

PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS FOR 2023-24

Capital Expenditure	2021-22 Actual (restated) £m	2022-23 Current £m	2023-24 Forecast £m	2024-25 Forecast £m	2025-26 Forecast £m
General Fund	106.331	111.867	122.281	80.875	35.482
Housing Revenue Account (HRA)	52.102	74.458	156.185	139.331	94.109
Total	158.433	186.325	278.466	220.206	129.591
Financed by:					
Grant	19.137	19.373	51.264	21.506	5.000
Developers Contributions (S.106 & CIL)/Leaseholder Contributions	40.919	44.692	50.347	29.418	19.113
Capital Receipts	10.794	8.076	12.874	8.952	17.168
RTB/MRR	22.760	67.602	41.735	36.597	24.897
Revenue Financing	0.248	14.074	46.215	5.909	2.178
Net financing need (Borrowing) for the year					
Prudential Borrowing - GF	43.505	32.508	20.961	31.851	14.625
HRA Borrowing	21.070	0.000	55.070	85.973	46.610
Net financing need (Borrowing) for the year	64.575	32.508	76.031	117.824	61.235
Total	158.433	186.325	278.466	220.206	129.591
Gross Debt					
b/f	465.745	460.448	424.247	431.569	480.684
Movement in CFR	64.575	32.508	76.031	117.824	61.235
Actual Debt	-69.872	-68.709	-68.709	-68.709	-68.709
Gross Debt	460.448	424.247	431.569	480.684	473.210

	2021-22 Limit £m	2022-23 Limit £m	2023-24 Limit £m	2024-25 Limit £m	2025-26 Limit £m
Authorised limit - borrowing	599.65	608.665	585.161	689.77	735.74
Authorised limit - PFI and leases	52.469	49.059	41.286	35.789	29.673
Authorised limit - total external debt	652.12	657.724	626.447	725.56	765.41
Operational boundary - borrowing	569.65	568.665	555.161	659.77	705.74
Operational boundary - PFI and leases	52.469	49.059	41.286	35.789	29.673
Operational boundary - total external debt	622.12	617.724	596.447	695.56	735.41
Upper limit for total principal sums invested or over 365 days (per maturity date)	£150m	£150m	£150m	£150m	£100m

Maturity structure of new fixed rate borrowing during 2023/24	Upper Limit	Lower Limit
under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	60%	0%
5 years and within 10 years	75%	0%
10 years and within 20 years	100%	0%
20 years and within 30 years	100%	0%
30 years and within 40 years	100%	0%
40 years and within 50 years	100%	0%

Treasury Management Policy Statement

The London Borough of Tower Hamlets defines the policies and objectives of its treasury management activities as follows: -

1. This organisation defines its treasury management activities as:
“The management of the Council’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.”

Policy on use of an External Treasury Advisor

The Council shall employ an external treasury advisor to provide treasury management advice and cash management support services. However, the Council shall control the credit criteria and the associated counter-party list for investments.

The Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

Treasury Management Scheme of Delegation

1. Council

- receiving reports from the Audit Committee on treasury management policies, practices and activities
- approval of annual Treasury Management and Investment Strategy
- approval of annual Capital Strategy

2. Section 151 Officer

- approval of/amendments to the organisation's adopted clauses and Treasury Management Policy Statement
- budget consideration and approval
- approval of the division of responsibilities
- approving the selection of external service providers and agreeing terms of appointment

3. Audit Committee

- reviewing the treasury management policies, practices and activities and making recommendations to the responsible body
- receiving the mid-year and annual outturn reports
- receiving and reviewing regular monitoring reports and acting on recommendations

Treasury Management Reporting Arrangement

Area of Responsibility	Council/Committee/ Officer	Frequency
Treasury Management Strategy Statement / Annual Investment Strategy / Minimum Revenue Provision Policy / Capital Strategy Report	Council	Annually before the start of the financial year to which policies relate
Mid-Year Treasury Management Report	Audit Committee or Council	Annually during the financial year to which the report relates
Updates or revisions to the Treasury Management Strategy Statement / Annual Investment Strategy / Minimum Revenue Provision Policy / Capital Strategy Report	Audit Committee or Council	As necessary
Annual Treasury Outturn Report	Audit Committee or Council	Annually after the year end to which the report relates
Treasury Management Practices	Corporate Director, Resources	Annually
Scrutiny of Treasury Management Strategy Statement / Annual Investment Strategy / Capital Strategy	Overview and Scrutiny Committee (if called in) / Audit Committee	Annually before the start of the financial year to which the report relates
Scrutiny of Treasury Management Performance	Audit Committee	Quarterly

GLOSSARY

Asset Life	How long an asset, e.g. a Council building is likely to last.
Borrowing Portfolio	A list of loans held by the Council.
Borrowing Requirements	The principal amount the Council requires to borrow to finance capital expenditure and loan redemptions.
Capitalisation direction or regulations	Approval from central government to fund certain specified types of revenue expenditure from capital resources.
CIPFA Code of Practice on Treasury Management	A professional code of Practice which regulates treasury management activities.
Capital Financing Requirement (CFR)	Capital Financing Requirement- a measure of the Council's underlying need to borrow to fund capital expenditure.
Certificates of Deposits	A certificate of deposit (CD) is similar to a fixed deposit with a bank but is more liquid as it can be sold to another counterparty should the need arise.
Commercial paper	Commercial paper is a discounted security issued by large corporations to obtain funds to meet short-term debt obligations.
Counterparties	Organisations or Institutions the Council lends money to e.g. Banks; Local Authorities and MMF.
Corporate bonds	A corporate bond is a bond issued by a corporation to raise debt funding.
Covered bonds	A covered bond is a corporate bond with one important enhancement: recourse to a pool of assets that secures or "covers" the bond if the originator (usually a financial institution) becomes insolvent. These assets act as additional credit cover.
Consumer Prices Index & Retail Prices Index (CPI & RPI)	The main inflation rate used in the UK is the CPI. The Chancellor of the Exchequer bases the UK inflation target for the Bank of England on the CPI. The CPI inflation target is set at 2%. The CPI differs from the RPI in that CPI excludes housing costs.
Credit Default Swap (CDS)	A derivative providing protection against counterparty default.

Credit Arrangements	Methods of Financing such as finance leasing
Credit Ratings	A scoring system issued by credit rating agencies such as Fitch, Moody's and Standard & Poors to indicate the financial strength of a counterparty.
Creditworthiness	The strength of a counterparty with regard to its chances of becoming insolvent and therefore defaulting.
Debt Management Office (DMO)	The DMO is an agency of the HM Treasury which is responsible for carrying out the Government's Debt Management Policy.
Debt Rescheduling	The refinancing of loans at different terms and rates to the original loan.
Depreciation Method	The spread of the cost of an asset over its useful life.
Gilts	Gilt-edged securities are bonds issued by the UK government to raise funding from investors to meet the fiscal deficit.
Interest Rate exposure	A measure of the impact movements in interest rates will have on the Council's debt cost and investment income budgets.
Impaired investment	An investment that has had a reduction in value to reflect changes that could impact significantly on the benefits expected from it.
LIBID	The London Interbank Bid Rate – it is the interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Money Market Fund (MMF)	A 'pool' of investments managed by a fund manager that invests in highly liquid short-term financial instruments. The Council can invest in these funds to maintain liquidity and gain the creditworthiness benefits of the diversified structure.
Monetary Policy Committee (MPC)	Committee designated by the Bank of England whose main role is to set monetary policy.
Minimum Revenue Provision (MRP)	This is the amount which must be set aside from the revenue budget each year to cover future repayment of the CFR.
Premium	Cost of early repayment of loan to PWLB to compensate for any losses that they may incur
Prudential Indicators	Set of rules providing local authorities borrowing for funding capital projects under a professional code of practice developed by CIPFA and providing measures of affordability and prudence reflecting the Council's Capital Expenditure, Debt and Treasury Management.

PWLB	Public Works Loan Board, a statutory body whose function is to lend money to Local Authorities (LAs) and other prescribed bodies.
Treasury bills (or T-bills)	Treasury bills (or T-bills) are short-term debt securities issued by the UK government to manage its cash position.
Unrated institution	An institution that does not possess a credit rating from one of the main credit rating agencies.
Unsupported Borrowing	Borrowing where costs are wholly financed by the Council.