Northumberland County Council

COUNCIL

1 NOVEMBER 2023

Treasury Management Annual Report for the Financial Year 2022-23

Report of: Councillor Richard Wearmouth, Deputy Leader and Portfolio Holder for Corporate Services

Lead Officer: Jan Willis, Executive Director of Transformation and Resources (Section 151 Officer)

Purpose of the Report

This report provides details of performance against the Treasury Management Strategy Statement (TMSS) 2022-23 approved by the County Council on 23 February 2022. The report provides a review of borrowing and investment performance for 2022-23, 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

It is recommended that Council receive the report and note the performance of the Treasury Management function for 2022-23.

Link to the Corporate Plan

This report is aligned to the priorities outlined in the Council's Corporate Plan 2023-26, specifically the priority "Achieving Value for Money".

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 2022-23; and sets out performance against the Treasury Management Strategy Statement for 2022-23.

TREASURY MANAGEMENT ANNUAL REPORT 2022-23

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 2022 to 31 March 2023 and shows performance against the Treasury Management Strategy Statement (TMSS) for 2022-23. 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 2022-23

The report covers:

- Overview of and compliance with the Treasury Management Strategy for the financial year 2022-23;
- Economic conditions and interest rates during 2022-23;
- Overview of the treasury position at 31 March 2023;
- Borrowing activity for 2022-23;
- Investment activity for 2022-23;
- Performance against budget; and,
- Treasury management limits and prudential indicators position.

2. TREASURY MANAGEMENT STRATEGY FOR 2022-23

2.1. Overview of the 2022-23 Strategy

The 2022-23 Treasury Management Strategy Statement was approved on 23 February 2022. At the time the expectation for interest rates within the TMSS for 2022-23 was for the UK Bank Rate (often referred to as Base Rate) to rise to 0.75% by Quarter 4 2023, and for longer term borrowing rates to rise steadily, in line with expected increases in inflation.

With investment returns anticipated to remain low (at least in the short term), the proposed strategy for 2022-23 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

All 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 2022-23, alongside best practice suggested by the CIPFA Treasury Management Code and Central Government.

3. ECONOMIC CONDITIONS AND INTEREST RATES DURING 2022-23

3.1. Economy

The UK economy has been volatile throughout 2022-23 due to the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies.

CPI inflation increased rapidly over 2022-23 and rose to a peak reading of 11.1% in October 2022. The main factors were the rising cost pressures from shortages of energy, exacerbated by the war in Ukraine, and shortages of some food categories.

In an attempt to slow down inflation the Bank of England increased the Bank Rate throughout 2022-23 starting at 0.75% and finishing at 4.25%.

As of February 2023 CPI was 10.4%, most commentators expect inflation to drop towards 4.0% by the end of 2023. However, the Bank of England is faced with a difficult challenge due to wage inflation caused by a low UK unemployment rate and average wage increases at over 6.0%.

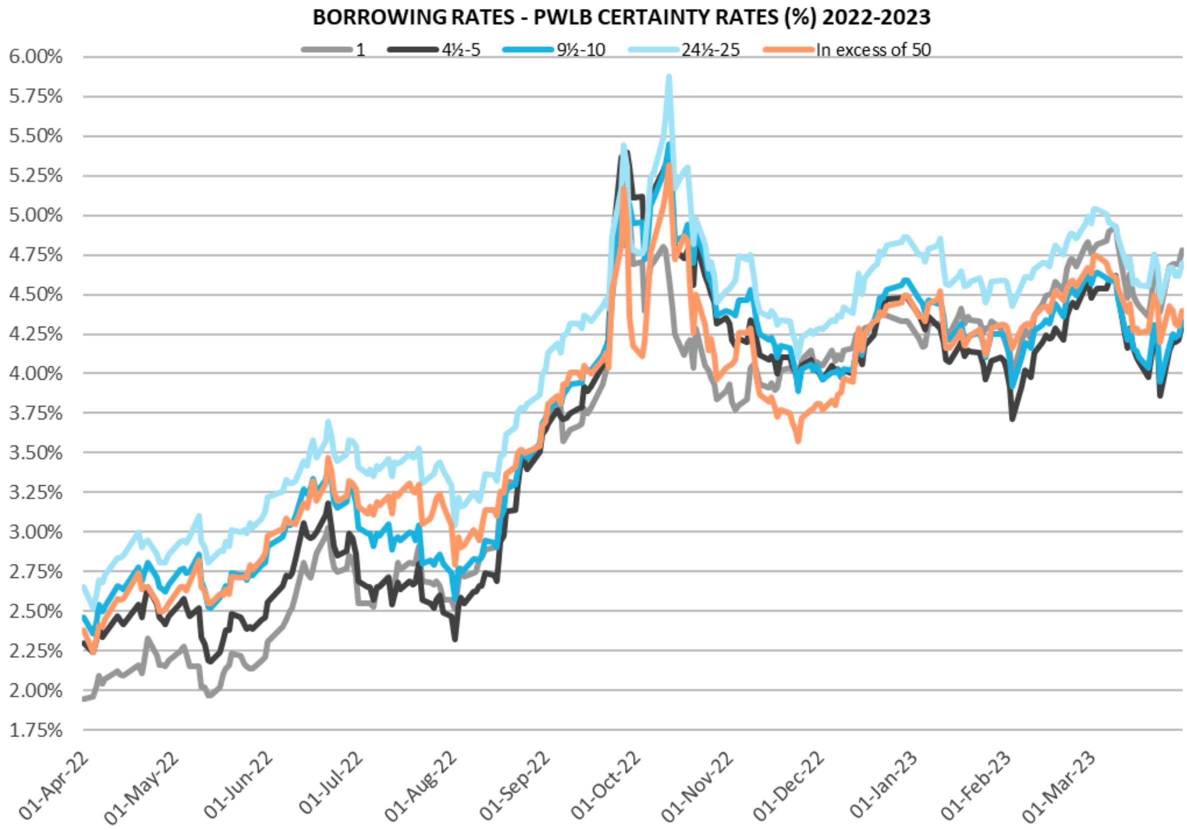
3.2. Borrowing Rates

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 have risen dramatically as a result of economies opening up post-covid and rapid rises in inflation. At present the Bank of England is being challenged by persistent inflation that is exacerbated by very tight labour markets and high wage increases.

At the close of the day on 31 March 2023, all gilt yields from 1 to 50 years were between 3.64% and 4.18%, with the 1 year being the highest and 6-7.5 years being the lowest yield.

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



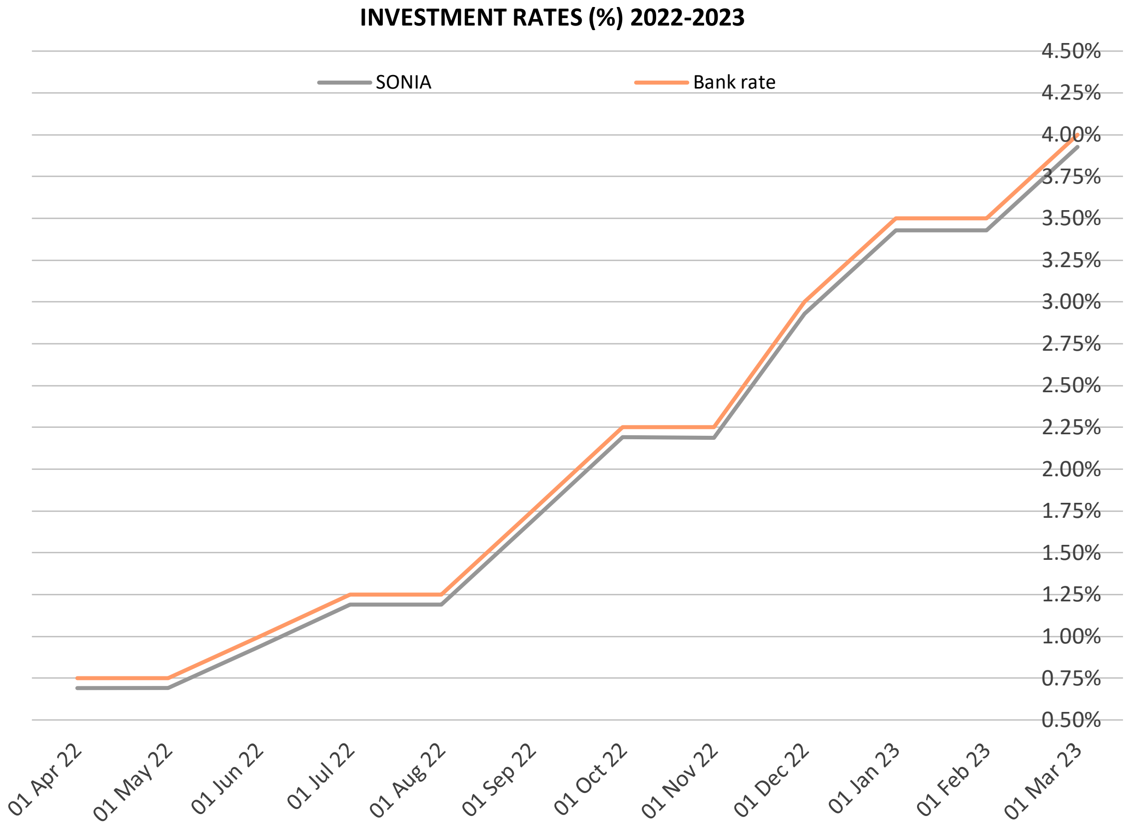
3.3. Investment Rates

The expectation for interest rates within the treasury management strategy for 2022-23 was that the UK Bank Rate would rise to 0.75% by Quarter 4 2023

Investment returns picked up throughout the course of 2022-23 as central banks, including the Bank of England, realised that inflationary pressures were not transitory, and that tighter monetary policy was called for.

The sea-change in investment rates meant local authorities were faced with the challenge of pro-active investment of surplus cash for the first time in over a decade, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and “laddering” deposits on a rolling basis to lock in the increase in investment rates as the duration was extended, became an on-going feature of the investment landscape.

The following graph shows a comparison of investment rate movements during the year, please note that the council has changed from using LIBID (London Interbank Bid Rate) to SONIA (Sterling Overnight Index Average).



4. THE PORTFOLIO POSITION AT 31 MARCH 2023

4.1. Current Borrowing

The Council's debt at 01 April 2022 and 31 March 2023 is shown below:

TABLE 1: BORROWING	Total Principal 31 March 2022 £m	Weighted Average Rate %	Total Principal 31 March 2023 £m	Weighted Average Rate %
Public Works Loan Board Loans	451.281	2.66	449.745	2.66
LOBOs	176.500	3.95	176.500	3.95
Market / Local Authority (>1yr)*	129.10	2.62	79.100	3.69
Market / Local Authority (<1yr)*	0.000	-	40.000	4.00
Salix	0.049	-	0.033	-
TOTAL EXTERNAL BORROWING	**756.930**	**2.96**	**745.378**	**3.14**

* 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 2022 and 31 March 2023:

TABLE 2: INVESTMENTS	Total Outstanding 31 March 2022 £m	Weighted Average Rate %	Total Outstanding 31 March 2023 £m	Weighted Average Rate %
Fixed Term Investments – Long Term (>1yr)*	25.000	3.23	-	-
Fixed Term Investments – Short Term (<1yr)*	65.000	0.42	35.000	4.32
Money Market Funds	98.100	0.53	79.450	4.09
TOTAL INVESTMENTS (excl. Cash)	**188.100**	**0.85**	**114.450**	**4.16**

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

5. BORROWING ACTIVITY 2022-23

5.1. Introduction

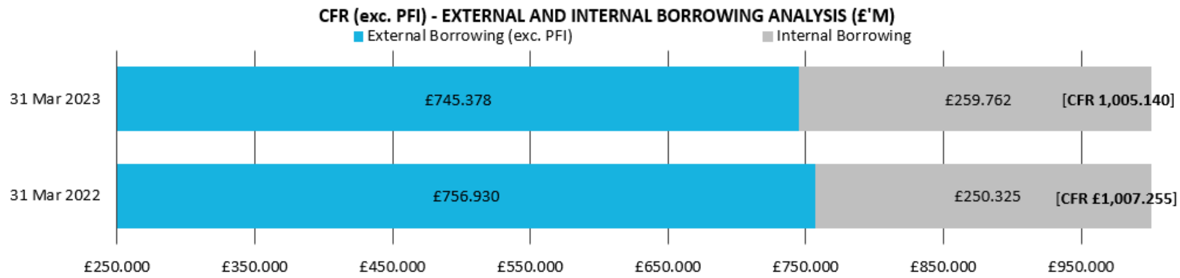
The Council borrows to fund the Capital programme, as well as to fund loans to third parties for policy reasons.

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.

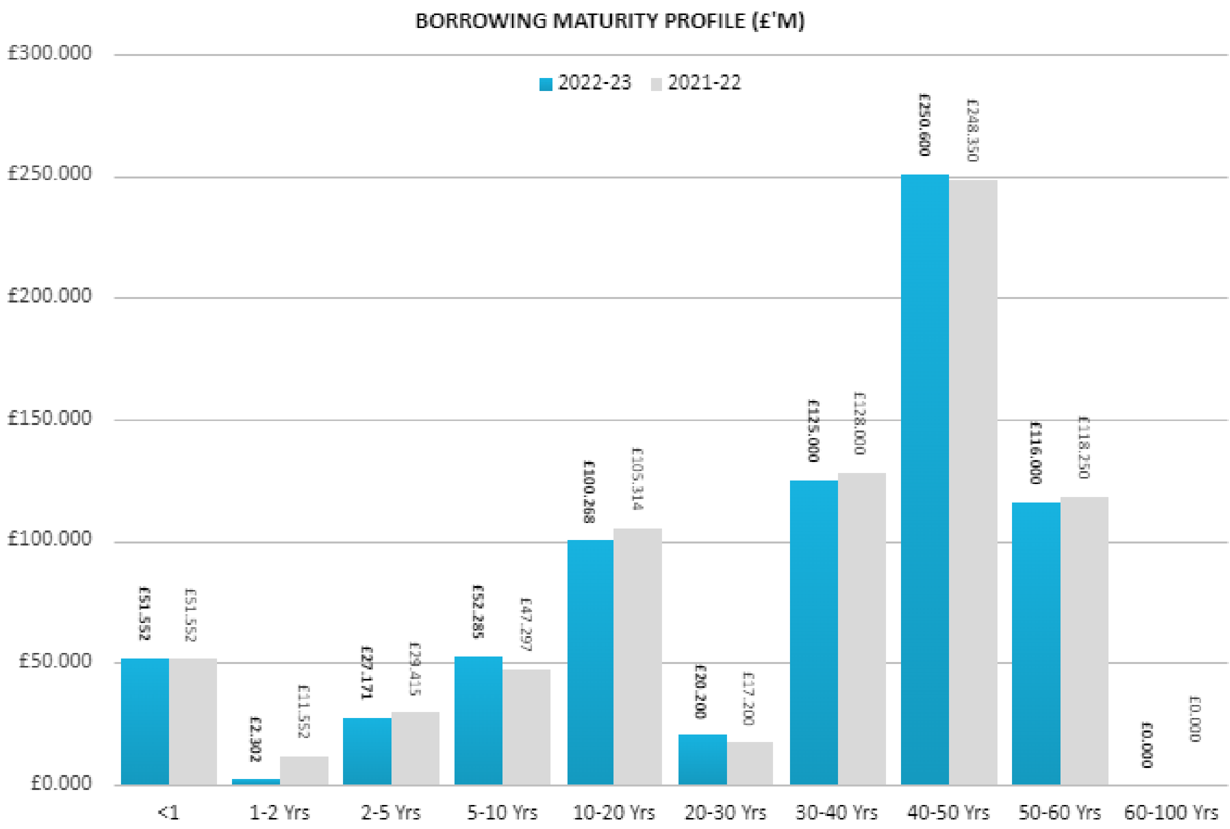
The CFR (excluding Public Finance Initiatives (PFIs)) decreased by £2.115 million during the year, and was lower than originally budgeted at 31 March 2023 at £1,005.140 million against an original budget of £1,114.755 million. This was due to significant underspends and re-profiling within the 2022-23 capital programme.

£51.552 million of loans matured and were repaid in year. Combined with new Local Authority loans of £40.000 million which resulted in total external borrowing decreasing from £756.930 million at the start of the year to £745.378 million at 31 March 2023. The weighted average maturity (WAM) of the portfolio decreased slightly from 32.91 to 32.45 years.

The new Local Authority loans of £40.000 million are all short-term loans. The uncertainty around interest rates alongside the market opinion that the interest rates will fall in 2024 resulted in a preference for short-term borrowing to avoid locking into a higher interest rate unnecessarily.

The decrease in borrowing led to an increase in 'internal borrowing' (i.e. the difference between the CFR and actual external borrowing) of £9.437 million, from £250.325 million at the start of year to £259.762 million at 31 March 2023, which is shown in the graph above.

The following graph shows the maturity of the loan portfolio at 31 March 2023 by monetary value (£745.378 million in total). LOBOs are shown as held to maturity. Despite recent increases in interest rates, current market forecasts indicate that the rates will return to lower levels, and it is considered that there is a low risk of those LOBO loans with call dates within the next 12 months being called. All LOBO loans have therefore been classified as long term.



5.3. Borrowing Performance / Benchmarking

The weighted average rate of interest paid on all borrowing during the year was 3.00%, and the average rate on loans at 31 March 2023 was 3.14%, an increase of 0.18% compared to the start of the year figure of 2.96% (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 £1.144 million below budget at £22.383 million (original budget of £23.527 million). This was largely attributable to the reduced capital spend and the reduced need to borrow. Weighted average borrowing for the year totalled £746.028 million compared to an original estimate of £853,615 million. However, as a result of interest rate increases being higher than anticipated, the overall average rate of interest paid was higher than budgeted – at 3.00% compared to an original estimate of 2.76%.

6. INVESTMENT ACTIVITY 2022-23

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 2022-23) 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).

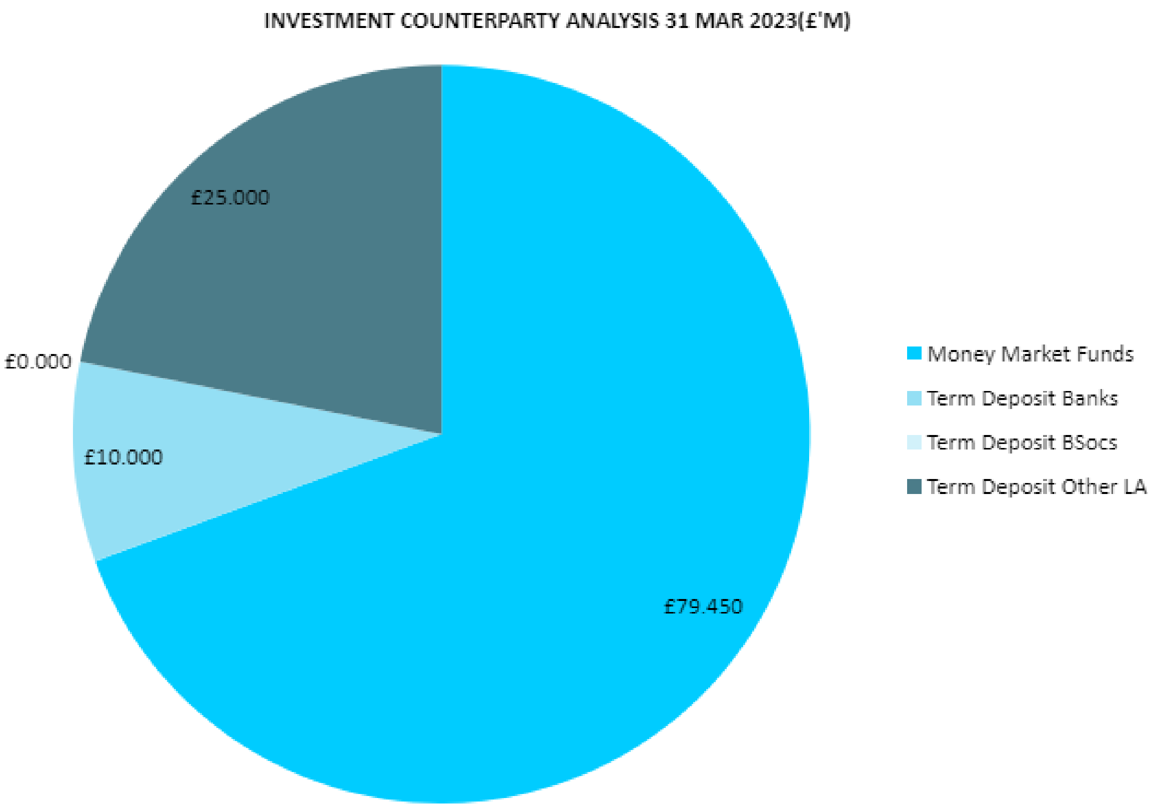
All investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

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 £259.762 million at 31 March 2023 - an increase of £9.437 million compared to 31 March 2022. At the same time, the level of balances available for investment decreased during the year by £10.410 million, and the net difference between outstanding creditors and debtors (referred to as working capital) decreased by £53.748 million. (See Balance Sheet Review at Appendix 1).

As a result, overall external investments (excluding cash and accrued interest) decreased during the year from £188.100 million to £114.450 million, and the Council maintained an average balance of £169.880 million of internally managed funds.

The weighted average maturity (WAM) of the £114.450 million of investments held at the year-end was 0.04 years (0.14 years at 31 March 2022).

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 increased throughout 2022-23.

Budgeted investment returns for 2022-23 were based on a weighted average rate of return of 1.10% and an average daily balance of £66.708 million. Actual average investment balances were significantly higher than anticipated at £169.880 million - largely due to underspend in the capital programme and reserves not being utilised as quickly as originally anticipated. These ‘additional’ sums were invested short term (for liquidity reasons), and due to interest rates increasing further than anticipated, this increased the overall weighted rate of return for the year compared to budget at 2.11%.

Overall, income from core treasury management investments exceeded the budget for the year by £2.856 million, totalling £3.589 million against an original estimate of £0.733 million.

The weighted rate of return is slightly lower than the comparable average Sterling Overnight Interbank Average (SONIA) of 2.26%. It should be noted that 2022-23 is the first year that the SONIA rate has been used as the benchmark.

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 2023, Northumberland’s rate of 4.16% was higher than the average for its benchmarking group (3.97%), as well as English Unitary Authorities (3.76%) and overall Link benchmarking group population (3.62%).

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 £19.500 million, which was slightly lower than the original budget by £0.349 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 £6.590 million lower than budgeted, at £62.468 million when compared to the budget of £69.058 million. The key variances are summarised in the following table:

	Additional Cost/(Saving)
	£m
Interest Payable – External Borrowing	(1.144)
Interest Payable – PFI	(2.512)
Interest Receivable – Treasury Management Activity	(2.856)
Interest Receivable – Loans to Third Parties	0.349
Minimum Revenue Provision (MRP)	(0.570)
Other	0.143
TOTAL NET UNDERSPEND	**(6.590)**

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.
- The under budget PFI charges are largely due to reduced waste volume, a large credit as a result of the electricity sold from the recycling process and a change in the Contingent Rental Charge.
- MRP charges for the year were lower than budgeted due a lower opening CFR at the beginning of year (due to capital underspends in 2021-22).
- 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 2022-23

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 2022-23 are provided in Appendix 2.

Implications

Policy	The report provides a review of the Treasury Management activities for 2022-23 and sets out performance against the Treasury Management Strategy Statement for 2022-23. It is consistent with "Achieving Value for Money" priority included in the Council's Corporate Plan 2023-26.
Finance and value for money	The financial implications of the 2022-23 investment and borrowing transactions have been taken into account within the revenue budget and outturn for 2022-23. 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 2022-23. Approved by Council on 23 February 2022.

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	Stephen Gerrard
Executive Director of Transformation and Resources & Section 151 Officer	Jan Willis
Chief Executive	Helen Paterson
Portfolio Holder	Richard Wearmouth

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APPENDIX 1

NORTHUMBERLAND COUNTY COUNCIL

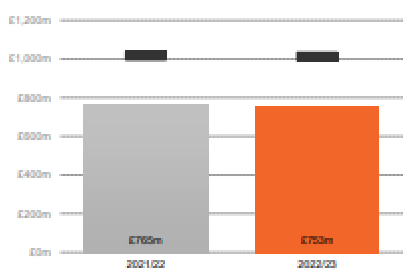
2022/23 Desktop Balance Sheet Review

LINK Group

CAPITAL FINANCING AND BORROWING (£'000)

	2021/22	2022/23
Capital Financing Requirement (CFR)	1,072,159	**1,067,600**
Underlying Borrowing Requirement	1,015,953	**1,013,147**
External Borrowing	765,143	**753,338**
Internal Borrowing	250,810	**259,809**
Net Borrowing (exc TFR debt)	576,296	**637,985**
CFR per Statement of Accounts	1,072,134	**1,067,599**

External Borrowing vs Underlying Borrowing Requirement

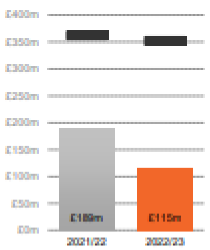


2021/22 (£'000)		2022/23 (£'000)	Change (£'000)
	Capital Financing Requirement (CFR)		
1,431,137	Property, Plant & Equipment	1,470,289	
7,951	Heritage Assets	7,951	
2,268	Investment Property	2,265	
1,237	Intangible Assets	888	
4,088	Assets Held for Sale	3,914	
18,128	Capital Investments (non-TM)	18,977	
403,873	Capital Long-term Debtors	401,687	
(204,229)	Revaluation Reserve	(216,505)	
(579,099)	Capital Adjustment Account	(608,671)	
(13,195)	Financial Instrument Reval. Reserve (capital)	(13,195)	
1,072,159	**CFR (as per Prudential Code)**	**1,067,600**	**(4,559)**
5,108	PFI Prepayment	4,859	
(61,314)	PFI Liability	(59,312)	
1,015,953	**Underlying Borrowing Requirement**	**1,013,147**	**(2,806)**
	External Borrowing		
(51,552)	Short-Term	(51,552)	
(713,591)	Long-Term	(701,786)	
(765,143)	**TOTAL External Borrowing (Principal)**	**(753,338)**	**11,805**
250,810	**Internal Borrowing**	**259,809**	**8,999**

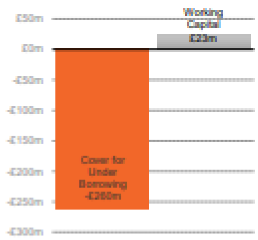
RESERVES / BALANCES AND INVESTMENTS (£'000)

	2021/22	2022/23
Balances Available for Investment	362,235	**351,825**
External Investments	188,847	**115,353**
(Internal Investments)	173,388	**236,472**

Investments vs Balances



Analysis of (Internal Investments)

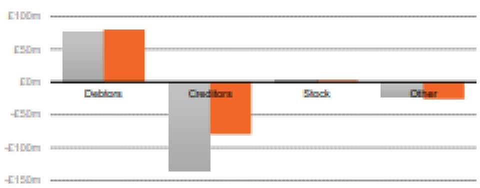


2021/22 (£'000)		2022/23 (£'000)	Change (£'000)
	Reserves / Balances		
(70,079)	General Fund Balance	(50,955)	
(40,086)	Housing Revenue Account Balance	(39,002)	
9,168	Collection Fund Adjustment Account	(3,401)	
(185,325)	Earmarked reserves / other balances	(179,915)	
(4,951)	Capital Receipts Reserve	(8,330)	
(9,656)	Provisions (exc. any accumulating absences)	(6,744)	
(61,306)	Capital Grants Unapplied	(63,478)	
(362,235)	**Amount Available for Investment**	**(351,825)**	**10,410**
	Investments		
89,971	Short-Term	34,680	
98,876	Cash & Cash Equivalents - Investments / Deposits	80,673	
188,847	**TOTAL Investments**	**115,353**	**(73,494)**
(173,388)	**(Internal Investments)**	**(236,472)**	**(63,084)**

WORKING CAPITAL (£'000)

	2021/22	2022/23
TOTAL Working Capital (Surplus)	(77,422)	**(23,337)**

Analysis of Working Capital



2021/22 (£'000)		2022/23 (£'000)	Change (£'000)
	Working Capital		
75,555	Debtors	79,934	4,379
(134,494)	Creditors	(79,752)	54,742
(16,870)	Capital Grants Receipts In Advance	(20,476)	
(11,988)	Cash Overdrawn	(13,907)	
2,255	Stock / WIP	2,407	
(85,542)	**NET Working Capital (Surplus)**	**(31,794)**	**53,748**
	Other		
(300)	Balance LT Debtors	(124)	
59,312	Balance of LT Liabilities	57,053	
16,426	FIAA - Premiums, (Discounts) etc	15,920	
(67,318)	Deferred credits / receipts (non-capital)	(64,392)	
8,120	**Other Long-Term Working Capital**	**8,457**	**337**
(77,422)	**TOTAL Working Capital (Surplus)**	**(23,337)**	**54,085**

Please note some of the figures in Appendix 1 may not exactly match to some of the figures quoted in the report. This is due to the way financial instruments, primarily the premiums and discounts relating to loans, are recorded within the balance sheet review.

APPENDIX 2

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.

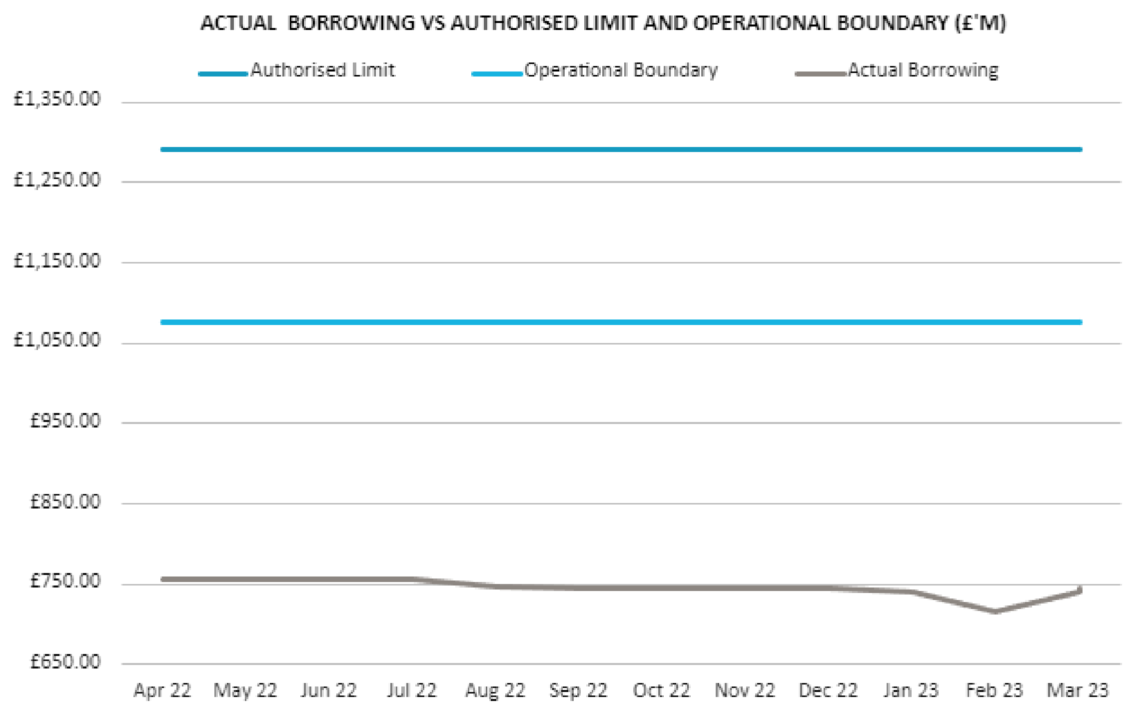
The authorised limit - is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level.

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 2022-23 the Council has maintained gross borrowing within its authorised limit.

	Authorised Limit for External Debt £m	Operational Boundary £m	Actual 31 March 2023 £m
External Borrowing	1,252.818	1,044.015	745.378
Other Long Term Liabilities (PFI)	76.603	63.836	54.453
TOTAL EXTERNAL DEBT	**1,329.421**	**1,107.851**	**799.831**

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



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.

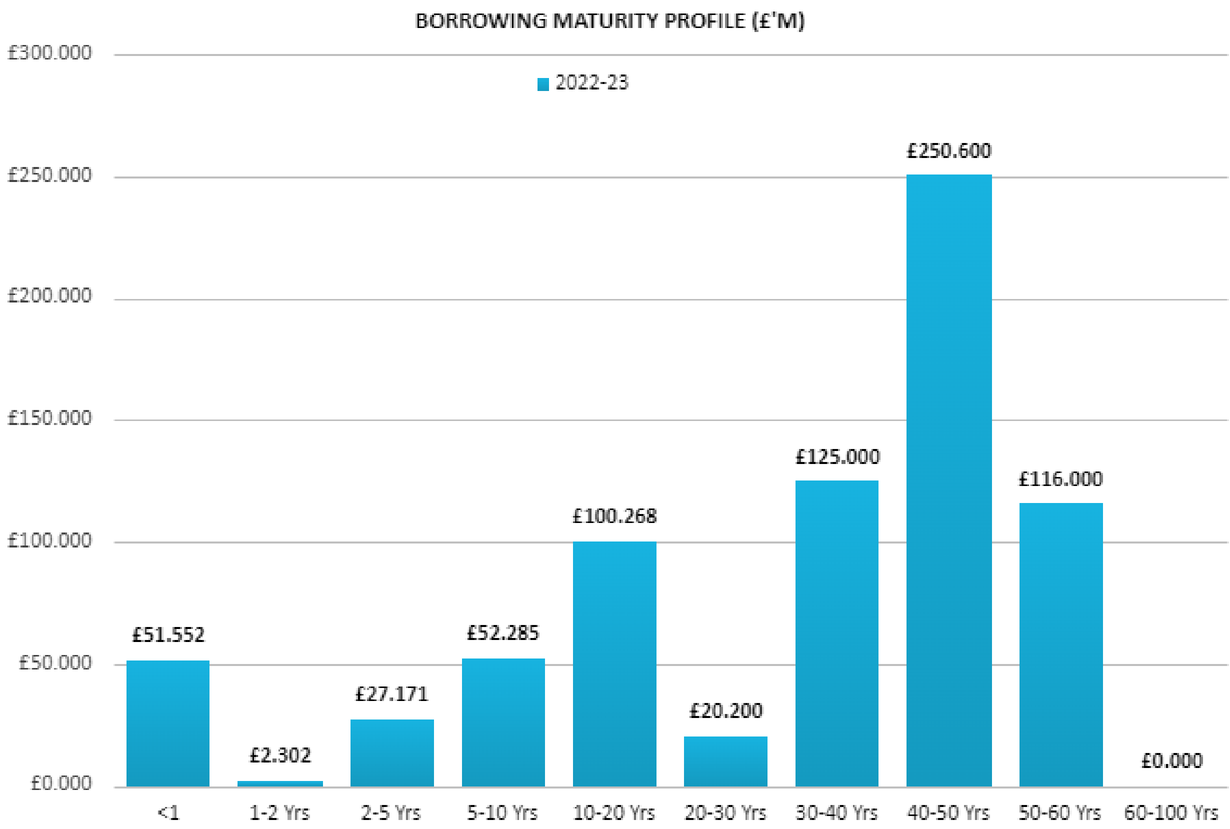
Lender option, borrower option loans (LOBOs) callable within 12 months are classed as variable; and if the rate is fixed for a longer period they are classed as fixed. At 31 March 2023 the total of variable rate loans was £121.000 million and is within the set limit.

	Limit for 2022-23	Actual 31 March 2023
Fixed Rate Exposure	0% - 100%	83.77%
Variable Rate Exposure	0% - 50%	16.23%

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 markets predict rates will come down.



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 2022-23 £m	Actual Highest £m	Actual 31 March 2023 £m
Principal sums invested > 364 days	120.000	25.000	0.000