# Crawley Borough Council

## Report to Overview and Scrutiny Commission
**25 November 2024**

## Report to Cabinet
**27 November 2024**

# Treasury Management Mid-Year Review 2024-2025

Report of the Head of Corporate Finance, **FIN/674**

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## 1. Purpose

1.1 This report provides an update on the Council's Treasury Management Strategy for the first two quarters of 2024/2025.

## 2. Recommendations

2.1 To the Overview and Scrutiny Commission:

That the Commission consider the report and decide what comments, if any, it wishes to submit to the Cabinet.

2.2 To the Cabinet

That the Cabinet is recommended to note the report FIN/674 and the treasury activity for the first two quarters of 2024/2025.

## 3. Reasons for the Recommendations

3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management (the TM Code) recommends that members be updated on treasury management activities regularly (Treasury Management Strategy, annual and mid-year reports). This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

## 4. Interest rate forecasts

4.1 The Council's treasury advisor, Arlingclose Limited, has provided the following forecast:

| | 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 |

## 5. Annual Investment Strategy

5.1 The Treasury Management Strategy for 2024/25, which includes the Annual Investment Strategy, was approved by Council on 21 February 2024. In accordance with the TM Code it sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity;
- Yield; and
- Ethical investment policy

## 6. Compliance with Treasury and Prudential Limits

6.1 It is a statutory duty for the Council to determine and keep under review the level of affordable borrowing it determines as prudent. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved Treasury Management Strategy.

6.2 During the financial year to date the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy and in compliance with the Council's Treasury Management Practices. The prudential and treasury Indicators are shown in Appendix 3.

## 7. Investment Portfolio 2024/25

7.1 The CIPFA TM Code defines treasury management investments as those which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.

7.2 The Council held £120.555m of investments as at 30 September 2024 (£98.025m at 31 March 2024). Summary table below:

| **INVESTMENT PORTFOLIO** | Actual 31 March 2024 £000 | Net Movement £000 | Actual 30 September 2024 £000 | 30 September 2024 Income Return % | 30 September 2042 Weighted Average Maturity Days |
|---|---|---|---|---|---|
| **Treasury investments** | | | | | |
| Banks & building societies (unsecured) | 379 | (74) | 305 | 2.10% | 0 |
| Government | 11,296 | (11,296) | 0 | 0 | 0 |
| Local authorities | 62,000 | 44,100 | 106,100 | 5.24% | 132 |
| Money Market Funds | 14,350 | (10,200) | 4,150 | 5.02% | 1 |
| Cash plus funds | 10,000 | 0 | 10,000 | 0.84% | 3 |
| **TOTAL TREASURY INVESTMENTS *** | **98,025** | **22,530** | **120,555** | **5.22%** | **177** |

* Capital expenditure was budgeted at £59.1m for 2024/25. £14.5m has been spent to 30 September 24. The revised estimate is £53.6m. See Quarter 2 Budget Monitoring for further details.

A full list of investments held on 30th September 2024 is in appendix 2.

7.3 The Head of Corporate Finance confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2024/25.

7.4 Investment performance for the financial year to 30 September 2024:

| Investments managed in-house | Credit Score | Credit Rating | Bail-in Exposure | Weighted Average Maturity (days) | Rate of Return % |
|---|---|---|---|---|---|
| 31.03.2024<br>30.09.2024 | 4.91<br>4.92 | A+<br>A+ | 17%<br>4% | 104<br>208 | 1.72<br>5.23 |
| **Similar Las**<br>**All LAs** | **4.62**<br>**4.60** | **A+**<br>**A+** | **60%**<br>**61%** | **52**<br>**11** | **4.92**<br>**4.91** |

7.5 The rate of return above is higher than the average for other Local Authorities (LAs) as the Council has invested for longer periods, as shown in the weighted average maturity column. This has allowed the Council to achieve higher than average returns and means that it is slower to lose yield when rates decrease.

7.6 In the strategy set at the start of the year, the Council projected that there would be a drop in interest rates. At the time, the base rate was 5.25%, it is currently 5.00% and the expectation is that it will drop to 4.75% by year-end as shown in paragraph 4.1.

7.7 Bank Rate reduced from 5.25% to 5.00% in August 2024 with short term interest rates largely being around these levels. The money market rates ranged between 4.8% and 5.3%.

7.8 The average rate on the Council's investments (including investments managed in house above) is 5.00% for the first half of the year, this is mostly because of lower rate investments being replaced with recent higher rates as they mature.

## 8. Non-Treasury Investments

8.1 The definition of investments in CIPFA's TM Code covers 'all the financial assets of the Authority as well as other non-financial assets which the Authority 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 The Council held £40.888m (see Appendix 2) of commercial investments in directly owned properties.

8.3 The Council also held £71.623m of service investments in

- Directly owned property £71.423m
- Loan to The Hawth £0.2m

8.4 Service investments are not held primarily for financial return but support service objectives of the Council. These investments generated £1.7m of investment income for the Authority after taking account of direct costs, representing a rate of return of 4.24%.

## 9. Borrowing

9.1 The Council borrowed £260.325m in March 2012 for HRA self-financing, £237.325m remains held. The average borrowing rate is 3.19%. There has been no requirement for further long-term borrowing in 2024/2025. The Council has £18m in short-term borrowing at the mid-year point which was undertaken to cover cash flow requirements.

## 10. Minimum Revenue Provision

10.1 As part of the Treasury Management Strategy the Council also approves a Minimum Revenue (MRP) policy statement. The aim of the MRP policy statement is to ensure that where the Council finances capital expenditure by borrowing, whether internal through use of cash or external funds, it puts aside resources annually to repay the debt in later years.

10.2 The charge for MRP is reviewed each year against the value of the underlying asset with the aim of ensuring a prudent provision to cover the debt over the life of the asset.

10.3 The MRP in relation to the appropriation of the garages from the Housing Revenue Account to the General Fund will become chargeable again in 2025/26 following an MRP holiday in 2024/25 as a result of previous voluntary overpayments.

## 11. Implications

11.1 The Council is under a duty to manage its resources prudently and therefore due consideration must always be given to its borrowing and lending strategy. A wide range of local authority financial activities, including borrowing, lending, financial management, and the approval of types of investment vehicle are governed by legislation and various regulations. The Council is obliged to comply with these. There are no other legal implications arising in this report.

11.2 The financial implications are addressed throughout this report.

11.3 Risks are highlighted throughout this report, but Appendix 3 addresses the risk to security, liquidity and yield of the Council's investment strategy.

## 12. Background Papers

Treasury Management Strategy 2024-2025 FIN/644
Treasury Management Outturn 2023-2024 FIN/659
2024-2025 Budget Monitoring - Quarter 1 FIN/665
"Treasury Management in the Public Services - Code of Practice and Cross-Sectoral Guidance Notes", 2021 Edition - Chartered Institute of Public Finance and Accountancy
"The Prudential Code for Capital Finance in Local Authorities", 2021 Edition - Chartered Institute of Public Finance and Accountancy
DCLG Guidance on Local Government Investments (Third Edition)

Report author and contact officer: Carey Manger, Senior Finance Business Partner Capital and Treasury Management (01293 438021)

**Economic background:** UK headline consumer price inflation remained around the Bank of England (BoE) target later in the period, falling from an annual rate of 3.2% in March to 2.0% in May and then rebounding marginally to June to 2.2% in July and August, as was expected, due to base effects from energy prices. Core and services price inflation remained higher at 3.6% and 5.6% respectively in August.

The UK economy continued to expand over the period, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. Of the monthly figures, the economy was estimated to have registered no growth in July.

Labour market data was slightly better from a policymaker perspective, showing an easing in the tightness of the job market, with inactivity rates and vacancies declining. However, a degree of uncertainty remains given ongoing issues around the data collected for the labour force survey by the Office for National Statistics. Figures for the three months to July showed the unemployment rate fell to 4.1% (3mth/year) from 4.4% in the previous three-month period while the employment rate rose to 74.8% from 74.3%.

Over the same period average regular earnings (excluding bonuses) was 5.1%, down from 5.4% in the earlier period, and total earnings (including bonuses) was 4.0% (this figure was impacted by one-off payments made to NHS staff and civil servants in June and July 2023). Adjusting for inflation, real regular pay rose by 2.2% in May to July and total pay by 1.1%.

With headline inflation lower, the BoE cut Bank Rate from 5.25% to 5.00% at the August Monetary Policy Committee (MPC) meeting. The decision was finely balanced, voted by a 5-4 majority with four members preferring to hold at 5.25%. At the September MPC meeting, committee members voted 8-1 for no change at 5.00%, with the lone dissenter preferring Bank Rate to be cut again to 4.75%. The meeting minutes and vote suggested a reasonably hawkish tilt to rates, with sticky inflation remaining a concern among policymakers.

The latest BoE Monetary Policy Report, published in August, showed policymakers expected GDP growth to continue expanding during 2024 before falling back and moderating from 2025 to 2027. Unemployment was forecast to stay around 4.5% while inflation was shown picking up in the latter part of 2024 as the previous years' energy price declines fell out of the figures before slipping below the 2% target in 2025 and remaining there until early 2027.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would steadily fall from the 5.25% peak, with the first cut in August being followed by a series of further cuts, with November 2024 the likely next one, taking Bank Rate down to around 3% by the end of 2025.

The US Federal Reserve (the Fed) also cut interest rates during the period, reducing the Federal Funds Rate by 0.50% to a range of 4.75%-5.00% at its policy meeting in September. The forecasts released at the same time by the central bank suggested a further 1.00% of easing is expected by the end of the calendar year, followed by the same amount in 2025 and then a final 0.50% of cuts during 2026.

Having first reduced interest rates in June, the European Central Bank (ECB) held steady in July before cutting again in September, reducing its main refinancing rate to 3.65% and its deposit rate to 3.50%. Unlike the Fed, the ECB has not outlined a likely future path of rates, but inflation projections remain in line with the central bank's previous forecasts where it will remain above its 2% target until 2026 on an annual basis.

**Financial markets:** Sentiment in financial markets continued to mostly improve over the period, but the ongoing trend of bond yield volatility remained. The general upward trend in yields in the early part of the period was reversed in the later part, and yields ended the half-year not too far from where they started. However, the volatility in response to economic, financial and geopolitical issues meant it was a bumpy ride for bond investors during that time.

Over the period, the 10-year UK benchmark gilt yield started at 3.94% and ended at 4.00% but hit a high of 4.41% in May and a low of 3.76% in mid-September. While the 20-year gilt started at 4.40% and ended at 4.51% but hit a high of 4.82% in May and a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.12% over the period to 30th September.

**Credit review:** Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.

Having had its outlook increased by Fitch and ratings by S&P earlier in the period, Moody's upgraded Transport for London's rating to A2 from A3 in July.

Moody's also placed National Bank of Canada on Rating Watch for a possible upgrade, revising the outlook on Standard Chartered to Positive, the outlook to Negative on Toronto Dominion Bank, and downgrading the rating on Close Brothers to A1 from Aa3.

S&P upgraded the rating on National Bank of Canada to A+ from A, and together with Fitch, the two rating agencies assigned Lancashire County Council with a rating of AA- and A+ respectively.

Credit default swap prices were generally lower at the end of the period compared to the beginning for the vast majority of the names on UK and non-UK lists. Price volatility over the period was also generally more muted compared to previous periods.

Financial 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 Authority's counterparty list recommended by Arlingclose remain under constant review.

**Detailed holdings at 30 September 2024** **APPENDIX 2**

| | | | | | | £m | £m | | |
|---|---|---|---|---|---|---|---|---|---|
| **UK BANKS** | | | | | | | | | |
| Lloyds Bank plc | 20 | | 01/10/2024 | 1 | 2.10% | 0.305 | 0.305 | 10.000 | A- |
| | | | | | | | | | |
| **LOCAL AUTHORITIES** | | | | | | | | | |
| Aberdeen City Council | 2830 | 10/05/2024 | 11/11/2024 | 42 | 5.25% | 5.000 | 5.000 | 15.000 | AA- |
| Basildon Borough Council | 2843 | 19/03/2024 | 18/03/2025 | 169 | 5.90% | 2.000 | 2.000 | 15.000 | AA- |
| Blackpool BC | 2862 | 30/08/2024 | 28/02/2025 | 151 | 4.85% | 5.000 | 5.000 | 15.000 | AA- |
| Cornwall Council | 2804 | 11/10/2023 | 09/10/2024 | 9 | 4.80% | 5.000 | 5.000 | 15.000 | AA- |
| Derbyshire County Council | 2816 | 25/06/2024 | 24/06/2025 | 267 | 5.57% | 5.000 | 5.000 | 15.000 | AA- |
| Eastbourne Borough Council | 2837 | 19/02/2024 | 19/11/2024 | 50 | 5.75% | 5.000 | 5.000 | 15.000 | AA- |
| Eastleigh Borough Council | 2845 | 05/06/2024 | 05/12/2024 | 66 | 5.40% | 5.000 | 0.000 | 0.000 | AA- |
| | 2858 | 16/08/2024 | 18/11/2024 | 49 | 5.25% | 5.000 | 10.000 | 15.000 | AA- |
| Gloucester City Council | 2821 | 28/06/2024 | 27/06/2025 | 270 | 5.50% | 5.000 | 5.000 | 15.000 | AA- |
| Cyngor Gwynedd | 90035 | 13/08/2024 | 14/10/2024 | 14 | 5.16% | 5.000 | 5.000 | 15.000 | AA- |
| The Highland Council | 2852 | 11/04/2024 | 11/12/2024 | 72 | 5.35% | 5.000 | 5.000 | 15.000 | AA- |
| High Peaks Borough Council | 2861 | 21/08/2024 | 21/03/2025 | 172 | 4.85% | 2.500 | 2.500 | 15.000 | AA- |
| Kirklees Metropolitan Council | 90036 | 13/09/2024 | 14/10/2024 | 14 | 5.00% | 5.000 | 5.000 | 15.000 | AA- |
| Lancashire CC | 2797 | 01/12/2023 | 29/11/2024 | 60 | 4.75% | 3.000 | 3.000 | 15.000 | AA- |
| Moray Council | 2829 | 16/02/2024 | 14/02/2025 | 137 | 5.60% | 2.000 | | | AA- |
| | 2849 | 06/09/2024 | 05/09/2025 | 340 | 5.20% | 3.000 | 5.000 | 15.000 | AA- |
| Newport City Council | 90039 | 27/09/2024 | 18/10/2024 | 18 | 5.00% | 3.000 | 3.000 | 15.000 | AA- |
| Oadby and Wigston Council | 2865 | 30/09/2024 | 30/09/2025 | 365 | 4.80% | 3.000 | 3.000 | 15.000 | AA- |
| Royal Borough of Windsor & Maidenhead | 67 | 22/08/2024 | 24/08/2026 | 693 | 4.85% | 5.000 | | | AA- |
| | 2855 | 17/05/2024 | 16/05/2025 | 228 | 5.32% | 5.000 | 10.000 | 15.000 | AA- |
| Rushmoor Borough Council | 2828 | 16/02/2024 | 14/02/2025 | 137 | 5.60% | 3.000 | 3.000 | 15.000 | AA- |
| Sevenoaks District Council | 65 | 12/06/2023 | 12/06/2026 | 620 | 4.85% | 2.600 | 2.600 | 15.000 | AA- |
| South Ayreshire Council | 2854 | 23/08/2024 | 22/08/2025 | 326 | 5.00% | 5.000 | 5.000 | 15.000 | AA- |
| City of Stoke on Trent | 2832 | 15/01/2024 | 13/01/2025 | 105 | 5.75% | 2.000 | 2.000 | 15.000 | AA- |
| Tamworth Borough Council | 90030 | 10/05/2024 | 11/11/2024 | 42 | 5.35% | 5.000 | 5.000 | 15.000 | AA- |
| Wakefield Metropolitan District Cou | 66 | 27/10/2023 | 27/10/2025 | 392 | 5.65% | 5.000 | 5.000 | 15.000 | AA- |
| | | | | | | | | | |
| **MONEY MARKET FUNDS** | | | | | | | | | |
| Aberdeen Liquidity Fund | 5 | | 01/10/2024 | 1 | 5.01% | 2.550 | 2.550 | 6.000 | AAA |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Federated Prime Rate Cash Man | 1 | | 01/10/2024 | 1 | 5.03% | 1.600 | 1.600 | 6.000 | AAA |
| **STRATEGIC FUNDS** | | | | | | | | | |
| Royal London | 2714 | | 01/10/2024 | 1 | 3.62% | 10.000 | 10.000 | 10.000 | A+ |
| | | | | **157** | | **120.555** | | | |

| | |
|---|---|
| **INVESTMENT PROPERTIES** | |
| (Valuation as at 31 March 2024) | **£m** |
| Ashdown House | 6.107 |
| 49-51 High Street | 0.951 |
| Atlantic House | 3.512 |
| The Create Building | 27.719 |
| Other | 2.599 |
| | 40.888 |
| | **161.443** |

Compliance with the authorised limit and operational boundary for external debt is demonstrated in the table below.

Debt Limits

| £000 | 2024/25 Maximum | 30.9.24 Actual | 2024/25 Operational Boundary | 2024/25 Authorised Limit | Complied? |
|---|---|---|---|---|---|
| Borrowing | 268,425 | 255,325 | 254,310 | 274,310 | Yes |
| Finance Leases | 19 | 19 | 19 | 19 | Yes |
| **Total debt** | **268,444** | **255,344** | **254,329** | **274,329** | Yes |

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.

Investment Limits

| | 2024/25 Maximum | 30.9.24 Actual | 2024/25 Limit | Complied? |
|---|---|---|---|---|
| Any single organisation, except the UK Government | £6m | £0.31m | £10m | Yes |
| Any group of organisations under the same ownership | - | - | £10m | Yes |
| Any group of pooled funds under the same management | - | - | £20m | Yes |
| Negotiable instruments held in a broker's nominee account | - | - | £20m | Yes |
| Limit per non-UK country | - | - | £10m | Yes |
| Registered providers and registered social landlords | - | - | £10m | Yes |
| Unsecured investments with building societies | - | - | £10m | Yes |
| Money Market Funds | £25.0m | £4.1m | Unlimited | Yes |
| Strategic pooled funds | £10m | £10m | £20m | Yes |
| Real Estate Investment Trusts | - | - | £20m | Yes |
| Other Investments | - | - | £10m | Yes |

Financing costs as a proportion of net revenue stream

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue.

The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

| | 2023/24 actual | 2024/25 forecast | 2025/26 budget | 2026/27 budget |
|---|---|---|---|---|
| Financing costs (£000) | 3,277 | 3,393 | 3,558 | 3,757 |
| Proportion of net revenue stream | 4.3% | 4.4% | 4.6% | 4.9% |

Net Income from Commercial and Service Investments to Net Revenue Stream

The Council's income from commercial and service investments as a proportion of its net revenue stream has been and is expected to be as indicated below.

| | 2023/24 actual | 2024/25 forecast | 2025/26 budget | 2026/27 budget |
|---|---|---|---|---|
| Total net income from service and commercial investments | 1,072 | 3,243 | 3,309 | 3,377 |
| Proportion of net revenue stream | 1.4% | 4.2% | 4.3% | 4.4% |

## Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

**Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

| | 30.9.24 Actual | 2024/25 Target | Complied? |
|---|---|---|---|
| Portfolio average credit rating | A+ | A | Yes |

**Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling one-week period, without additional borrowing.

| | 30.9.24 Actual | 2024/25 Target | Complied? |
|---|---|---|---|
| Total cash available within 1 week | £14.2m | £3m | Yes |

**Interest Rate Exposures**: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

| Interest rate risk indicator | 30.9.24 Actual | 2024/25 Target | Complied? |
|---|---|---|---|
| Upper limit on one-year revenue impact of a 1% rise in interest rates | £0.221m | £1.2m | Yes |
| Upper limit on one-year revenue impact of a 1% fall in interest rates | £0.221m | £1.2m | Yes |

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.

**Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

| Refinancing rate risk indicator | 30.9.24 Actual | Upper Limit | Lower Limit | Complied? |
|---|---|---|---|---|
| Under 12 months | 14% | 20% | 0% | Yes |
| 12 months and within 24 months | 6% | 20% | 0% | Yes |
| 24 months and within 5 years | 21% | 30% | 0% | Yes |
| 5 years and within 10 years | 43% | 50% | 0% | Yes |
| 10 years and within 20 years | 30% | 40% | 0% | Yes |
| 20 years and within 30 years | 0% | 10% | 0% | Yes |
| 30 years and within 40 years | 0% | 10% | 0% | Yes |
| 40 years and within 50 years | 0% | 10% | 0% | Yes |

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

| | 2024/25 | 2025/26 | 2026/27 |
|---|---|---|---|
| Actual principal invested beyond year end | £13m | £8m | - |
| Limit on principal invested beyond year end | £20m | £15m | £10m |
| Complied? | Yes | Yes | Yes |

**Liability Benchmark:** This new indicator compares the Authority'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 of £3m required to manage day-to-day cash flow.

| £m | 31.3.24 Actual | 31.3.25 Forecast | 31.3.26 Forecast | 31.3.27 Forecast |
|---|---|---|---|---|
| Loans CFR | **255,342** | **247,464** | **247,552** | **232,010** |
| Less: Balance sheet resources | (92,262) | (84,645) | (66,497) | (44,905) |
| Working capital | (11,780) | (25,000) | (20,000) | (20,000) |
| **Net loans requirement** | **151,300** | **137,819** | **161,055** | **167,105** |
| Plus: Liquidity allowance | 10,000 | 10,000 | 10,000 | 10,000 |
| **Liability benchmark** | **161,300** | **147,819** | **171,055** | **177,105** |
| **Existing borrowing** | **268,425** | **224,325** | **211,338** | **196,344** |

Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by no future borrowing, minimum revenue provision on new capital expenditure based on a 20-year asset life and income, expenditure and reserves all increasing by inflation of 2.0% p.a. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing.