

# Cabinet Report

## Treasury Management Mid-Year Review 2024/25 22<sup>nd</sup> October 2024

### Report of Chief Finance Officer

| PURPOSE OF REPORT  |                          |                  |   |                              |
|--|--------------------------|------------------|---|------------------------------|
| This report seeks Cabinet's consideration of various matters in connection with the Treasury Management Mid-Year Review 2024/25. |                          |                  |   |                              |
| Key Decision   | <input type="checkbox"/> | Non-Key Decision | x | Referral from Cabinet Member |
| Date of notice of forthcoming key decision   |                          |                  |   |                              |
| This report is public  |                          |                  |   |                              |

#### RECOMMENDATIONS:

That Cabinet

- (1) Consider the various matters in connection with the Treasury Management Mid-Year Review 2024/25
- (2) Forward the Mid-Year Review 2024/25 on to Budget & Performance Panel and Full Council for consideration in accordance with CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) issued under the Local Government Act 2003

#### 1.0 INTRODUCTION

1.1 The Council's Treasury Management Activities are regulated by the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) issued under the Local Government Act 2003

1.2.1 During 2024/25 the minimum reporting requirements are that Full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 28 February 2024)
- a mid-year (minimum) treasury update report (this report).
- an annual review following the end of the year describing the activity compared to the strategy

- 1.3 In addition, Members will receive treasury management update reports on which are presented to Cabinet and Budget and Performance Panel.

## **2.0 BACKGROUND**

- 2.1 The Mid-Year Review (Appendix A) sets out the performance of treasury operations for the first six months of the 2024/25 financial year in terms of long and short-term borrowing, investment activities and relevant borrowing limits and prudential indicators.
- 2.2 Under CIPFA's Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) it is a requirement that an information report on these matters be presented to Cabinet and full Council.

## **3.0 MID YEAR REVIEW SUMMARY DETAILS**

Mid-year quarter 2 position incorporates the amended indicators set out in the amended TM strategy

### Investments

- 3.1 The average level of funds available for investment purposes over the six-month period was £25.0M (2023/24 £32.9M). These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept and business rate related payments, the receipt of grants and progress on the Capital Programme.
- 3.2 The Council's investments returned a weighted average rate of 5.19% on deposit generating £667K of interest against a profiled budget of £273K.

### Borrowing

- 3.3 The Capital Financing Requirement (CFR) measures the Council's underlining need to borrow for capital purpose, i.e., its borrowing requirement. The CFR is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.
- 3.4 The Council's capital financing requirement (CFR) for 2024/25 was forecast as £103.52M the current forecast CFR at quarter 2 is, however, £101.13M. This is principally due to the impact of slippage of expenditure funded by unsupported borrowing into future years.
- 3.5 If the CFR is positive the Council may borrow from the PWLB, or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council currently has borrowings of £57.97M and has utilised £43.06M of cash flow funds in lieu of borrowing and with current forecasts estimating new borrowing of up to £9M later in the financial year. However, the potential for further slippage & uncertainty of large cashflows relating to the Eden Project make this difficult to quantify with certainty and the actual amount of borrowing may be lower.
- 3.6 Consideration also needs to be given to the recent volatility in the markets leading to high PWLB interest rates. In light of this it may be prudent to delay borrowing or consider the use of short-term borrowing as an interim measure.

Prudential Indicators

- 3.7 In compliance with the Prudential Framework the Council sets an annual Treasury Management Strategy including key indicators, determined under regulation, to assist Members in assessing the affordability of borrowing and in determining that it is prudent and sustainable.

The indicators are set out in **Annex A** of The Mid-Year Report at **Appendix A**

**4.0 OPTIONS AND OPTIONS ANALYSIS**

- 4.1 As the report is for consideration and progressing to Budget and Performance Panel and Full Council, no alternative options are put forward.

**5.0 CONCLUSION**

- 5.1 Consideration of Treasury Management Mid-Year Review and presentation to Full Council will ensure the Council complies with CIPFA's Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

**RELATIONSHIP TO POLICY FRAMEWORK**

Treasury Management forms part of the Councils budget framework

**CONCLUSION OF IMPACT ASSESSMENT**

**(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)**

Effective Treasury Management and use of the Councils' resources is fundamental to the delivery of its priorities and outcomes.

**LEGAL IMPLICATIONS**

None directly arising from this report.

**FINANCIAL IMPLICATIONS**

There are no financial implications arising directly from this report.

However, due to the financial pressures faced by the Council, and the significant increase in interest rates and borrowing costs areas of capital investment may be delayed, reprofiled or stopped. Financial due diligence and assessment will ensure that all the appropriate costs are considered for each proposal and external advice considered ahead of any borrowing being incurred.

**OTHER RESOURCE IMPLICATIONS**

There are no additional resource or risk implications

**SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has written this report in his role as Chief Finance Officer

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments

**BACKGROUND PAPERS**

**Contact Officer:** Paul Thompson

**Telephone:** 01524 582603

**E-mail:** pthompson@lancaster.gov.uk

**Ref:** N/A