Northumberland County Council

COUNCIL

2 NOVEMBER 2022

Treasury Management Annual Report for the Financial Year 2021-22

Report of Jan Willis, Interim Executive Director of Finance and S151 Officer

Cabinet Member: Councillor Richard Wearmouth – Deputy Leader and Portfolio Holder for Corporate Services

Purpose of the Report

This report provides details of performance against the Treasury Management Strategy Statement (TMSS) 2021-22, approved by the County Council on 24 February 2021. The report provides a review of borrowing and investment performance for 2021-22, set in the context of the general economic conditions prevailing during the year. It also reviews specific Treasury Management prudential indicators defined by the (CIPFA) Treasury Management Code of Practice and CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code), and approved by the Authority in the TMSS.

Recommendations

Members receive the report and note the performance of the Treasury Management function for 2021-22.

Link to the Corporate Plan

This report supports the “We want to be efficient, open and work for everyone” priority included in the Council’s Corporate Plan 2018-21 “A Council that Works for Everyone”.

Key Issues

The Local Government Act 2003 (the Act) and supporting Regulations require the Council to produce an annual review of treasury management activities and present the actual performance against prudential and treasury indicators. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

The report provides a review of the Treasury Management activities for 2021-22; and sets out performance against the Treasury Management Strategy Statement for 2021-22.

TREASURY MANAGEMENT ANNUAL REPORT 2021-22

1. INTRODUCTION

1.1. Background

This Treasury Management Annual Report provides a review of the activities of the Treasury Management function for the period 01 April 2021 to 31 March 2022 and shows performance against the Treasury Management Strategy Statement (TMSS) for 2021-22. Its production and submission to Council is a requirement of the CIPFA Code of Practice on Treasury Management.

Treasury management is defined as:

"The management of the local authority's investments and 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."

1.2. Statutory and Regulatory Requirements

The Local Government Act 2003 (the Act) and supporting Regulations require the Council to produce an annual review of treasury management activities and the actual performance against prudential and treasury indicators. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore, important as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

1.3. Basis and Content of Treasury Management Annual Report for 2021-22

The report covers:

- Overview of and compliance with the Treasury Management Strategy for the financial year 2021-22;
- Economic conditions and interest rates during 2021-22;
- Overview of the treasury position at 31 March 2022;
- Borrowing activity for 2021-22;
- Investment activity for 2021-22;
- Performance against budget; and,
- Treasury management limits and prudential indicators position.

2. TREASURY MANAGEMENT STRATEGY FOR 2021-22

2.1. Overview of the 2021-22 Strategy

The 2021-22 treasury management strategy was approved 23 February 2021. At the time the expectation for interest rates within the treasury management strategy for 2021-22 was for UK Bank Rate (often referred to as Base Rate) to remain at 0.10% throughout the year, and for longer term borrowing rates to remain low, in line with increasing bond yields.

With investment returns anticipated to remain low (at least in the short term), the proposed strategy for 2021-22 was to continue to operate with an under borrowing position - i.e. use investments in lieu of external borrowing – and to meet the remaining external borrowing requirement for the year (estimated at that time at £185 million net of maturing loans) primarily from shorter term / temporary borrowing, but with the caveat that medium to longer term borrowing may also be considered, particularly if rate increases materialise earlier than projected (due to increased optimism in the economy etc.).

2.2. Compliance

Significant levels of additional grant were received from Central Government to help support the Council's response to the Covid-19 pandemic. It was essential that those funds remained liquid and were readily accessible at short notice. This necessitated a temporary increase in April 2020 (authorised by the Executive Director of Finance and S151 Officer), in the approved limits for Money Market Funds, in order to support the management of the increased overnight cash balances from £25.000 million to £35.000 million per Counter Party / Bank, and from £150.000 million to £170.000 million for overall Money Market Fund balances.

With the exception of the above, all other treasury activities met the Treasury indicators set out in the TMSS, and borrowing was within the borrowing limits set by the Council. Throughout the period, all treasury activities have been conducted within the parameters of the TMSS 2021-22, alongside best practice suggested by the CIPFA Treasury Management Code and Central Government.

3. ECONOMIC CONDITIONS AND INTEREST RATES DURING 2021-22

3.1. Economy

The UK economy endured a number of false starts from the effects of the coronavirus pandemic during 2021-22. But with most of the economy opened up and nearly back to business-as-usual, the GDP numbers were robust (8.7% year-on-year Q1 2022) and sufficient for the Monetary Policy Committee to focus on tackling the knock-on effects of inflation. By March 2022 the annual rate of inflation – the consumer price index (CPI) - had already risen to a 30-year high of 7.00%; with the conflict between Russia and Ukraine further intensifying these inflationary pressures.

After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25%

at its meeting on 16 December 2021, 0.50% at its meeting of 04 February 2022 and then to 0.75% on 16 March 2022.

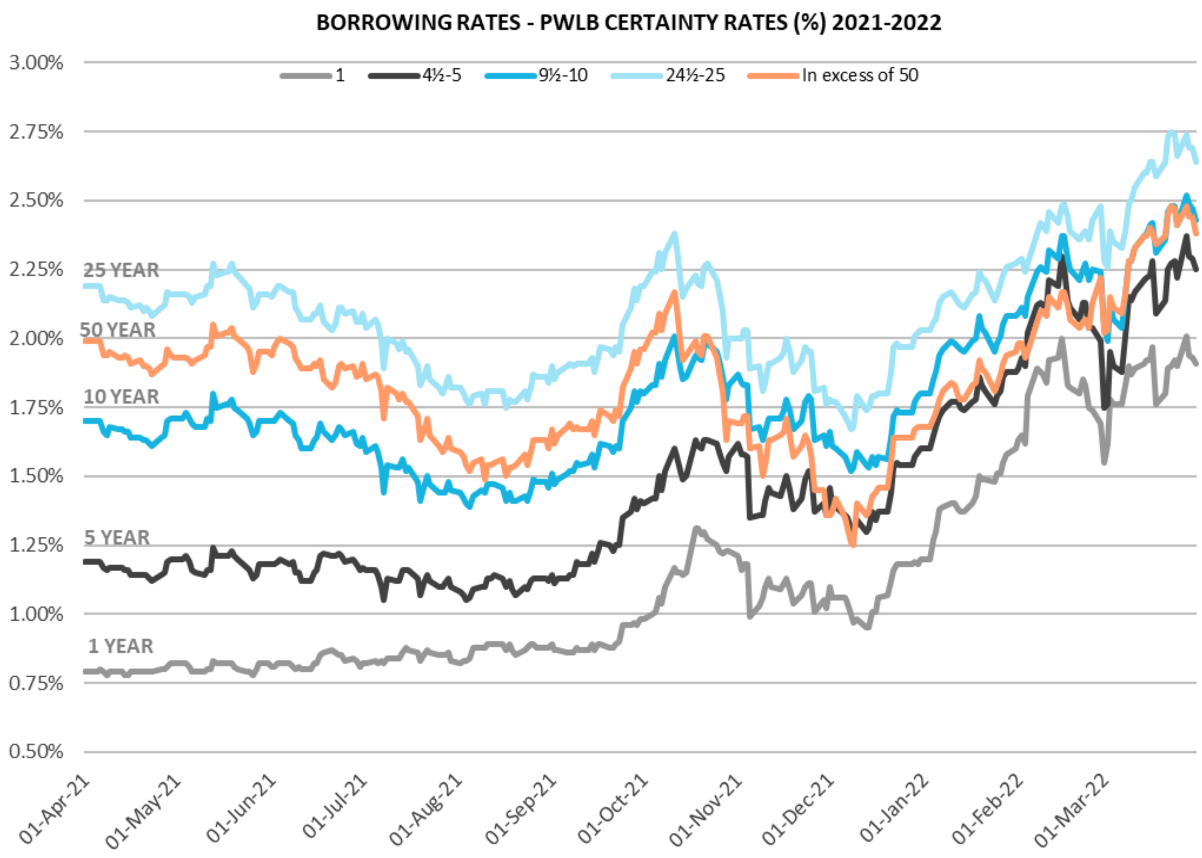
3.2. Borrowing Rates

PWLB borrowing rates are based on gilt yields (the interest rate of government debt), and in turn the inverse relationship between gilt prices and gilt yields – when demand increases, prices rise and yields fall. And because gilts are generally regarded as a 'safe-haven', demand typically strengthens when worries grow about the outlook for the economy; and vice versa.

Gilt yields fell sharply from the spring of 2021 through to September and then spiked before falling again through December. However, by January sentiment had well and truly changed, as markets became focussed on the embedded nature of inflation, spurred on by a broader opening of economies post the pandemic, and rising commodity and food prices resulting from the Russian invasion of Ukraine.

At the close of the day on 31 March 2022, all gilt yields from 1 to 5 years were between 1.11% – 1.45% while the 10-year and 25-year yields were at 1.63% and 1.84%.

The following graph shows PWLB (borrowing) rate movements during the year, for a selection of maturity periods.



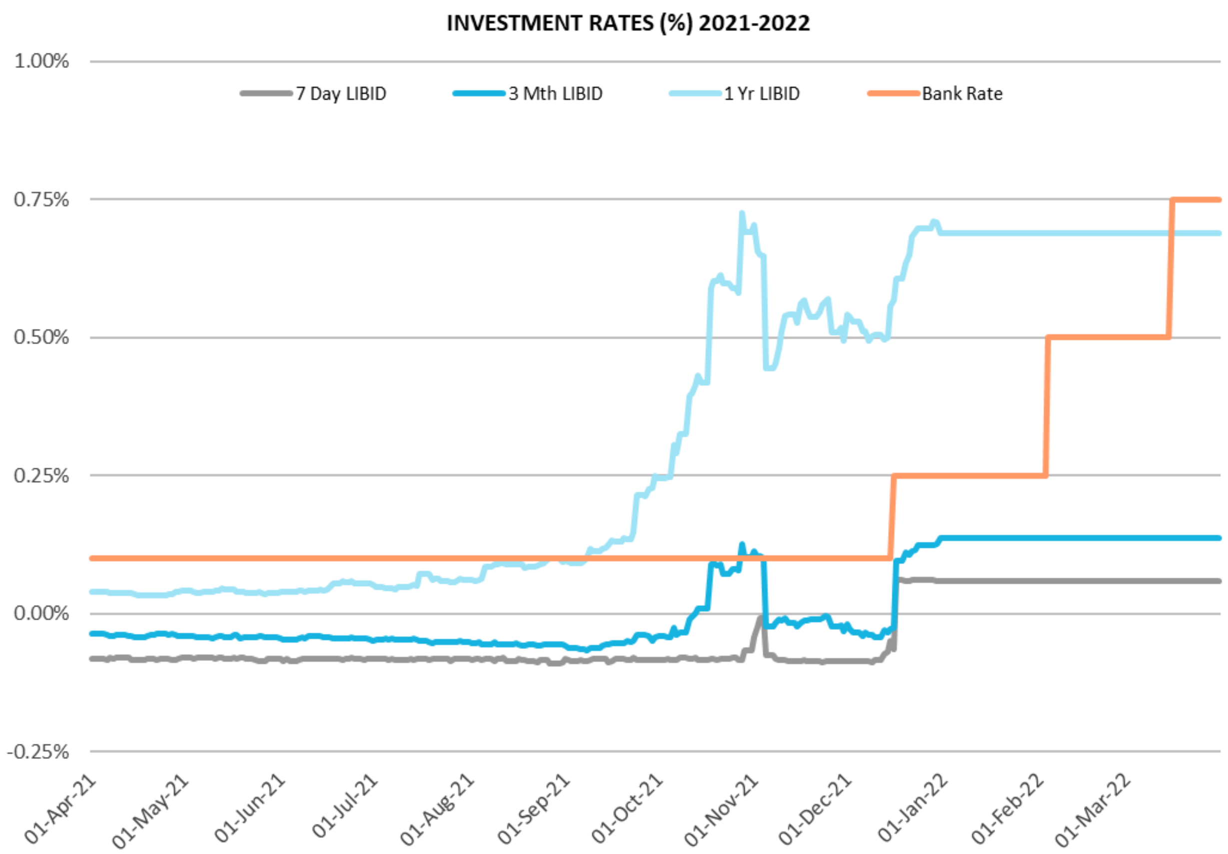
3.3. Investment Rates

The expectation for interest rates within the treasury management strategy for 2021-22 was that Bank Rate would remain at 0.1% until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessitated.

Investment returns remained close to zero for much of 2021-22. Most local authority lending managed to avoid negative rates and one feature of the year was the continued growth of inter local authority lending

The Bank of England and the Government also maintained various monetary and fiscal measures, supplying the banking system and the economy with significant amounts of inexpensive credit so that banks could help cash-starved businesses to survive the various lockdowns/negative impact on their cashflow. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates remained low until towards the turn of the year when inflation concerns indicated central banks, not just the Bank of England, would need to increase interest rates to combat the second-round effects of growing levels of inflation.

The following graph shows a selection of investment rate movements during the year:



4. THE PORTFOLIO POSITION AT 31 MARCH 2022

4.1. Current Borrowing

The Council's debt at 01 April 2021 and 31 March 2022 is shown below:

TABLE 1: BORROWING	Total Principal 01 April 2021 £m	Weighted Average Rate %	Total Principal 31 March 2022 £m	Weighted Average Rate %
Public Works Loan Board Loans	459.814	2.65	451.281	2.66
LOBOs	176.500	3.95	176.500	3.95
Market / Local Authority (>1yr)*	144.100	2.50	129.10	2.62
Market / Local Authority (<1yr)*	32.034	0.34	0.000	-
Salix	0.024	-	0.049	-
TOTAL EXTERNAL BORROWING	**812.472**	**2.82**	**756.930**	**2.96**

* Note: above figures are based on the term of loans at their inception.

4.2. Current Investments

The table below summarises the investment position at 01 April 2021 and 31 March 2022:

TABLE 2: INVESTMENTS	Total Outstanding 01 April 2021 £m	Weighted Average Rate %	Total Outstanding 31 March 2022 £m	Weighted Average Rate %
Fixed Term Investments – Long Term (>1yr)*	33.250	3.24	25.000	3.23
Fixed Term Investments – Short Term (<1yr)*	91.000	0.13	65.000	0.42
Money Market Funds	82.350	0.02	98.100	0.53
TOTAL INVESTMENTS (excl. Cash)	**206.600**	**0.59**	**188.100**	**0.85**

* Note: above figures are based on the term of investments at their inception.

5. BORROWING ACTIVITY 2021-22

5.1. Introduction

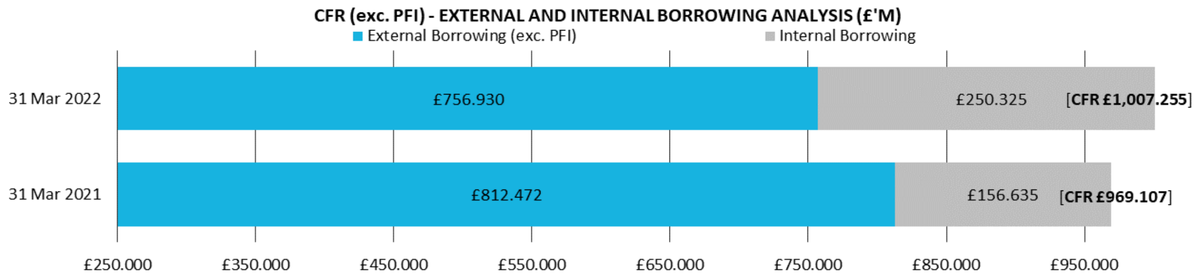
The Council borrows to fund the Capital programme, as well as to fund loans to third parties for policy reasons.

5.2. Borrowing Need – Capital Financing Requirement

The Council’s long-term borrowing requirement or need to borrow is measured by the Capital Financing Requirement (“CFR”). The CFR represents total historic outstanding capital expenditure which has not yet been paid for from either revenue or cash-backed capital resources (such as grants and capital receipts). The CFR is repaid over time by an annual charge to revenue, known as the Minimum Revenue Provision (MRP). This charge, which is equivalent to depreciation, effectively spreads the cost of debt associated with capital expenditure over the useful economic life of the underlying assets.

At the same time the Council has significant levels of 'cash-backed' balances that are available for investment. Accordingly, the capital financing requirement (or borrowing requirement) need not always be met or funded externally from physical loans. At least in the short term, investment balances can be 'used' in lieu of borrowing externally; by withdrawing investments (in turn foregoing investment income) and instead using the cash to fund part of the borrowing requirement. This is often referred to as 'internal' or 'under' borrowing.

The following graph summarises the CFR (excluding PFIs) and external borrowing movements during the year:



The inter-relationship (and reconciliation) between the CFR, external borrowing and investments is further analysed in the 'Balance Sheet Review' attached at Appendix 1.

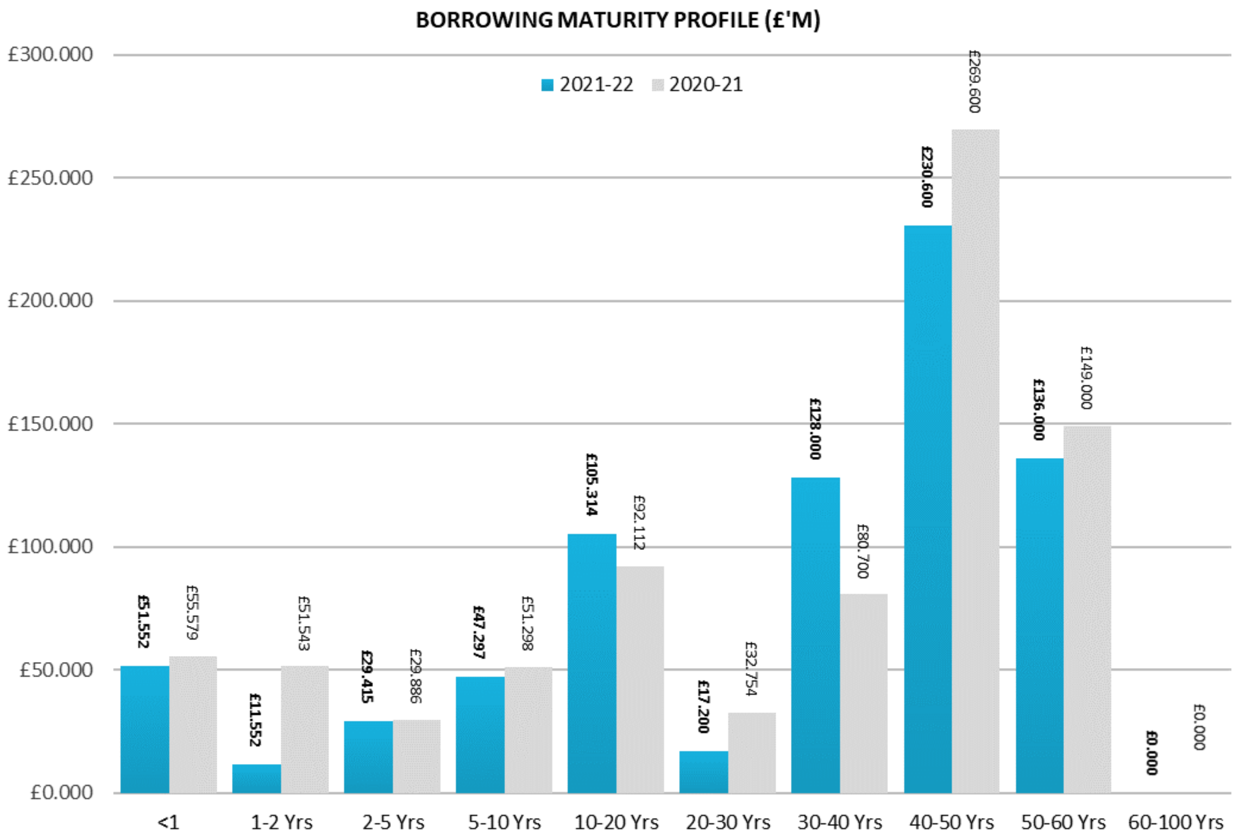
The CFR (excluding Public Finance Initiatives (PFIs)) increased by £38.148 million during the year, but was lower than originally budgeted at 31 March 2022 at £1,007.255 million against an original budget of £1,107.008 million. This was due to significant underspends and re-profiling within the 2021-22 capital programme; and to a lesser extent unscheduled loan repayments from Advance Northumberland.

Due to the reduced 'need', and the higher than anticipated levels of investment balances, no external borrowing was undertaken during 2021-22 – except for a £0.041 million Salix interest free loan.

£55.583 million of loans matured and were repaid in year. Combined with the new Salix loan this resulted in total external borrowing decreasing from £812.472 million at the start of the year to £756.930 million at 31 March 2022. The weighted average maturity (WAM) of the portfolio increased slightly from 31.65 to 32.91 years.

The repayments also led to an increase in 'internal borrowing' (i.e. the difference between the CFR and actual external borrowing) of £93.690 million, from £156.635 million at the start of year to £250.325 million at 31 March 2022, which is shown in the graph above.

The following graph shows the maturity of the loan portfolio at 31 March 2022 by monetary value (£756.930 million in total). LOBOs are shown as held to maturity. In the current climate it is not envisaged that loans would be called for repayment within the next 12 months, as rates are so low.



5.3. Borrowing Performance / Benchmarking

The weighted average rate of interest paid on all borrowing during the year was 2.84%, and the average rate on loans at 31 March 2022 was 2.96%, an increase of 0.14% compared to the start of the year figure of 2.82% (due to the maturing short-term, lower rate, borrowing).

Overall borrowing levels were lower than originally budgeted, due to the re-profiling of the capital programme, and therefore the reduced need to borrow.

Interest paid on external borrowing was £0.302 million below budget at £22.729 million (original budget of £23.031 million). This was largely attributable to the reduced capital spend and the reduced need to borrow. Weighted average borrowing for the year totalled £799.948 million compared to an original estimate of £878.264 million. However, as the budget was based on the in-year requirement being primarily met from shorter term, and therefore lower-rate, borrowing (see paragraph 2.1) this meant that the overall average rate of interest paid was higher than budgeted – at 2.84% compared to an original estimate of 2.62%.

6. INVESTMENT ACTIVITY 2021-22

6.1. Introduction

The Council has significant levels of 'cash-backed' balances that are available for investment; in the form of General Fund and HRA balances, and the numerous earmarked reserves and provisions.

The Council's investment policy (as set out in the Treasury Management Strategy Statement for 2021-22) is governed by the Ministry of Housing, Communities and Local

Government's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by two of the main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc).

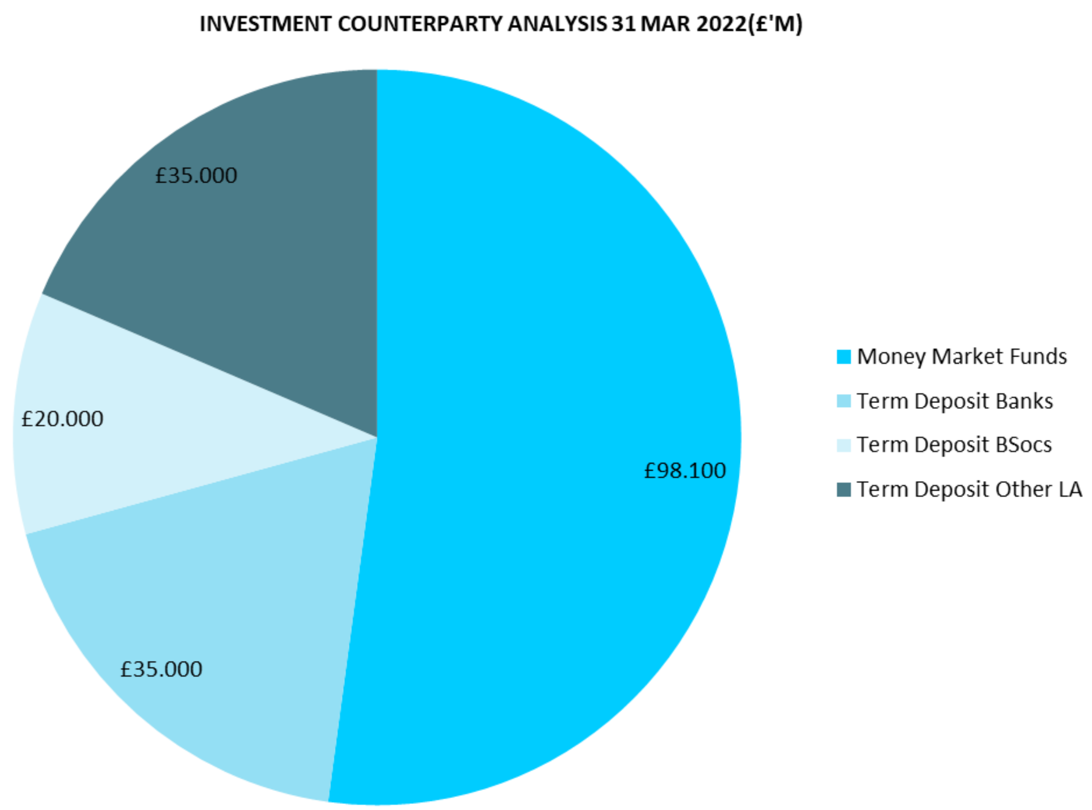
All investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

As identified in section 5 above, a significant proportion of available investment balances were used as 'internal borrowing' to support the financing of the CFR. This totalled £250.325 million at 31 March 2022 - an increase of £93.690 million compared to 31 March 2021. At the same time, the level of balances available for investment increased during the year by £42.391 million, and the net difference between outstanding creditors and debtors (referred to as working capital) increased by £32.525 million. (See Balance Sheet Review at Appendix 1).

As a result, overall external investments (excluding cash and accrued interest) decreased during the year from £206.600 million to £188.100 million, and the Council maintained an average balance of £229.077 million of internally managed funds.

The weighted average maturity (WAM) of the £188.100 million of investments held at the year-end was 0.14 years (0.30 years at 31 Match 2021).

An analysis of the year-end investment balance (excluding cash) by counterparty category is shown in the following chart:



6.2. Investment Performance / Benchmarking

As covered in section 3.3 above, investment rates were, as expected, very low during 2021-22. However, overall returns were lifted by an increase in the level of balances available for investment.

Budgeted investment returns for 2021-22 were based on a weighted average rate of return of 1.23% and an average daily balance of £89.268 million. Actual average investment balances were significantly higher than anticipated at £229.077 million - largely due to the additional grant support received to tackle the coronavirus pandemic and reserves not being utilised as quickly as originally anticipated. However, as these 'additional' sums were invested short term (for liquidity reasons), at the prevailing low interest rates, this in turn dragged-down the overall weighted rate of return for the year, reducing it to 0.55%.

Overall, income from core treasury management investments slightly exceeded the budget for the year by £0.169 million, totalling £1.268 million against an original estimate of £1.099 million.

Whilst the overall rate of return was enhanced by the longer-term investments with other Local Authorities, which were taken out several years earlier, the performance still compares favourably against the average London Interbank Bid Rate (LIBID) benchmark indicators of:

- 7 Day: negative 0.04%
- 3 Month: 0.02%
- 1 Year: 0.34%

Data from Link Asset Services' investment benchmarking club shows Northumberland compares very favourably. Looking at the weighted average rate on investments held at 31 March 2022, Northumberland's rate of 0.85% was higher than the average for its benchmarking group (0.52%), as well as English Unitary Authorities (0.47%) and overall Link benchmarking group population (0.44%).

Note: the above figures are exclusive of interest received on loans to third parties. These loans are made for policy reasons; and not day-to-day treasury undertakings in relation to the investment of cash flows etc.; and, as a result are not classed as core treasury management activities. Actual returns on these facilities totalled £19.164 million, which was slightly lower than the original budget by £0.165 million.

7. OVERALL TREASURY MANAGEMENT BUDGET PERFORMANCE

Overall net Treasury Management costs (including Minimum Revenue Provision, amortisation of premiums and discounts and PFI contracts etc.) were £0.353 million lower than budgeted, at £40.233 million when compared to the budget of £40.586 million. The key variances are summarised in the following table:

	Additional Cost/(Saving) £m
Interest Payable – External Borrowing	(0.302)

Interest Payable – PFI	0.136
Interest Receivable – Treasury Management Activity	(0.169)
Interest Receivable – Loans to Third Parties	0.165
Minimum Revenue Provision (MRP)	(0.311)
Other	0.128
TOTAL NET UNDERSPEND	**(0.353)**

Notes:

- Contrary to section 6.2, the above figures DO include interest received from loans to third parties; on the basis that the underlying borrowing (and therefore interest payable) in respect of these loans is reflected in the above costs and cannot be separately identified and excluded.
- PFI interest changed following re-assessment of PFI modelling.
- MRP charges for the year were lower than budgeted due a lower opening CFR at the beginning of year (due to capital underspends in 2020-21).
- The above figures include MRP set aside for the loans to Advance Northumberland and Newcastle Airport, but exclude the MRP payments made in respect of other third-party loans, which are funded from the principal repayments made by the borrower and therefore have a neutral impact on Council budgets.

8. PRUDENTIAL INDICATORS AND TREASURY LIMITS 2021-22

The Prudential Code has been developed by CIPFA. The Code has a central role in capital finance decision making, including borrowing for capital investment. Its key objectives are to provide a framework for local authority finance that will ensure individual authorities' capital expenditure plans are affordable; all external borrowing is within prudent and sustainable levels; and, that treasury management decisions are taken in accordance with good professional practice.

To ensure compliance with the Code, councils are required to approve a set of Prudential Indicators for the financial year and adhere to these indicators during the course of that year. Details of the Prudential Indicators and Treasury Management Limits for 2021-22 are provided in Appendix 2.

Implications

Policy	The report provides a review of the Treasury Management activities for 2021-22 and sets out performance against the Treasury Management Strategy Statement for 2021-22. It is consistent with "We want to be efficient, open and work for everyone" priority included in the Council's Corporate Plan 2018-21.
Finance and value for money	The financial implications of the 2021-22 investment and borrowing transactions have been taken into account within the revenue budget and outturn for 2021-22. Northumberland County Council 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 within the context of effective risk management, and to employing suitable performance measurement techniques, for example comparison with other members of the CIPFA and Capita benchmarking clubs.
Legal	Under Section 1 of the Local Government Act 2003 (the Act) the Council may borrow money for any purpose relevant to its functions under any enactment, or for the purpose of the prudent management of its financial affairs. The Act and supporting regulations also require the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice (which were adopted by Northumberland County Council in February 2010).
Procurement	There are no direct procurement implications for the County Council.
Human Resources	There are no direct staffing implications for the County Council.
Property	There are no direct property implications for the County Council.
Equalities (Impact Assessment attached) Yes ☐ No ☐ N/A ☐	Not applicable for the County Council.

Risk Assessment	The report highlights the principal financial risks within the Treasury Management function. The identification, monitoring and control of risk are the prime criteria by which the effectiveness of the County Council's Treasury Management activities will be measured. Accordingly, the analysis and reporting of Treasury Management activities will focus on their risk implications for the Council. The investment priority is security and liquidity rather than yield, which is a secondary aim.
Crime & Disorder	There are no Crime and Disorder implications for the County Council.
Customer Consideration	There are no Customer Considerations for the County Council.
Carbon reduction	There are no Carbon Reduction implications for the County Council.
Wards	All.

Background Papers:

Treasury Management Strategy Statement for 2021-22. Approved by Council on 23 February 2021.

CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance notes (revised 2011).

CIPFA Prudential Code for Capital Finance in Local Authorities.

Guidance on Local Government Investments; The Local Government Act 2003.

Local Authorities (Capital Finance and Accounting) Regulations 2012 (S.I.2012/265).

Report sign off:

Monitoring Officer	Helen Lancaster
Interim Executive Director of Finance & Section 151 Officer	Jan Willis
Relevant Executive Director	Jan Willis
Interim Chief Executive	Rick O'Farrell
Portfolio Holder	Richard Wearmouth

Author and Contact Details

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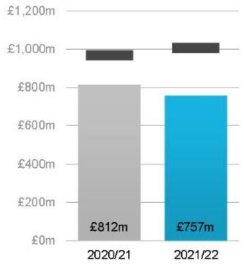
NORTHUMBERLAND COUNTY COUNCIL

2021/22 Desktop Balance Sheet Review

CAPITAL FINANCING AND BORROWING (£'000)

	2020/21	2021/22
Capital Financing Requirement	£1,036,717	**£1,072,134**
Underlying Borrowing Requirement	£969,107	**£1,007,255**
External Borrowing	£812,472	**£756,930**
Under Borrowing	£156,635	**£250,325**
Net Borrowing (exc TFR debt)	£604,851	**£568,083**

External Borrowing vs Underlying Borrowing Requirement

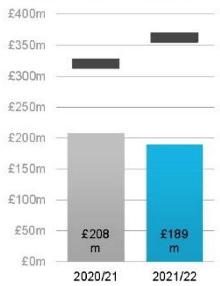


2020/21 (£'000)		2021/22 (£'000)	Change (£'000)
	Capital Financing Requirement (CFR)		
1,392,832	Property, Plant & Equipment	1,487,230	
2,029	Investment Property	2,269	
1,734	Intangible Assets	1,237	
2,085	Assets Held for Sale	4,088	
14,067	Capital Investments (non-TM)	18,128	
410,526	Capital Long-term Debtors	403,847	
(161,748)	Revaluation Reserve	(210,932)	
(615,375)	Capital Adjustment Account	(620,539)	
(9,433)	Financial Instruments Revaluation Reserve (capital)	(13,194)	
1,036,717	**CFR (as per Prudential Code)**	**1,072,134**	**35,417**
4,650	PFI Prepayment	5,108	
(72,260)	PFI Liability	(69,987)	
969,107	**Underlying Borrowing Requirement**	**1,007,255**	**38,148**
	External Borrowing		
(55,579)	Short-Term	(51,552)	
(756,893)	Long-Term	(705,378)	
(812,472)	**TOTAL External Borrowing (Principal)**	**(756,930)**	**55,542**
156,635	**Under Borrowing**	**250,325**	**93,690**

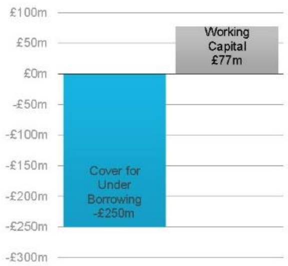
RESERVES / BALANCES AND INVESTMENTS (£'000)

	2020/21	2021/22
Balances Available for Investment	£319,845	**£362,236**
External Investments	£207,621	**£188,847**
(Internal Investments)	£112,224	**£173,389**

Investments vs Balances



Analysis of (Internal Investments)



2020/21 (£'000)		2021/22 (£'000)	Change (£'000)
	Reserves / Balances		
(70,469)	General Fund Balance	(70,081)	
(37,497)	Housing Revenue Account Balance (inc MRA)	(40,088)	
21,906	Collection Fund Adjustment Account	9,169	
(177,538)	Earmarked reserves / other balances	(185,325)	
(4,025)	Capital Receipts Reserve	(4,951)	
(8,392)	Provisions (exc. any accumulating absences)	(9,656)	
(43,830)	Capital Grants Unapplied	(61,304)	
(319,845)	**Amount Available for Investment**	**(362,236)**	**(42,391)**
	Investments		
99,250	Short-Term	90,000	
25,000	Long-Term	-	
83,371	Cash & Cash Equivalents	98,847	
207,621	**TOTAL Investments**	**188,847**	**(18,774)**
(112,224)	**(Internal Investments)**	**(173,389)**	**(61,165)**

WORKING CAPITAL (£'000)

	2020/21	2021/22
TOTAL Working Capital (Surplus)	-£44,411	**-£76,936**

Analysis of Working Capital

2020/21 (£'000)		2021/22 (£'000)	Change (£'000)
	Working Capital		
89,930	Debtors	75,581	(14,349)
(104,917)	Creditors	(135,973)	(31,056)
(21,251)	Capital Grants Receipts In Advance	(14,724)	
(13,729)	Cash Overdrawn	(11,988)	
1,260	Stock / WIP	2,255	
(48,707)	**NET Working Capital (Surplus)**	**(84,849)**	**(36,142)**
	Other		
(4,200)	Balance LT Debtors	(300)	
(1)	Balance of LT Liabilities	-	
8,497	FIAA - Premiums, (Discounts) etc	8,213	
4,296	**Other Long-Term Working Capital**	**7,913**	**3,617**
(44,411)	**TOTAL Working Capital (Surplus)**	**(76,936)**	**(32,525)**

PERFORMANCE AGAINST CAPITAL PRUDENTIAL INDICATORS

Authorised Limit and Operational Boundary for External Debt

These are important indicators and are part of the Local Government Act 2003 requirements.

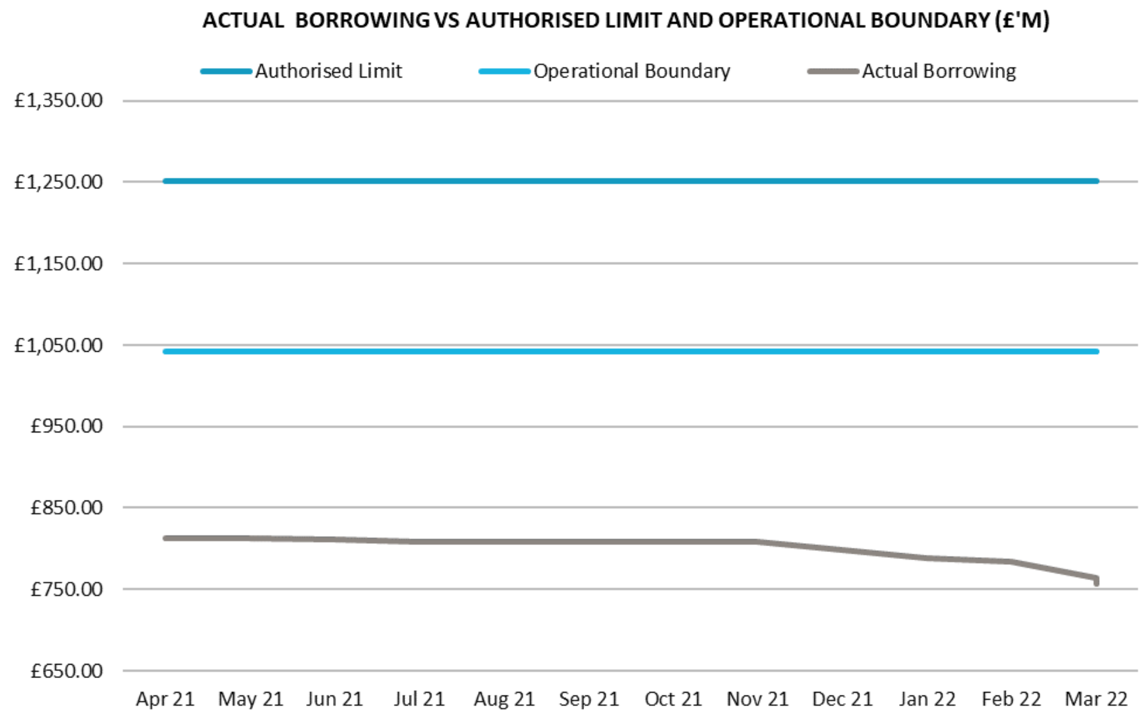
The authorised limit - is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level.

The operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

The table below demonstrates that during 2021-22 the Council has maintained gross borrowing within its authorised limit.

	Authorised Limit for External Debt £m	Operational Boundary £m	Actual 31 March 2022 £m
External Borrowing	1,251.294	1,042.745	756.930
Other Long Term Liabilities (PFI)	79.239	66.032	64.879
TOTAL EXTERNAL DEBT	**1,330.533**	**1,108.777**	**821.809**

The following graph shows the external borrowing limits and actual borrowing over the year:



Treasury Management Limits on Activity

The purpose of this is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates.

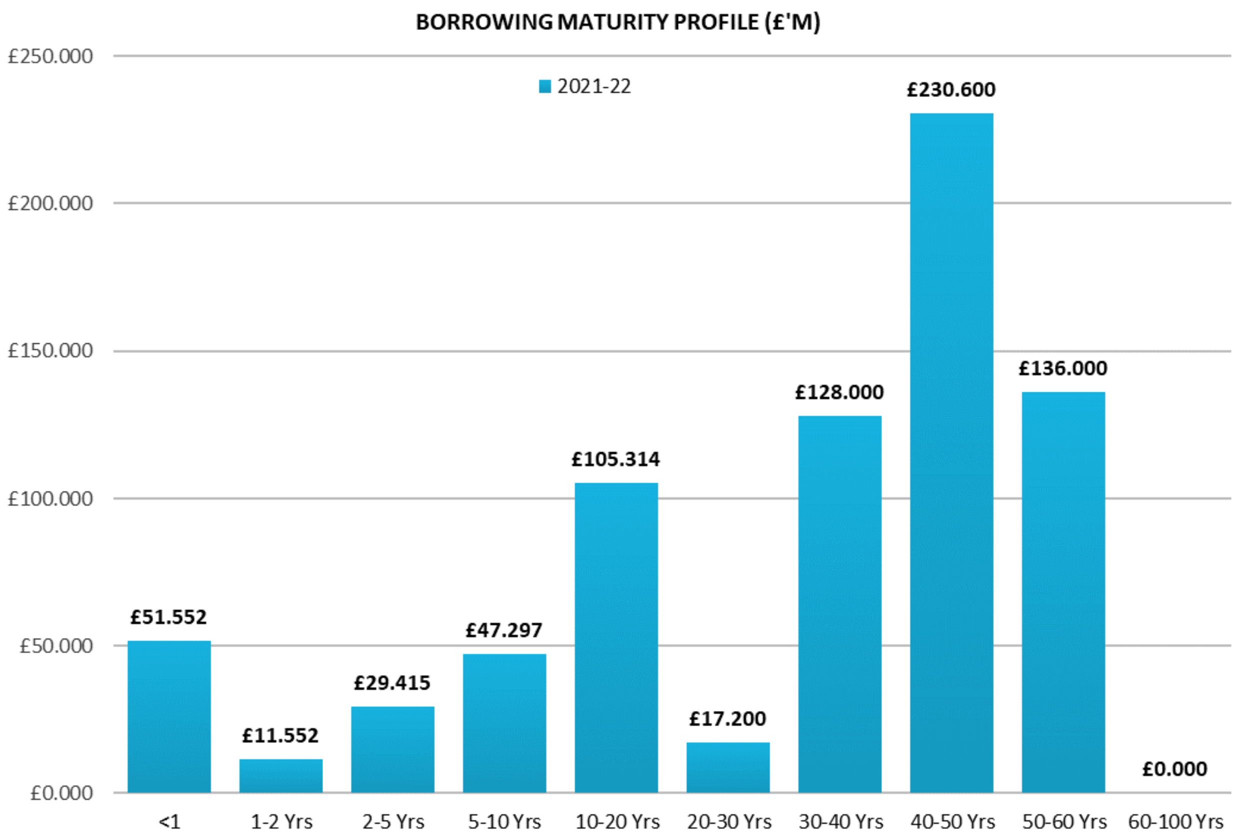
Lender option, borrower option loans (LOBOs) callable within 12 months are classed as variable; and if the rate is fixed for a longer period they are classed as fixed. At 31 March 2022 the total of variable rate loans was £74.000 million and is within the set limit.

	Limit for 2021-22	Actual 31 March 2022
Fixed Rate Exposure	0% - 100%	90.22%
Variable Rate Exposure	0% - 50%	9.78%

Maturity Structure of Borrowing

Measuring maturity structure of borrowing ensures a reasonable spread of maturing debt as a safety mechanism to ensure significant amounts of debt do not mature at a time when interest rates for refinancing the debt may be high.

The following graph shows maturity of loans by monetary value. LOBOs are shown as held to maturity. In the current climate it is not envisaged that loans would be called for repayment within the next 12 months as rates are low.



Investments for periods longer than 365 days

These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

	Limit 2021-22 £m	Actual Highest £m	Actual 31 March 2022 £m
Principal sums invested > 364 days	120.000	25.000	0.000