

**ORIGINATOR: PCC CHIEF FINANCE OFFICER**

**PAPER NO: AC24/26**

**SUBMITTED TO: AUDIT COMMITTEE – 27 SEPTEMBER 2024**

**SUBJECT: ANNUAL TREASURY OUTTURN REPORT FOR THE YEAR 2023/24**

**SUMMARY:**

1. This report presents the Annual Treasury Outturn Report for 2023/24 in line with CIPFA's Code of Practice on Treasury Management and the PCC's 2023/24 Investment and Treasury Management Strategy.
2. The report provides details of outturn prudential and treasury indicators compared to the estimates published within the 2023/24 Investment and Treasury Management Strategy. It was published alongside the Revenue and Capital Monitoring outturn report submitted to the Accountability and Performance Panel meeting in May 2024.
3. The report shows that at no point during the year 2023/24 has the external borrowing exceeded the operational boundary, the authorised limit, or the capital financing requirement.

**RECOMMENDATION:**

1. The Audit Committee are invited to note the contents of this report.

## Annual Treasury Outturn Report for the year 2023/24

This is a backward looking review document and provides details of a selection of outturn prudential and treasury indicators compared to the estimates published within the 2023/24 Investment and Treasury Management Strategy (The Strategy). The Strategy was published in February 2023 and provides a background narrative to the Prudential and Treasury Management Codes of Practice and its application by the PCC and Constabulary.

### Indicators relating to Capital and Borrowing

#### Capital Expenditure Outturn

	2023-24 Outturn £m	2023-24 Strategy £m	Variance £m
Capital Expenditure	5.023	6.552	(1.529)
Transition of ROU Leases	0.000	0.000	0.000

The mandatory adoption of IFRS 16 (Leases) into the Local Government Accounting Code of Practice was postponed to 1 April 2024 after the Strategy was published, therefore the transition of ROU Assets will take place on this date.

#### Capital Financing Requirement

Capital Financing Requirement		
31/03/24 Outturn	31/03/24 Strategy	Variance
£m	£m	£m
33.763	36.068	(2.305)

The capital financing requirement represents capital expenditure not yet financed by capital receipts, revenue contributions or capital grants. It measures the underlying need to borrow for capital purposes, although this borrowing may not necessarily take place externally.

#### The Ratio of Capital Financing Costs to Net Revenue Budget

Ratio of Capital Financing Costs to Net Revenue Budget		
31/03/24 Outturn	31/03/24 Strategy	Variance
2.15%	2.12%	0.03%

This indicator shows the annual revenue costs of borrowing (net interest payable on debt and the minimum revenue provision for repaying the debt), as a proportion of annual income from local taxation and non-specific government grants. The amounts include PFI MRP and interest costs.

## Authorised Limit and the Operational Boundary Limit for External Debt

The guidance on net borrowing for capital purposes advises that:

'In order to ensure that over the medium term gross debt will only be for a capital purpose, the local authority should ensure that gross external debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.'

The Code defines the authorised limit for external debt as the sum of external borrowing and any other financing long-term liabilities e.g. finance leases. These limits are consistent with the capital programme but provide headroom to allow for operational management, for example unusual cash movements.

Authorised Limit for External Debt			
	31/03/24 Outturn £m	31/03/24 Strategy £m	Variance £m
PWLB borrowing	5.970	5.970	0.000
Other long term liabilities (PIC PFI and ROU Lease Liabilities)	19.632	19.632	0.000
Headroom	9.849	12.269	(2.420)
<b>Total</b>	<b>35.451</b>	<b>37.871</b>	<b>(2.420)</b>

The Code also requires the PCC to approve an operational boundary limit for external debt. The operational boundary for external debt is the same calculation as the authorised limit without the additional headroom. The operational boundary represents a key management tool for in year monitoring and represents the underlying planned external borrowing requirement.

Operational Boundary Limit for External Debt			
	31/03/24 Outturn £m	31/03/24 Strategy £m	Variance £m
PWLB borrowing	5.970	5.970	0.000
Other long term liabilities (PIC PFI and ROU Lease Liabilities)	19.632	19.632	0.000
<b>Total</b>	<b>25.602</b>	<b>25.602</b>	<b>0.000</b>

At no point during the year 2023/24 has external borrowing exceeded the Operational Boundary, the Authorised Limit or the Capital Financing Requirement.

## Investments and Return

At 31 March 2024 The PCC held the following investments and instant access balances

CURRENT INVESTMENTS				
Start	Repay	Borrower	Rate	Amount
05/01/2024	05/04/2024	DBS Bank Ltd	5.36%	£3,000,000
05/10/2023	05/04/2024	Goldman Sachs Intl	5.605%	£5,000,000
13/10/2023	15/04/2024	Goldman Sachs Intl	5.610%	£5,000,000
07/02/2024	07/08/2024	Norfolk PCC	5.45%	£8,000,000
01/03/2024	Instant Access	Lloyds Bank	5.14%	£500,000
07/03/2024	Instant Access	Lloyds Bank	5.14%	£4,000,000
09/01/2024	Instant Access	CCLA	5.23%	£4,000,000
06/07/2021	Instant Access	Santander UK	3.31%	£250,000
				<b>£29,750,000</b>

In addition, the PCC held bank balances of £0.594m.

The average daily balances held in investment and instant access balances during the year amounted to £39.490m

The Strategy requires investments to be placed on a “high security and high liquidity” basis with high credit rated borrowers, this basis naturally results in lower investment returns. During the year the PCC earned £2.051m on investment returns, yielding an average rate of 5.19%, the equivalent SONIA average daily rate for the year was 4.97%.

At no point during the year did the PCC invest with borrowers outside of the strategy rating criteria or did lending exceed the specified counterparty limits.