Meeting Name:	Council Assembly
Date:	20 November 2024
Report title:	Treasury Management – Mid-year Update 2024-25
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Clive Palfreyman, Strategic Director of Resources

RECOMMENDATION

1. That council assembly note the 2024-25 mid-year treasury management update report and in particular:

   - the update on the economic background and implications for the Treasury Management Strategy in 2024-25.
   - that all treasury management activity was undertaken in compliance with the approved treasury management strategy and within the council's prudential indicators, attached as Appendix A.
   - that the balance outstanding on all external loans as at 30 September 2024 was £1,077m.
   - that the balance of investments at 30 September 2024 stood at £38.8m.

BACKGROUND INFORMATION

2. In compliance with the Local Government Act 2003, the council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice (the Code). The Code requires local authorities to determine an annual treasury management strategy and, as a minimum, formally report on their treasury activities and arrangements to Council Assembly mid-year and after the year-end.

3. The Code provides the following objective with regard to treasury management:

   "It is important that treasury management policies adequately reflect risk and in particular security, liquidity and yield, in that order of importance. No treasury management transaction is without risk and management of risks is the key purpose of the treasury management

strategy."

4. The council is exposed to financial risks from its investments, existing external debt, as well as future borrowing requirements arising from the council's capital programme. The risks include potential losses from investments and increased borrowing costs from changing interest rates. The successful identification, monitoring and control of risk remain central to the Authority's treasury management strategy.

5. The 2024-25 treasury management strategy was approved by Council Assembly in February 2024. Under financial delegation, all executive, managerial and operational decisions are the responsibility of the Strategic Director of Resources.

6. This mid-year Treasury Management Report covers the treasury management activity and compliance with the treasury management strategy for the period from April to September 2024.

7. CIPFA published its revised Treasury Management Code of Practice and Prudential Code for Capital Finance in December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, including the management of non-treasury investments.

8. The council's treasury management function is conducted within the framework of the Treasury Management Code. The code now also excludes extensive additional requirements for service and commercial investments.

9. On 31 March 2024, the council had net borrowing of £1,021m arising from its revenue and capital income and expenditure. The treasury management position as at 30 September 2024, the movements over the six months, the original and forecast position for 31 March 2025 are shown in Table 1 below.

Table 1: Treasury Management Summary

	Actual Balance 31.03.24 £000	**Movement £000**	**Actual Balance 30.09.24 £000**	**Original Forecast 31.03.25 £000**	**Revised Forecast 31.03.25 £000**
Long-term borrowing	1,020,303	2,100	1,022,413	1,370,000	1,123,000
Short-term borrowing	65,000	(10,000)	55,000	75,000	68,000
Total borrowing	**1,085,303**	**(7,890)**	**1,077,413**	**1,452,000**	**1,191,000**
Total investments	**(63,997)**	**25,144**	**(38,853)**	**(52,000)**	**(52,000)**
Net borrowing	**1,021,306**	**17,254**	**1,038,560**	**1,400,000**	**1,139,000**

10. As at 30 September 2024, total borrowing stood at £1,077m. Total borrowing for 2024-25 has been revised down from £1,452m to £1,191m due to capital expenditure slippage.

11. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 2 below.

Table 2: Balance Sheet Summary

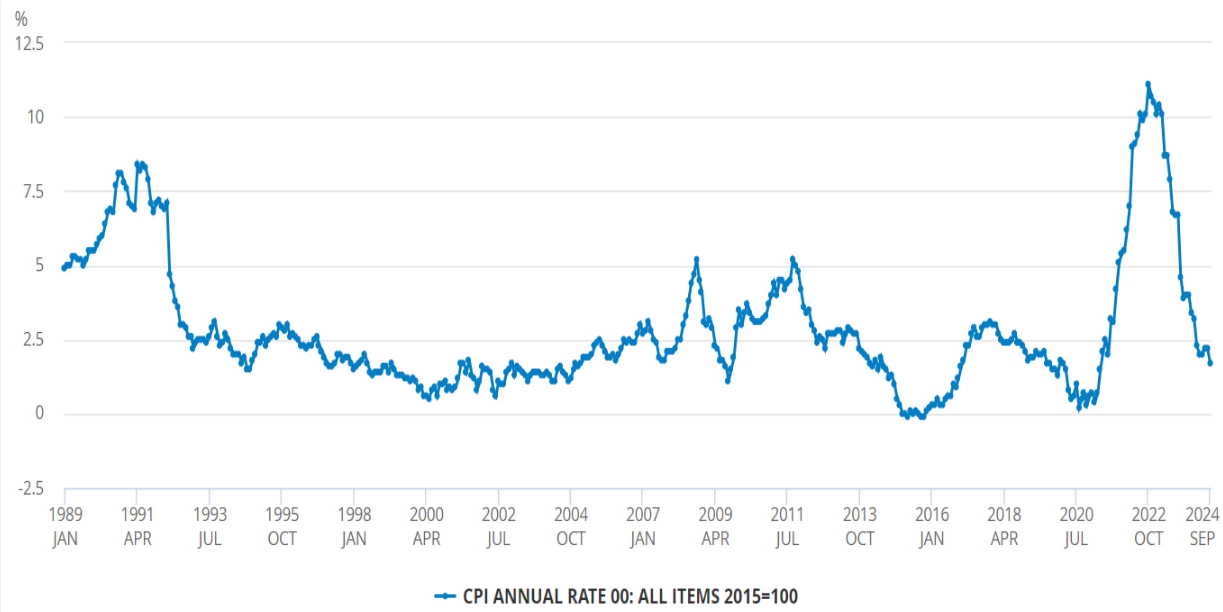
	31 March 2024 Actual £000
General Fund CFR	852,589
HRA CFR	890,012
Total CFR	**1,742,601**
Less Deferred Liability (PFI)	(71,325)
Loans CFR	**1,671,276**
Less **External borrowing**	**(1,085,303)**
Internal borrowing	**585,973**
Less: Usable reserves	*(434,364)*
Less: Working capital	*(215,606)*
Net investments	**63,997**

KEY ISSUES FOR CONSIDERATION

Economic Background: April 2024 to September 2024

12. 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.

CPI Inflation 1989 – 2024

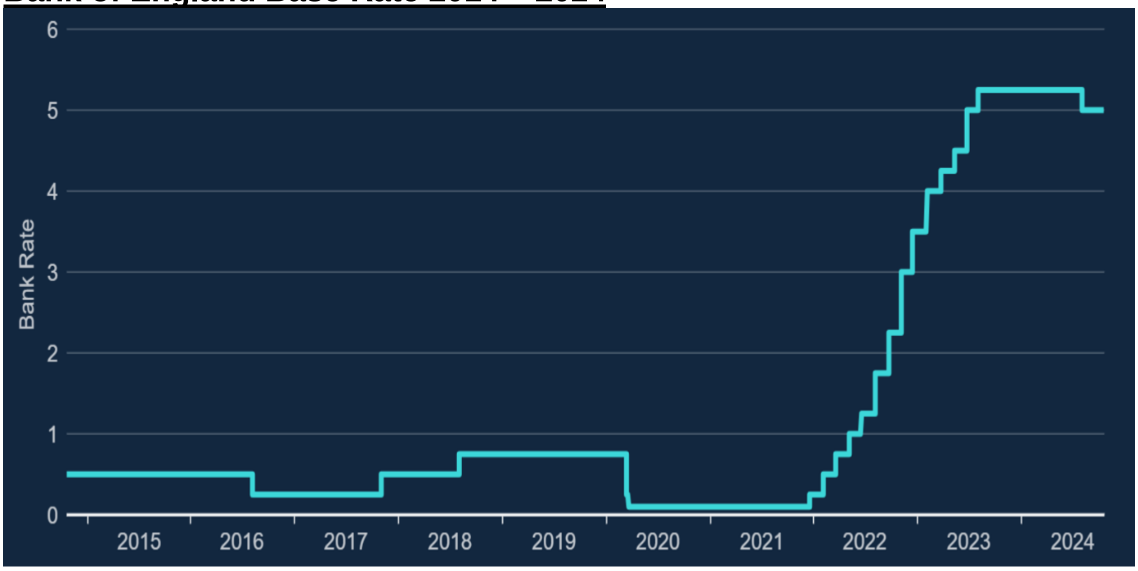


13. With headline inflation lower, the BoE cut the Bank Rate from 5.25% to 5.00% at the August Monetary Policy Committee (MPC) meeting. The decision was finely balanced, voted by a 5-4 majority with four members preferring to hold at 5.25%. Following a decision to not change the Bank Rate at the September MPC meeting, the MPC on 7 November voted by a majority of 8-1 to reduce the Bank Rate to 4.75%. The November reduction has had little effect on long term gilt markets, and therefore PWLB rates, as a reduction had already been priced in.

14. The impact of October's Budget is expected to increase inflation further with the resulting short term boost to demand not matched by a boost to supply potential. The fiscal policy announcements are expected to boost the level of GDP by around 0.75% at their peak in a year's time. It is expected that the increase in employers' National Insurance Contributions and the National Living Wage will impact on prices, profit margins, wages and employment.

15. The Consumer Price Index rose by 1.7% in the 12 months to September 2024, down from 2.2% in August 2024. The Bank expects this to rise to 2.5% by the end of the year as prior falls in energy prices drop out of the annual comparison and reveal the prevailing persistence of domestic inflationary pressures. Private sector wage growth has eased back but remains elevated and services inflation remains high at 4.9%%. However, both will continue to decline over time.

Bank of England Base Rate 2014 – 2024



16. The council's treasury adviser maintained its central view that the Bank Rate would steadily fall from the 5.25% peak, following the first cut in August and subsequent cut in November, and expect these to be followed by a series of further cuts, taking the Bank Rate down to around 3% by the end of 2025.

17. 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.

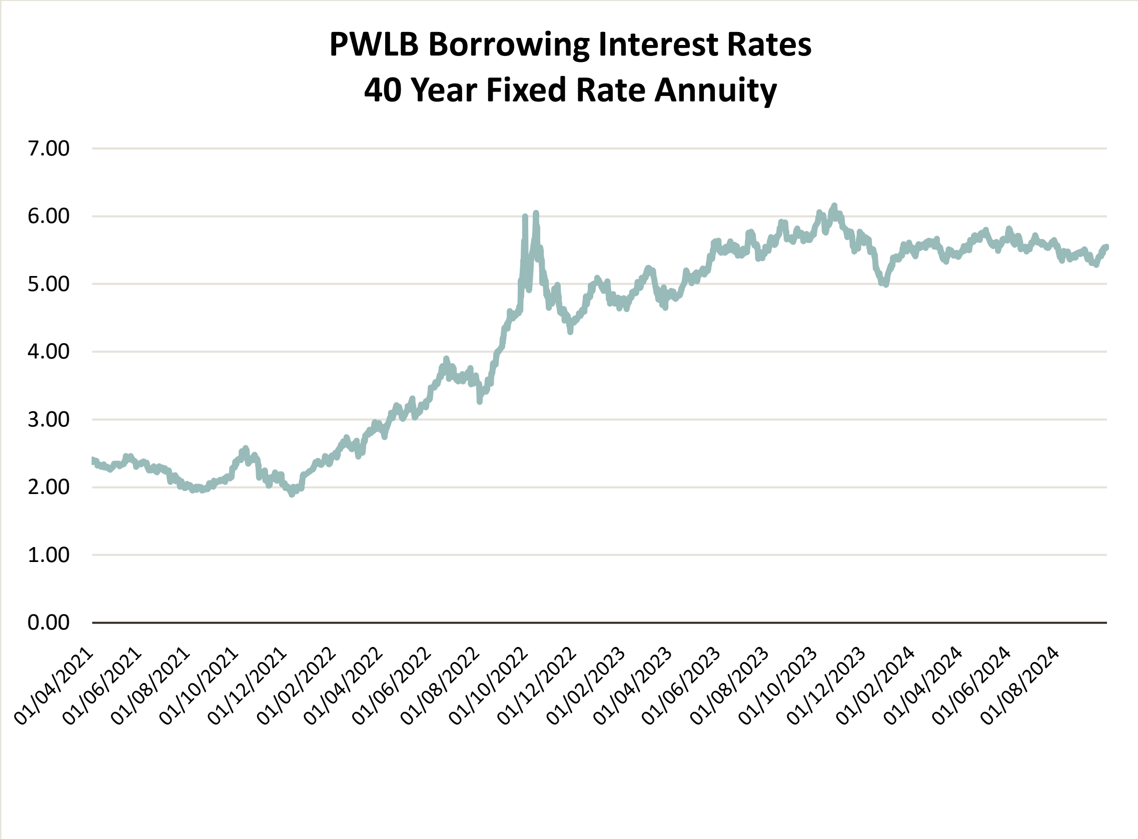
18. Donald Trump’s victory in the US presidential election is expected to have an inflationary effect across the global economy if US policy follows the key policies set out in the presidential campaign, in particular the threat of implementing tariffs on goods and services coming into the US. Higher inflation in the global economy will lead to interest rates remaining higher for longer.

19. 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.

20. 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.

21. 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 30 September.

22. The Public Works Loan Board (PWLB) remains the cheapest option; the cost of new borrowing (and refinancing maturing debt) has increased from 1.9% in December 2021 to 5.54% as at 30 September 2024 – an increase of over 292% in the space of 33 months. Rates briefly touched 6% during the peak of the political crisis in October 2022.



Implications for ongoing Treasury Management Strategy

23. The council has an ambitious capital programme, to support both the wide range of services it offers and to build new council homes. In the past, revenue balances have been utilised to forestall the need to borrow externally. This approach is commonly known as internal borrowing. Internal borrowing is cheaper than external borrowing and remains the preferred source of financing in the short term whilst sufficient funds are available.

24. Southwark has one of the highest outstanding PWLB debt of all English councils. This is largely due to the size of Southwark's council housing estate and its position as the fourth largest social landlord in the country.

25. Given the size of its housing stock and the ambition to deliver new homes, the council has a significant Housing Investment Programme, which is partially financed by borrowing. For 2025-26, the forecast borrowing requirement is £105 million, with £88 million allocated to support the delivery of new homes.

26. The need to borrow externally has a revenue impact, and this is accounted for annually in the council's budget setting process, both for the Housing Revenue Account (HRA) and the General Fund (GF).

27. The council can borrow from the PWLB, financial institutions and banks or directly from other local authorities.

28. Alternative sources of borrowing to the PWLB will be considered to ensure the lowest available rates are achieved and value for money is achieved for taxpayers. In the context of its efforts to address climate change, Council Assembly, in November 2023 approved the use of a Community Municipal Investment (CMI) opportunity as a borrowing option. This will support the delivery of projects within the council's climate action plan.

29. The council can raise capital via the issuance of Green Bonds or other similar peer-to-peer (P2P) loan agreements, known as Community Municipal Investments (CMI). It is anticipated that through two launches £1.5m will have been raised by the end of 2024-25.

30. A CMI is a simple, low cost and proven way for the council to raise funding from residents for projects that contribute to achieving its net-zero carbon target by 2030. Through partnership with Abundance Investment, a crowdfunding web platform is established that allows investment in a safe and secure manner. CMI's therefore create engagement opportunities for councils with their local communities, while diversifying funding sources.

31. The council's chief objective when borrowing is to strike an appropriately low risk balance between securing low interest costs and achieving certainty over the period for which funds are required.

32. Whilst internal borrowing and short-term borrowing provide a low-cost interim solution, they effectively defer inevitable long-term borrowing into subsequent periods. In an uncertain interest rate environment, with some expectation of rate reductions the strategy for 2025-26 is to borrow externally when rates are favourable. The exact timing and amount will be determined by the Strategic Director of Resources with regard to advice from external treasury advisors.

BORROWING STRATEGY DURING 2024/25

33. The 2024-25 Treasury Management Strategy sets out an operational borrowing limit of £1,628m and maximum borrowing requirements of £1,765m for the year. As at 30 September with outstanding borrowing of £1,077m, there is headroom in this approval of some £550 million of new borrowing.

34. The Council's forecast borrowing for the year is being re-evaluated as the cost of refinancing existing debt reduces the capacity and affordability on new borrowing.

35. During 2024-25, short term new borrowing of £50m has been taken from other local authorities. This strategy enables the Council to reduce net borrowing costs and the loans will be replaced with PWLB loans when borrowing rates are more favourable.

36. At 30 September 2024, the council held £1,077m of loans, (this is a reduction of £7.89m in borrowing since 1 April 2024), as part of its strategy for funding the Council's previous and current year's capital programmes. Outstanding loans on 30 September are summarised in Table 3 below.

Table 3: Borrowing Position

Type of Loan	Actual Balance 31.03.24 £000	Movement £000	Actual Balance 30.09.24 £000	*Original Forecast 31.03.25 £000	^Revised Forecast 31.03.25 £000
PWLB	1,014,462	1,281	1,015,743	1,370,500	1,116,000
MEEF	5,841	(171)	5,670	5,500	5,500
Green Bonds	0	1,000	1,000	1,000	1,500
Local Authority	65,000	(10,000)	55,000	75,000	68,000
Total borrowings	**1,085,303**	**(7,890)**	**1,077,413**	**1,452,000**	**1,191,000**
Total investments	***(63,997)***	***25,144***	***(38,853)***	***(52,000)***	***(52,000)***
Net borrowing	**1,021,306**	**17,254**	**1,038,560**	**1,400,000**	**1,139,000**

*Original Forecast as stated in TMSS 2024/25, approved by Council 6 February 2024 ^Revised Forecast based on current level of activities

37. The Council has over 90 loans spread over 50 years with the average maturity being 22.9 years. The maturity profile allows the Council to spread the risk of high interest rates when debt matures in any one year. The average interest for the period is 3.82%. The level of borrowing for this financial year has been revised down to £1,191m from £1,452m due to capital programme slippage.

38. The Capital Financing Requirement (CFR) - The Capital Financing Requirement measures the Council's underlying borrowing requirement.

Table 4: Capital Financing Requirement (CFR)

Capital Financing Requirement (CFR)	Actual Balance 31.03.24 £m	Original Forecast 31.03.25 £m	Revised Forecast 31.03.25 £m
General Fund	852	988	935
Housing Revenue Account	890	1,085	1,034
Total CFR	**1,742**	**2,073**	**1,969**
Less: Other debt liabilities	(71)	(176)	(66)
***Loans/Borrowing CFR**	**1,671**	**1,897**	**1,903**

*Borrowing/Loans CFR excludes finance leases, PFI liabilities and transferred debt that form part of the council's total debt

39. In the 2021 revision of the Prudential and Treasury Management Codes, CIPFA introduced the liability benchmark. The liability benchmark is effectively the net borrowing requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and

then adding the minimum level of investments required to manage day-to-day cash flow.

40. CIPFA recommends that the optimum position for external borrowing should be at the level of the liability benchmark (i.e. all balance sheet resources should be used to maximise internal borrowing).

41. The liability benchmark is presented in the table below and shows estimates of the councils underlying need to borrow over the medium term.

42. If the outputs show future periods where external loans are less than the liability benchmark, this indicates a borrowing requirement thus identifying where the authority is exposed to interest rate, liquidity, and refinancing risks. Conversely, where external loans exceed the liability benchmark, this will highlight an over-borrowed position which will result in excess cash in the organisation requiring investment, thus exposing the authority to credit and reinvestment risks and a potential cost of carry.

Borrowing Update

43. As at 30 September 2024, the balance outstanding on all of the council's external loans portfolio was £1,077m. The proportion of long-term loans outstanding stood at £1,022m, compared to £915m as at 30 September 2023.The majority of long-term loans outstanding was borrowed from the PWLB at fixed rates of interest

44. In the first half of 2024-25, £18.7m of long-term borrowing was repaid and £20m of new PWLB loan was raised.

45. Short-term borrowing outstanding as at 30 September 2024 was £55m, with a weighted average rate of 3.90% compared to £50m in September 2023 with a weighted average rate of 4.36%. All short-term borrowing was via other local authorities which are typically at lower rates compared to other sources for short-term loans.

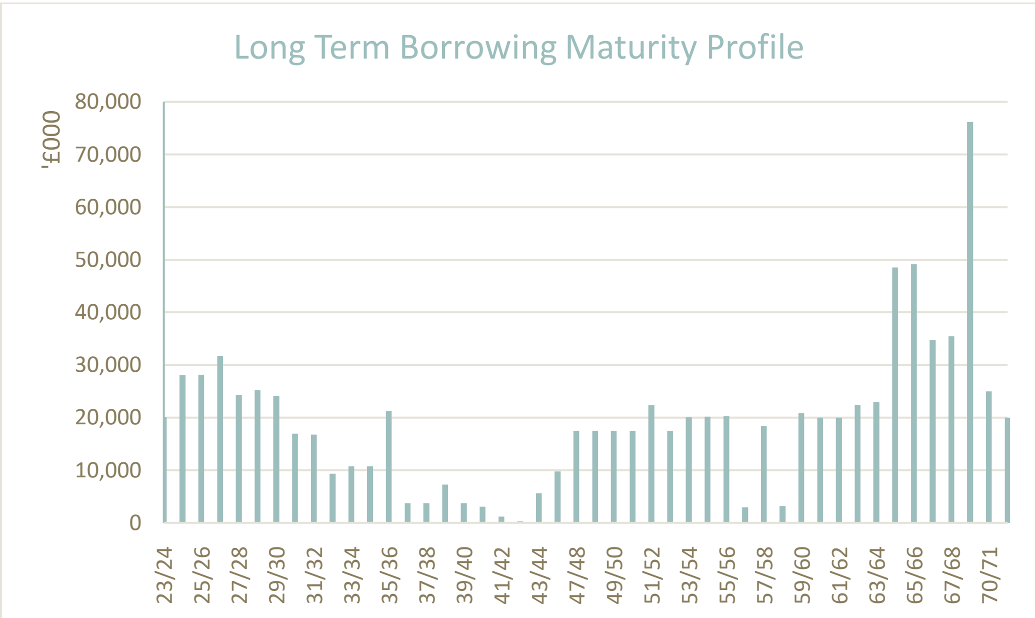
Liability Benchmark (£m)	**Actual 31.03.24 £m**	**Original Forecast 31.03.25 £m**	**Revised Forecast 31.03.25 £m**
Capital Financing Requirement	**1,742**	**2,074**	**1,969**
Less: Other Balance Sheet Items	(720)	(820)	(830)
Net Loans Requirement	**1,022**	**1,254**	**1,139**
Plus: Liquidity Allowance	63	52	52
Liability Benchmark	**1,085**	**1,306**	**1,191**
Current Loan Commitments	**1,085**	**947**	**978**
(Under) / Over benchmark: Borrowing Requirement	**-**	**(359)**	**(213)**

46. Borrowing short-term (less than one year) increases the council's exposure to interest rate and refinancing risks. To mitigate this risk, it is prudent to ensure that short-term borrowing as a proportion of the total debt portfolio is managed within prudential limits.

47. The benefits of internal/short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecasted to rise modestly. This will help inform decisions on whether the council borrows additional sums at long-term fixed rates with a view to keeping future interest costs low, even if this causes additional costs in the short-term.

48. The weighted average rate of interest for the council's debt portfolio was 3.82% at 30 September 2024, 3.87% at 31 March 2024.

49. The maturity profile of outstanding long term borrowing as at 30 September 2024 is shown in the chart below:



Investment Management

50. The council maintains investment balances, which consist of income received in advance of expenditures, as well as balances and reserves. These funds are managed both in-house and by the council's two external fund managers to maximize returns while ensuring that security and liquidity objectives are met.

51. As of 30 September 2024, total investments outstanding was £38.853 million, down from £148 million on 30 September 2023. This annual change is primarily due to increased expenditure, which has led to a reduction in investment balances.

52. It is worth noting that £34 million was disinvested from the external fund managers and it was utilised to cover the increased expenditure in place

of external borrowing, thereby reducing the total new borrowing required. Throughout the reporting period, the council's cash balances fluctuated between £7 million and £98 million, reflecting timing differences between income and expenditures.

53. The annualised rate of return for council treasury investments for the first half of 2024-25 financial year was 4.56% a declination from 2023-24 year-end performance of 4.84%, reflecting the current reduction in the available rate of return in the market.

54. The investment activity during the period conformed to the approved strategy and cash flow was successfully managed to maintain liquidity.

Prudential Indicators – Actuals and Estimates

55. Local authority borrowing, investment and capital finance activity is supported by the Prudential Code for Capital Finance, the Treasury Management in the Public Services Code of Practice and related guidance published by CIPFA. The codes require councils to set a series of indicators and limits each year. The 2023-24 indicators were agreed in February 2023, before the start of the financial year. Appendix A shows the outturn of the Authority against the 2023-24 prudential indicators and estimates for 2024-25.

56. The council has complied with its prudential indicators throughout the first half of 2024-25.

Conclusions

57. Over the reporting year all treasury management (TM) activities have been carried out in accordance with the approved limits and the prudential indicators (PI) set out in the Council's Treasury Management Strategy statement.

58. The council held outstanding investments of £38.9m as at 30 September 2024. The cash portfolio earned an interest of £2.652 million from investing in money markets funds (MMF) for the reporting period.

59. The original gross borrowing forecast for 2024-25 was £1,628m and now revised down to £1,463m due to capital programme slippage.

60. The revised borrowing CFR forecast for 2024/25 is in excess of last year closing position of £1,742m by some £227m to £1,969m.

61. The MRP charge for 2024-25 is £12.6m. and the gross MRP charge on gross debt (including PFI and finance leases) is £20.4m.

62. The total outstanding Borrowing for the reporting period stood at £1,077m, a reduction of £8m from 2023-24 closing balance of £1,085m. The original total borrowing forecast for 2024-25 was £1,452m, has been revised

down to £1,191m, this equates to some £261m reduction in borrowing need for this financial year.

63. The net borrowing is the difference between total investments outstanding and the total borrowing outstanding. For this reporting period, it stood at £1,038.6m.

64. From this reporting period to end of this financial year, the Council plan to borrow a total of £150m medium/longer-term fixed rate loans, for refinancing matured loans and to fund planned capital expenditure. These loans should provide some longer-term certainty and stability to the debt portfolio.

65. After substantial rises in interest rates since 2021 many central banks have now begun to reduce rates, albeit slowly. Gilt yields were volatile over the 6-month period and have reduced slightly between April and September 2024. Much of the downward pressure from lower inflation figures was counteracted by upward pressure from positive economic data. Data from the US continues to impact global bond markets including UK gilt yields.

66. The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the half year and 4.79% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.18%. Rates for 20-year maturity loans ranged from 5.01% to 5.57% during the half year, and 50-year maturity loans from 4.88% to 5.40%.

67. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. There will undoubtedly be short-term volatility due to economic and political uncertainty and events.

Community, Equalities (including socio-economic) and Health Impacts

68. This report monitors the council's compliance with the treasury management strategy and Council's prudential indicators as agreed in February 2024. This report has been judged to have no direct impact on local people and communities who are protected under the Equality Act.

Climate change implications

69. This report directly addresses funding of schemes that contribute towards emissions reduction and a borough that is resilient to the future changes in climate. The council can raise capital via the issuance of Green Bonds or other similar peer-to-peer (P2P) loan agreements, known as Community Municipal Investments (CMI) through its partnership with Abundance. The Green bonds issuance is a new scheme which gives residents the opportunity to invest in sustainable projects and green initiatives within the local community to support the council's target of becoming a net zero Council by 2030

Resource implications

70. Resource will be required from the Finance and Climate Change teams within the council, to lead on the development of the CMI model, promotion of the investment opportunity and delivery of funded projects. This work will be undertaken by existing resource within the council.

Consultation

71. There has been no consultation on this report.

SUPPLEMENTAL ADVICE FROM OTHER OFFICERS

Assistant Chief Executive (Governance and Assurance) (CM 06.11.2024)

72. The council's constitution determines that agreeing the treasury management strategy is a function of the council assembly and that the review and scrutiny of the treasury management strategy and policies is the responsibility of the audit, governance and standards committee.

73. Financial standing orders require the strategic director of resources to set out the treasury management strategy for consideration and decision by council assembly, also to report on activity on a regular basis to cabinet and at mid and year-end to council assembly. Furthermore all executive and operational decisions are delegated to the strategic director of resources.

74. The Local Government Act 2003 ("the 2003 Act") section 3 and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require local authorities to determine affordable borrowing limits and have regard to the Prudential Code for Capital Finance in Local Authorities, also the Treasury Management in the Public Services Code of Practice and Guidance, published by the Chartered Institute of Public Finance and Accountancy, when considering borrowing and investment strategies, determining or changing borrowing limits or prudential indicators.

75. Section 15(1) of the 2003 Act requires a local authority to have regard to such guidance as the Secretary of State may issue. This guidance includes the Ministry of Housing, Communities and Local Government Guidance on Local Authority Investments updated February 2018 and on the flexible use of capital receipts which was updated in August 2022

76. The Council will need to have had regard to the government response to the consultation on changes to statutory guidance and regulations: minimum revenue provision which was updated on the 10 April 2024.

77. Section 12 of the 2003 Act grants local authorities the powers to invest for any purpose relevant to its functions or for the purposes of the prudent management of its financial affairs.

78. Council Assembly has to have due regard to the need to eliminate discrimination, advance equality of opportunity, and to foster good relations between people with protected characteristics and others in accordance with section 149 Equality Act 2010. Members are referred to the “Community, equalities (including socio-economic) and health impacts” section above.

BACKGROUND DOCUMENTS

Background Papers	Held at	Contact
Treasury management strategy 2024-25	Southwark Council	Caroline Watson
https://moderngov.southwark.gov.uk/documents/s118673/Treasury%20Management%20Strategy%20and%20Capital%20Strategy%202024-25%20report.pdf		

APPENDICES

No.	Title
Appendix A	Prudential Indicators: 2023-24 Actuals & 2024-25 Estimates

AUDIT TRAIL

Lead Officer	Clive Palfreyman - Strategic Director of Resources	
Report Author	Caroline Watson – Chief Investment Officer	
Version	Final	
Dated	7 November 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments Sought**	**Comment included**
Assistant Chief Executive (Governance and Assurance)	Yes	Yes
Strategic Director of Resources	Yes	N/A
Cabinet Member	Yes	No
Date final report sent to Constitutional Team		8 November 2024

APPENDIX A

PRUDENTIAL INDICATORS: 2023-24 ACTUALS AND 2024-25 ESTIMATES

BACKGROUND

1. Capital finance, borrowing and investment arrangements are supported by a series of prudential indicators, drawn from the Prudential Code on Capital Finance for Local Authorities and the Treasury Management in the Public Services Code of Practice plus Guidance, published by CIPFA. The Local Government Act 2003 requires that councils have regard to these codes. The 2024-25 indicators were approved by Council Assembly in February 2024, and the 2023-24 outturn positon was reported in July 2024. This appendix updates 2024-2025 indicators.

2. The indicators are grouped into three broad areas: affordability and prudence, capital finance and treasury management. The indicators are of a technical nature and existing budgets take account of capital finance and treasury activities.

AFFORDABILITY AND PRUDENCE INDICATORS

2023-24 Outturn	2024-25 Original Estimate	2024-25 Forecast	
			Ratio of Financing Cost to Net Revenue Stream A measure of the cost of borrowing and long term liabilities net of interest income and set-asides, as a percentage of revenue.
3%	7%	6%	General Fund
8%	15%	11%	HRA

£m	**£m**	**£m**	***Capital Financing Requirements (CFR) and Gross Debt*** The CFR is the balance remaining on past capital expenditure financed through debt and long term liabilities. The level of gross debt should not exceed the CFR unless prudent over the short term. Actual gross debt has remained below the CFR throughout 2023-24 and 2024-25.
1,742	2,073	1,969	CFR
1,156	1,628	1,463	Maximum Gross Debt in the Year

CAPITAL FINANCE INDICATORS

2023-24 Outturn	2024-25 Original	2024-25 Forecast	
£m	**£m**	**£m**	***Capital Expenditure***
102	147	157	General Fund
331	263	267	HRA
433	**410**	**424**	**Total**

£m	£m	£m	***Capital Financing Requirement (CFR)*** The CFR is the balance on past capital expenditure financed through borrowing and long term liabilities.
852	988	935	General Fund
890	1,085	1,034	HRA
1,742	**2,073**	**1,969**	**Total**

TREASURY MANAGEMENT INDICATORS

Operational Boundary and Authorised Limit for External Debt:

These are limits the council determines to accommodate borrowing and long term liabilities. The lower limit is the operational boundary and takes account of existing positions and ordinary activity. The higher limit is the authorised limit, enabling additional borrowing to be taken for very short periods, in the interest of prudence, within a risk controlled framework.

2023-24 Outturn	**2024-25 Original**	**2024-25 Forecast**	**Operational Boundary**
£m	**£m**	**£m**	
1,085	1,452	1,397	Borrowing (maximum outstanding in year)
71	176	66	Other Long Term Liabilities
1,156	**1,628**	**1,463**	**Total**

£m	**£m**	**£m**	**Authorised Limit**
1,085	1,555	1,555	Borrowing (maximum outstanding in year)
71	210	66	Other Long Term Liabilities
1,156	**1,765**	**1,621**	**Total**

Debt maturity profile limits	**Lower Limit**	**Upper Limit**	**Actual Debt Maturity Profile**
Under 1 year	0%	35%	7%
1 year and within 2 years	0%	35%	1%
2 years and within 5 years	0%	50%	4%
5 years and within 10 years	0%	75%	3%
10 years and over	25%	100%	85%