definition of investments in the Treasury Management Code 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 (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).

8.2 Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) also includes within the definition of investments all such assets held partially or wholly for financial return.) [NB: Following the General Election in July 2024 DLUHC has been re-named the Department of Housing, Communities and Local Government (DHCLG).]

8.3 The Council holds the following non-treasury investments as at the 31 March 2024:

Non-Financial Investments	2022/23 £m	2023/24 £m
Manchester Airport Equity	£5.610	£5.610
Manchester Airport Loan	£29.366	£29.366
Bury MBC Townside Fields Loan	£7.257	£7.257
Six Town Housing Loan	£2.953	£2.822
Bury Bruntwood (Millgate) LLP Loan	£20.099	£20.099
The Prestwich Regeneration (LLP) Loan	£0.000	£0.628
Debt Managed for Probation Services	£0.011	£0.011
Total	**£65.296**	**£65.793**

9 Treasury Performance for 2023/24

9.1 The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates.

Consultations

9.2 In December DLUHC published two consultations: a "final" consultation on proposed changes to regulations and statutory guidance on MRP closing on 16th February and a "call for views" on capital measures to improve sector stability and efficiency closing on 31st January.

9.3 Draft regulations and draft statutory guidance are included in the MRP consultation. The proposals remain broadly the same as those in June 2022 – to limit the scope for authorities to (a) make no MRP on parts of the capital financing requirement (CFR) and (b) to use capital receipts in lieu of a revenue charge for MRP.

9.4 In its call for views on capital measures, government wishes to engage with councils to identify and develop options for the use of capital resources and borrowing to support and encourage 'invest-to-save' activity and to manage budget pressures without seeking exceptional financial support. Whilst Government has identified some options including allowing authorities to capitalise general cost pressures and meet these with capital receipts, there is no commitment to take any of the options forward.

Compliance

9.5 All treasury management activities undertaken during the year complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy Compliance with specific investment limits is demonstrated in table 9A below.

Table 9A: Investment Limits

	2023/24 Maximum	31.3.24 Actual	2023/24 Limit	Complied? Yes/No
UK Government	Unlimited	£0	Unlimited	Yes
UK Local Authorities & Other Government Entities – except Local Authorities subject to a Section 114 notice	£20 million	£0	£20 million	Yes
UK Banks (Unsecured)	£25 million	£8 million	£25 million	Yes
UK Building Societies (Unsecured)	£20 million	£0	£20 million	Yes
Registered Providers (Unsecured)	£20 million	£0	£20 million	Yes

9.6 Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 9B below.

Table 9B: Debt and the Authorised Limit and Operational Boundary

	2023/24 Maximum £m	31.3.24 Actual £m	2023/24 Operational Boundary £m	2023/24 Authorised Limit £m	Complied? Yes/No
Borrowing	£262.429	£262.429	£386.756	£396.756	Yes

9.7 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. 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. 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. Table 9B above demonstrates that during 2023/24 the Council has maintained gross borrowing within its authorised limit.

Table 9C: Actual financing costs as a proportion of net revenue stream

Financing costs as a proportion of net revenue stream	2023/24 £m
Non - HRA	1.35%
HRA	11.20%

9.8 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.

10 Treasury Management Prudential Indicators

10.1 As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

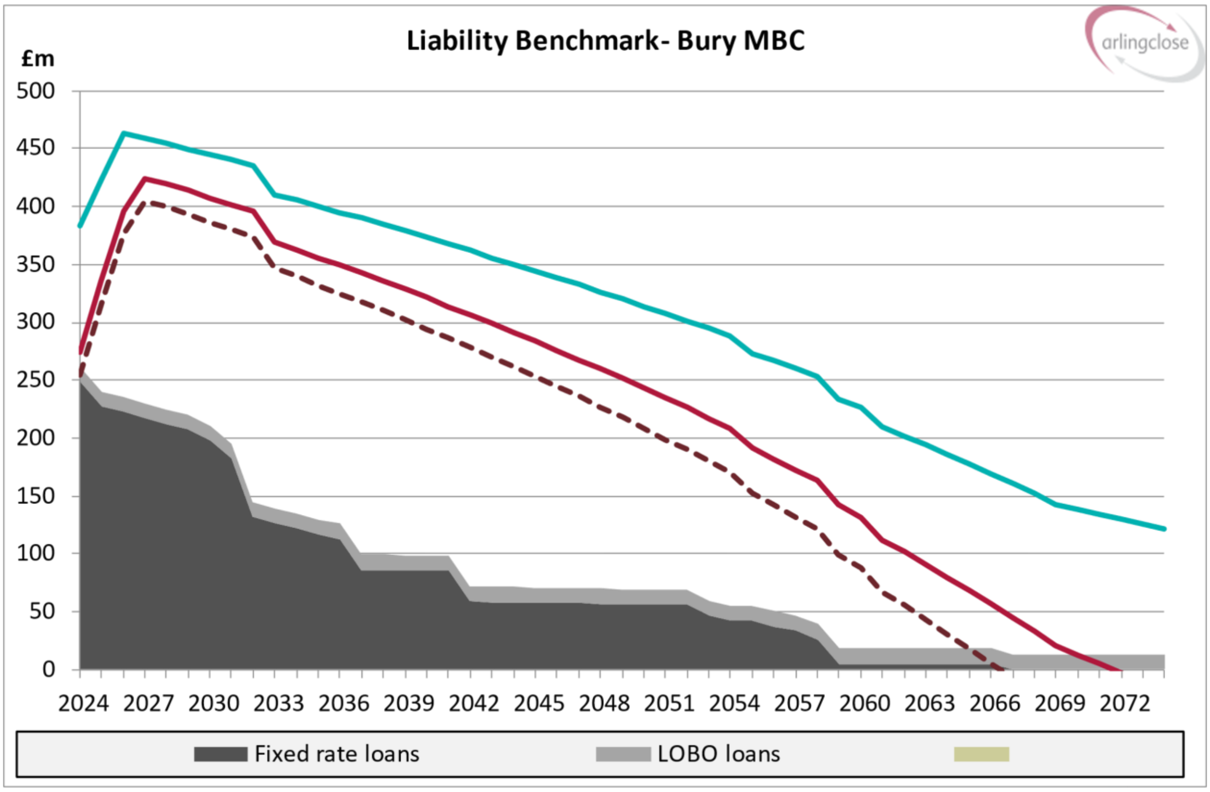
Liability Benchmark

10.2 This new indicator compares the Council'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 required to manage day-to-day cash flow.

	31.3.23 Actual £m	**31.3.24 Actual £m**	**31.3.25 Forecast £m**	**31.3.26 Forecast £m**
Loans CFR	£371.10	£383.50	£423.10	£462.70
Less: Balance sheet resources	(£128.80)	(£129.10)	(£107.60)	(£86.70)
Net loans requirement	**£242.30**	**£254.40**	**£315.50**	**£376.00**
Plus: Liquidity allowance	£20.00	£20.00	£20.00	£20.00
Liability benchmark	**£262.30**	**£274.40**	**£335.50**	**£396.00**
Existing borrowing	**£243.60**	**£262.40**	**£240.30**	**£235.40**

10.3 The Liability benchmark as at 31 March 2024 is £14.20m lower than predicted in Treasury Strategy report in February 2024. This is due to lower capital financing requirement, reduced capital expenditure financing from Loans and higher reserves/working capital and expenditure rephasing.

10.4 Liability benchmark figures for forecast years 2025/26 and 2026/27 have been reduced by £14.20m for each financial year from February 2024 report.



10.5 Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. Bank Rate rose by 1.00% from 4.25% on 1st April 2023 to 5.25% by 31st March 2024.

Interest rate risk indicator	**2023/24 Target £m**	**31.3.24 Actual £m**	**Complied?**
Upper limit on one-year revenue impact of a 1% rise in interest rates	£0.256	£0.256	Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	(£0.256)	(£0.256)	Yes

10.6 For context, the changes in interest rates during the year were:

	31 March 2023	**31 March 2024**
Bank Rate	4.25%	5.25%
1-year PWLB certainty rate, maturity loans	4.78%	5.58%
5-year PWLB certainty rate, maturity loans	4.31%	4.86%
10-year PWLB certainty rate, maturity loans	4.33%	4.98%
20-year PWLB certainty rate, maturity loans	4.70%	5.39%
50-year PWLB certainty rate, maturity loans	4.41%	5.21%

10.7 The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at new market rates.

Report Author(s) and Contact Details:

Name: Joanne McIntyre
Position: Corporate Accountancy Manager Treasury, Capital, Systems (Unit 4)
Department: Corporate Core Finance
E-mail: J.McIntyre@bury.gov.uk

Name: Martin Hone
Position: Strategic Finance Lead (Corporate Finance)
Department: Corporate Core Finance
E-mail: M.Hone@bury.gov.uk

Name: Simon Peet
Position: Assistant Director of Finance (Deputy S151 Officer)
Department: Corporate Core Finance
E-mail: S.Peet@bury.gov.uk

Background

1. Capital Strategy and Capital Programme 2023/24 – 2025/256
2. Treasury Management Strategy and Prudential Indicators 2023/24
3. Treasury Management Outturn Report 2022/23

4.

<Add additional headings as necessary>

5.

Links with the Corporate Priorities:

Please summarise how this links to the Let's Do It Strategy.

6. Treasury Management forms a key part of the council's overall governance and financial administration and control framework, which underpin the council's three clear corporate priorities as set out in the Let's Do It Strategy that will deliver financial sustainability for the Council.

Equality Impact and Considerations:

Please provide an explanation of the outcome(s) of an initial or full EIA and make ***specific reference regarding the protected characteristic of Looked After Children****. Intranet link to EIA documents is here.*

7.

Environmental Impact and Considerations:

*Please provide an explanation of the Environmental impact of this decision. Please include the impact on both **Carbon emissions** (contact climate@bury.gov.uk for advice) and **Biodiversity** (contact c.m.wilkinson@bury.gov.uk for advice)*

8. This is a finance update report as such there are no environmental impacts associated with this report.

Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
There are considerable risks to the security of the Council's resources if appropriate treasury management strategies and policies are not adopted and followed.	Regular monitoring and reporting ensure that any changes in the financial position are quickly identified and action can be taken to manage the overall position.

Legal Implications:

9. Treasury management is a matter reserved for Council. This report updates Cabinet in line with the Council's financial regulations and constitution.

Financial Implications:

To be completed by the Council's Section 151 Officer.

10. The financial implications are set out in the report and confirm the treasury management activities have been carried out in accordance with approved limits.

Appendices:

Please list any appended documents.

Background papers:

Please list any background documents to this report and include a hyperlink where possible.

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning