Public Report
Audit Committee

Committee Name and Date of Committee Meeting
Audit Committee – 28 November 2023

Report Title
Mid-Year Treasury Management and Prudential Indicators Monitoring Report – 2023/24

Is this a Key Decision and has it been included on the Forward Plan?
No

Strategic Director Approving Submission of the Report
Judith Badger, Strategic Director of Finance and Customer Services

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Ward(s) Affected
Borough-Wide

Report Summary

Mid-Year Treasury Review

The regulatory framework of treasury management requires that the Council produces a mid-year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury outturn report. It is also now a requirement that the prudential indicators as at the end of June 2023/24 are reported. These are included in this report.

This report is the mid-year review for 2023/24. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs).

It is also a requirement that any proposed changes to the 2023/24 prudential indicators are approved by Council.

The monitoring as set out in the Appendix to the report is structured to highlight the key changes to the Council's capital activity (the PIs) and the actual and proposed treasury management activity (borrowing and investment).

The key messages for Members are:

a. Investments - the primary governing principle remains security over return and the criteria for selecting counterparties continues to reflect this.

b. Borrowing – The Council will maintain its strategy of being under-borrowed against the capital financing requirement. The Council borrowed £227m of long term PWLB funds during 2021/22 to take advantage of the low PWLB interest rates available at the time (average 1.53% interest rate). This was replacing short term borrowing as it matured. As a result the Council has not needed to borrow during 2023/24 as the council has held cash balances remaining from the borrowing taken in 2021/22. As a result the Council has been able to invest these cash balances on a short term basis to generate additional income for the Council. Making use of the current financial market conditions, which have lifted investment returns (average investment return rate 5.33%).

   However, whilst the current year position is positive for the Council through use of cash balances, it is anticipated that the Council will need to borrow funds before the end of the 2023/24 financial year. As previously reported, the Council will predominantly adopt a short-term borrowing strategy to cover this borrowing need in anticipation of lower interest rates in the medium term. There is a discounted rate with the PWLB for borrowing long term funds specifically for HRA purposes which is available until June 2024. Depending on the prevailing interest rate position the Council may utilise this rate for some long term borrowing. The borrowing position will remain under review and an update of the strategy will be presented to Members within the Budget and Council Tax 2024/25 report to Council in March 2024.

c. Governance - strategies and monitoring are reviewed by Audit Committee.

d. Whilst the Council's approach to Treasury Management in recent years, utilising short term borrowing in particular, has generated significant savings for the Council, essential to achieving balanced budgets, the future outlook is more challenging. With increased interest rates for borrowing, as a result of the increases in the Bank of England Base Rate, when the Council does need to borrow, it will be at much higher levels than had been assumed when setting the Council's Budget for 2023/24. The increases in borrowing rates could not have been projected by the Council and this more challenging position has been considered as part of the Council's updated Medium Term Financial Strategy. It should be noted that it is expected that borrowing rates have now peaked and will reduce over the next couple of years, linked to the projections that inflation will return back to the Bank of England's target 2% level.

Recommendations

1. Audit Committee is asked to note the contents of the report.

List of Appendices Included

Appendix – Mid-Year Treasury Management and Prudential Indicators Monitoring Report – 2023/24.

Background Papers

Budget and Council Tax Setting Report 2023/24 to Council on 1st March 2023, Including the Treasury Management Strategy 2023/24

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

No

Exempt from the Press and Public

No.

1.	**Background**
1.1	**Mid-Year Treasury Review** – The CIPFA Treasury Management Code of Practice includes a requirement that Members receive a mid-year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report required previously. There is also a new requirement to report prudential indicators to the end of June which are included in this report.
1.2	This review as fully set out in the Appendix meets these requirements. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs). The Treasury Management Strategy and PIs were previously reported to Cabinet on 13th February 2023 and approved by Council on 1st March 2023.
2.	**Key Issues**
2.1	Mid-Year Treasury Review – The review as set out in the Appendix provides Members with details of mid-year performance against the plan.
2.2	a. Investments - the primary governing principle remains security over return and the criteria for selecting counterparties continues to reflect this. b. Borrowing – The Council will maintain its strategy of being under-borrowed against the capital financing requirement. The Council borrowed £227m of long term PWLB funds during 2021/22 to take advantage of the low PWLB interest rates available at the time (average 1.53% interest rate). This was replacing short term borrowing as it matured. As a result the Council has not needed to borrow during 2023/24 as the council has held cash balances remaining from the borrowing taken in 2021/22. As a result the Council has been able to invest these cash balances on a short term basis to generate additional income for the Council. Making use of the current financial market conditions, which have lifted investment returns. (average investment return rate 5.33%) However, whilst the current year position is positive for the Council through use of cash balances, it is anticipated that the Council will be required to borrow funds before the end of the 2023/24 financial year. As previously reported, the Council will predominantly adopt a short-term borrowing strategy to cover this borrowing need in anticipation of lower interest rates in the medium term. There is a discounted rate with the PWLB for borrowing long term funds specifically for HRA purposes which is available until June 2024. Depending on the prevailing interest rate position the Council may utilise this rate for some long term borrowing. The borrowing position will remain under review and an update of the strategy will be presented to Members within the Budget and Council Tax 2024/25 report to Council in March 2024. c. Governance - strategies and monitoring are reviewed by Audit Committee.

3.	**Options considered and recommended proposal**
3.1	Mid-Year Treasury Review – The review as set out in the Appendix indicates performance is in line with the plan and no proposals to vary the approach for the remainder of the year are proposed.
4.	**Consultation on proposal**
4.1	The continuing approach to treasury management has been discussed with the Council's external Treasury Management Advisers, Link Asset Services, who have confirmed this is a prudent approach given current market conditions. Link Asset Services will continue to monitor borrowing rates and inform the Council if there are opportunities to borrow at advantageous rates.
5.	**Timetable and Accountability for Implementing this Decision**
5.1	The report is for Audit Committee information and noting.
6.	**Financial and Procurement Advice and Implications**
6.1	Treasury Management forms an integral part of the Council's overall financial arrangements. For the financial year 2023/24 the Treasury Management budgets are estimated to provide an underspend that will help support the Council's overall budget pressures, through the income generated through the investment strategy.
6.2	The assumptions supporting the capital financing budget for 2023/24 and for future years covered by the Council's MTFS were reviewed in light of economic and financial conditions and the capital programme.
6.3	The current strategy is to maintain the Council's position of being under-borrowed against the Capital Financing Requirement. The Council is forecast to require additional borrowing before the end of the 2023/24 financial year. This borrowing will be taken on a short-term basis to avoid exposure to currently high interest rates in anticipation of lower rates in future years. There is a possibility of taking some long term borrowing from the PWLB at the discounted HRA rate. A further update will be provided as part of the Council's Treasury Management Strategy for 2023/24.
6.4	There are no direct procurement implications arising from this report.
7.	**Legal Advice and Implications**
7.1	It is a requirement that changes to the Council's prudential indicators are approved by Council
8.	**Human Resources Advice and Implications**
8.1	There are no Human Resource implications arising from the report.

9.	**Implications for Children and Young People and Vulnerable Adults**
9.1	The report does not impact the Children's and Adult Social care budgets.
10.	**Equalities and Human Rights Advice and Implications**
10.1	There are no implications arising from this report to Equalities and Human Rights.
11.	**Implications for CO2 Emissions and Climate Change**
11.1	No direct implications.
12.	**Implications for Partners**
12.1	There are no implications arising from this report to Partners or other directorates.
13.	**Risks and Mitigation**
13.1	Regular monitoring of treasury activity ensures that risks and uncertainties are addressed at an early stage and hence kept to a minimum.
14.	**Accountable Officers**
	Rob Mahon, Assistant Director Financial Services
	Owen Campbell, Head of Corporate Finance

Approvals obtained on behalf of Statutory Officers:-

	Named Officer	**Date**
Chief Executive	Sharon Kemp	Click here to enter a date.
Strategic Director Finance & Customer Services (S.151 Officer)	Judith Badger	Click here to enter a date.
Head of Legal Services (Monitoring Officer)	Bal Nahal	Click here to enter a date.

Report Author: *Ian Bagshaw, Finance Manager Financial Accounting*Ian Bagshaw

This report is published on the Council's website.

Appendix

Mid-Year Prudential Indicators and Treasury Management Monitoring

1. Introduction and Background

1.1 The CIPFA Treasury Management Code of Practice includes a requirement that the Council receive a mid-year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report required previously.

1.2 This report meets that requirement. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs). The Treasury Management Strategy and PIs for 2022/23 were previously reported to Cabinet on 13th February 2023 and approved by Council on 1st March 2023.

1.3 The Council's revised capital expenditure plans and the impact of these revised plans on its financing are set out below in Sections 2.2 and 2.3 respectively. The Council's capital spending plans provide a framework for the subsequent treasury management activity. Section 3 onwards sets out the impact of the revised plans on the Council's treasury management indicators.

1.4 The underlying purpose of the report supports the objective in the CIPFA Code of Practice on Treasury Management and the Communities & Local Government Investment Guidance. This states that Members receive and adequately scrutinise information on the treasury management service.

1.5 The underlying economic and financial environment remains difficult for the Council, on investment the main challenge relates to concerns over investment counterparty risk. This background encourages the Council to continue maintaining investments short term and with low risk counterparties. The Bank of England base rate has risen from 4.25% to 5.25% during 2023/24 which has significantly increased the interest available on investments.

1.6 The Council's use of long term PWLB borrowing during 2021/22 (£227m) resulted in the level of short term borrowing gradually falling as short term borrowing matured. With the Council carrying this £227m, there was no requirement for the Council to borrow during 2022/23 or to date in 2023/24 whilst interest rates increased significantly. This has provided certainty of borrowing costs and mitigated the risk of borrowing having to be taken in the future at higher rates. However, the Council is forecasted to require new borrowing before the end of the 2023/24 financial year.

1.7 PWLB rates fluctuate, during 2023/24 to date the rates have seen highs of 5.45% for a 50 year PWLB loan and lows of 4.27% with the 50 year rate currently standing at 5.45%. These are the highest rates for a number of years. This further emphasises the positive deals that the Council took during 2021/22, with the £227m being borrowed at an average of 1.53%. Short term borrowing rates have also increased with 6 month borrowing rates standing at around 5.6%, compared with 3.1% in September 2022 This has not affected the Council's borrowing costs during 2023/24 as no borrowing has been taken and rates have not changed on existing loans. The Council keeps interest rates under constant review within its borrowing strategies and decisions on the mix of long-term and short-term borrowing.

1.8 The Strategic Director Finance & Customer Services can report that the basis of the Treasury Management Strategy, the Investment Strategy and the PIs have not changed from that set out in the approved Treasury Management Strategy (Council March 2023).

2. Key Prudential Indicators

2.1. This part of the report is structured to update:

- The Council's latest capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the PIs and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

2.2 Capital Expenditure (PI)

2.2.1 This table shows the current forecast estimates for capital expenditure. This position reflects slippage on the capital programme and new scheme approvals during the year.

Capital Expenditure by Service	2023/24 Original Estimate £m	2023/24 June Estimate £m	2023/24 Revised Estimate £m
Children and Young People's Services	13.543	13.365	8.391
Assistant Chief Executive	0.203	0.405	0.388
Adult Care & Housing	8.407	8.846	5.124
Finance and Customer Services	11.908	6.695	4.364
Regeneration and Environment	123.443	169.856	139.351
Capitalisation Direction	1		0
Total Non-HRA	**158.504**	**199.166**	**157.618**
Adult Care & Housing – HRA	48.902	51.445	50.447
Total HRA	**48.902**	**51.445**	**50.447**
Total	**207.406**	**250.612**	**208.065**

2.3 Impact of Capital Expenditure Plans

2.3.1 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the expected financing arrangements of this capital expenditure.

Capital Expenditure	2023/24 Original Estimate £m	2023/24 June Estimate £m	2023/24 Revised Estimate £m
Total spend	207.406	250.612	208.065
Financed by:			
Capital receipts	8.440	8.269	8.301
Capital grants, capital contributions & other sources of capital funding	120.980	119.099	114.685
Borrowing Need	77.986	123.244	85.079
Total Financing	**207.406**	**250.612**	**208.065**
Unsupported Borrowing	77.986	123.244	85.079
Borrowing Need	**77.986**	**123.244**	**85.079**

The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision (MRP). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

2.3.2 The increase in borrowing need for 2023/24 (£7.093m) reflects the re-profiling of capital expenditure & financing.

2.3.3 **Changes to the Capital Financing Requirement (PI), External Debt and the Operational Boundary (PI)**

The table below shows the CFR, which is the underlying external need to borrow for a capital purpose. It also shows the expected debt position over the period. This expected debt position has previously been used as the basis for the Operational Boundary PI. This was set at the beginning of the financial year at £959.998m. There may be periods where the actual position rises above the Operational Boundary, but this is acceptable practice. It is the Authorised Limit which the Council must not breach. It is not expected that the Operational Boundary will be breached. The council will continue to use a combination of long and short term borrowing and remain under-borrowed.

2.3.4 In addition to showing the underlying need to borrow, the Council's CFR includes other long term liabilities which have been brought on balance sheet, for example, PFI schemes and finance lease assets. No borrowing is actually required against these schemes as a borrowing facility is already included in the contract and there has been no change in the borrowing need resulting from these requirements.

2.3.5 The current CFR estimate for 2023/24 is £957.770m and this figure represents an increase of £72.459m when compared to the 2022/23 year-end position of £882.673m. The increase is predominantly due to reflecting the Councils approved Capital Programme within the revised CFR estimate, a further adjustment is made to reflect the repayments of borrowing within PFI schemes. These two adjustments are detailed below;

- The estimated borrowing need for the year £85.078m net of the Minimum Revenue Provision charge for the year (£5.903m)
- The repayments of borrowing contained within PFI and similar schemes (£4.079m).

Prudential Indicator – Capital Financing Requirement	**2023/24 Original Estimate £m**	**2023/24 June Estimate £m**	**2023/24 Revised Estimate £m**
CFR – Non Housing	534.997	575.523	538.024
CFR – Housing	309.340	307.608	306.941
Total CFR excluding PFI, finance leases and similar arrangements	**844.337**	**883.131**	**844.965**
Net movement in CFR excluding PFI, finance leases and similar arrangements	**71.251**	**114.703**	**76.538**
Cumulative adjustment for PFI, finance leases and similar arrangements	112.804	112.804	112.804
Net movement in CFR	**-4.079**	**-4.079**	**-4.079**
Total CFR including PFI, finance leases and similar arrangements	957.141	995.935	957.770
Net movement in overall CFR	**67.172**	**110.624**	**72.459**
Prudential Indicator – Operational Boundary	**Original Estimate**	**June Position**	**Current Position**
Borrowing	847.194	848.554	846.991
Other long term liabilities*	112.804	112.804	112.804
Total Debt 31 March	**959.998**	**961.358**	**959.795**

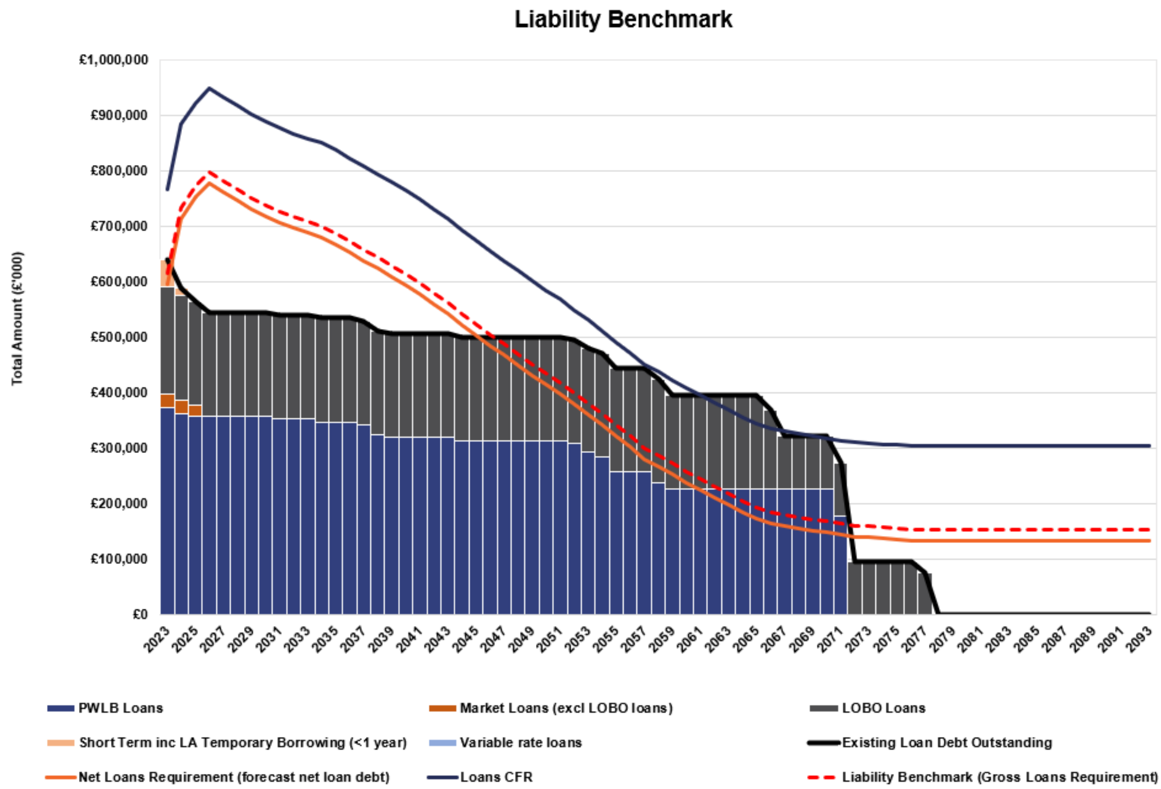
* Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

2.3.6 **Liability Benchmark**

A new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding**: the Council's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.



2.3.7 Any years where actual loans are less than the benchmark indicate a future borrowing requirement; any years where actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment.

2.3.8 The index shows that in the short to medium term the net loans requirement exceeds the existing debt so borrowing will be required to finance capital expenditure. In 2046 the level of loans exceeds the gross loan requirement which results in a cash balance to invest. This index is based on the current 3 year capital programme. In reality it is likely that further borrowing will be required to fund the capital programme beyond this 3 year time horizon and the actual loan requirement will be greater than shown on the index.

3. Limits to Borrowing Activity

3.1 The first key control over the treasury activity is a PI to ensure that over the medium term, gross and net borrowing will only be for a capital purpose. Gross and net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which would only be undertaken if this proves prudent to do so.

RMBC	2023/24 Original Estimate £m	2023/24 June Estimate £m	2023/24 Revised Estimate £m
Gross Borrowing	817.194	855.156	816.991
Plus Other Long Term liabilities*	112.804	112.804	112.804
Total Gross Borrowing	**929.998**	**967.960**	**929.795**
CFR*	957.141	995.935	957.770
Total Gross Borrowing	929.998	967.960	929.795
Less Investments	20.000	20.000	20.000
Net Borrowing	**909.998**	**947.960**	**909.795**
CFR*	957.141	995.935	957.770

* Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

3.2 The Strategic Director for Finance & Customer Services reports that no difficulties are envisaged for the current or future years in complying with this PI.

3.3 A further PI controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt (RMBC)	2023/24 Original Indicator £m	2023/24 June Estimate £m	2023/24 Revised Indicator £m
Borrowing	864.337	903.131	864.965
Other long term liabilities*	115.060	115.060	115.060
Total	**979.397**	**1018.191**	**980.025**

* Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

4. Treasury Strategy 2023/24

4.1 Debt Activity during 2023/24

4.1.1 The expected borrowing need is set out below:

RMBC	2023/24 Original Estimate £m	2023/24 Revised Estimate £m
CFR	957.141	957.770
Less Other Long Term Liabilities*	112.804	112.804
Net Adjusted CFR (y/e position)	**844.337**	**844.923**
Borrowed at 30/09/23	778.201	602.564
Invested at 30/09/23	-32.200	-48.781
Under borrowing at 30/09/23	**33.936**	**281.140**
Borrowed at 30/09/23	778.201	602.564
Estimated additional borrowing to be taken October to March 2024	38.993	40.000
Total Borrowing	**817.194**	**642.564**
Under borrowing at 31/03/24	27.143	202.283
Level of short term borrowing as 31/3/24		35.000

* Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

4.1.2 The Council is currently significantly under-borrowed. The delay in borrowing long-term reduces the cost of carrying borrowed monies when yields on investments are low relative to the borrowing rates. Based on current borrowing rates and investment returns the differential is around 0.16% and if the Council was fully borrowed the additional cost per year would amount to over £0.380m (Under borrowing and ST borrowing X 0.16%). The delay in taking out new long-term borrowing does give rise to an element of interest rate risk as longer term borrowing rates may rise. The Council borrowed £227m from the PWLB during 2021/22 to take advantage of low interest rates and mitigate some of this risk. Borrowing rates have risen significantly during the current year although it is likely they have now peaked and rates are expected to fall over the medium term. This position is being closely monitored and the overall position carefully managed.

4.1.3 During the six months to 30 September 2023 the Council has not taken out any new borrowing. This is due to the long term PWLB borrowing taken out in 2021/22 which is replacing the temporary borrowing as the temporary borrowing matures. The level of short term borrowing is lower than in the previous year due to this policy of taking long term borrowing to replace the short term borrowing.

4.1.4 During the six months to 30 September 2023, the Council has repaid principal on long term maturity and annuity loans from the PWLB, and loans from the Local Authority and commercial lending market. The principal repaid, and interest rates are detailed in the table below.

There are 5 Annuity loans on which variable amounts of principal are repaid each six months.

Lender	Principal	Type	Interest Rate %
PWLB (30 year loan)	£10,000,000	Fixed Rate (Maturity)	7.88
PWLB	£108,254	Fixed rate (Annuity)	Various
Local Authority	£10,000,000	Temp	0.73
Local Authority	£10,000,000	Temp	0.73
Local Authority	£5,000,000	Temp	0.40
Local Authority	£5,000,000	Temp	0.45
Local Authority	£5,000,000	Temp	0.45
Local Authority	£5,000,000	Temp	0.60
Commerzbank	£1,000,000	Market	5.50

5. Investment Strategy 2023/24

5.1 Key Objectives

The primary objective of the Council's Investment Strategy is safeguarding the repayment of the principal and interest of its investments on time – the investment return being a secondary objective. The current difficult economic and financial climate has heightened the Council's over-riding risk consideration with regard to "Counterparty Risk". As a result of these underlying market concerns, officers continue to implement an operational investment strategy which maintains the tight controls already in place in the approved Investment Strategy.

5.1.1 To mitigate the risk of interest rates rising and to take advantage of low long term PWLB interest rates £227m of PWLB borrowing was taken in the 2021/22 financial year. This has resulted in the Council having a larger cash balance than usual. This cash balance is reducing as temporary borrowing becomes due for repayment.

5.1.2 The Council has been managing any cash surpluses into one of the following investment options, Debt Management Office (DMO currently at 5.17%), Bank Deposits (e.g. Goldman Sachs, currently 5.64%) and Other Local Authorities (currently 5.27%). The Council has continued to use Money Market Funds (MMF's), which currently have interest rates of between 5.28% and 5.31%. The process for using MMF's is very efficient and effective, with the added benefit that the funds the Council can access are all AAA rated. Investment rates have risen significantly during 2023/24 due to the increase in the Bank of England base rate.

5.2 Current Investment Position

The Council held £48.781m of investments at 30 September 2023, and the constituent parts of the investment position are:

Sector	Country	Up to 1 year £m	1 - 2 years £m	2 – 3 years £m
Banks	UK	10.000	0	0
Local Authorities	UK	5.000	0	0
MMF's	UK	33.781	0	0
Total		**48.781**	**0**	**0**

5.3 Risk Benchmarking

A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are requirements to Member reporting and the following reports the current position against the benchmarks:

5.3.1 **Security** – The Council monitors its investments against historic levels of default by continually assessing these against the minimum criteria used in the

Investment Strategy. The Council's approach to risk, the choice of counterparty criteria and length of investment ensures any risk of default is minimal when viewed against these historic default levels.

5.3.2 **Liquidity** – In respect of this area the Council set liquidity facilities/benchmarks to maintain:

- Bank overdraft – on a day-to-day basis the Council works to an agreed overdraft limit of £100,000 with the Council's bankers. Whilst a short-term increase could be negotiated less expensive short-term borrowing is accessed through the financial markets to remain within the agreed overdraft.
- Liquid short-term deposits of at least £3m available within a week's notice.

The Strategic Director for Finance & Customer Services can report that liquidity arrangements were adequate during the year to date.

5.3.3 **Yield** – a local measure for investment yield benchmark is internal returns above the Overnight Sterling Overnight Index Average (SONIA).

The Strategic Director for Finance & Customer Services can report that the return to date averages 4.74%, against an average Overnight SONIA to the end of September 2023 of 4.75%. The average rate of return has increased significantly in 2023/24 as investments placed in previous years when interest rates were much lower have matured and been replaced with better performing investments.

Based on the Council's current average cash investments of £76m, the additional return achieved at the benchmark rate would be £9k.

6. Revisions to the Investment Strategy

6.1 The counterparty criteria are continually under regular review but in the light of the current market conditions no recommendations are being put to Members to revise the Investment Strategy.

7. Treasury Management Prudential Indicators

7.1 Actual and estimates of the ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (financing costs net of interest and investment income) against the net revenue stream.

	2023/24 Original Indicator %	2023/24 June Position %	2023/24 Current Position %
Non-HRA	10.32	8.68	8.50
HRA	15.35	15.07	14.79

7.2 The current position reflects in-year changes to the capital programme and minor fluctuations in interest rates.

7.3 **Prudential indicator limits based on debt net of investments**

- **Upper Limits On Fixed Rate Exposure** – This indicator covers a maximum limit on fixed interest rates.

- **Upper Limits On Variable Rate Exposure** – Similar to the previous indicator this identifies a maximum limit for variable interest rates based upon the debt position net of investments.

RMBC	2023/24 Original Indicator	June Position	Current Position
Limits on fixed interest rates based on net debt	100%	78.99%	78.43%
Limits on variable interest rates based on net debt	50%	21.01%	21.57%

7.4 **Maturity Structures Of Borrowing**

These gross limits are set to reduce the Council's exposure to large fixed rate loans (those instruments which carry a fixed interest rate for the duration of the instrument) falling due for refinancing.

The current position shown below reflects the next call dates on the Council's LOBO loans. The actual maturity date for most of these loans is greater than 40 years. This approach gives a better indication of risk. Given the significant increase in interest rates some of these loans have rates below the prevailing lending rates. There is therefore an increased chance that a lender will increase the loan rate at which point the Council has the option to pay the higher rate or repay the loan.

RMBC	2023/24 Original Indicator		June Position		Current Position	
	Lower	Upper	%	£m	%	£m
Under 12 months	0%	60%	13.79%	86.000	11.62%	70.000
12 months to 2 years	0%	35%	5.61%	35.000	4.98%	30.000
2 years to 5 years	0%	45%	8.02%	50.000	13.28%	80.000
5 years to 10 years	0%	45%	5.61%	35.000	0.83%	5.000
10 years to 20 years	0%	45%	5.97%	37.214	6.18%	37.228

20 years to 30 years	0%	50%	4.09%	25.521	4.24%	25.521
30 years to 40 years	0%	50%	10.55%	65.815	10.92%	65.815
40 years to 50 years	0%	55%	39.93%	249.000	41.32%	249.000
50 years and above	0%	60%	6.41%	40.000	6.64%	40.000

7.5 **Total Principal Funds Invested**

These limits are set to reduce the need for the early sale of an investment, and show limits to be placed on investments with final maturities beyond each year-end.

The Council currently has no sums invested for periods exceeding 364 days due to market conditions. To allow for any changes in those conditions the indicator has been left unchanged.

RMBC	2023/24 Original Indicator £m	June Position £m	Current Position £m
Maximum principal sums invested > 364 days	10	0	0
Cash deposits	10	0	0

7.6 **Treasury Management Advisers**

Treasury Management advice continues to be provided by Link Asset Services Treasury Solutions (LAS). They were appointed for a three year term in January 2022 following a procurement exercise.