

2024-25 Quarter 1 Treasury Management Report

1 Introduction

- 1.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services, the CIPFA Prudential Code for Capital Finance in Local Authorities and the Department for Levelling Up, Housing and Communities (DLUHC) Guidance on Local Government Investments. It provides details of Slough Borough Council's (SBC) investment and borrowing activities for the period from 1 April 2024 to 30 June 2024 (the Reporting Period) and highlights any relevant issues.
- 1.2 All treasury activities have been conducted within the parameters of the Treasury Management Strategy Statement for 2024-25 (TMSS) which was approved on 7th March 2024.
- 1.3 Investment balances were £17.46 million as at 30th June 2024. Returns on investments during the reporting period were £0.275m against an interest receivable budget for the of £0.313m, an under performance of £0.038m or -12%. This can be accounted for due to the lower levels of balances.
- 1.4 External borrowing reduced from £459.4m as at 31st March 2024 to £449.5m as at 30 June 2024.

2 Economic Update

- 2.1 The Council uses the treasury advisory service of Arlingclose Ltd. The following is an extract from their June economic forecast (updated to reflect the Bank Rate cut during August).
- 2.2 The MPC held Bank Rate at 5.25% in June. it was anticipated that the MPC will cut rates to stimulate the UK economy but will be reluctant to do so significantly until it is sure there will be no lingering second-round effects. Arlingclose expect rate cuts from Q3 2024 to a low of around 3% by late 2025. They suggest the balance of risks around Bank Rate lie to the upside; the Bank could hold rates until September or even Q4, and the developing upside risks to inflation could limit the extent of monetary easing. The Bank Rate was reduced to 5% following the 2 August Monetary Policy Committee's meeting.
- 2.3 The impact of this for the remainder of the year will be a reduction on interest receivable on investment balances and a reduction in any potential borrowing costs.

3 Interest Rate Forecast

3.1 The Table below sets out Arlingclose's latest Interest Rate forecast as of 8th August 2024. To calculate a Public Works Loan Board long term lending rate, add 60 basis points to the respective Gilt.

	Current	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	5.00	5.00	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.95	4.95	4.80	4.30	3.80	3.30	3.05	3.10	3.10	3.15	3.15	3.15	3.15
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.65	1.00	1.10	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.73	3.70	3.60	3.50	3.45	3.40	3.40	3.40	3.40	3.45	3.50	3.55	3.55
Downside risk	0.00	-0.65	-0.90	-0.90	-0.95	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.70	0.90	0.95	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.97	3.95	3.90	3.80	3.75	3.70	3.70	3.70	3.70	3.75	3.80	3.80	3.80
Downside risk	0.00	-0.65	-0.90	-0.90	-0.90	-0.95	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.65	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.45	4.40	4.35	4.20	4.20	4.20	4.20	4.20	4.20	4.25	4.30	4.35	4.35
Downside risk	0.00	-0.65	-0.85	-0.90	-0.95	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.55	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.09	4.05	4.00	3.80	3.80	3.80	3.80	3.80	3.80	3.85	3.90	3.95	3.95
Downside risk	0.00	-0.55	-0.85	-0.90	-0.95	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

^WWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%; PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
^WWLB HRA Rate (Maturity Loans) = Gilt yield + 0.40%; UKIB Rate (Maturity Loans) = Gilt yield + 0.40%

4 Treasury Management Strategy Statement and Investment Strategy Update

4.1 During the Reporting Period, all treasury management operations were conducted in full compliance with the TMSS and Treasury Management Practices Statements. There have been significant advances in cash flow management practices and careful monitoring is in place to ensure that cash balances maintain the £10m liquidity buffer as set out in the TMSS.

5 Treasury Management Outturn Position at 30 June 2024.

Treasury Management Position	Actual at 30/06/2024	
	Amount (£m)	Rate (%)
Long-Term Borrowing	435.03	3.50
Short-Term Borrowing (Fixed Rate)	14.50	5.35
Total External Borrowing	449.53	3.56
Investments: Short/Long-Term	17.46	5.25
Total Net Indebtedness	432.06	

Interest Receivable and Payable	Actual at 30/06/24 (£m)	2024-25 Budget Q1 (£m)	Actual vs Budget (%)
Interest Receivable	0.275	0.313	88%

6 Borrowing Activities

- 6.1 The table below shows the movement in external borrowing during the Reporting Period.

External Borrowing	Long-Term (£m)	Short-Term (£m)	Total (£m)
Balance 31 March 2024	459.4	0	459.4
Add New Loans	0	14.5	14.5
Less Loans Repaid	-24.405	0	-24.405
Balance 30 June 2024	435	14.5	449.5

- 6.2 During the Reporting Period two short term loans were taken in June to keep balances above the £10m liquidity buffer established in the TMSS. These were repaid in July. PWLB loans totalling £24.4m matured in the Reporting Period and were not refinanced.

7 Investment Activities

- 7.1 The Council's Investment balances reduced from £22.1m as at 31st March 2024 to £17.46 million at 30 June 2024. Investments have been placed with Money Market Funds to maximise security and liquidity in accordance with the Investment Strategy. The average investment balance over the period was £21.1m and yielded 5.22%

8 Investment Performance

- 8.1 Returns on investments during the Reporting Period were £0.275m against an interest receivable budget for the Reporting Period of £0.313m, an under performance of £0.038m or -12%. The investment receivable forecast in the TMSS was £1.25m, based upon balances of £25m at 5% PA. This is unlikely to be achieved and should be considered in the context of using balances to reduce overall debt. A revised investment income forecast is being produced factoring balances close to the £10m Liquidity buffer and further possible Bank Rate reductions.

9 Prudential and Treasury Management Indicators

- 9.1 It is a statutory requirement to determine and keep under review prudential and treasury management indicators for the Council. Other Long-Term Liabilities such as Finance Leases and PFI are excluded in the figures below.

Capital Expenditure Prudential Indicators

Capital Expenditure 2024/25 (£m)	Strategy 24/25 (£m)	Latest Projection Q1 (£m)	Variance (£m)
Capital Expenditure - GF	46.369	48.886	2.517
Capital Expenditure - HRA	24.693	24.693	0
Total Capital Expenditure	71.062	73.555	2.517

Capital Financing Requirement

Capital Financing Requirement 31st March 2025 (£m)	Strategy 24/25 £m	Latest Projection Q1 £m	Variance £m
General Fund	502.83	508.29	5.46
HRA	174.01	213.02	39.01
Total Capital Financing Requirement	676.84	721.31	44.47

External Debt Prudential Indicators

Authorised Limit for External Debt (£m)	2024-25 (£m)
Authorised Limit Excluding OLTL	766.4
Highest level of External Debt to 30 June 2024	459.4
Headroom	307.0

Operational Boundary for External Debt (£m)	2024-25 (£m)
Operational Boundary Excluding OLTL	510.9
Highest level of External Debt to 30 June 2024	459.4
Headroom	51.5

Affordability Prudential Indicators

Ratio of Financing Costs to 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.

General Fund Financing Costs	2024/25 forecast	2025/26 budget	2026/27 budget	2027/28 budget
General Fund Financing Costs	30.38	27.39	26.02	25.96
Ration of Financing Costs to Net Revenue Stream	19%	17%	16%	16%

HRA Financing Costs	2024/25 forecast	2025/26 budget	2026/27 budget	2027/28 budget
HRA Financing Costs	4.60	4.60	4.58	4.57
Ration of Financing Costs to Net Revenue Stream	10%	10%	10%	10%

The HRA affordability framework has the HRA general reserve minimum set at a level of £4m. This is forecast to be maintained as is the Major Repairs Reserve of £5m. The minimum interest cover is set at 1.25 times and is calculated to be 3.5% based upon the HRA Business Plan.

Treasury Management Prudential Indicators

Limits for Maturity Structure of Borrowing (%)	Upper Limit	Lower Limit	Actual at 30/06/24
Under 12 months	50%	0%	17%
12 months and within 2 years	70%	0%	19%
2 years and within 5 years	70%	0%	12%
5 years and within 10 years	70%	0%	15%
10 years and above	70%	0%	38%