EXECUTIVE **22 NOVEMBER 2021**

SUBJECT:	**TREASURY MANAGEMENT AND PRUDENTIAL CODE UPDATE REPORT – HALF YEAR ENDED 30TH SEPTEMBER 2021**
DIRECTORATE:	**CHIEF EXECUTIVE**
LEAD OFFICER:	**COLLEEN WARREN, FINANCIAL SERVICES MANAGER**

1. Purpose of Report

1.1 This report covers the Council's treasury management activity and the actual prudential indicators for the period April 1st to September 30th 2021. This is in accordance with the requirements of the Prudential Code.

2. Executive Summary

2.1 Treasury Management position and performance results for the 6 months ended 30th September 2021.

2.1.1 **Investment Portfolio**

The Council held £46million of investments at 30th September 2021. The investment profile is shown in Appendix A.

Of this investment portfolio 100% was held in low risk specified investments, the requirement for the year being a minimum of 25% of the portfolio to be specified investments. During the 6 months to 30th September on average 96% of the portfolio was held in low risk specified investments and an average of 4% of the portfolio was held in non-specified investments (with other local authorities).

Liquidity – The Council seeks to maintain liquid short-term deposits of at least £5 million available with a week's notice. The weighted average life (WAL) of investments for the year was expected to be 0.11 years (40 days). At 30th September 2021 the Council held liquid short term deposits of £22 million and the WAL of the investment portfolio was 0.12 years (46 days). The WAL of the investment portfolio is slightly higher than expected.

Security - The Council's maximum security risk benchmark for the portfolio as at 30th September 2021 was 0.011%, based on the historic risk of default of the counterparties and types of accounts in which the council's funds are place – this equates to a potential loss of £0.005m on an investment portfolio of £46m. This is slightly higher than budgeted maximum risk of 0.009% in the Treasury Management Strategy however, it represents a very low risk investment portfolio.

Yield – The Council achieved an average return of 0.11% on its investment portfolio for the 6 months ended 30th September 2021. This compares favourably with the target 7 day average LIBID at 30th September of -0.083% but is lower than the budgeted yield of 0.18% for 2021/22 in the MTFS 2021-26. This is primarily due to historical low rates of the Bank of England base rate as a result of the Covid 19 pandemic and the effects on rates available in the market as a result.

2.1.2 **External Borrowing**

At 30th September 2021 the Council held £120.946 million of external borrowing, of which 100% were fixed rate loans (Appendix A).

As at 30th September 2021, the average rate of interest paid during quarters 1 and 2 on external borrowing was 3.15%. This is lower than the budgeted rate set in the MTFS 2021-26; there has been a reduction in external borrowing during the first 6 months of the year as some borrowing has been repaid and internal balances used to fund expenditure.

3. Background

3.1 The prudential system for capital expenditure is now well established. One of the requirements of the Prudential Code is to ensure adequate monitoring of the capital expenditure plans, prudential indicators (PIs) and treasury management response to these plans. This report fulfils that requirement and includes a review of compliance with Treasury and Prudential Limits and the Prudential Indicators at 30th September 2021. The Treasury Management Strategy and Prudential Indicators were previously reported to and approved by Council on 02 March 2021.

3.2 This Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code and the above requirements. These require that the prime objective of treasury management activity is the effective management of risk, and that its borrowing activities are undertaken in a prudent, affordable and sustainable basis.

3.3 This report highlights the changes to the key prudential indicators, to enable an overview of the current status of the capital expenditure plans. It incorporates any new or revised schemes previously reported to Members. Changes required to the residual prudential indicators and other related treasury management issues are also included.

4. Prudential Indicators

4.1 This part of the report is structured to provide an update on:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing.

4.2 <u>Capital Expenditure</u>

The table below summarises the changes to the capital programme that have been approved by or are subject to Executive approval since Council approved the original budget in March 2021.

Capital Expenditure	2021/22 Original Estimate £000	2021/22 Revised Estimate £000	2022/23 Original Estimate £000	2022/23 Revised Estimate £000	2023/24 Original Estimate £000	2023/24 Revised Estimate £000
General Fund	14,393	20,398	1,160	7,080	948	1,872
HRA	22,491	30,248	14,959	18,959	12,171	12,918
Total	**36,884**	**50,646**	**16,119**	**26,039**	**13,119**	**14,790**

4.3 Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above) and the expected financing arrangements for this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council in the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt.

Indicators 1&2	2021/22 Original Estimate £000	2021/22 Revised Estimate £000	2022/23 Original Estimate £000	2022/23 Revised Estimate £000	2023/24 Original Estimate £000	2023/24 Revised Estimate £000
Capital Expenditure						
General Fund	14,393	20,398	1,160	7,080	948	1,872
HRA (including New Build)	22,491	30,248	14,959	18,959	12,171	12,918
Total Expenditure	**36,884**	**50,646**	**16,119**	**26,039**	**13,119**	**14,790**
Financed by (General Fund):						
Capital receipts	2,825	2,812	195	195	0	0
Capital grants & contributions	2,596	8,270	720	5,891	740	678
Revenue/Reserve Contributions	129	186	8	8	8	8
Borrowing need	8,843	9,129	237	986	200	1,186
Financed by (HRA):						
Capital receipts	1,539	2,844	1,730	1,495	713	470
Capital grants & contributions	2,205	6,944	0	495	0	0
Depreciation (HRA only)	9,138	10,514	7,942	8,178	7,157	7,157
Revenue/Reserve Contributions	7,271	6,000	2,417	3,137	4,301	4,301
Borrowing need	2,338	3,947	2,870	5,654	0	990

The principal changes in the financing, from the original estimates approved in March 2021 are as a result of the re-profiling of expenditure and new projects funded by a combination of grants and borrowing.

4.4 The Capital Financing Requirement and External Debt

The table below shows the Council's Capital Financing Requirement (CFR), which is the Council's underlying need to borrow for a capital purpose. It also shows the expected debt position over the period.

Indicators 3 & 4	2021/22 Original Estimate £000	2021/22 Revised Estimate £000	2022/23 Original Estimate £000	2022/23 Revised Estimate £000	2023/24 Original Estimate £000	2023/24 Revised Estimate £000
General Fund	71,921	71,815	68,291	68,917	66,750	68,347
HRA	69,189	74,220	72,059	79,874	72,059	80,863
Total CFR	141,110	146,035	140,350	148,791	138,809	149,210
Net movement in CFR	6,353	**8,260**	(760)	**2,756**	(1,541)	**419**

Indicator 5	2021/22 Original Estimate £000	2021/22 Revised Estimate £000	2022/23 Original Estimate £000	2022/23 Revised Estimate £000	2023/24 Original Estimate £000	2023/24 Revised Estimate £000
Borrowing	129,000	136,000	131,000	142,500	126,000	137,500
Other long term liabilities *	0	0	0	1,380	0	1,380
Total Debt 31 March	**129,000**	**136,000**	**131,000**	**143,880**	**126,000**	**137,880**

* Other long term liabilities includes Finance leases- a change is accountancy practice is currently estimated to result in finance liabilities in 22/23 onwards which will be reported in the Treasury Management Strategy

The Council is currently under-borrowed against the CFR, as, whilst the Council has adequate cash balances and employs internal resources until cash flow forecasts indicates the need for additional borrowing or rates are available that reduce the cost of carrying debt. PWLB borrowing rates have decreased and are currently forecast to remain steady over the next year. Short term borrowing has been arranged for later in 2021 to replace short term borrowing (£5m) - further borrowing is anticipated to fund capital expenditure.

The HRA borrowing requirement is considered independently from that of the General Fund. Further borrowing is anticipated during 21/22 and will be reported as part of the MTFS and Treasury Management Strategy.

4.5 Limits to Borrowing Activity

The first key control over the Council's borrowing activity is a prudential indicator to ensure that over the medium term, net borrowing will only be for a capital purpose. Net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need, which will be adhered to if this proves prudent.

Indicator 6	2021/22 Original Estimate £000	2021/22 Revised Estimate £000	2022/23 Original Estimate £000	2022/23 Revised Estimate £000	2023/24 Original Estimate £000	2023/24 Revised Estimate £000
Gross Borrowing	129,000	136,000	131,000	142,500	126,000	137,500
Investments	(22,000)	(33,000)	(20,000)	(24,000)	(19,000)	(25,000)
Net Borrowing	107,000	103,000	111,000	118,500	107,000	112,500
CFR	141,110	146,035	140,350	148,791	138,808	149,211
Net borrowing is below CFR	36,110	43,035	29,350	30,291	31,808	36,711

*revised estimates as at 31 March

Due to changes in accounting practice the CFR in future years will include lease liabilities that are currently not recognised on the balance sheet. The council is engaged in establishing the amounts of these liabilities (previously treated as operating leases and treated as rental expenditure) and estimates will be made in the Treasury Management Strategy.

The Chief Finance Officer reports that no difficulties are envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in the budget report.

A breakdown of the loans and investments profile is provided in Appendix A.

A further two prudential indicators control the overall level of borrowing. These are:

1. **The Authorised Limit** – This represents the limit beyond which borrowing is prohibited, and needs to be set and revised by members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

2. **The Operational Boundary** – This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. CIPFA anticipate that this should act as an indicator to ensure the authorised limit is not breached.

Indicator 7	2021/22 Original Estimate £000	2021/22 Revised Estimate £000	2022/23 Original Estimate £000	2022/23 Revised Estimate £000	2023/24 Original Estimate £000	2023/24 Revised Estimate £000
Authorised limit for external debt*						
Borrowing	158,453	162,133	160,738	169,618	155,664	164,544
Other long term liabilities**	1,380	1,500	1,380	1,500	1,380	1,500
Total Authorised limit	159,833	163,633	162,118	171,118	157,044	166,044
Indicator 8	**2021/22 Original Estimate £000**	**2021/22 Revised Estimate £000**	**2022/23 Original Estimate £000**	**2022/23 Revised Estimate £000**	**2023/24 Original Estimate £000**	**2023/24 Revised Estimate £000**
Operational boundary for external debt*						
Borrowing	143,633	148,633	145,918	154,918	140,844	149,844
Other long term liabilities**	1,200	1,200	1,200	1,200	1,200	1,200
Total Operational Boundary	144,833	160,833	147,118	156,118	142,044	151,044

* The highest level of external debt during the first half of 2021/22 was £123.653m.

** Other long term liabilities include Finance leases.

There have been revisions to the capital programme since the Medium Term Financial Strategy was set in March 2021 which have impacted on authority's capital financing requirement and as a result, to the figures calculated for the operational boundary for borrowing. The limits for the Operational Boundary allow for previous use of internal borrowing to be replaced by external borrowing should the Chief Finance Officer decide that it is appropriate and prudent to do so.

4.6 Other Prudential Indicators

Appendix B details the updated position on the remaining prudential indicators and the local indicators.

5. Treasury Management Strategy 2020/21 to 2022/23 Update

5.1 Economics Update

5.1.1 MPC Meeting 24.9.21

- The Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.
- There was a major shift in the tone of the MPC's minutes at this meeting from the previous meeting in August which had majored on indicating that some tightening in monetary policy was now on the horizon, but also not wanting to stifle economic recovery by too early an increase in Bank Rate. In his press conference after the August MPC meeting, Governor Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of

ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." In other words, it was flagging up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer. It also discounted sharp increases in monthly inflation figures in the pipeline in late 2021 which were largely propelled by events a year ago e.g., the cut in VAT in August 2020 for the hospitality industry, and by temporary shortages which would eventually work their way out of the system: in other words, **the MPC had been prepared to look through a temporary spike in inflation.**

- So, in August the country was just put on alert. However, this time the MPC's words indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next April, are, indeed, likely to lead to **faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. Indeed, to emphasise its concern about inflationary pressures, the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement;** this suggested that it was now willing to look through the flagging economic recovery during the summer to prioritise bringing inflation down next year. This is a reversal of its priorities in August and a long way from words at earlier MPC meetings which indicated a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. Indeed, whereas in August the MPC's focus was on getting through a winter of temporarily high energy prices and supply shortages, believing that inflation would return to just under the 2% target after reaching a high around 4% in late 2021, now its primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.
- Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation.
- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
    1. Placing the focus on raising Bank Rate as "the active instrument in most circumstances".
    2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
    3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
    4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **World growth.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of **world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.
- **Supply shortages**. The pandemic and extreme weather events have been highly disruptive of extended worldwide supply chains. At the current time there are major queues of ships unable to unload their goods at ports in New York, California and China. Such issues have led to mis-distribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods on shelves.

5.1.2 Current Medium Term Interest Rate Forecasts are shown below:

Link Group Interest Rate View	29.9.21									
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

5.2 <u>Borrowing Activity</u>

5.2.1 The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy.

5.2.2 Long-term fixed interest rates are currently low, Interest rates are expected to rise slowly over the three-year treasury management planning period. The Chief Finance Officer, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. The approved funding of the current capital programme does require borrowing to be taken during 21/22 and the forthcoming years. In addition to this there has been internal borrowing (i.e. using cash balances), to fund previous years' capital expenditure, which may need to be replaced at some point in the future with external borrowing. The current key challenge is anticipating the optimum point at which any future borrowing should be taken. Any future borrowing will increase cash holding at a time when counterparty risk remains high and investment returns are low. In this scenario, borrowing is likely to be postponed until cash flow need is more apparent.

5.2.3 Opportunities for debt restructuring will be continually monitored. Action will be taken when the Chief Finance Officer feels it is most advantageous.

5.3 <u>Investment Strategy 2021/22 to 2023/24</u>

5.3.1 The objectives of the Council's investment strategy are the safeguarding of the re-payment of the principal and interest of its investments on time first, and ensuring adequate liquidity second – the investment return being a third objective. Following on from the economic background above, the current investment climate is one of over-riding risk consideration i.e. that of counterparty security risk. As a result of these underlying concerns, officers continue to implement an operational investment strategy, which tightens the controls already in place in the approved investment strategy.

5.3.2 The Council held £46million of investments at 30th September 2021 and the investment profile is shown in Appendix A.

5.4 <u>Risk Benchmarking</u>

The Investment Strategy for 2021/22 includes the following benchmarks for liquidity and security. Yield benchmarks are contained within section 6.

5.4.1 *Liquidity* – The Council has no formal overdraft facility and seeks to maintain liquid short-term deposits of at least £5 million available with a weeks' notice which has been increased in the light of the pandemic to ensure adequate liquidity.

The weighted average life (WAL) of investments for the year was expected to be 0.11 years (40 days). At 30th September 2021 the Council held liquid short term deposits of £22 million and the WAL of the investment portfolio was 0.12 years (46 days), slightly higher than expected.

The Chief Finance Officer can report that liquidity arrangements were adequate during the year to date

5.4.2 *Security* – The Council's maximum security risk benchmark for the portfolio as at 30th September 2021 was 0.011%, which equates to a potential loss of £0.005m on an investment portfolio of £46m. This is higher than the budgeted maximum risk of 0.006% in the Treasury Management Strategy. It represents a very low risk investment portfolio which carries a very much lower level of risk than Link's model portfolio and other local authorities within our benchmarking group.

The target set within the 2021/22 Strategy is that a minimum of 25% of the portfolio must be held in low risk specified investments. The Chief Finance Officer can report that the investment portfolio was maintained within this overall benchmark during the year to date. At 30th September 2021, 96% of the investment portfolio was held in low risk specified investments.

6. <u>Yield Benchmarking</u>

6.1 At the point of writing this report the benchmarking information is unavailable however, should this become available before the meeting a supplementary report will be tabled.

7. Strategic Priorities

7.1 One Council - Through its Treasury Management Strategy the Council seeks to reduce the amount of interest it pays on its external borrowing and maximise the interest it achieves on its investments.

8. Organisational Impacts

8.1 Finance - The financial implications are covered in the main body of the report.

8.2 Legal - The Treasury Management Strategy and Prudential Indicators meet the requirements under legislation and code of practice.

9. Recommendations

9.1 It is recommended that the Executive note the Prudential and Local Indicators and the actual performance against the Treasury Management Strategy 2021/22 for the half-year ended 30th September 2021.

Is this a key decision?	No
Do the exempt information categories apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No
How many appendices does the report contain?	Two
List of Background Papers:	Treasury Management Strategy 2021/22 (Approved by Council March 2021)
Lead Officer:	Colleen Warren, Financial Services Manager Telephone (01522) 873361

APPENDIX A

Borrowing Profile at 30th September 2021

	Long term borrowing	
	Fixed rate	Variable rate
	£ 000	£ 000
PWLB loans	89,283	0
Other Market loans	16,000	0
Local Authority loans	15,000	
3% stock	561	0
TOTAL	**120,843**	**0**

Investment Profile at 30th September 2020

	Total Principal invested	Short term	
		Fixed rate	Variable rate
	£ 000	£ 000	£ 000
UK Banks & Building societies (including Call accounts)	**24,000**	24,000	0
UK Money Market Funds	**22,383**	0	22,383
TOTAL	**46,383**	**24,000**	**22,383**

APPENDIX B

Updated Position on the Remaining Prudential and Local Indicators

Affordability Prudential Indicators

Actual and estimates of the ratio of financing costs to net revenue stream – This indicator identifies the trend in the cost of capital (borrowing costs net of interest and investment income) against the net revenue stream.

Table 5. Ratio of Financing Costs to Net Revenue Stream

Indicators 9 & 10	**2021/22 Original Estimate £000**	**2021/22 Revised Estimate £000**	**2022/23 Original Estimate £000**	**2022/23 Revised Estimate £000**	**2023/24 Original Estimate £000**	**2023/24 Revised Estimate £000**
General Fund	26.7%	26.6%	30%	29.5%	28.2%	27.9%
HRA	30.8%	30.7%	29.9%	30.2%	29.1%	29.2%

The ratios are broadly in line with expectations. The General Fund ratio is expected to change from 22/23 onwards when the leases for the new fleet are taken onto the balance sheet – at this points the ratios above do not reflect this change as this cannot be estimated until the lease arrangements are confirmed.

Treasury Management Prudential Indicators

The first treasury indicator requires the adoption of the CIPFA Code of practice on Treasury Management. This Council adopted the Revised Code of Practice on Treasury Management on 1st March 2011, and as a result adopted a Treasury Management Policy & Practices statement (1st March 2011).
There are four further indicators:

Upper Limits On Variable Rate Exposure – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.

Upper Limits On Fixed Rate Exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.

These indicators are complemented by four local indicators:
- Limit on fixed interest rate investments
- Limit on fixed interest rate debt
- Limit on variable rate investments
- Limit on variable rate debt

During the first half of the year the highest and lowest exposure to fixed and variable rates were as follows:

Indicators 11 & 12	**2021/22 Limit (Upper) £million**	**2021/22 Max Q1 & Q2 £million**	**2021/2 Min Q1 & Q2 £million**
Upper limits on interest rate exposures			
Upper limits on fixed interest rates	125.3	108.5	96.9
Upper limits on variable interest rates	53.5	(24)*	(15.1)*

*Indicators are negative as they relate to investments only – the council has no variable rate debt

	2021/22 Limit %	**2021/22 Max Q1 & Q2 %**
Local indicator limits based on debt only		
Limits on fixed interest rates	100%	100%
Limits on variable interest rates	40%	0%
Local indicator limits based on investments only		
Limits on fixed interest rates	100%	59%
Limits on variable interest rates	75%	64%

The use of variable rate, instant access instruments increased at the beginning of the pandemic to ensure that the council had liquid funds available to meet payments to support businesses and council activities. The 75% limit on variable rate investments was exceeded on nil days between April and September.

Maturity Structures Of Borrowing – These gross limits are set to reduce the Council’s exposure to large fixed rate loans (those instruments which carry a fixed interest rate for the duration of the instrument) falling due for refinancing.

Indicator 13	2020/21 Original Estimate £000	2020/21 Revised Estimate £000	2021/22 Original Estimate £000	2021/22 Revised Estimate £000	2022/23 Original Estimate £000	2022/23 Revised Estimate £000
Maturity Structure of fixed borrowing (Upper Limits)						
Under 12 months	40%	40%	40%	40%	40%	40%
12 months to 2 years	40%	40%	40%	40%	40%	40%
2 years to 5 years	60%	60%	60%	60%	60%	60%
5 years to 10 years	80%	80%	80%	80%	80%	80%
10 years and above	100%	100%	100%	100%	100%	100%
Maturity Structure of fixed borrowing (Lower Limits)						
Under 12 months	0%	0%	0%	0%	0%	0%
12 months to 2 years	0%	0%	0%	0%	0%	0%
2 years to 5 years	0%	0%	0%	0%	0%	0%
5 years to 10 years	0%	0%	0%	0%	0%	0%
10 years and above*	10%	10%	10%	10%	10%	10%

As at 30th September 2021 the maturity structure of borrowing during the first half of the year was as follows:

Indicator 13 Maturity Structure of fixed borrowing	At 30/9/2021 %	At 31/3/2022 %
Under 12 months	4%	5%
2 years to 5 years	11%	7%
5 years to 10 years	6%	8%
10 years to 15 years	11%	15%
15 years to 25 years	23%	19%
25 years to 30 years	4%	4%
30 years to 40 years	17%	17%
40 years and over	24%	25%

Total Principal Funds Invested – These limits are set to reduce the need for early sale of an investment, and are based on the availability of investments after each year-end.

Indicator 14	2021/22 Original Estimate £000	2021/22 Revised Estimate £000	2022/23 Original Estimate £000	2022/23 Revised Estimate £000	2023/24 Original Estimate £000	2023/24 Revised Estimate £000
Maximum principal sums invested > 1 year	£5m	£0m	£5m	£0m	£5m	£0m

As at 30th September 2021, there were no principal funds invested over 1 year.

Local Prudential Indicators

In addition to the statutory and local indicators listed above the Director of Resources has set four additional local indicators aimed to add value and assist in the understanding of the main indicators. These are:

1. Debt – Borrowing rate achieved against average 7 day LIBOR

	2021/22 Target %	2021/22 Actual – 30th September %	2021/22 Target %	2022/23 Target %
Debt – borrowing rate achieved (i.e. temporary borrowing of loans less then 1 year)	Less than 7 day LIBOR	No temporary loans taken 7 day LIBOR rate 0.04113%	To be developed following cessation of LIBOR rate	To be developed following cessation of LIBOR rate

2. Investments – Investment rate achieved against the average 7 day LIBID

	2021/22 Target %	2020/21 Average Actual – 30th September %	2021/22 Target %	2022/23 Target %
Interest rate achieved	Greater than 7 day LIBID	Achieved average 0.11% compared to -0.08289% average 7 day LIBID	Greater than 7 day LIBID	Greater than 7 day LIBID

The interest rate achieved on investments compares favourably to the 7 day LIBID due to the use of fixed term, fixed rate investments, plus the greater use of semi-fixed rate call accounts and money market funds which pay a premium over the LIBID rate.

3. Average rate of interest paid on the Council’s debt during the year (this will evaluate performance in managing the debt portfolio to release revenue savings).

	2021/22 Target %	2021/22 Average Q1&Q2 %	2022/23 Target %	2023/24 Target %
Average rate of interest paid on Council debt	4.25%	3.15%	4.25%	4.25%

4. The amount of interest on debt as a percentage of gross revenue expenditure. The results against this indicator will be reported at the year-end.