

CITY OF WOLVERHAMPTON COUNCIL	Cabinet 6 July 2022
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Report title	Treasury Management - Annual Report 2021-2022 and Activity Monitoring Quarter One 2022-2023	
Decision designation	RED	
Cabinet member with lead responsibility	Councillor Obaida Ahmed Resources and Digital City	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable Director	Tim Johnson, Chief Executive	
Originating service	Strategic Finance	
Accountable employee	Claire Nye Tel Email	Director of Finance 01902 550478 Claire.Nye@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board Council Resources and Equality Scrutiny Panel	21 June 2022 20 July 2022 13 October 2022

Recommendations for decision:

That Cabinet recommended that Council is asked to note:

1. The Council operated within the overall approved Prudential and Treasury Management Indicators, and also within the requirements set out in the Council's Treasury Management Policy Statement during 2021-2022.
2. That revenue underspends of £1.0 million for the General Fund and £738,000 for the Housing Revenue Account (HRA) were generated from treasury management activities in 2021-2022.
3. That the General Fund and HRA treasury management activities for 2022-2023 are currently forecast to be within budget. This will continue to be monitored, and updates provided in future reports.

Recommendations for noting:

The Cabinet is asked to note:

1. The financial information included in this report is based on the 'Capital Budget Outturn 2021-2022 including Quarter One Capital Monitoring 2022-2023' report also on the agenda for this meeting. The capital report is subject to two reports being separately approved by Cabinet (Resources) Panel on 6 July 2022. Therefore, if this approval is not obtained, a revised version of this report will be presented to Council on 20 July 2022.
2. The Council's external borrowing has remained unchanged from 2020-2021 as there were no repayments of loans due in 2021-2022 and no new loans were taken out during the financial year.
3. It should be noted that, CIPFA have recently consulted on temporary proposals to update the CIPFA code of practice on Local Authority Accounting for infrastructure assets. At the time of writing, the outcome of the consultation has not been published. However, in response to the issues being considered by CIPFA, the Council is currently reviewing its accounting policy and will be discussing the findings with the Council's external auditors. This may result in additional charges being made on Minimum Revenue Provision (MRP) for the General Fund for 2021-2022 onwards. Once this work has been concluded, an update will be reported to Cabinet.

1.0 Purpose

- 1.1 This report sets out the results of treasury management activities carried out in 2021-2022, together with performance against the Prudential Indicators previously approved by Council. It also provides a monitoring and progress report on treasury management activity for the first quarter of 2022-2023, 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 \(moderngov.co.uk\)](https://www.moderngov.co.uk/agenda/2022-02-23/5.00pm/Wolverhampton%20City%20Council)

- 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 received quarterly reports during 2021-2022 to monitor performance against the strategy and Prudential Indicators previously approved by Council.
- 2.5 The Council continued to use Link Group as treasury management advisors throughout 2021-2022 and 2022-2023 to date. 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 The Council 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.
- 2.10 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. The plan also aligns the key priorities and objectives identified by the Relighting Our City Recovery framework.
- 2.11 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
- 2.12 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 The strategy and outturn for 2021-2022

- 3.1 The strategy for 2021-2022 was to maintain cash balances at a reduced level, therefore, keeping to a minimum the credit risk incurred by holding investments and to avoid the higher costs of external borrowing compared to interest foregone on cash balances, thereby generating revenue savings.
- 3.2 During the 2021-2022, the Council followed the recommendations as set out in the Treasury Management Strategy 2021-2022.
- 3.3 The Treasury Management outturn for 2021-2022 compared to budget is shown in Table 1.

Table 1 – Treasury management budget and outturn 2021-2022

	Approved Budget £000	Outturn £000	Variance £000
General Fund	37,555	36,506	(1,049)
Housing Revenue Account	10,823	10,085	(738)
Total	48,378	46,591	(1,787)

- 3.4 Overall, there were revenue underspends of £1.0 million for the General Fund and £738,000 for the HRA for 2021-2022. For the General Fund, the main reasons are as previously reported; a reduced borrowing need in year arising as a result of re-phasing of the capital programme and due to no borrowing being undertaken in 2020-2021 and 2021-2022. These underspends were included in the report 'Performance and Budget Outturn 2021-2022' approved by Cabinet on 15 June 2022.
- 3.5 It should be noted that, CIPFA have recently consulted on temporary proposals to update the CIPFA code of practice on Local Authority Accounting for infrastructure assets. At the time of writing, the outcome of the consultation has not been published. However, in response to the issues being considered by CIPFA, the Council is currently reviewing its accounting policy and will be discussing the findings with the Council's external auditors. This may result in additional charges being made on MRP for the General Fund for 2021-2022 onwards. Once this work has been concluded, an update will be reported to Cabinet.
- 3.6 No institutions in which investments were made had any difficulty in repaying investments or interest in full during the year 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. There was also no debt rescheduled in 2021-2022.
- 3.7 Table 2 shows the average rate of interest payable and receivable in 2020-2021 and 2021-2022.

Table 2 – Average interest rate payable and receivable in 2020-2021 and 2021-2022

	2020-2021 Actual	2021-2022 Actual
Average Interest Rate Payable	3.76%	3.79%
Average Interest Rate Receivable	0.14%	0.08%

Borrowing outturn for 2021-2022

- 3.8 The Council has a 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.

- 3.9 The average debt interest rate increased marginally from 3.76% in 2020-2021 to 3.79% in 2021-2022. The Council undertakes borrowing only when necessary to maintain sufficient cash flow balances and after monitoring the market to take advantage of the best available rates. During 2021-2022 there were no new loans raised and there were no loans maturing requiring repayment.
- 3.10 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.
- 3.11 The Council's Capital Financing Requirement (CFR) increased from £942.1 million to £954.5 million throughout 2021-2022. This reflects a net increase in the Council's underlying need to borrow for capital purposes. This was split between the General Fund and HRA at a rate of 71% and 29% respectively (2020-2021: 72% and 28%). It is important to note that, whilst the CFR has increased during the financial year, the increase is substantially lower than previously forecast and approved by Council on 3 March 2021 at £1,070.4 million and 2 March 2022 £967.9 million, this is due to re-phasing of the capital programme which has reduced the borrowing need in year.
- 3.12 As mentioned above no new loans were raised or repayments made, therefore, the level of external borrowing remains at £720.4 million. 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). Table 3 shows a breakdown of the external and internal borrowing for the CFR.

Table 3 – Capital Financing Requirement

	Opening balance 1 April 2021 £000	Movement in year £000	Closing balance 31 March 2022 £000
Borrowing - external	720,447	-	720,447
Borrowing - internal	139,398	14,999	154,397
Capital Financing Requirement - capital programme	859,845	14,999	874,844
Other Long Term Liabilities	82,238	(2,612)	79,626
Total Capital Financing Requirement	942,083	12,387	954,470

- 3.13 Appendix 1 shows a summary of the external borrowing position.

Investment outturn for 2021-2022

- 3.14 The actual interest rate earned from investments decreased from 0.14% in 2020-2021 to 0.08% in 2021-2022. However, due to the economic impact of the Covid-19 pandemic a prudent percentage of 0.05% was used budgeting purposes for 2021-2022, therefore, against budget a small increase in interest receivable was achieved.
- 3.15 The approach during the year was to continue to use cash balances to finance capital expenditure to keep cash balances low. This minimised counterparty risk on investments and also mitigated treasury management costs as investments rates were much lower than most new borrowing rates.
- 3.16 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 interest rates on offer. However, in order to maintain sufficient liquidity most investments have been placed for shorter durations.

4.0 2022-2023 forecast

- 4.1 It should be noted that in order to provide a timely report, only investment activities up to and including 31 May 2022 have been included. Borrowing activities include the month of June.
- 4.2 The 2022-2023 General Fund budget to support treasury management activities is £40.3 million and £10.2 million for the HRA. The current forecast is that projected costs can be accommodated within these budgets, however, early indicators suggest there may be pressures on the HRA. Due to the uncertain economic climate and the increase in interest rates the forecast outturn is difficult to project at this early stage. The position will continue to be monitored and updates provided in future reports.
- 4.3 The forecast positions will be considered and incorporated in the Performance and Budget Monitoring report to Cabinet.
- 4.4 Appendix 2 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.

Borrowing forecast for 2022-2023

- 4.5 Table 4 shows the average rate of interest payable in 2021-2022 and forecast for 2022-2023.

Table 4 – Average interest rate payable in 2021-2022 and 2022-2023

	2021-2022 Actual	2022-2023 Forecast
Average Interest Rate Payable	3.79%	3.77%

- 4.6 The average interest rate payable for 2022-2023 in Table 4 includes the latest rates forecast provided by Link on 21 June 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.
- 4.7 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.
- 4.8 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 3 shows the maturity profile of external borrowing.
- 4.9 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 4 to this report includes the latest Link interest rate forecasts at 21 June 2022 which forecasts that Bank Rate could increase in August, September, November, December, February and March of the 2022-2023 financial year. The Director of Finance will continue to keep actual and forecast rates under close review.
- 4.10 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



- 4.11 The level of borrowing at 30 June 2022 is £720.4 million, appendix 1 shows a summary of this position. During quarter one no new loans or repayments have occurred, £10.2 million of existing borrowing is due to repaid between quarters three to four.
- 4.12 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 £115.2 million, as shown in appendix 5, due to rephasing 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.

Investment forecast for 2022-2023

- 4.13 The approach during the year is to continue to use cash balances to finance capital expenditure so as to keep cash balances low.
- 4.14 Table 5 shows the total amount of surplus funds invested as at 31 March 2022 and in order to provide a timely report, 31 May 2022.

Table 5 – Total amounts invested 2022-2023

	31 March 2022 £000	31 May 2022 £000
Business Reserve Accounts	495	306
Debt Management Account Deposit Facility	-	-
Money Market Funds	79,625	52,770
Total invested	80,120	53,076
Average cash balance for the year to date	61,034	71,288

- 4.15 Money Market Funds and Business Reserve Accounts are the main investments used as these have high credit ratings and instant access.
- 4.16 The Council's cash flow balance for the first quarter of the current financial year has moved between a low of £53.1 million and a maximum of £89.2 million. The average cash balance for the quarter being £71.3 million.
- 4.17 Table 6 shows the budgeted average rate of interest receivable in 2022-2023 and the forecast for the year.

Table 6 – Average interest rate receivable in 2022-2023

	2022-2023 Budget	2022-2023 Forecast
Average Interest Rate Receivable	0.10%	1.00%

- 4.18 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 31 May 2022.
- 4.19 The approved Treasury Management Code of Practice 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 shows the Council's current specified investments lending list.
- 4.20 In quarter one 2022-2023 the Director of Finance has not been required to use her discretion to temporarily exceed any upper limits with approved counterparties.

5.0 Evaluation of alternative options

- 5.1 As this is a monitoring report of treasury management activities undertaken in line with the approved Treasury Management Strategy for 2021-2022 and 2022-2023, there are no alternative options available.

6.0 Reasons for decisions

- 6.1 This report provides an update on treasury management activities undertaken in line with the approved Treasury Management Strategy for 2021-2022 and 2022-2023.

7.0 Financial implications

- 7.1 The financial implications are discussed in the body of this report.
[SH/24062022/A]

8.0 Legal implications

- 8.1 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.
- 8.2 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.
- 8.3 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 'DLUHC Guidance on Local Government Investments' issued initially in 2004 and reissued in 2010 and 2018. Part 2 of this Guidance is statutory guidance.
[SZ/24062022/P]

9.0 Equalities implications

- 9.1 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.

10.0 All other Implications

- 10.1 There are no other implications arising from this report.

11.0 Schedule of background papers

- 11.1 [Treasury Management Strategy 2021-2022](#), Report to Cabinet, 17 February 2021
- 11.2 [Treasury Management – Annual Report 2020-2021 and Activity Monitoring Quarter One 2021-2022](#), Report to Cabinet, 7 July 2021
- 11.3 [Treasury Management Activity Monitoring – Mid Year Review 2021-2022](#), Report to Cabinet, 17 November 2021
- 11.4 [Treasury Management Strategy 2022-2023](#), Report to Cabinet, 23 February 2022
- 11.5 [Treasury Management Activity Monitoring Quarter Three 2021-2022](#), Report to Cabinet (Resources) Panel, 23 March 2022

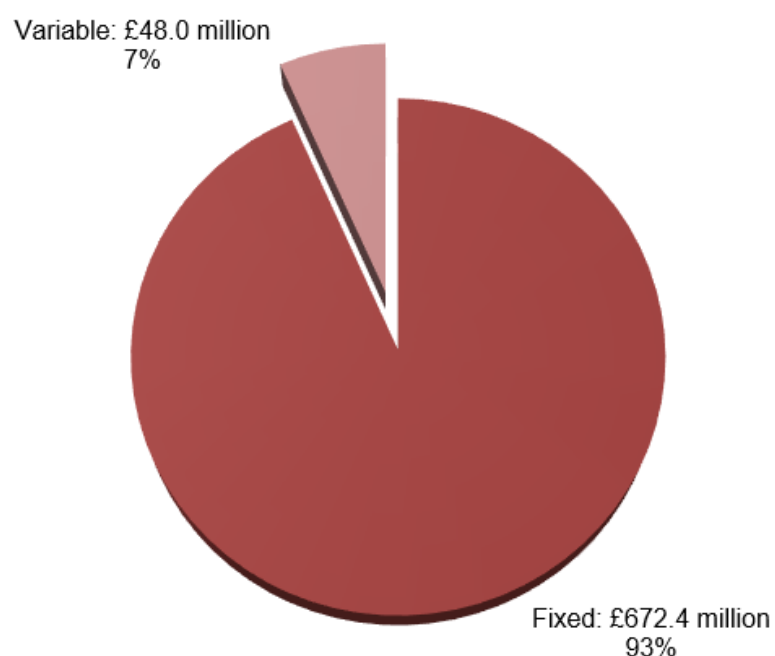
12.0 Appendices

- 12.1 Appendix 1: Borrowing type, borrowing and repayments
- 12.2 Appendix 2: Prudential and Treasury Management Indicators
- 12.3 Appendix 3: Borrowing maturity profile
- 12.4 Appendix 4: Link interest rate forecasts
- 12.5 Appendix 5: Disclosure for certainty rate
- 12.6 Appendix 6: Lending list

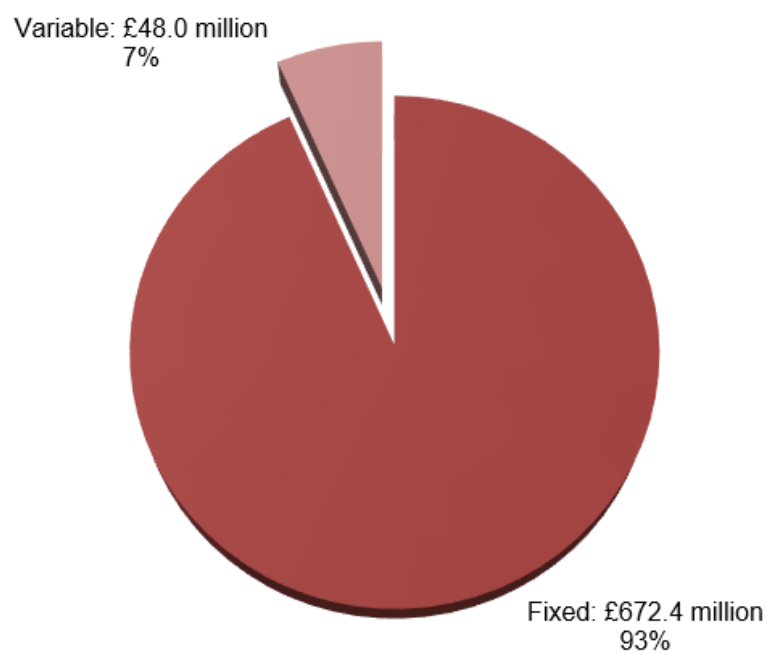
Borrowing: Graphical Summary

Borrowing by Type

As at 31 March 2022



As at 30 June 2022



Borrowing and Repayments in 2022-2023

	Start Date	Maturity Date	Amount £000	Length	Interest Rate	Full Year Interest £000
2022-2023 Borrowing						
PWLB Fixed Maturity:						
No activity in quarter 1						
Sub total for PWLB			-			-
Temporary Loans:						
No activity in quarter 1						
Sub total for Temporary Loans			-			-
Grand total borrowing			-			-

	Start Date	Maturity Date	Amount £000	Length	Interest Rate	Full Year Interest £000
2022-2023 Repayments						
PWLB Fixed Maturity:						
No activity in quarter 1						
Sub total for PWLB			-			-
Temporary Loans:						
No activity in quarter 1						
Sub total for Temporary Loans			-			-
Grand total repayments			-			-
Net movement			-			-

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 outturn 2021-2022 quarter one capital budget monitoring 2022-2023 report.

	Approved by Council 2 March 2022				As at 30 June 2022			
	2021-2022	2022-2023	2023-2024	2024-2025	2021-2022	2022-2023	2023-2024	2024-2025
	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Actual £000	Forecast £000	Forecast £000	Forecast £000
General Fund * HRA	99,995 54,900 154,895	139,412 84,663 224,075	59,970 88,488 148,458	36,048 84,560 120,608	82,526 55,851 138,377	136,093 86,984 223,077	83,096 95,958 179,054	49,508 85,256 134,764
* 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 delivery purposes.	21,030	13,057	10,000	4,900	18,904	5,124	8,000	11,900

PI 2 - Estimates and actual capital financing requirement General Fund 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 June 2022			
	2021-2022	2022-2023	2023-2024	2024-2025	2021-2022	2022-2023	2023-2024	2024-2025
	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Actual £000	Forecast £000	Forecast £000	Forecast £000
General Fund * HRA	691,887 275,967	723,620 316,145	707,006 359,879	691,987 396,978	680,621 273,849	709,275 316,609	705,093 368,490	703,977 406,125
Total capital financing requirement	967,854	1,039,765	1,066,885	1,088,965	954,470	1,025,884	1,073,583	1,110,102
* 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 delivery purposes.	42,350	45,165	40,730	34,206	38,167	37,531	39,742	42,890
Movement in capital financing requirement represented by:								
New borrowing for capital expenditure	58,536	109,302	68,029	70,016	46,806	107,702	88,762	84,603
Less minimum revenue provision/voluntary minimum revenue provision	(32,765)	(37,391)	(40,909)	(47,936)	(34,419)	(36,288)	(41,063)	(48,084)
Movement in capital financing requirement	25,771	71,911	27,120	22,080	12,387	71,414	47,699	36,519

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.

	Approved by Council 2 March 2022			
	2021-2022	2022-2023	2023-2024	2024-2025
	Limit £000	Limit £000	Limit £000	Limit £000
Borrowing	1,086,578	1,080,693	1,139,076	1,208,188
Other Long Term Liabilities	79,626	82,628	79,660	76,416
Total Authorised Limit	1,166,204	1,163,321	1,218,736	1,284,604
Actual and Forecast External Debt as at 30 June 2022:				
Borrowing	720,447	825,431	914,098	980,161
Other Long Term Liabilities	79,626	76,928	73,960	74,416
	800,073	902,359	988,058	1,054,577
Variance (Under) / Over Authorised limit	(366,131)	(260,962)	(230,678)	(230,027)
Authorised limit for service investments included in the above figures				
Authorised Limit	47,014	66,049	63,600	62,176
Actual and Forecast External Debt as at 30 June 2022:				
	43,120	42,485	44,696	47,843
Variance (Under) / Over Authorised limit	(3,894)	(23,564)	(18,904)	(14,333)

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.

	Approved by Council 2 March 2022			
	2021-2022	2022-2023	2023-2024	2024-2025
	Limit £000	Limit £000	Limit £000	Limit £000
Borrowing	1,050,255	1,054,388	1,122,138	1,191,978
Other Long Term Liabilities	79,626	80,628	77,660	74,416
Total Operational Boundary Limit	1,129,881	1,135,016	1,199,798	1,266,394
Actual and Forecast External Debt as at 30 June 2022:				
Borrowing	720,447	825,431	914,098	980,161
Other Long Term Liabilities	79,626	76,928	73,960	74,416
	800,073	902,359	988,058	1,054,577
Variance (Under) / Over Operational Boundary Limit	(329,808)	(232,657)	(211,740)	(211,817)
Operational boundary for service investments included in the above figures				
Operational Boundary Limit	45,874	65,035	63,600	62,176
Actual and Forecast External Debt as at 30 June 2022:				
	43,120	42,485	44,696	47,843
Variance (Under) / Over Operational Boundary Limit	(2,754)	(22,550)	(18,904)	(14,333)

Prudential Indicators (PI) required by The Prudential Code

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 June 2022			
	2021-2022 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000	2021-2022 Actual £000	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000
Forecast Capital Financing Requirement at end of Second Year	1,066,885	1,088,964	1,088,964	1,094,833	1,073,583	1,110,102	1,110,102	1,110,102
Gross Debt	850,456	953,239	1,018,359	1,070,439	800,073	902,359	988,058	1,054,577
Capital Financing Requirement Greater than Gross Debt	Yes	Yes	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

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 the General and HRA.

	Approved by Council 2 March 2022				As at 30 June 2022			
	2021-2022 Forecast	2022-2023 Forecast	2023-2024 Forecast	2024-2025 Forecast	2021-2022 Actual	2022-2023 Forecast	2023-2024 Forecast	2024-2025 Forecast
General Fund *	17.7%	18.1%	18.6%	18.4%	17.7%	17.0%	18.1%	18.1%
HRA	30.4%	31.4%	31.7%	32.2%	30.7%	32.5%	33.5%	34.4%
* 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 delivery purposes.	1.1%	1.1%	1.2%	1.0%	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 PI6, 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 June 2022			
	2021-2022 Forecast	2022-2023 Forecast	2023-2024 Forecast	2024-2025 Forecast	2021-2022 Actual	2022-2023 Forecast	2023-2024 Forecast	2024-2025 Forecast
Commercial	-	-	-	-	-	-	-	-
Service	0.7%	0.6%	0.8%	0.7%	0.8%	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.

	2021-2022 Limit £000	2022-2023 Limit £000	2023-2024 Limit £000	2024-2025 Limit £000
	Approved by Council 2 March 2022	Approved by Council 2 March 2022	Approved by Council 2 March 2022	Approved by Council 2 March 2022
Upper limit for long-term treasury management investments	35,000	35,000	35,000	35,000
Actual and Forecast Invested at 30 June 2021	-	-	-	-
Variance (Under) / Over Limit	(35,000)	(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 June 2022	
	Upper Limit	Lower Limit	2021-2022 Actual Borrowing	2022-2023 Forecast Borrowing
Under 12 months	25%	0%	1.23%	2.07%
12 months and within 24 months	25%	0%	6.86%	5.98%
24 months and within 5 years	40%	0%	2.94%	2.93%
5 years and within 10 years	50%	0%	9.47%	10.63%
10 years and within 20 years	50%	0%	12.14%	10.89%
20 years and within 30 years	50%	0%	23.40%	23.70%
30 years and within 40 years	50%	0%	23.92%	23.83%
40 years and within 50 years	50%	0%	20.04%	19.97%
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 June 2022			
	2021-2022 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000	2021-2022 Actual £000	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000
Service investments	21,030	13,057	10,000	4,900	18,904	5,124	8,000	11,900
Commercial investments	-	-	-	-	-	-	-	-
	21,030	13,057	10,000	4,900	18,904	5,124	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 June 2022			
	2021-2022 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000	2021-2022 Actual £000	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000
Net debt for service and commercial investments	42,350	45,165	40,730	34,206	38,167	37,531	39,742	42,890
Net service expenditure	258,497	267,150	268,326	277,311	258,497	267,159	268,326	277,311
Debt to net service expenditure ratio	16.4%	16.9%	15.2%	12.3%	14.8%	14.1%	14.8%	15.5%

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 June 2022			
	2021-2022 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000	2021-2022 Actual £000	2022-2023 Actual £000	2023-2024 Actual £000	2024-2025 Actual £000
Service and commercial investment income	2,061	1,819	2,115	2,033	2,235	1,704	1,760	2,016
Net service expenditure	258,497	267,150	268,326	277,311	258,497	267,159	268,326	277,311
Service and commercial income to net service expenditure ratio	0.8%	0.7%	0.8%	0.7%	0.9%	0.6%	0.7%	0.7%

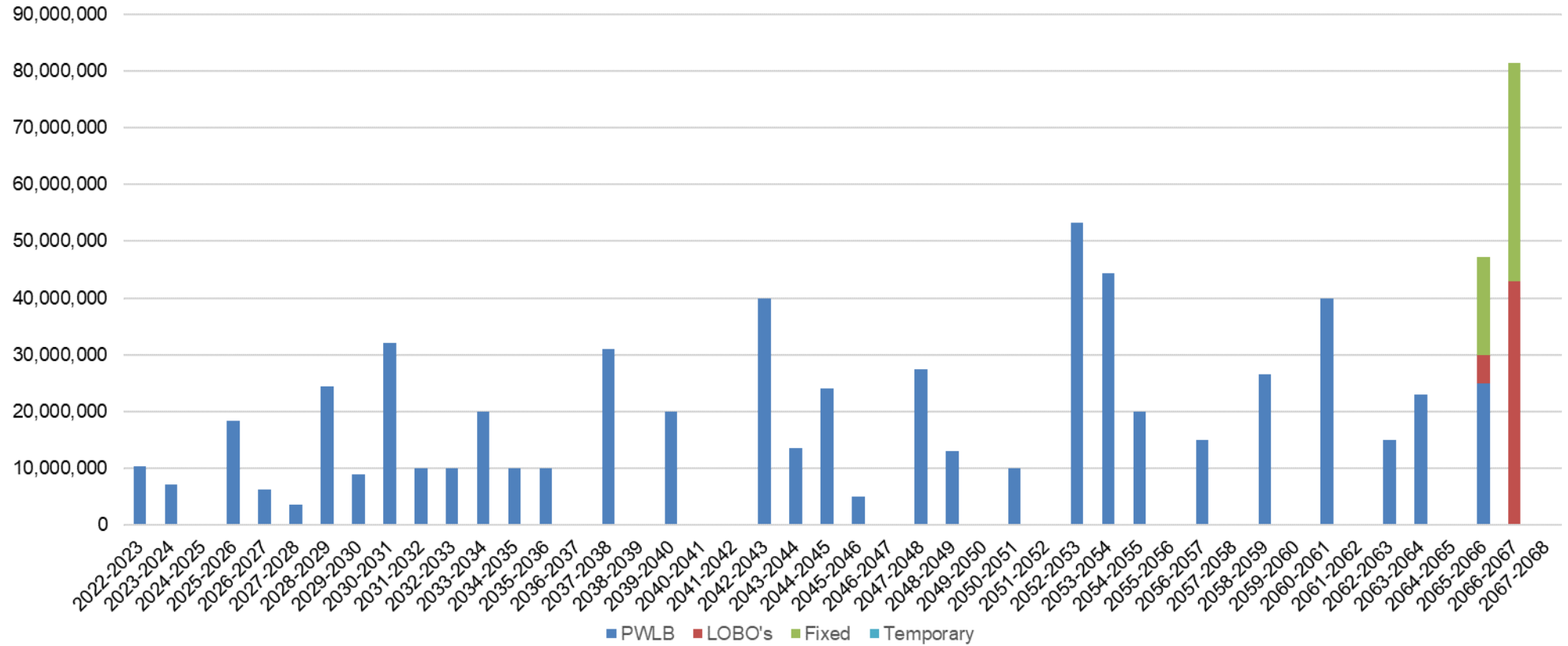
NTM 4 - Estimates and actual loan to value ratio

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 June 2022			
	2021-2022 Forecast	2022-2023 Forecast	2023-2024 Forecast	2024-2025 Forecast	2021-2022 Actual	2022-2023 Actual	2023-2024 Actual	2024-2025 Actual
Loan to value ratio	72.2%	72.1%	68.3%	62.7%	71.4%	70.2%	70.4%	71.1%

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Borrowing Maturity Profile at 30 June 2022



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Link interest rate forecasts

The Council's treasury advisor, Link Group, provided the following forecasts on 21 June 2022 (PWLB rates are certainty rates, gilt yields plus 80bps):

Link Group Interest Rate View 21.06.22												
	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
BANK RATE	1.75	2.25	2.75	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25
3 month ave earnings	2.00	2.50	2.80	2.80	2.80	2.80	2.60	2.50	2.30	2.30	2.20	2.20
6 month ave earnings	2.50	2.80	3.00	3.00	2.90	2.90	2.80	2.70	2.60	2.50	2.40	2.30
12 month ave earnings	3.10	3.20	3.20	3.20	3.00	2.90	2.80	2.60	2.50	2.40	2.40	2.40
5 yr PWLB	3.20	3.30	3.30	3.30	3.30	3.20	3.10	3.00	3.00	3.00	2.90	2.90
10 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.30	3.20	3.20	3.20	3.10	3.10
25 yr PWLB	3.70	3.70	3.70	3.70	3.70	3.70	3.60	3.50	3.50	3.40	3.40	3.30
50 yr PWLB	3.40	3.40	3.50	3.50	3.40	3.40	3.30	3.20	3.20	3.10	3.10	3.00

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Certainty Rate

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 June 2022			
	2021-2022	2022-2023	2023-2024	2024-2025	2021-2022	2022-2023	2023-2024	2024-2025
	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Actual £000	Forecast £000	Forecast £000	Forecast £000
Net Borrowing Requirement:								
Borrowing to finance planned capital expenditure	58,224	105,219	67,750	69,840	46,494	107,319	88,483	80,727
Existing maturity loans to be replaced during the year	22,000	41,071	95,095	70,000	(17,176)	41,071	95,095	78,000
Less:								
Minimum Revenue Provision for debt repayment	(18,338)	(19,817)	(21,121)	(22,316)	(18,338)	(19,557)	(21,202)	(22,554)
Voluntary debt repayment	(11,503)	(14,493)	(16,541)	(22,200)	(10,980)	(13,650)	(16,614)	(22,110)
	(29,841)	(34,310)	(37,662)	(44,516)	(29,318)	(33,207)	(37,816)	(44,664)
Loans replaced less debt repayment	(7,841)	6,761	57,433	25,484	(46,494)	7,864	57,279	33,336
Net Advance Requirement	50,383	111,980	125,183	95,324	-	115,183	145,762	114,063
Analysed by:								
Service delivery	29,884	28,743	8,374	2,503	24,421	31,020	5,601	2,563
Housing	9,674	58,821	57,275	54,199	4,934	56,735	71,495	63,645
Regeneration	18,666	17,655	2,101	13,138	17,139	19,564	11,387	14,519
Preventative action	-	-	-	-	-	-	-	-
Treasury Management	(7,841)	6,761	57,433	25,484	(46,494)	7,864	57,279	33,336
Primarily for yield	-	-	-	-	-	-	-	-
Total	50,383	111,980	125,183	95,324	-	115,183	145,762	114,063

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Lending List

2022-2023 Specified Investments as at 31 May 2022

Institution	Country (Sovereign Rating)	Limit £000	Term Limit
Bank Nederlandse Gemeenten	Netherlands (AAA)	20,000	12 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
NRW.BANK	Germany (AAA)	20,000	12 mths
Oversea Chinese Banking Corporation Ltd	Singapore (AAA)	10,000	6 mths
United Overseas Bank Ltd	Singapore (AAA)	10,000	6 mths
Nationalised Banks			
Royal Bank of Scotland Group plc			
National Westminster Bank plc	UK (AA-)	10,000	3 mths
The Royal Bank of Scotland plc	UK (AA-)	10,000	3 mths
AAA Rated and Government Backed Securities			
Debt Management Office	UK (AA-)	20,000	30 mths
Money Market Funds			
	Fund Rating		
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.

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