

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Cabinet</b> <b>16 November 2022</b>
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<b>Report title</b>	Treasury Management Activity Monitoring – Mid Year Review 2022-2023	
<b>Decision designation</b>	RED	
<b>Cabinet member with lead responsibility</b>	Councillor Obaida Ahmed Resources and Digital City	
<b>Key decision</b>	Yes	
<b>In forward plan</b>	Yes	
<b>Wards affected</b>	All Wards	
<b>Accountable Director</b>	Tim Johnson, Chief Executive	
<b>Originating service</b>	Strategic Finance	
<b>Accountable employee</b>	Claire Nye	Director of Finance
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<b>Report to be/has been considered by</b>	Strategic Executive Board	25 October 2022
	Council	7 December 2022
	Resources and Equality Scrutiny Panel	2 February 2023

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### Recommendations for decision:

That Cabinet recommend that Council is asked to note:

1. That a mid-year review of the Treasury Management Strategy Statement has been undertaken and the Council has operated within the limits and requirements approved in March 2022.
2. That a revenue underspend of £3.4 million for the General Fund and a revenue overspend of £996,000 for the Housing Revenue Account (HRA) are forecast from treasury management activities in 2022-2023.

### Recommendation for noting:

The Cabinet is asked to note:

1. That the outcome of the CIPFA consultation on proposals to update the CIPFA Code of Practice on Local Authority Accounting for infrastructure assets is still to be finalised.

## **1.0 Purpose**

- 1.1 The report provides a monitoring and progress report on treasury management activity for the second quarter of 2022-2023 as part of the mid-year review, in line with the Prudential Indicators approved by Council in March 2022.

## **2.0 Background**

- 2.1 The treasury management activities of the Council are underpinned by The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management. For further information on the requirement of the Code please refer to the Treasury Management Strategy 2022-2023 report which can be accessed online on the Council's website by following the link:

[Agenda for Cabinet on Wednesday, 23rd February, 2022, 5.00 pm :: Wolverhampton City Council \(moderngov.co.uk\)](#)

- 2.2 Treasury management is defined as:

“The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

- 2.3 The system of controls on local authority capital investment is based largely on self-regulation by local authorities themselves. At its heart is CIPFA's Prudential Code for Capital Finance.
- 2.4 Cabinet / Cabinet (Resources) Panel receive quarterly reports throughout the year to monitor performance against the strategy and Prudential Indicators that have previously been approved by Council.
- 2.5 The Council continues to use Link Group as its treasury management advisors throughout 2022-2023. Link provides market data and intelligence on which the Council can make decisions regarding all aspects of treasury management activities and in particular, managing the risks associated with investing surplus cash.
- 2.6 As reported to Councillors in previous treasury management reports during 2021-2022, new revised Treasury Management and Prudential Codes were published by CIPFA and Councils must have regard to the new Codes from the date of publication. However, due to the timing of the release of the new Codes, CIPFA has allowed reporting on the Codes to be deferred until 2023-2024, including changes to the capital strategy, prudential indicators and investment reporting.
- 2.7 Where possible the changes to the Codes have been implemented in the appendices attached to this report. However, due to timescales, some areas will be implemented during 2022-2023. To enable this, at its meeting on 2 March 2022, Council approved

delegated authority to Cabinet to approve updates to the Treasury Management Strategy and corresponding practices.

- 2.8 It should be noted that the Council does not undertake commercial investments, that is those held primarily for financial return. However, to be compliant with the Code, commercial investments will be referenced where required.
- 2.9 In the 'Treasury Management – Annual Report 2021-2022 and Activity Monitoring Quarter One 2022-2023' report to Cabinet on 6 July 2022, it was reported that CIPFA had recently consulted on proposals to update the CIPFA Code of Practice on Local Authority Accounting for infrastructure assets. In response to the issues being considered by CIPFA, the Council was reviewing its accounting policy and would discuss the findings with the Council's external auditors. This may have resulted in additional charges being made in respect of Minimum Revenue Provision (MRP) for the General Fund for 2021-2022 onwards. At the time of writing this report, the outcome of the CIPFA consultation is still to be finalised and therefore the position remains unchanged. Once the outcome of the consultation has been published any potential changes will be reported to Cabinet.
- 2.10 The Council has built up a strong track record of managing its finances well and, in order to reduce interest payment costs, will only undertake external borrowing when cashflows require. The Council has not had to undertake any external borrowing during 2020-2021 and 2021-2022, the last time the Council carried out external borrowing was March 2019. The Council external borrowing therefore remains at £720.4 million at 30 September 2022.
- 2.11 Our City: Our Plan was approved by Full Council on 2 March 2022 and sets out how the Council will continue to work alongside its local, regional and national partners to improve outcomes for local people.
- 2.12 The plan continues to identify an overarching ambition that 'Wulfrunians will live longer, healthier lives' delivered through six Council Plan priorities:
- Strong families where children grow up well and achieve their full potential
  - Fulfilled lives with quality care for those that need it
  - Healthy, inclusive communities
  - Good homes in well-connected neighbourhoods
  - More local people into good jobs and training
  - Thriving economy in all parts of the city
- 2.13 These priorities together with the associated key outcomes, objectives and activity form a framework to improve the outcomes for local people and deliver our levelling up ambitions. Supporting the six overarching priorities are three cross cutting principles – Climate Conscious, Driven by Digital, Fair and Equal.

### 3.0 2022-2023

3.1 The forecast outturn for treasury management activities in 2022-2023 compared to budget is shown in Table 1.

**Table 1 – Treasury management budget and forecast outturn 2022-2023**

	<b>Approved Budget £000</b>	<b>Forecast Outturn £000</b>	<b>Variance at Quarter Two £000</b>
General Fund	40,265	36,825	(3,440)
Housing Revenue Account	10,238	11,234	996
<b>Total</b>	<b>50,503</b>	<b>48,059</b>	<b>(2,444)</b>

3.2 Overall, an underspend of £3.4 million for the General Fund and an overspend of £996,000 for the Housing Revenue Account (HRA) are projected for the year 2022-2023.

3.3 In the main, the General Fund underspend is due to; no borrowing being undertaken in 2021-2022, a reduced borrowing need in year arising as a result of re-phasing of the capital programme and, following a review of the draft balance sheet for 2021-2022, a forecast change in the proportion split for interest between the General Fund and HRA.

3.4 The approved Medium Term Financial Strategy assumes a release of £1.7 million of the Treasury Management Equalisation Reserve in 2022-2023. This release isn't included in the above table as the treasury management budget needs to be monitored without this release for management purposes. However, the Performance and Budget Monitoring report on this same agenda, assumes this draw down of reserve for 2022-2023.

3.5 On 6 July 2022, it was reported to Cabinet in the Treasury Management Activity Monitoring Quarter One report, there were early indications suggesting there were pressures on the HRA budget. The HRA forecast overspend highlighted above, is mainly due to the corresponding increase in the interest proportion split. The Performance and Budget Monitoring report on this same agenda refers to the updated forecast position on the HRA.

3.6 Upon the completion of the audit of the Council's Statement of Accounts for 2021-2022 the balance sheet will be reviewed again to see if there are any further changes to the proportion split for interest between the General Fund and HRA.

3.7 Due to the uncertain economic climate and the increase in interest rates the forecast outturn is difficult to project, and the position will continue to be monitored and updates provided over the remainder of 2022-2023 financial year.

3.8 The forecast positions will be considered and incorporated in the Performance and Budget monitoring report to Cabinet also on the agenda for this meeting.

- 3.9 The Council's strategy is to continue to use cash balances to finance capital expenditure rather than external borrowing. Borrowings are actively managed to achieve savings wherever possible.
- 3.10 Appendix 1 to this report shows a comparison of the latest estimates of Prudential and Treasury Management Indicators over the medium term period with the equivalent figures which were approved by Council in March 2022.

#### **4.0 Borrowing forecast for 2022-2023**

- 4.1 The Council's need to borrow and the rates available continue to be monitored in order to achieve optimum results. The Council's medium term forecast is regularly updated to reflect actual borrowing that takes place along with any revisions to future anticipated borrowing.
- 4.2 Table 2 shows the average rate of interest payable in 2021-2022 and forecast for 2022-2023.

**Table 2 – Average interest rate payable in 2021-2022 and 2022-2023**

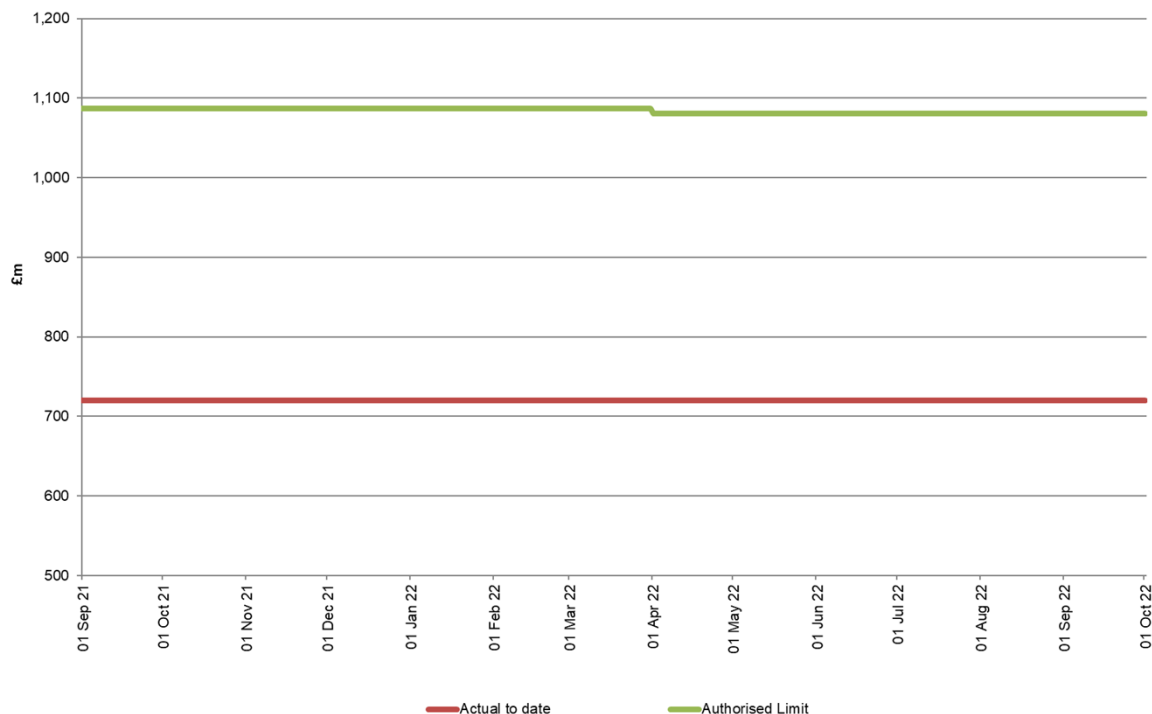
	<b>2021-2022</b>	<b>2022-2023</b>
	<b>Actual</b>	<b>Forecast</b>
Average Interest Rate Payable	3.79%	3.78%

- 4.3 The average interest rate payable for 2022-2023 in Table 2 includes the latest rates forecast provided by Link on 28 September 2022. Although interest rates have been rising, due to maturing loans in 2022-2023 being a higher rate than those available now, a slightly lower weighted average rate is forecast.
- 4.4 Each year it is usually necessary to raise new loans to finance capital expenditure and to replace existing maturing borrowing. The Council's policy is to prioritise the use of capital receipts to finance capital expenditure. Balances which are set aside to meet credit liabilities (i.e. to repay borrowing) are used to reduce the external borrowing requirement.
- 4.5 Decisions to take borrowing will be made by the Director of Finance when it is judged that rates are likely to be at their lowest levels, and probably about to rise according to market indications, and only when an inflow of funds is required to meet imminent cash flow commitments. This will keep overall surplus cash balances to a minimum, in line with the current strategy. Appendix 2 to this report shows the maturity profile of external borrowing.
- 4.6 As always, the Council needs to be mindful that the opportunity to secure short term efficiencies by postponing longer term borrowing requirements takes into account the risk of long term rates increasing in the future. Appendix 3 to this report includes the Link interest rate forecast for quarter two 2022-2023 which forecasts that interest rates across all periods could increase before gradually decreasing towards the end of the 2022-2023

financial year. This forecast done in September 2022 showed the base rate could potentially increase to a 5% high.

- 4.7 Following the increase of the bank rate to 3% on 3 November 2022, the Bank of England has reported that it doesn't expect interest rates to rise by as much as predicted with analysts thinking it could now peak at 4.75% next year. The Director of Finance will continue to keep actual and forecast rates under close review.
- 4.8 The Council's borrowing profile continues to operate within the overall limits previously approved by Council, as shown in Chart 1.

**Chart 1 – Comparison of borrowing within approved borrowing limits over the previous 12 months**



- 4.9 The level of borrowing at 30 September 2022 is £720.4 million, Appendix 4 to the report shows a summary of this position. During quarter two no new loans or repayments have occurred, £10.2 million of existing borrowing is due to be repaid between quarters three to four. There was also no debt rescheduled during quarter two.
- 4.10 In March 2022, Council approved a net borrowing requirement for 2022-2023 of £112.0 million. The forecast net borrowing requirement for 2022-2023 is £94.2 million, as shown in Appendix 5, due to re-phasing in the capital programme. This appendix also shows the details for the disclosure for certainty rate, which enables the Council to access discounted borrowing at 0.20% below normal PWLB rates.

## 5.0 Investment forecast for 2022-2023

- 5.1 The approach during the year is to continue to use cash balances to finance capital expenditure so as to keep cash balances low.
- 5.2 Table 3 shows the total amount of surplus funds invested as at 31 May 2022 and 30 September 2022.

**Table 3 – Total amounts invested 2022-2023**

	31 May 2022 £000	30 September 2022 £000
Business Reserve Accounts	306	360
Debt Management Account Deposit Facility	-	10,565
Money Market Funds	52,770	60,300
<b>Total invested</b>	<b>53,076</b>	<b>71,225</b>
Average cash balance for the year to date	71,288	72,353

- 5.3 Money Market Funds and Business Reserve Accounts are the main investments used as these have high credit ratings and instant access.
- 5.4 The Council's cash flow balance for the second quarter of the current financial year has moved between a low of £55.6 million and a maximum of £85.0 million. The average cash balance for the quarter being £71.9 million.
- 5.5 Table 4 shows the budgeted average rate of interest receivable in 2022-2023 and the forecast for the year.

**Table 4 – Average interest rate receivable in 2022-2023**

	2022-2023 Budget	2022-2023 Forecast
Average Interest Rate Receivable	0.10%	1.70%

- 5.6 At the time the budget was set a prudent percentage was used for budgeting purposes as the Covid-19 pandemic had seen interest rates available for investments decrease significantly. As the Bank of England have been increasing the base rate since February 2022 the rates achieved on investments has been increasing. With the current uncertainties it is still increasingly difficult to forecast future investment rates that could be achieved therefore, a prudent rate is forecast based on the increased rates achieved to the 30 September 2022.
- 5.7 While investment rates continue to be below long term borrowing rates, the Council can minimise its overall net treasury costs in the short term by continuing to avoid new external borrowing and by using internal cash balances to finance new capital expenditure or to replace maturing external borrowing (this is referred to as internal borrowing).

- 5.8 The Council manages its investments in-house and invests only in the institutions listed in the Council's approved lending list, which is reviewed each time a counterparty is subject to a credit rating amendment. The Council's strategy allows for investments for a range of periods from overnight to five years, depending on the Council's cash flows, its interest rate view and the interest rates on offer. However, in order to maintain sufficient liquidity whilst total investment levels are relatively low, investments have been place for shorter durations.
- 5.9 The Council's approved Treasury Management Practices sets out the criteria to be used for creating and managing approved counterparty lists and limits. As a result of any changes to credit criteria, the Director of Finance is authorised to make changes to the list of approved counterparties. In the event that any of these counterparties fall below the Council's minimum lending criteria, activity in that account will temporarily cease and any balance withdrawn immediately. Appendix 6 to this report shows the Council's current specified investments lending list.
- 5.10 In quarter two 2022-2023 the Director of Finance has not been required to use her discretion to temporarily exceed any upper limits with approved counterparties. In addition, no institutions in which investments were made had any difficulty in repaying investments or, interest in full, during the quarter and no arrangements had to be made to prematurely withdraw funds from any investments, as a result of a downgrade in their respective credit rating.

## **6.0 Evaluation of alternative options**

- 6.1 As this is a monitoring report on treasury management activities undertaken in line with the approved Treasury Management Strategy for 2022-2023, there are no alternative options available.

## **7.0 Reasons for decisions**

- 7.1 This report provides an update on treasury management activities undertaken in line with the approved Treasury Management Strategy for 2022-2023.

## **8.0 Financial implications**

- 8.1 The financial implications are discussed in the body of this report.  
[SH/03112022/Y]

## **9.0 Legal implications**

- 9.1 The Council's treasury management activity must be carried out in accordance with the requirements of the Local Government Act 2003. In addition, the Local Government and Housing Act 1989 sets out requirements for local authorities in respect of capital controls, borrowing and credit arrangements. The Council is also required to comply with the Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2008.



9.2 Treasury management relates to the management of the Council's cash flow, borrowing and cash investments. This involves seeking the best rates of interest for borrowing, earning interest on investments, whilst managing risk in making financial decisions and adopting proper accounting practice.

9.3 The area is heavily regulated. The Local Government and Housing Act 1989 regulates the operation of the Housing Revenue Account. The 'CIPFA Code of Practice for Treasury Management in the Public Services', contains treasury management indicators and advice on treasury management strategy. Investment strategy is regulated by 'MHCLG Guidance on Local Government Investments' issued initially in 2004 and reissued in 2010 and 2018. Part 2 of this Guidance is statutory guidance.  
[TC/02112022/A]

## **10.0 Equalities implications**

10.1 Whilst there are no direct equalities implications arising from treasury management activity, the Council's capital programme of individual projects can have significant impact on specific groups and equality implications. These implications are considered when the individual capital projects are being developed.

## **11.0 All other implications**

11.1 There are no other implications arising from this report.

## **12.0 Schedule of background papers**

12.1 [Treasury Management Strategy 2022-2023](#), Report to Cabinet, 23 February 2022

12.2 [Treasury Management – Annual Report 2021-2022 and Activity Monitoring Quarter One 2022-2023](#), Report to Cabinet, 6 July 2022

12.3 [Performance and Budget Monitoring 2022-2023](#), Report to Cabinet, 16 November 2022

## **13.0 Appendices**

13.1 Appendix 1: Prudential and Treasury Management Indicators

13.2 Appendix 2: Borrowing maturity profile

13.3 Appendix 3: Link interest rate forecasts

13.4 Appendix 4: Borrowing type, borrowing and repayments

13.5 Appendix 5: Disclosure for certainty rate

13.6 Appendix 6: Lending list

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Prudential Indicators (PI) required by The Prudential Code

PI for Prudence - Ensuring that external debt is sustainable and compliance with good professional practice are essential features of prudence.

**PI 1 - Estimates and actual capital expenditure.**

Full details of capital expenditure plans and funding can be found in the quarter two capital budget monitoring 2022-2023 report.

	Approved by Council 2 March 2022			As at 30 September 2022		
	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000
General Fund *	139,412	59,970	36,048	114,501	157,872	49,814
HRA	84,663	88,488	84,560	80,261	97,039	87,385
	224,075	148,458	120,608	194,762	254,911	137,199
* Service investments included in General Fund figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc. for service and regeneration delivery purposes.	13,057	10,000	4,900	5,067	8,000	11,900

**PI 2 - Estimates and actual capital financing requirement General and HRA.**

The capital financing requirement measures the authority's underlying need to borrow for a capital purpose.

	Approved by Council 2 March 2022			As at 30 September 2022		
	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000
General Fund *	723,620	707,006	691,987	694,029	720,194	719,661
HRA	316,145	359,879	396,978	310,908	367,536	412,029
	1,039,765	1,066,885	1,088,965	1,004,937	1,087,730	1,131,690
* Service investments included in General Fund figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc. for service and regeneration delivery purposes.	45,165	40,730	34,206	37,474	39,680	42,821
<b>Movement in capital financing requirement represented by:</b>						
New borrowing for capital expenditure	109,302	68,029	70,016	85,322	119,243	86,682
Less minimum revenue provision/voluntary minimum revenue provision	(37,391)	(40,909)	(47,936)	(34,855)	(36,450)	(42,722)
Movement in capital financing requirement	71,911	27,120	22,080	50,467	82,793	43,960

**PI 3 - Authorised limit for external debt.**

These limits apply to the total external debt gross of investments and separately identify borrowing from other long term liabilities such as finance leases including Private Finance Initiatives (PFI). This is a self determined level reviewed and set each budget setting cycle.

	As at 30 September 2022		
	2022-2023 Limit £000	2023-2024 Limit £000	2024-2025 Limit £000
Borrowing	1,080,693	1,139,076	1,208,188
Other Long Term Liabilities	82,628	79,660	76,416
Total Authorised Limit	1,163,321	1,218,736	1,284,604
Forecast External Debt as at 30 September 2022:			
Borrowing	804,484	928,245	1,001,749
Other Long Term Liabilities	76,928	73,960	74,416
	881,412	1,002,205	1,076,165
Variance (Under) / Over Authorised limit	(281,909)	(216,531)	(208,439)
<b>Authorised limit for service investments included in the above figures</b>			
Authorised Limit	66,049	63,600	62,176
Forecast External Debt as at 30 September 2022:			
	42,428	44,633	47,774
Variance (Under) / Over Authorised limit	(23,621)	(18,967)	(14,402)

Prudential Indicators (PI) required by The Prudential Code

**PI 4 - Operational boundary for external debt.**

This is based on the same estimates as the authorised limit but directly reflects the Director of Finance's estimate of the most likely, prudent but not worst case scenario, without the additional headroom included. This is a self determined level reviewed and set each budget setting cycle.

	As at 30 September 2022		
	2022-2023 Limit £000	2023-2024 Limit £000	2024-2025 Limit £000
Borrowing	1,054,388	1,122,138	1,191,978
Other Long Term Liabilities	80,628	77,660	74,416
<b>Total Operational Boundary Limit</b>	<b>1,135,016</b>	<b>1,199,798</b>	<b>1,266,394</b>
Forecast External Debt as at 30 September 2022:			
Borrowing	804,484	928,245	1,001,749
Other Long Term Liabilities	76,928	73,960	74,416
	881,412	1,002,205	1,076,165
Variance (Under) / Over Operational Boundary Limit	(253,604)	(197,593)	(190,229)
<b>Operational boundary for service investments included in the above figures</b>			
Operational Boundary Limit	65,035	63,600	62,176
Forecast External Debt as at 30 September 2022:	42,428	44,633	47,774
Variance (Under) / Over Operational Boundary Limit	(22,607)	(18,967)	(14,402)

**PI 5 - Gross debt and the capital financing requirement.**

"In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years".

	Approved by Council 2 March 2022			As at 30 September 2022		
	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000
Forecast Capital Financing Requirement at end of Second Year	1,088,964	1,088,964	1,094,833	1,131,690	1,131,690	1,131,690
Gross Debt	953,239	1,018,359	1,070,439	881,412	1,002,205	1,076,165
Capital Financing Requirement Greater than Gross Debt	Yes	Yes	Yes	Yes	Yes	Yes

**PI for Affordability** - These indicators are used to ensure the total capital investment of the Council is within a sustainable limit and the impact of these decisions are considered with regard to acceptable council tax and housing rent levels.

**PI 6 - Estimates and actual ratio of financing costs to net revenue stream.**

This represents the cost of financing capital expenditure as a % of net revenue for both General Fund and HRA.

	Approved by Council 2 March 2022			As at 30 September 2022		
	2022-2023 Forecast	2023-2024 Forecast	2024-2025 Forecast	2022-2023 Forecast	2023-2024 Forecast	2024-2025 Forecast
General Fund *	18.1%	18.6%	18.4%	16.7%	18.0%	18.6%
HRA	31.4%	31.7%	32.2%	31.7%	34.0%	34.7%
* Service investments included in General Fund figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc. for service and regeneration delivery purposes.	1.1%	1.2%	1.0%	0.8%	0.9%	0.9%

**PI 7 - Estimates and actual ratio of net income from commercial and service investments to net revenue stream.**

This represents the financial exposure of the Council to the loss of income from commercial and service investments. Only costs directly attributable to the investments are netted off, so unlike PI 6, the costs of borrowing (interest and MRP) cannot be deducted as they are not directly attributable to managing the investments and will continue regardless of the existence or performance of the investments.

	Approved by Council 2 March 2022			As at 30 September 2022		
	2022-2023 Forecast	2023-2024 Forecast	2024-2025 Forecast	2022-2023 Forecast	2023-2024 Forecast	2024-2025 Forecast
Commercial	-	-	-	-	-	-
Service	0.6%	0.8%	0.7%	0.6%	0.6%	0.7%

Treasury Management Indicators (TMI) required by The Treasury Management Code

**TMI 1 - Upper limits for long-term treasury management investments (previously called 'upper limits to the total of principal sums invested over 365 days').**

This details the maximum amount which can be invested for up to 5 years (as per paragraph 1.5 of the Annual Investment Strategy). It has been determined that a maximum of 50% of total investments with a cap of £35.0 million could be prudently committed to long term investments should the Director of Finance decide it is appropriate to.

	As at 30 September 2022		
	2022-2023 Limit £000	2023-2024 Limit £000	2024-2025 Limit £000
Upper limit for long-term treasury management investments	35,000	35,000	35,000
Actual and Forecast Invested at 30 September 2022	-	-	-
Variance (Under) / Over Limit	(35,000)	(35,000)	(35,000)

**TMI 2 - Upper and lower limits to the maturity structure of its borrowing.**

These limits relate to the % of fixed and variable rate debt maturing.

	Approved by Council 2 March 2022		As at 30 September 2022
	Upper Limit	Lower Limit	2022-2023 Forecast Borrowing
Under 12 months	25%	0%	2.12%
12 months and within 24 months	25%	0%	-
24 months and within 5 years	40%	0%	3.44%
5 years and within 10 years	50%	0%	10.46%
10 years and within 20 years	50%	0%	11.70%
20 years and within 30 years	50%	0%	28.51%
30 years and within 40 years	50%	0%	23.33%
40 years and within 50 years	50%	0%	20.44%
50 years and within 60 years	50%	0%	-

Non-treasury management investment indicators

The statutory guidance on local government investments encourages local authorities to develop qualitative indicators that allow the reader to assess the Council's total risk exposure as a result of commercial investment decisions.

**NTM 1 - Estimates and actual non-treasury management investment expenditure.**

This identifies the level of any non-treasury management investments ( e.g. service and commercial investments).

	Approved by Council 2 March 2022			As at 30 September 2022		
	2022-2023	2023-2024	2024-2025	2022-2023	2023-2024	2024-2025
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000
Service investments	13,057	10,000	4,900	5,067	8,000	11,900
Commercial investments	-	-	-	-	-	-
	13,057	10,000	4,900	5,067	8,000	11,900

**NTM 2 - Estimates and actual net debt for service and commercial investment to net service expenditure ratio.**

This indicator measures the level of net debt for service and commercial investments in comparison to the Council's forecast net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.

	Approved by Council 2 March 2022			As at 30 September 2022		
	2022-2023	2023-2024	2024-2025	2022-2023	2023-2024	2024-2025
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000
Net debt for service and commercial investments	45,165	40,730	34,206	37,474	39,680	42,821
Net service expenditure	267,150	268,326	277,311	267,159	268,326	277,311
Debt to net service expenditure ratio	16.9%	15.2%	12.3%	14.0%	14.8%	15.4%

**NTM 3 - Estimates and actual service and commercial income to net service expenditure ratio.**

This indicator measures the level of service and commercial investment generated income in comparison to the Council's net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority. The % indicates the Council's financial resilience and how reliant on the service/commercial investment income it is. A low % indicates the Council is not heavily reliant on service/commercial investment income.

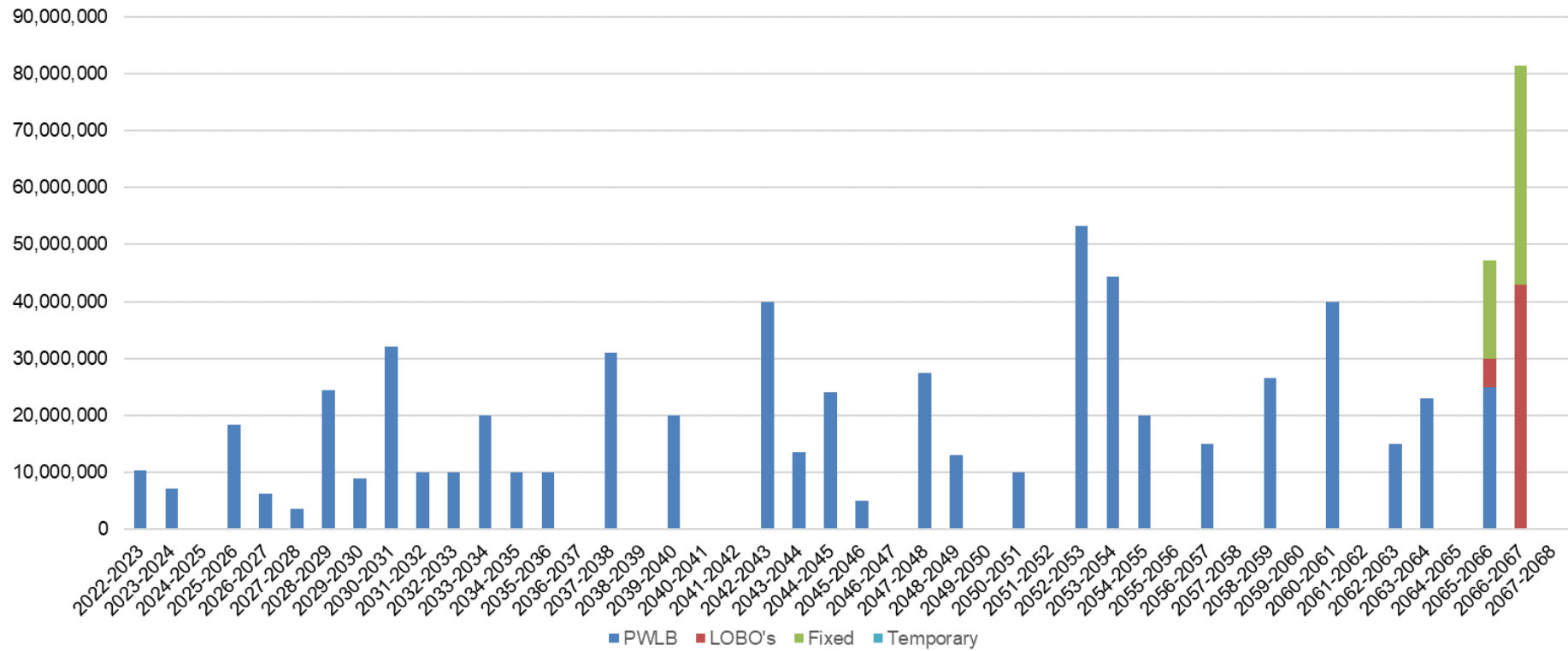
	Approved by Council 2 March 2022			As at 30 September 2022		
	2022-2023	2023-2024	2024-2025	2022-2023	2023-2024	2024-2025
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000
Service and commercial investment income	1,819	2,115	2,033	1,643	1,756	2,013
Net service expenditure	267,150	268,326	277,311	267,159	268,326	277,311
Service and commercial income to net service expenditure ratio	0.7%	0.8%	0.7%	0.6%	0.7%	0.7%

**NTM 4 - Estimates and actual loan to value ratio**

This indicator measures the net debt for service and commercial investments compared to the forecast total asset value. A decrease in the ratio over the medium term indicates a reducing level of borrowing due to repayments, whereas an increase indicates an increase in the level of borrowing due to new loans being issued.

	Approved by Council 2 March 2022			As at 30 September 2022		
	2022-2023	2023-2024	2024-2025	2022-2023	2023-2024	2024-2025
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Loan to value ratio	72.1%	68.3%	62.7%	70.1%	70.3%	70.9%

### Borrowing Maturity Profile at 30 September 2022



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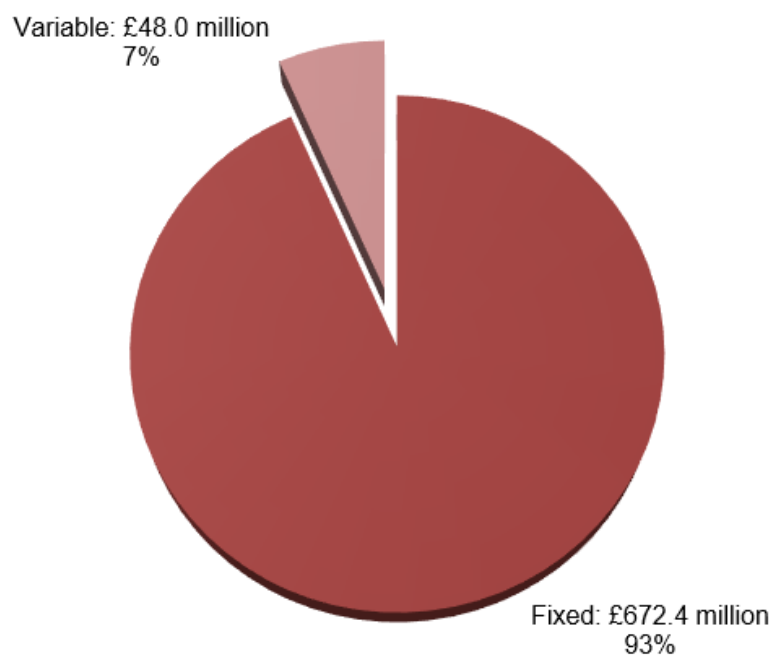
**Link interest rate forecasts**

The Council's treasury advisor, Link Group, provided the following forecasts on 28 September 2022 (PWLB rates are certainty rates, gilt yields plus 80bps):

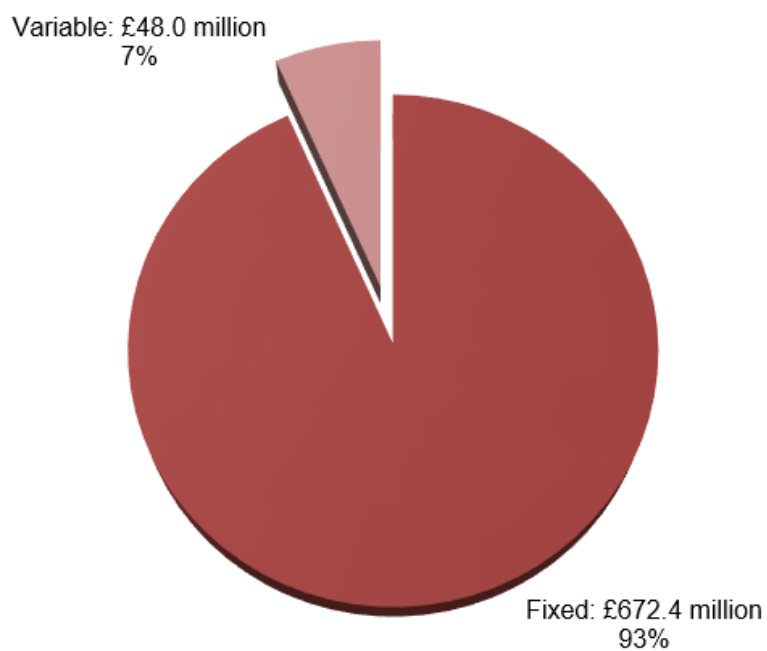
Link Group Interest Rate View	27.09.22											
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

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**Borrowing: Graphical Summary**  
**Borrowing by Type**  
**As at 30 June 2022**



**As at 30 September 2022**



**Borrowing and Repayments in 2022-2023**

	Start Date	Maturity Date	Amount £000	Length	Interest Rate	Full Year Interest £000
<b>2022-2023 Borrowing</b>						
<b>PWLB Fixed Maturity:</b>						
No activity in quarter 2						
<b>Sub total for PWLB</b>			-			-
<b>Temporary Loans:</b>						
No activity in quarter 2						
<b>Sub total for Temporary Loans</b>			-			-
<b>Grand total borrowing</b>						
			-			-

	Start Date	Maturity Date	Amount £000	Length	Interest Rate	Full Year Interest £000
<b>2022-2023 Repayments</b>						
<b>PWLB Fixed Maturity:</b>						
No activity in quarter 2						
<b>Sub total for PWLB</b>			-			-
<b>Temporary Loans:</b>						
No activity in quarter 2						
<b>Sub total for Temporary Loans</b>			-			-
<b>Grand total repayments</b>						
			-			-
<b>Net movement</b>						
			-			-

Disclosure for Certainty Rate

<b>Certainty Rate</b>						
This table details the information that is required to enable the Council to submit a return for 2022-2023						
	Approved by Council 2 March 2022			As at 30 September 2022		
	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000
<b>Net Borrowing Requirement:</b>						
Borrowing to finance planned capital expenditure	105,219	67,750	69,840	84,939	118,964	82,806
Existing maturity loans to be replaced during the year	41,071	95,095	70,000	41,071	45,095	80,000
Less:						
Minimum Revenue Provision for debt repayment	(19,817)	(21,121)	(22,316)	(19,557)	(20,285)	(22,281)
Voluntary debt repayment	(14,493)	(16,541)	(22,200)	(12,217)	(12,918)	(17,021)
	(34,310)	(37,662)	(44,516)	(31,774)	(33,203)	(39,302)
Loans replaced less debt repayment	6,761	57,433	25,484	9,297	11,892	40,698
<b>Net Advance Requirement</b>	<b>111,980</b>	<b>125,183</b>	<b>95,324</b>	<b>94,236</b>	<b>130,856</b>	<b>123,504</b>
<b>Analysed by:</b>						
Service delivery	28,743	8,374	2,503	27,339	23,934	2,563
Housing	58,821	57,275	54,199	49,449	72,546	65,414
Regeneration	17,655	2,101	13,138	8,151	22,484	14,829
Preventative action	-	-	-	-	-	-
Treasury Management	6,761	57,433	25,484	9,297	11,892	40,698
Primarily for yield	-	-	-	-	-	-
<b>Total</b>	<b>111,980</b>	<b>125,183</b>	<b>95,324</b>	<b>94,236</b>	<b>130,856</b>	<b>123,504</b>

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## Lending List

### 2022-2023 Specified Investments as at 30 September 2022

Institution	Country (Sovereign Rating)	Limit £000	Term Limit
Bank Nederlandse Gemeenten	Netherlands (AAA)	20,000	12 mths
Bank of Montreal	Canada (AA+)	10,000	6 mths
Bank of Nova Scotia	Canada (AA+)	10,000	6 mths
Canadian Imperial Bank of Commerce	Canada (AA+)	10,000	6 mths
DBS Bank Ltd	Singapore (AAA)	10,000	6 mths
HSBC Bank plc	UK (AA-)	5,000	3 mths
Landwirtschaftliche Rentenbank	Germany (AAA)	20,000	12 mths
National Bank of Abu Dhabi	Abu Dhabi (U.A.E) (AA)	5,000	3 mths
Nordea Bank Abp	Finland (AA+)	10,000	6 mths
NRW.BANK	Germany (AAA)	20,000	12 mths
Oversea Chinese Banking Corporation Ltd	Singapore (AAA)	10,000	6 mths
Royal Bank of Canada	Canada (AA+)	10,000	6 mths
Skandinaviska Enskilda Banken AB	Sweden (AAA)	10,000	6 mths
Svenska Handelsbanken AB	Sweden (AAA)	20,000	12 mths
Swedbank AB	Sweden (AAA)	10,000	6 mths
Toronto Dominion Bank	Canada (AA+)	10,000	6 mths
United Overseas Bank Ltd	Singapore (AAA)	10,000	6 mths
Wells Fargo Bank NA	USA (AAA)	10,000	6 mths
<b>Nationalised Banks</b>			
<b>Royal Bank of Scotland Group plc</b>			
National Westminster Bank plc	UK (AA-)	10,000	3 mths
The Royal Bank of Scotland plc	UK (AA-)	10,000	3 mths
<b>AAA Rated and Government Backed Securities</b>			
Debt Management Office	UK (AA-)	20,000	30 mths
<b>Money Market Funds</b>		<b>Fund Rating</b>	
Invesco STIC Account	Fitch AAmmf	20,000	Instant Access
Aberdeen Liquidity Fund (LUX) Class 2	Fitch AAmmf	20,000	Instant Access
Federated Short-Term Sterling Prime Fund	Fitch AAmmf	20,000	Instant Access
Black Rock Sterling Liquidity Fund	Moody's Aaa-mf	20,000	Instant Access

#### Non-rated Institutions

County Councils, London Boroughs, Metropolitan Districts and Unitary Authorities - limits £6m and 12 months.  
Shire District Councils, Fire and Civil Defence Authorities, Passenger Transport Authorities and Police Authorities  
- limits £3m and 12 months.

NB: This is a list of institutions that could be used if the Council wished to do so, as they meet the Council's minimum credit criteria.

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