

## Summary of action taken in the period April 2023 to September 2023

### ***New borrowing***

No new borrowing was undertaken in the first half of 2023/24.

### ***Debt maturity***

PWLB Annuity repayments of £0.553m were made and £5.682m fixed PWLB debt matured during the period.

Lender options (where the lender has the exclusive option to request an increase in the loan interest rate and the council has the right to reject the higher rate and repay instead) on three loans were due in the 6 month period. One lender option was exercised (by Bayerisch Landesbank) and the Council exercised the option to repay the loan in response, resulting in the £10.000m loan being repaid during September 2023.

### ***Weighted average maturity of debt portfolio***

The weighted average maturity period of the portfolio has increased from 32.4 years to 32.7 years. This is the result of a combination of a natural decrease of the maturity by six months and the change resulting from the maturing and repayment of £16.2m from the portfolio in the last 6 months.

### ***Debt rescheduling***

Opportunities to restructure PWLB debt are severely restricted under changes introduced by the Public Works Loan Board in October 2007.

### ***Capital financing requirement***

The prudential code introduces a number of indicators that compare borrowing with the capital financing requirement (CFR) – the CFR being the amount of capital investment met from borrowing that is outstanding. Table 1 compares the CFR with actual borrowing.

***Table 1 – Capital financing requirement compared to debt outstanding***

	<b>1 April 2023</b>	<b>30 September 2023</b>	<b>Movement in period</b>
Capital financing requirement (CFR)	£463.9m		
Less PFI element	(£37.6 m)		
Net CFR	£416.3m	£416.3m*	£0.0m
Long-term debt	£394.3m	£378.0m	(£16.3m)
O/S debt to CFR (%)	94.7%	90.8%	-3.9%

*\*The CFR only moves at the year-end. The forecast for the CFR at 31 March 2024 is £485.6m*

Traditionally, the level of borrowing outstanding is at or near the maximum permitted in order to reduce the risk that demand for capital investment (and hence resources) falls in years when long-term interest rates are high (i.e. to manage interest rate risk). The council has maintained the strategy of keeping borrowing at much lower levels since 2008 due to uncertainty in financial markets, increasing the borrowing in the previous two years as a result of rapidly increasing interest rate forecasts.

Currently, outstanding debt represents 90.8% of the forecast capital financing requirement.

### **Cash flow debt / investments**

The TMSS states the profile of any short-term cash flow investments will be determined by the need to balance daily cash flow surpluses with cash flow shortages.

An analysis of the cash flows reveals a net surplus for the first half of the year of £7.6m.

**Table 2 – Cash flow April 2023 to September 2023**

<b>Apr 23 to Sep 23</b>			
	<b>Payments</b>	<b>Receipts</b>	<b>Net cash</b>
Total cash for period	(£574.5m)	£582.1m	£7.6m
Represented by:			
(Increase)/Decrease in investments			£12.9m
(Decrease)/Increase in long-term borrowing			(£16.2m)
(Decrease)/Increase in Short term borrowing (including SDNPA <sup>1</sup> )			(£4.5m)
Movement in balance at bank			£0.2m
			£7.6m

### **Prudential indicators**

Budget Council approved a series of prudential indicators for 2023/24 at its meeting in February 2023. Taken together the indicators demonstrate that the council's capital investment plans are affordable, prudent and sustainable.

In terms of treasury management, the main indicators are the 'authorised limit' and 'operational boundary'. The authorised limit is the maximum level of borrowing that can be outstanding at any one time. The limit is a statutory requirement as set out in the Local Government Act 2003. The limit includes 'headroom' for unexpected borrowing resulting from adverse cash flow movements.

The operational boundary represents the level of borrowing needed to meet the capital investment plans approved by the council. Effectively it is the authorised limit minus the headroom and is used as an in-year monitoring indicator to measure actual borrowing requirements against budgeted forecasts.

Table 3 compares both indicators with the maximum debt outstanding in the second half year.

**Table 3 – Comparison of outstanding debt with Authorised Limit and Operational Boundary 2023/24**

	<b>Authorised limit</b>	<b>Operational boundary</b>
Indicator set	£657.0m	£607.0m
Less PFI & other long-term liabilities	-£38.0m	-£38.0m
Indicator re: Underlying borrowing	£619.0m	£569.0m
Maximum amount o/s in first half of year	£394.3m	£394.3m
Variance	(*)£224.7m	£174.7m

(\*) Cannot be less than zero

Table 4 shows the limits set for the maturity structure of the debt portfolio along with the actual maturity profile as at 30 September 2023.

<sup>1</sup> SDNPA (South Downs National Park Authority) cash/investments are managed on their behalf under contract with Brighton & Hove City Council.

**Table 4 – Maturity structure of fixed interest rate borrowing as at 30 Sept 2023**

	Lower Limit Set	Upper Limit Set	Actual as at 30 September 2023
Under 12 months	0.0%	40.0%	2.3%
12 months to 2 years	0.0%	40.0%	5.1%
2 years to 5 years	0.0%	50.0%	3.0%
5 years to 10 years	0.0%	75.0%	8.4%
Over 10 years	40.0%	100.0%	81.3%

***Approved organisations – investments***

No new organisations were added to the list approved in the Annual Investment Strategy (AIS) 2023/24.

***Debt Portfolio as at 30 September 2023***

Table 5 shows the debt portfolio as at 30 September 2023, analysed by fund.

**Table 5 – Debt External Portfolio as at 30 September 2023 by fund**

Fund	Debt Outstanding
General Fund	£172.150m
HRA	£205.880m
<b>Total Debt</b>	<b>£378.030m</b>

The total debt portfolio is made up of borrowing from the Public Works Loans Board (PWLB), and market lenders. Table 6 illustrates the amount outstanding and average rate of borrowing of each of these parts of the portfolio as at 30 September 2023.

**Table 6 – amount outstanding as at 30 Sept 2023 and average rate by loan type**

Lender	Loan Type	Amount Outstanding at 30 September 2023	Average rate
PWLB	Fixed Maturity	£317.060m	2.84%
PWLB	Annuity	£25.970m	2.78%
Market Lenders	LOBOs	£15.000m	4.13%
Market Lenders	Fixed Maturity	£20.000m	4.49%
<b>Total Borrowing</b>		<b>£378.030m</b>	<b>2.97%</b>

The debt outstanding to market lenders is made up of LOBO instruments (Lender Option Borrower Option) of £15.0m, and fixed market loans of £20.0m. The interest rates of these loans vary between 3.90% and 4.75%.

