North Lanarkshire Council Report

Finance and Resources Committee

Does this report require to be approved? ☐ Yes ☒ No

Ref EK/KS/RM/GM **Date** 20/11/24

Treasury Management Monitoring Report for quarter ended 30 September 2024

From Elaine Kemp, Chief Officer (Finance)

E-mail McnameeR@northlan.gov.uk **Telephone** Ryan McNamee, Finance Manager

Executive Summary

This report fulfils the key requirements of the Council's reporting procedures for Treasury Management in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. It informs on the quarterly Treasury Management activity for the period 1 July 2024 to 30 September 2024 and compliance with the mandatory treasury and prudential indicators.

Recommendations

It is recommended that the Finance and Resources Committee:

(1) Acknowledge the Treasury Management Activity for the quarter ended 30 September 2024 including the performance against the key treasury and prudential indicators.

The Plan for North Lanarkshire

Priority	Improve North Lanarkshire's resource base
Ambition statement	(25) Ensure intelligent use of data and information to support fully evidence based decision making and future planning
Programme of Work	Statutory / corporate / service requirement

1. Background

1.1 The Council manages its treasury activities in line with the CIPFA Code 'Treasury Management in the Public Services'. The Code requires the Council to produce reports on its Treasury Management policies, practices and activities on a regular and ongoing basis. The Council fulfils these obligations, in part, by the preparation of this Treasury Management Monitoring report produced on a quarterly basis, encompassing a review of performance.

1.2 The Council's "Treasury Management Strategy 2024/2025 and Treasury and Prudential Indicators 2024/2025 to 2028/2029" was approved by Committee at its meeting on 28 February 2024. The Treasury activity undertaken in the second quarter of 2024/25 reflects the key requirements of the Council's 2024/25 Treasury Management Strategy, with the Public Works Loan Board (PWLB) and Long-term Money Market being the prime source of long-term funds. In terms of investment activity, this is conducted in accordance with the approved 2024/25 investment strategy.

2. Report

Summary Position

2.1 The net overall borrowing position to 30 September 2024 is £997.4m, which is a reduction of £31.6m from the position at the 30 June 2024. A detailed breakdown of the net cash movement is shown in column (6) within Appendix 1 and is discussed below.

Borrowing

2.2 At the end of the quarter, total external debt amounted to £1,049.1m, a reduction of £13.3m. This was primarily due to repayment of existing PWLB debt of £16.8m, a reduction in lease payments under existing finance lease and Service Concessions obligations of £2.0m falling due for repayment. In addition, this was partly offset by an increase in net temporary borrowing of £5.5m, due to £85.5m of new borrowing being offset by £80.0m falling due for repayment.

2.3 The Council's approach to borrowing is in line with the approved strategy which aims to source long-term borrowing and take advantage of temporary (short-term) borrowing at attractive rates, and where possible, using internal cash balances, to meet the principal repayments, daily revenue account requirements and the capital financing requirement, in lieu of future borrowing for capital purposes. The strategy adopted considers interest rate forecasts, the management of carrying costs and the retention of cash balances at appropriate levels, whilst managing the associated investment, interest, and liquidity risk.

2.4 The Council made a successful application to the PWLB to access the certainty rate which allows a 20-basis point (bps) (0.20%) discount on loans from the PWLB under the prudential borrowing regime. This will continue to provide the Council with an opportunity to borrow from the PWLB at more beneficial rates until 30 April 2025.

2.5 A new PWLB HRA rate, which is 0.4% below the certainty rate, has been available from 15th June 2023, which will now be available until June 2025, to support local authorities borrowing for Housing capital purposes or refinancing existing loans. In conjunction with our treasury advisors, we continue to review borrowing requirements and assess borrowing opportunities for the Council during 2024/25.

2.6 The CIPFA Prudential Code stipulates that local authorities cannot borrow to invest primarily for financial return, deeming it imprudent to make investment or spending decisions which will increase the capital financing requirement resulting in new borrowing, unless it is directly and primarily related to the functions of the Council. The Council is compliant with this requirement. Members should note also that PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield.

2.7 Members will be aware interest rates have risen significantly over the past 2 years, increasing materially the cost of both short and long-term borrowing. In this quarter, the Bank of England reduced the base rate to 5.00% in August. It should be noted that the Council's cost of short-term borrowing reduced slightly during the quarter as whilst the cost of short-term borrowing from other local authorities spiked to around 7% in late March 2024, primarily due a dearth of local authority lending/borrowing activity during the month, as expected shorter-term rates reverted to a more normal range and were generally around 5.00% to 5.25% through the quarter. The average rate on the Council's short-term loans at 30th September 2024 was 5.15%.

2.8 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 period and reduced slightly between June 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. The PWLB certainty rate for 10-year maturity loans was 5.02% at the beginning of the quarter and 4.79% percent at the end. The lowest available 10-year maturity rate during the quarter was 4.52% and the highest was 5.06%. Rates for 20-year maturity loans ranged from 5.01% to 5.47% during the quarter, and 50-year maturity loans from 4.88% to 5.29%.

Debt Restructuring

2.9 In conjunction with our Treasury advisors, we monitored the economic climate in relation to our financial targets and Treasury Management Strategy, for the quarter under review. The interest rates prevailing throughout the period resulted in no beneficial opportunities for debt restructuring/rescheduling of the existing PWLB debt portfolio arising.

2.10 The Council continues to hold £3.0m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. The rise in market interest rates increases the probability of LOBOs being called, however, no lender exercised their option during the quarter.

2.11 Further reports regarding future activity will be presented to Committee as appropriate.

Investments

2.12 Treasury management investments arise from cash flows or treasury risk management activity, that results in balances being invested, until the cash is required for use in the course of business.

2.13 At the end of the second quarter of 2024/25, the Council held total investments of £51.7m, which is a net increase of £18.3m in cash and cash equivalents, primarily due to a £14.7m increase in short-term investments, reflecting maturing temporary investments of approximately £305.8m, and undertaking new short-term investments of £320.5m, and a reduction in uncleared balances due to timing differences including cash in transit of £3.7m. See summary at Appendix 1, column 6.

2.14 At quarter end, the uncleared balances including cash in transit was £4.5m which is a net deficit position, a reduction of £3.7m compared to the position reported at the end of the previous quarter of £8.1m. The positive net cash movement primarily reflects a decrease in the value of BACS creditor payment runs compared with the previous period. The balance at 30 September 2024 comprises £4.5m of net BACS credits outstanding due for clearance within 3 days of the quarter end date, cash in transit balance of £0.2m, partly offset by cheques unpresented of £0.2m.

2.15 In line with the approved strategy to manage liquidity, the Council aims to maintain a minimum balance of £30.0m available on an overnight basis (instant access), ensuring a prudent level of funds is maintained to meet all service requirements.

2.16 During the quarter, the MPC voted to reduce the Bank of England base rate by 0.25% to 5.00%. This reduction of the base rate over the period under review, resulted in short-dated cash rates also reducing, with rates ranging between 5.14% at the beginning of July to 4.88% at the end of September, a reduction of 0.26% for overnight/7-day maturities. There is little noticeable difference between the 7 day and 1-month SONIA (Sterling Overnight Rate) bid rates and generally available investment rates offered by financial institutions and money market funds. Despite this, the Council will endeavour to achieve good performance levels in investment activity.

2.17 Overall the Treasury Management team continues to take a prudent approach to investing surplus funds in line with the approved 2024/25 Investment Strategy. Security of investment followed by ensuring sufficient liquidity are key investment criteria governing Council investment decisions. This approach is aligned to the prudent management of liquidity to meet current commitments and future cash demands based on the latest cashflow projections. During the quarter, the rates on DMADF deposits ranged between 4.94% and 5.19% and money market rates between 4.90% and 5.21%.

2.18 However, as demonstrated by the liability benchmark reported at (xi) below and Appendix 3 attached, it is anticipated the Council will be a long-term borrower and therefore new treasury investments are primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

Non-Treasury Management Investments

2.19 During the quarter, no repayments were made in respect of third-party advances in connection with the Cumbernauld Academy DBFM and Greenfaulds DBFM.

Interest Rate Movements & Other Economic Updates

2.20 As outlined by our treasury management advisors, 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 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.

2.21 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 and 0.3% in the third. Of the monthly figures, the economy was estimated to have registered no growth in July, with growth of 0.2% in August.

2.22 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%.

2.23 With headline inflation lower, the BoE cut base 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 base 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.

2.24 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.

2.25 Our treasury management advisors maintain its central view that base 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 base rate down to around 3% by the end of 2025.

2.26 In global terms, the US Federal Reserve 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. Their forecasts released at the same time 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%. Unlike the US Federal Reserve, 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.

2.27 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 year was reversed in the later part, and yields ended 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.

2.28 Over the period, the 10-year UK benchmark gilt yield started at 4.18% and ended at 4.00% but hit a high of 4.29% in early July and a low of 3.76% in mid-September. While the 20-year gilt started at 4.61% and ended at 4.51% but hit a high of 4.73% in early July and a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.03% over the period to 30th September.

2.29 Due to holding of the base rate during the period, short-term borrowing interest rates stabilised with the short term 7-day offer rate ranging between 5.06% and 5.34% over the period. Taking account of the increase in borrowing rates and advice from our treasury management advisors, it was considered more cost effective in the near term to use a combination of internal resources or to borrow rolling temporary / short-term loans at lower interest rates where possible rather than long term borrowing. This will result in increased temporary borrowing costs for the Council partially offset by increased investment income earned on surplus balances.

2.30 The Treasury Management Section will continue to monitor financial and economic policy and their impact upon the Council's investment and borrowing activity.

The Prudential Code for Capital Finance in Local Authorities

2.31 The Local Government in Scotland Act 2003 requires the Council to undertake its Treasury activities in line with the Prudential Code for Capital Finance in Local Authorities.

2.32 Committee, at its meeting on 28 February 2024, approved a report titled, "Treasury Management Strategy 2024/2025 and Treasury and Prudential Indicators 2024/2025 to 2028/2029". This report detailed a variety of mandatory and local indicators aimed at assisting members to determine that proposed capital investment levels and treasury management decisions satisfied the key requirements of affordability, prudence and sustainability. Performance against key prudential indicators for 2024/25 to date is detailed within Appendix 2.

(i) Indicator 1(a) illustrates planned investment on capital expenditure is forecast to be lower than initially anticipated by £63.8m in 2024/25. This reflects a reduction of £19.3m in the General Fund capital investment and £44.5m for the HRA Mainstream and New Build programmes. For further information, this is monitored in detail as part of the Council's capital programme reporting mechanisms which will provide spend details including any revisions to the estimates approved in 2024/25.

(ii) The mix of resources required to finance the capital expenditure in 2024/25 reflects the updates on forecast capital investment. Therefore, the level of in-year borrowing is anticipated to be lower by £75.3m due to a reduction in General Fund programme requirements of £49.0m and £26.3m for HRA programme. This forecast level of borrowing also reflects a net decrease in capital grants and external contributions of £14.6m with decreased funds available to HRA programmes of £18.3m partly offset by an increase in General Fund of £3.7m. An increase of £24.4m of CFCR is also anticipated, primarily due to an increase in General Fund related to one-off savings in pension costs in 2024/25 being utilised for capital investment, and an increase in capital receipts of £1.6m.

(iii) As a result of accounting issues arising from the pandemic recovery, the implementation of IFRS 16 Lease Accounting was further delayed. Therefore, a restatement of existing liabilities for operating leases to the credit arrangement category will be implemented in 2024/25 with an estimated impact of £2.2m. In addition, subsequent impact of IFRS16 implementation on Service Concessions liabilities in 2024/25, is estimated to result in capital investment of £93.9m being recognised in the period to 2028/29. It should be noted that this does not represent cash expenditure and is offset by recognition of associated credit arrangements financing.

(iv) Indicator 1(b) – The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). The CFR is essentially a measure of Council's underlying borrowing need i.e. capital expenditure not resourced by capital grants, receipts or CFCR, with any new borrowing increasing the CFR. The CFR is projected to rise to £1,591.4m within the financial year as at 30 September 2024.

(v) The Prudential Code requires the Council's capital investment to be prudent and affordable. To demonstrate this, a Prudential Margin (the need to borrow versus actual borrowing) is calculated. Indicator 1(c) demonstrates a healthy prudential margin of £262.8m estimated as at 30 September 2024. The timing and profile of external borrowing to replenish cash reserves and balances are being managed, giving full consideration to liquidity, interest rate and refinancing risk, whilst minimising the potential carrying costs.

(vi) Indicator 1(d) illustrates that both the overall Authorised Limit and Operational Boundary limits for borrowing and long-term liabilities have not been exceeded, with the maximum borrowing undertaken within the period being well below the approved boundaries.

(vii) Indicator 1(e) illustrates the financing costs forecasts as at 30 September 2024 for both general fund and HRA as a proportion of net revenue stream. Although capital expenditure is not charged directly to revenue, interest payable on loans, and loan fund and long-term liability repayments are. 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, NDR and government grants.

(viii) Indicator 2(a) highlights the proportion of external interest payable by the Council which is fixed and variable over the term of the borrowing, and therefore the exposure to the effects of interest rate changes. As at 30 September 2024, the level of borrowing subject to variability is deemed to be within acceptable levels.

(ix) Indicator 2(b) highlights a projected increase in loan charges of £2.0m compared to the initial Treasury Management Strategy estimates for 2024/25. This projection takes into account treasury management activity, internal Interest on Revenue Balances (IORB) recharges due to increased market interest rates, the loans fund holiday flexibility adopted in 2022/23 and decisions of the Policy and Strategy Committee and the Strategic Capital Delivery Group to approve and reprofile the new capital programme for the period 2024/25 to 2028/29 based on current programme delivery plans. However, it should be noted that due to significant uncertainty and volatility within market conditions that there is a material risk of movement in applicable interest rates impacting IORB recharges. When applied to the high levels of balances held by the Council, this could lead to a significant movement in the level of financing costs expected. A review has been undertaken to model the potential impact of any changes and has been incorporated within this report and will continue to be reviewed throughout the year with further updates to be provided to members in future reports. This current loan charge variance is made up of:

- A net treasury management interest and expenses overspend of £2.3m is projected (£0.6m General Fund, HRA £1.7m), which is a primarily a reflection of increased internal IORB charges, and incorporates cashflow management techniques adopted, e.g. directing the timing of new borrowing, managing investment security, liquidity and interest rate risk.
- In 2024/25 it is anticipated there will be a minor reduction in anticipated loans fund advance repayments of £0.3m (£0.2m General Fund, HRA £0.1m). This is primarily due to revised average loan pool rates from previously forecast.

(x) Indicator 2(c) relates to the level of fixed debt due to mature within time periods. The level of debt maturing remains within the upper limits set for each category at the beginning of the financial year.

(xi) The Liability Benchmark at Appendix 3 is a new indicator. The Treasury Management Code states that organisations should evaluate the amount, timing and maturities needed for new borrowing in relation to planned borrowing needs, in order to avoid borrowing too much, too little, too long or too short. 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 shapes its strategic focus and decision making. Essentially this benchmark identifies the projection of external debt/borrowing required over the long term to fund approved revenue & capital budgets, while keeping treasury investments at the minimum level required to manage day-to-day cash.

(xii) This represents the comparison of the Council's actual borrowing against an alternative strategy. This utilises the forecasts for Capital Financing Requirement, long-term liabilities, current external borrowing, balance sheet resources i.e. reserves, and that cash and investment balances are kept to a minimum of £30.0m at each year-end to maintain sufficient liquidity but minimise credit risk.

	31/3/24 Actual £m	**31/3/25 Forecast £m**	**31/3/26 Forecast £m**	**31/3/27 Forecast £m**	**31/3/28 Forecast £m**	**31/3/29 Forecast £m**
Loans CFR	1,175.8	1,292.7	1,522.0	1,736.5	1,876.7	2,027.6
less Balance Sheet Resources	(369.5)	(344.5)	(312.7)	(295.8)	(236.8)	(224.0)
Net Loans Requirement	**806.3**	**948.2**	**1,209.3**	**1,440.6**	**1,639.9**	**1,803.6**
plus: Liquidity Allowance	30.0	30.0	30.0	30.0	30.0	30.0
Liability Benchmark	**836.3**	**978.2**	**1,239.3**	**1,470.6**	**1,669.9**	**1,833.6**
Existing Borrowing	**866.9**	**746.1**	**553.7**	**512.6**	**478.2**	**448.0**
New Borrowing Required	**0.0**	**232.1**	**685.6**	**958.0**	**1,191.7**	**1,385.5**

(xiii) The Loans CFR (solid light blue) represents the total cost of the capital expenditure plans based on the estimated current profile of the 5-year Capital Programme 2024/2025 to 2028/2029 as approved by Policy & Strategy Committee on 14th March 2024. This reduces over time as scheduled principal repayments are made to the loans fund. The Net Loans Requirement (dotted red line) represents the minimum external borrowing required to fund the current capital expenditure plans assuming all cash reserves and balances are utilised to offset borrowing requirements. The Liability Benchmark (solid red line) represents the estimated borrowing required, taken account of liquidity allowance required of £30.0m to be held to maintain liquidity and to manage day-to-day cashflows.

(xiv) The solid grey section shows the maturity profile of current borrowing. The gap between the grey section and the liability benchmark line represents the estimated additional borrowing that is forecast will be required to fund the current capital expenditure plans, via long-term and short-term borrowing options.

3. Measures of success

3.1 Overall the approach adopted by the Council's Treasury Management team during the quarter under review met the key requirements of the 2024/25 Treasury Management Strategy. Prudential indicators have remained in accordance with those approved by Committee on 28 February 2024. The projected final outturn illustrates a healthy prudential margin and borrowing levels that are below sustainable limits, ensuring that the projected capital investment levels remain affordable and sustainable. However, the current financial volatility and increased borrowing costs has resulted in an assessment being undertaken of the potential impact on future years of the current capital programme. This will continue to be monitored to determine if any further review of the programme is required to ensure that it remains sustainably affordable.

4. Supporting documentation

Appendix 1: Loans, Long term Liabilities & Investments as at 30 September 2024
Appendix 2: Summary of Treasury and Prudential Indicators as at quarter ended 30 September 2024
Appendix 3: Liability Benchmark as at quarter ended 30 September 2024

Elaine Kemp
Chief Officer (Finance)

5. Impacts

5.1	**Public Sector Equality Duty and Fairer Scotland Duty** Does the report contain information that has an impact as a result of the Public Sector Equality Duty and/or Fairer Scotland Duty? Yes ☐ No ☒ If Yes, please provide a brief summary of the impact? If Yes, has an assessment been carried out and published on the council's website? https://www.northlanarkshire.gov.uk/your-community/equalities/equality-and-fairer-scotland-duty-impact-assessments Yes ☐ No ☐
5.2	**Financial impact** Does the report contain any financial impacts? Yes ☒ No ☐ If Yes, have all relevant financial impacts been discussed and agreed with Finance? Yes ☒ No ☐ If Yes, please provide a brief summary of the impact? Financial impacts are outlined within the report.
5.3	**HR policy impact** Does the report contain any HR policy or procedure impacts? Yes ☐ No ☒ If Yes, have all relevant HR impacts been discussed and agreed with People Resources? Yes ☐ No ☐ If Yes, please provide a brief summary of the impact?
5.4	**Legal impact** Does the report contain any legal impacts (such as general legal matters, statutory considerations (including employment law considerations), or new legislation)? Yes ☐ No ☒ If Yes, have all relevant legal impacts been discussed and agreed with Legal and Democratic? Yes ☐ No ☐ If Yes, please provide a brief summary of the impact?
5.5	**Data protection impact** Does the report / project / practice contain or involve the processing of personal data? Yes ☐ No ☒ If Yes, is the processing of this personal data likely to result in a high risk to the data subject? Yes ☐ No ☐ If Yes, has a Data Protection Impact Assessment (DPIA) been carried out and e-mailed to dataprotection@northlan.gov.uk Yes ☐ No ☐

5.6	**Technology / Digital impact** Does the report contain information that has an impact on either technology, digital transformation, service redesign / business change processes, data management, or connectivity / broadband / Wi-Fi? Yes ☐ No ☒ If Yes, please provide a brief summary of the impact? Where the impact identifies a requirement for significant technology change, has an assessment been carried out (or is scheduled to be carried out) by the Enterprise Architecture Governance Group (EAGG)? Yes ☐ No ☐
5.7	**Environmental / Carbon impact** Does the report / project / practice contain information that has an impact on any environmental or carbon matters? Yes ☐ No ☒ If Yes, please provide a brief summary of the impact?
5.8	**Communications impact** Does the report contain any information that has an impact on the council's communications activities? Yes ☐ No ☒ If Yes, please provide a brief summary of the impact?
5.9	**Risk impact** Is there a risk impact? Yes ☒ No ☐ If Yes, please provide a brief summary of the key risks and potential impacts, highlighting where the risk(s) are assessed and recorded (e.g. Corporate or Service or Project Risk Registers), and how they are managed? As the Council borrows and invests significant sums of money it is exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. Therefore, successful identification, monitoring and control of risk remains central to the Council's treasury management strategy. Treasury Management activity by its very nature has a number of inherent risks including interest rate, liquidity and refinancing risks. To minimise risk for its treasury management activities the Council adopts and operates in accordance with the guidelines for best practice prescribed within the CIPFA "Treasury Management in the Public Services" Code of Practice and the CIPFA Prudential Code for Capital Finance in Local Authorities.
5.10	**Armed Forces Covenant Duty** Does the report require to take due regard of the Armed Forces Covenant Duty (i.e. does it relate to healthcare, housing, or education services for in-Service or ex-Service personnel, or their families, or widow(er)s)? Yes ☐ No ☒ If Yes, please provide a brief summary of the provision which has been made to ensure there has been appropriate consideration of the particular needs of the Armed Forces community to make sure that they do not face disadvantage compared to other citizens in the provision of public services.

5.11	**Children’s rights and wellbeing impact** Does the report contain any information regarding any council activity, service delivery, policy, or plan that has an impact on children and young people up to the age of 18, or on a specific group of these? Yes ☐ No ☒ If Yes, please provide a brief summary of the impact and the provision that has been made to ensure there has been appropriate consideration of the relevant Articles from the United Nations Convention on the Rights of the Child (UNCRC). If Yes, has a Children’s Rights and Wellbeing Impact Assessment (CRWIA) been carried out? Yes ☐ No ☐

LOANS, LONG TERM LIABILITIES & INVESTMENTS AS AT 30 SEPTEMBER 2024

Appendix 1

		DEBT RESTRUCTURING					
	BALANCE 1-July-24 (1)	EARLY REDEMPTION (2)	REFINANCING (3)	NEW BORROWING / LONG-TERM LIABILITIES (4)	PRINCIPAL REPAYMENTS (5)	NET CASH MOVEMENTS (6)	BALANCE 30-September-24 (7)
LONG-TERM LOANS							
PWLB	564,709,637	0	0	0	(16,735,005)	(16,735,005)	547,974,632
MONEY MARKET LOANS	54,000,000	0	0	0	0	0	54,000,000
LOBO	3,000,000	0	0	0	0	0	3,000,000
ENERGY EFFICIENCY LOAN	631,571	0	0	0	(26,023)	(26,023)	605,548
	622,341,208.14	0	0	0	(16,761,028)	(16,761,028)	605,580,180.00
SHORT-TERM LOANS							
TEMPORARY	233,500,000	0	0	85,500,000	(80,000,000)	5,500,000	239,000,000
MUNICIPAL BANK	0	0	0	0	0	0	0
INTERNAL LOANS	6,280	0	0	0	0	0	6,280
	233,506,280	0	0	85,500,000	(80,000,000)	5,500,000	239,006,280
LONG -TERM LIABILITIES							
FINANCE LEASE OBLIGATIONS	1,055,925	0	0	0	0	0	1,055,925
LONG TERM LIABILITY	205,410,993	0	0	0	(1,992,769)	(1,992,769)	203,418,224
	206,466,918	0	0	0	(1,992,769)	(1,992,769)	204,474,148
TOTAL EXTERNAL DEBT	**1,062,314,406**	**0**	**0**	**85,500,000**	**(98,753,797)**	**(13,253,797)**	**1,049,060,608**
INVESTMENTS							
THIRD PARTY ADVANCES	1,146,829.39	0	0	0	0	0	1,146,829
BANKS & OTHER FINANCIAL INSTITUTIONS	40,348,023.85	0	0	0	0	14,642,039	54,990,063
UNCLEARED BALANCES INCL CASH IN TRANSIT	(8,118,919)	0	0	0	0	3,662,428	(4,456,491)
CASH & CASH EQUIVALENTS	**33,375,934**	**0**	**0**	**0**	**0**	**18,304,467**	**51,680,401**
NET BORROWING	**1,028,938,472**	**0**	**0**	**85,500,000**	**98,753,797**	**(31,558,264)**	**997,380,208**

Appendix 2

Summary of Treasury and Prudential Indicators as at quarter ended 31 March 2025

1. Prudential Indicators

(a)

Capital Expenditure	**Initial Estimate 2024/2025 (£m)**	**Projected Outturn 2024/2025 (£m)**	**Variance 2024/2025 (£m)**	**Forecast 2025/2026 (£m)**	**Forecast 2026/2027 (£m)**	**Forecast 2027/2028 (£m)**	**Forecast 2028/2029 (£m)**
Capital Expenditure: General Services	156.5	137.2	(19.3)	187.3	139.2	86.6	133.2
Capital Expenditure: HRA	155.8	111.3	(44.5)	166.3	173.6	153.6	131.1
Total spend : Capital Expenditure	**312.3**	**248.5**	**(63.8)**	**353.6**	**312.8**	**240.2**	**264.3**
Total spend : Credit Arrangement	88.7	88.6	(0.1)	0.3	1.0	2.1	4.1
Total Capital Investment	**401.0**	**337.1**	**(63.9)**	**353.9**	**313.8**	**242.3**	**268.4**
Financed By:							
Capital Grants & Other External Contributions	72.1	57.5	(14.6)	49.1	44.9	44.6	52.0
Capital from Current Revenue	20.1	44.5	24.4	43.5	20.1	20.1	20.1
Capital receipts	3.3	4.9	1.6	5.0	3.0	1.5	4.0
Capital receipts transfer to Capital Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CFR : Borrowing - General Services	114.8	65.8	(49.0)	126.8	108.4	57.6	94.3
CFR : Borrowing - HRA	102.0	75.7	(26.3)	129.2	136.4	116.4	93.9
Credit Arrangements	88.7	88.6	(0.1)	0.3	1.0	2.1	4.1

(b)

Capital Financing Requirement (CFR)	**Initial Estimate 2024/2025 (£m)**	**Projected Outturn 2024/2025 (£m)**	**Variance 2024/2025 (£m)**	**Forecast 2025/2026 (£m)**	**Forecast 2026/2027 (£m)**	**Forecast 2027/2028 (£m)**	**Forecast 2028/2029 (£m)**
General Services	1,081.8	1,016.2	(65.6)	1,127.7	1,219.7	1,260.1	1,337.7
HRA	603.8	575.2	(28.6)	689.8	809.8	908.1	981.6
Total CFR	**1,685.6**	**1,591.4**	**(94.2)**	**1,817.5**	**2,029.5**	**2,168.2**	**2,319.3**
Movement in CFR	**276.6**	**182.4**		**226.1**	**212.0**	**138.7**	**151.1**

(c)

Gross Debt and the Capital Financing Requirement	**Initial Estimate 2024/2025 (£m)**	**Projected Outturn 2024/2025 (£m)**	**Variance 2024/2025 (£m)**	**Forecast 2025/2026 (£m)**	**Forecast 2026/2027 (£m)**	**Forecast 2027/2028 (£m)**	**Forecast 2028/2029 (£m)**
Gross Borrowing : Loan Debt	1,147.1	1,034.6	(112.5)	1,295.7	1,526.6	1,726.2	1,896.6
Long-term Liabilites	293.0	294.0	1.0	290.9	288.4	287.0	287.4
Gross Debt	**1,440.1**	**1,328.6**	**(111.5)**	**1,586.6**	**1,815.0**	**2,013.2**	**2,184.0**
Capital Financing Requirement	1,685.6	1,591.4	(94.2)	1,817.5	2,029.5	2,168.2	2,319.3
Prudential Margin	**245.5**	**262.8**	**17.3**	**230.9**	**214.5**	**155.0**	**135.3**

Appendix 2 (cont)

Summary of Treasury and Prudential Indicators as at quarter ended 31 March 2025

1. Prudential Indicators

(d)

Authorised Limit and Operational Boundary	**Initial Authorised Limit 2024/2025 (£m)**	**Initial Operational Boundary 2024/2025 (£m)**	**Maximum Borrowing Level Q2 2024/2025 (£m)**
Borrowing	1,515.0	1,465.0	855.8
Other Long-term Liabilities	340.0	340.0	204.5
Total Debt	**1,855.0**	**1,805.0**	**1,060.3**

(e)

Proportion of Financing Costs to Net Revenue Stream	**Initial Estimate 2024/2025 (£m)**	**Projected Outturn 2024/2025 (£m)**	**Variance 2024/2025 (£m)**	**Forecast 2025/2026 (£m)**	**Forecast 2026/2027 (£m)**	**Forecast 2027/2028 (£m)**	**Forecast 2028/2029 (£m)**
General Fund Loan Charges	49.8	44.1	(5.7)	46.7	53.6	60.2	64.8
General Fund Finance Lease/PPP Costs	15.3	19.7	4.4	19.3	20.3	20.2	20.7
General Fund : Capital Financing Costs	**65.1**	**63.8**	**(1.3)**	**66.0**	**73.9**	**80.4**	**85.5**
General Fund : Net Revenue Stream	**988.8**	**990.3**	**1.5**	**988.8**	**988.8**	**988.8**	**988.8**
Proportion of Financing Costs to Net Revenue Stream - GF	**6.6%**	**6.4%**	**(0.1%)**	**6.7%**	**7.5%**	**8.1%**	**8.6%**

Proportion of Financing Costs to Net Revenue Stream	**Initial Estimate 2024/2025 (£m)**	**Projected Outturn 2024/2025 (£m)**	**Variance 2024/2025 (£m)**	**Forecast 2025/2026 (£m)**	**Forecast 2026/2027 (£m)**	**Forecast 2027/2028 (£m)**	**Forecast 2028/2029 (£m)**
HRA Loan Charges	42.8	38.9	(3.9)	42.2	49.2	56.7	64.8
HRA Finance Lease/PPP Costs	0.3	0.3	0.0	0.3	0.3	0.3	0.3
HRA : Capital Financing Costs	**43.1**	**39.2**	**(3.9)**	**42.5**	**49.5**	**57.0**	**65.1**
HRA : Net Revenue Stream	**167.1**	**160.5**	**(6.6)**	**167.1**	**175.8**	**186.0**	**196.3**
Proportion of Financing Costs to Net Revenue Stream - HRA	**25.8%**	**24.4%**	**(1.4%)**	**25.4%**	**28.2%**	**30.6%**	**33.2%**

Summary of Treasury and Prudential Indicators as at quarter ended 31 March 2025

2. Treasury Management Indicators

a) Interest Rate Exposures on External Interest Payments

	Position as at 30/09/2024 (£m)	%
External Interest Payable on Fixed Rate Loan Debt	38.5	99.2%
External Interest Payable on Variable Rate Loan Debt	0.3	0.8%

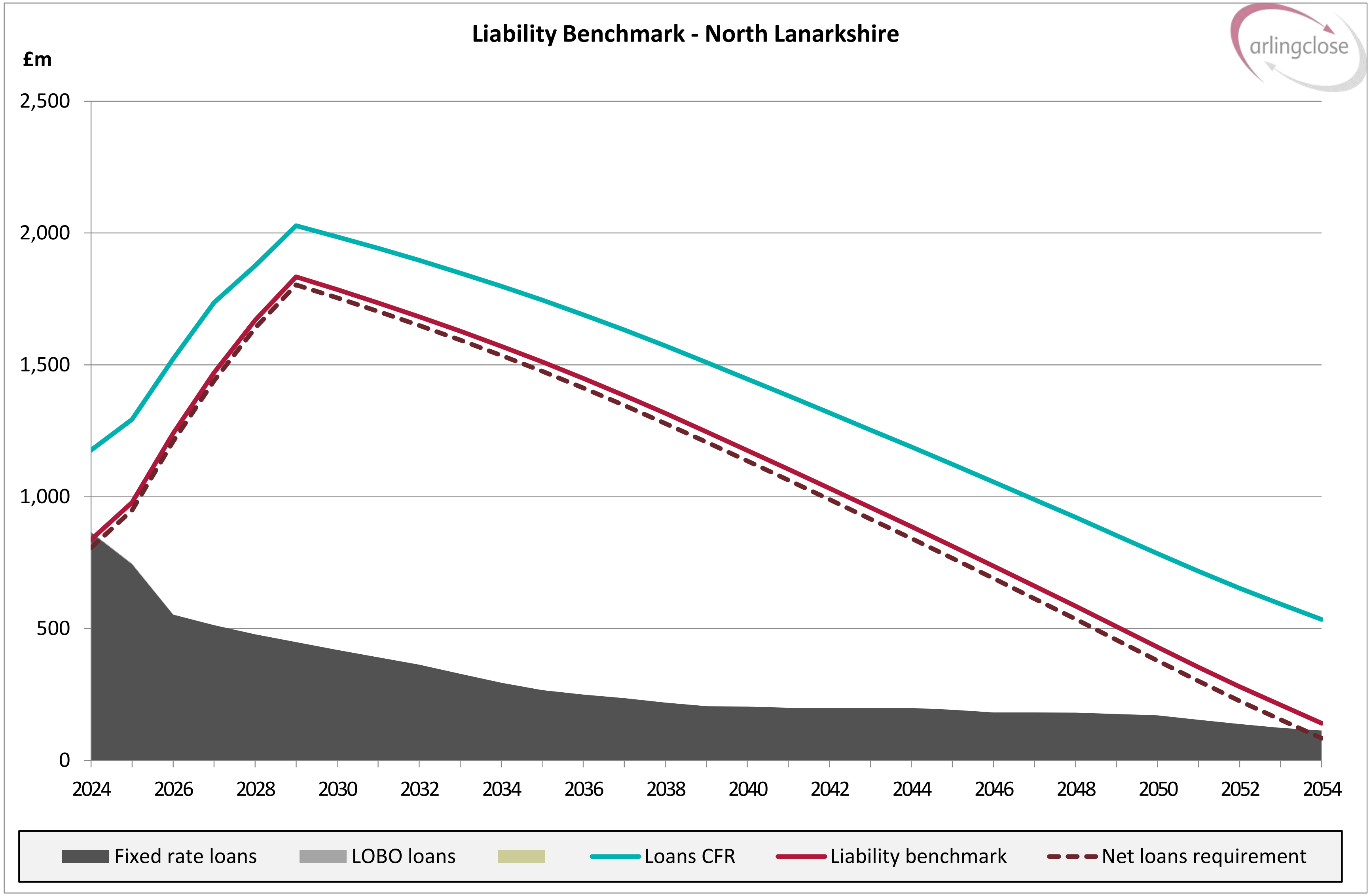
b) Loans Fund Revenue Account

	Initial Estimate 2024/2025 (£m)	Projected Outturn 2024/2025 (£m)	Variance 2024/2025 (£m)	%age
Loans Fund Interest Payments	58.2	60.5	(2.3)	(4.0%)
Loans Fund Expenses	0.4	0.4	0.0	0.0%
Total Loans Interest Payments & Expenses	**58.6**	**60.9**	**(2.3)**	**(3.9%)**
Loans Funds Investment Income	(1.9)	(1.9)	0.0	0.0%
Total Loans Fund Interest Payments Investment Income & Expenses	**56.7**	**59.0**	**(2.3)**	**(4.1%)**
Allocated as follows :				
Loans Fund Interest Payments Investment Income & Expenses:General Fund	32.4	33.0	(0.6)	(1.9%)
Loans Fund Interest Payments Investment Income & Expenses:HRA	24.3	26.0	(1.7)	(7.0%)
Capital Advances Repayments - General Fund	11.3	11.1	0.2	1.8%
Capital Advances Repayments - HRA	13.0	12.9	0.1	0.8%
Total Capital Advances	**24.3**	**24.0**	**0.3**	**1.2%**
Total Loan Charges	**81.0**	**83.0**	**(2.0)**	(2.5%)

c) Maturity Structure of Borrowing

	<12months	12 months to 2 years	2 to 5 years	5 to 10 years	10 to 20 years	20 to 40 years	>40 years
Upper Limit maturing :Fixed & Variable Rate Debt	15.0%	15.0%	25.0%	30.0%	35.0%	45.0%	30.0%
Lower Limit maturing :Fixed & Variable Rate Debt	0.0%	0.0%	5.0%	5.0%	5.0%	10.0%	10.0%
Maturity structure at the start of Q2	5.8%	6.0%	16.7%	26.6%	12.9%	27.8%	4.1%
Maturity structure at the end of Q2	5.9%	7.1%	15.6%	26.1%	13.6%	27.4%	4.3%

Appendix 3



Liability Benchmark - North Lanarkshire
£m
2,500
2,000
1,500
1,000
500
0
2024
2026
2028
2030
2032
2034
2036
2038
2040
2042
2044
2046
2048
2050
2052
2054
Fixed rate loans
LOBO loans
Loans CFR
Liability benchmark
Net loans requirement