

## Treasury Management Outturn Report 2023/24

### 1. Introduction

- 1.1. In March 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve, as a minimum, treasury management semi-annual and annual outturn reports.
- 1.2. This report includes the requirement in the 2021 Code, mandatory from 1st April 2023, of reporting of the treasury management prudential indicators. The non-treasury prudential indicators are incorporated in the Council's normal treasury management strategy.
- 1.3. The Council's treasury management strategy for 2023/24 was approved at a meeting on 1<sup>st</sup> March 2023. The Council has invested a total of £50m into pooled investment funds which generate a higher rate of interest than call accounts and fixed term deposits and has just over £68m PWLB borrowings and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

### 2. External Context

- 2.1. Economic background: UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.4% in February but was still above the Bank of England's 2% target at the end of the period. The core measure of CPI, i.e. excluding food and energy, also slowed in February to 4.5% from 5.1% in January, a rate that had stubbornly persisted for three consecutive months.
- 2.2. The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.
- 2.3. Labour market data provided a mixed message for policymakers. Employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e. including bonuses) and 7.8% for regular pay growth (i.e. excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England's forecast.
- 2.4. Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March 2024. The vote at the March was 8-1 in favour of maintaining rates at this level, with the single dissenter preferring to cut rates immediately by 0.25%. Although financial markets shifted their

interest rate expectations downwards with expectations of a cut in June, the MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.

- 2.5. In the Bank's quarterly Monetary Policy Report (MPR) released in August 2023 the near-term projection for services price inflation was revised upwards, goods price inflation widespread across products, indicating stronger domestic inflationary pressure with second-round effects in domestic prices and wages likely taking longer to unwind than they did to emerge. In the February 2024 MPR the Bank's expectations for the UK economy were positive for the first half of 2024, with a recovery from the mild recession in calendar H2 2023 being gradual. Headline CPI was forecast to dip below the 2% target quicker than previously thought due to declining energy prices, these effects would hold inflation slightly above target for much of the forecast horizon.
- 2.6. Following this MPC meeting, Arlingclose, the Council's treasury adviser, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most likely start to be cut later in H2 2024. The risks in the short-term are deemed to be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.
- 2.7. The US Federal Reserve also pushed up rates over the period, reaching a peak range of between 5.25-5.50% in August 2023, where it has stayed since. US policymakers have maintained the relatively dovish stance from the December FOMC meeting and at the meeting in March, economic projections pointed to interest rates being cut by a total of 0.75% in 2024.
- 2.8. Following a similarly sharp upward trajectory, the European Central Bank hiked rates to historically high levels over period, pushing its main refinancing rate to 4.5% in September 2023, where it has remained. Economic growth in the region remains weak, with a potential recession on the cards, but inflation remains sticky and above the ECB's target, putting pressure on policymakers on how to balance these factors.
- 2.9. **Financial markets:** Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October they started declining again before falling sharply in December as falling inflation and dovish central bank attitudes caused financial markets to expect cuts in interest rates in 2024. When it emerged in January that inflation was stickier than expected and the BoE and the Federal Reserve were data dependent and not inclined to cut rates soon, yields rose once again, ending the period some 50+ bps higher than when it started.
- 2.10. Over the financial year, the 10-year UK benchmark gilt yield rose from 3.44% to peak at 4.75% in August, before then dropping to 3.44% in late December 2023 and rising again to 3.92% (28th March 2024). The Sterling Overnight Rate (SONIA) averaged 4.96% over the period to 31st March.
- 2.11. **Credit review:** In response to an improving outlook for credit markets, in January 2024 Arlingclose moved away from its previous temporary stance of a 35-day maximum duration and increased its advised recommended maximum unsecured duration limit on all banks on its counterparty list to 100 days.

- 2.12. Earlier in the period, S&P revised the UK sovereign outlook to stable and upgraded Barclays Bank to A+. Moody's also revised the UK outlook to stable, Handelsbanken's outlook to negative, downgraded five local authorities, and affirmed HSBC's outlook at stable while upgrading its Baseline Credit Assessment. Fitch revised UOB's and BMO's outlooks to stable.
- 2.13. In the final quarter of the financial year, Fitch revised the outlook on the UK sovereign rating to stable from negative based on their assessment that the risks to the UK's public finances had decreased since its previous review in October 2022, the time of the mini- budget.
- 2.14. Moody's, meanwhile, upgraded the long-term ratings of German lenders Helaba, Bayern LB and LBBW on better solvency and capital positions, despite challenges from a slowing German economy and exposure to the commercial real estate sector. Moody's also upgraded or placed on review for an upgrade, Australian banks including ANZ, CBA NAB and Westpac on the back of the introduction of a new bank resolution regime.
- 2.15. Credit default swap prices began the financial year at elevated levels following the fallout from Silicon Valley Bank and collapse/takeover of other lenders. From then the general trend was one of falling prices and UK lenders' CDS ended the period at similar levels to those seen in early 2023. Earlier in the year some Canadian lenders saw their CDS prices rise due to concerns over a slowing domestic economy and housing market, while some German lenders were impacted by similar economic concerns and exposure to commercial real estate towards the end of the period, with LBBW remaining the most elevated.
- 2.16. Heightened market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remain under constant review.

### 3. Local Context

- 3.1. On 31st March 2024, the Council had net borrowing of £47.4m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.23 Actual £m	31.3.24 Actual £m
Capital Financing Requirement	145.6	134.3
External borrowing	(86.0)	(108.7)
Internal (over) borrowing	59.6	25.6
Balance sheet resources	(111.9)	(73.0)
Investments (new borrowing)	52.3	47.4

- 3.2. The treasury management position at 31st March and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.23 Balance £000	Movement £000	31.3.24 Balance £000	31.3.24 Rate %
Long-term borrowing				
- PWLB	70,666	-2,602	68,064	
- Salix Loan	297	-104	194	
- LTA Loan	39	-9	30	
Short-term borrowing	15,000	25,500	40,500	
Total borrowing	86,003	22,785	108,778	4.71%
Long-term investments	50,000	0	50,000	
Short-term investments	4	0	4	
Cash and cash equivalents	1,668	-440	1,228	
Total investments	51,672	-440	51,232	4.49%
Net borrowing	34,321		57,547	

- 3.3. Additional short term borrowing was undertaken in the year due to fluctuations in the cash flow requirements. A reduction in available funds for inter-authority lending and increased interest rates caused an increase in the cost of short-term borrowing in 2023/24 of £916k from the original budget estimate of £315k. This pressure was offset by the increase in investment income.

#### 4. **Borrowing**

- 4.1. CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Council. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.
- 4.2. The Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council. It has no plans to do so in future.

#### 5. **Borrowing Strategy and Activity**

- 5.1. As outlined in the treasury strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 5.2. Interest rates have seen substantial rises over the last two years, although these rises have now begun to plateau. Gilt yields fell in late 2023, reaching April 2023 lows in December 2023 before rebounding to an extent in the first three months of 2024. Gilt yields have remained volatile, seeing upward pressure from perceived sticker inflation at times and downward pressure from falling inflation and a struggling economy at other times.

- 5.3. On 31st December, the PWLB certainty rates for maturity loans were 4.74% for 10-year loans, 5.18% for 20-year loans and 5.01% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively.
- 5.4. The cost of short-term borrowing from other local authorities has generally risen with Base Rate over the year. Interest rates peaked at around 7% towards the later part of March 2024 as many authorities required cash at the same time. These rates are expected to fall back to more normal market levels in April 2024.
- 5.5. A new PWLB HRA rate which is 0.4% below the certainty rate was made available from 15th June 2023. This rate will now be available to June 2025. The discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans, (add, if applicable) providing a window of opportunity for HRA-related borrowing and to replace the Council's £64.06m loans relating to the HRA maturing during this time frame.
- 5.6. At 31st March 2024 the Council held £108.8m of loans, an increase of £22.8m to 31st March 2023, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31st March are summarised in Table 3A below.

Table 3A: Borrowing Position

	31.3.23	Net	31.3.24
	Balance	Movement	Balance
	£000	£000	£000
Public Works Loan Board	70,666	-2,602	68,064
Local authorities (short-term)	15,000	25,500	40,500
Others (LTA & Salix)	337	-113	224
Total borrowing	86,003	22,785	108,788

- 5.7. There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Council will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.
- 5.8. The UK Infrastructure Bank is one alternative source of funding which offers funding at gilt yields + 0.40% (0.40% below the PWLB certainty rate) and the possibility of more flexible funding structures than the PWLB. Funding from UKIB is generally only available for certain types of projects that meet its criteria of green energy, transport, digital, water and waste. The minimum loan size is £5 million.
- 5.9. The Council had total borrowings of £138m for FY 23-24 and has repaid £98m and still outstanding of £40.5m at the end of the year. Of the £138m, £30m were renewed within the year and has been repaid.

## 6. Treasury Investment Activity

- 6.1. The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Council's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 6.2. The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held and money borrowed in advance of need. During the year, the Council's investment balances ranged between £51.2m and £51.7m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.03.23 Balance £000	Net Movement £000	31.03.24 Balance £000	31.03.24 Income Return %
Banks & Building Societies (unsecured)	106	-95	11	4.11%
Money Market Funds	1,562	-345	1,217	5.14%
Other Pooled Funds (book costs)				
- <i>Cash plus funds</i>	8,000		8,000	
- <i>Strategic bond funds</i>	8,000		8,000	
- <i>Property funds</i>	6,000		6,000	
- <i>Multi asset income funds</i>	28,000		28,000	
Other Pooled Funds Sub-total	50,000	0	50,000	7.10%
<b>Total investments</b>	<b>51,668</b>		<b>51,228</b>	

- 6.3. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 6.4. As demonstrated by the liability benchmark in this report, the Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and boost investment income.
- 6.5. Bank Rate increased by 1% over the period, from 4.25% at the beginning of April 2023 to 5.25% by the end March 2024. Short term rates peaked at 5.7% for 3-month rates and 6.7% for 12-month rates during the period, although these rates subsequently began to decline towards the end of the period. Money Market Rates also rose and were between 4.15% and 5.14% [4.4% and 5.7% - please update as applicable to your Authority] by the end of March 2024.
- 6.6. £50m that is available for longer-term investment is invested in pooled property/bond/equity/ multi-asset funds The Council has maintained amounts invested in these instruments over the six months.

- 6.7. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking - Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return
31.03.2023	5.0	A+	100%	1	3.85%
31.03.2024	5.4	A+	100%	1	5.14%
Similar LAs	4.7	A+	61%	50	5.20%
All LAs	4.7	A+	61%	9	5.17%

\*Weighted average maturity

- 6.8. **Externally Managed Pooled Funds:** £50m of the Council's investments is invested in externally managed strategic pooled bond, equity, multi-asset and property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated an average total return of 7.10%, comprising a £2.1m (4.71%) income return which is used to support services in year, and 2.4% capital return or £756k unrealised capital loss.
- 6.9. 2023/24 was characterised by significant volatility in bond markets. Adjusting to central banks' intention of keeping policy rates unchanged amid persistently higher core inflation, tight labour markets and resilient growth, global bond yields rose (i.e. bond prices fell), the August-October 2023 period being a particularly weak one for bond markets with falling prices negatively impacting credit market sentiment and bond fund performance as well as weighing on multi-asset fund returns. November and December saw a turnaround with a significant fall in US and global bond yields (i.e. bond prices rising), the catalyst being a signal from the US Federal Reserve that it was prepared to cut rates in 2024. The 10-year UK gilt yield, which had increased nearly 1.25% since the beginning of the financial year fell back to 3.44% by the end of December, close to its 1st April level. Thereafter, the first quarter of 2024 proved more difficult for government bonds as stubborn inflation led fixed income markets to question if the expectation of the number of rate cuts over 2024 and the accompanying fall in yields had been overdone%.
- 6.10. Strong demand for credit resulted in the tightening of credit spreads which was supportive of high yield corporate bonds and emerging market debt.
- 6.11. By contrast, shrugging off geopolitical concerns, global equities were buoyed by healthy corporate earnings, resilient economic data and moderating inflation and the view central banks had reached the peak of their rate tightening cycles. A number of indices, including the S&P 500 and Nasdaq, posted record highs driven by AI exuberance. The performance of the S&P 500 was primarily driven by its top seven tech-related mega-cap growth stocks (these securities do not heavily feature in equity income funds). After an initial period of caution due to the likelihood of recession, the UK economy fared better than anticipated with a shallow recession, falling inflation and improved consumer confidence providing support for UK equities, with stocks trading at attractive valuations relative to their global peers. The FTSE All-Share was one of the top performing stock markets in September and December 2023. The total return on the FTSE All Share index for the 12 months ending March 2024 was 8.2%, FTSE 100 was 8.1% and MSCI All World was 25.7%.

- 6.12. The market background for commercial property improved marginally in 2023 and was more stable, in contrast to the very challenging backdrop of 2022. Low transactional volumes were a constraint on valuations and made prospective sellers and buyers more cautious. Although many sectors lacked momentum, there was growing confidence in the longer-term outlook as occupier demand and rental markets held up. Industrial and retail warehousing sectors remained strong, but the retail and offices sectors remained weak, the latter continuing to be hindered by low occupancy from hybrid working practices.
- 6.13. Income returns from the cash plus, bond, equity, multi-asset and property funds were above budget. The Council had budgeted £1,935k income from these investments in 2023/24. Income received up to 31st March was £1,875k, whilst a further £270k has been declared and is due to be paid by April/May.
- 6.14. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's medium- to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years and with the expectation that over a three- to five-year period total returns should exceed cash interest rates.
- 6.15. **Statutory override:** In April 2023 the Department for Levelling Up, Housing and Communities (DLUHC) published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended until 31st March 2025, but no other changes have been made; whether the override will be extended beyond this date is unknown but commentary to the consultation outcome suggests it will not. The Council will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.

## 7. ESG Policy

- 7.1. **ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

## 8. Non-Treasury Investments

- 8.1. The definition of investments in the Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).
- 8.2. For English and Welsh Authorities: Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.



8.3. The Council also held £25.2m of such investments in:

directly owned property		£21.7m
B&Q	£17.2m	
Whitfield Court	£4.5m	
shared ownership housing		£3.5m

## 9. Treasury Performance

9.1. The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below.

Table 6: Performance

	Actual £000	Budget £000	Over/ under	Actual %
Interest Received	2,395	1,935	460	19%
Interest Payable	824	450	373	45%

## 10. Consultations

10.1. In December DLUHC (MHCLG) published two consultations: a “final” consultation on proposed changes to regulations and statutory guidance on MRP closing on 16th February and a “call for views” on capital measures to improve sector stability and efficiency closing on 31st January.

10.2. Draft regulations and draft statutory guidance are included in the MRP consultation. The proposals remain broadly the same as those in June 2022 - to limit the scope for authorities to (a) make no MRP on parts of the capital financing requirement (CFR) and (b) to use capital receipts in lieu of a revenue charge for MRP.

10.3. In its call for views on capital measures, government wishes to engage with councils to identify and develop options for the use of capital resources and borrowing to support and encourage ‘invest-to-save’ activity and to manage budget pressures without seeking exceptional financial support. Whilst Government has identified some options including allowing authorities to capitalise general cost pressures and meet these with capital receipts, there is no commitment to take any of the options forward.

## 11. Compliance

11.1. The Strategic Director (Finance and Housing) reports that all treasury management activities undertaken during the year complied fully with the principles in the Treasury Management Code and the Council’s approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Table 7: Investment Limits

	31.03.24 Actual	2023/24 Limit	Complied?
Local authorities & other government entities	0	unlimited	✓

Banks (unsecured)	<£1m	£10m per bank	✓
Any group of pooled funds under the same management	0	£20m per manager	✓
Negotiable instruments held in a broker's nominee account	0	£15m	✓
Unsecured investments with building societies	0	£8m	✓
Money Market Funds	<£2m	£10m per fund	✓
Strategic pooled funds	£50m	£10m per fund	✓
Operational bank	<£1m	£20m	✓

11.2. Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 8 below.

**Table 8: Debt and the Authorised Limit and Operational Boundary**

	31.3.24 Actual	2023/24 Operational Boundary	2023/24 Authorised Limit	Complied? Yes/No
Borrowing	108.8m	333.0	338.5m	Yes

11.3. Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

## **12. Treasury Management Prudential Indicators**

12.1. As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

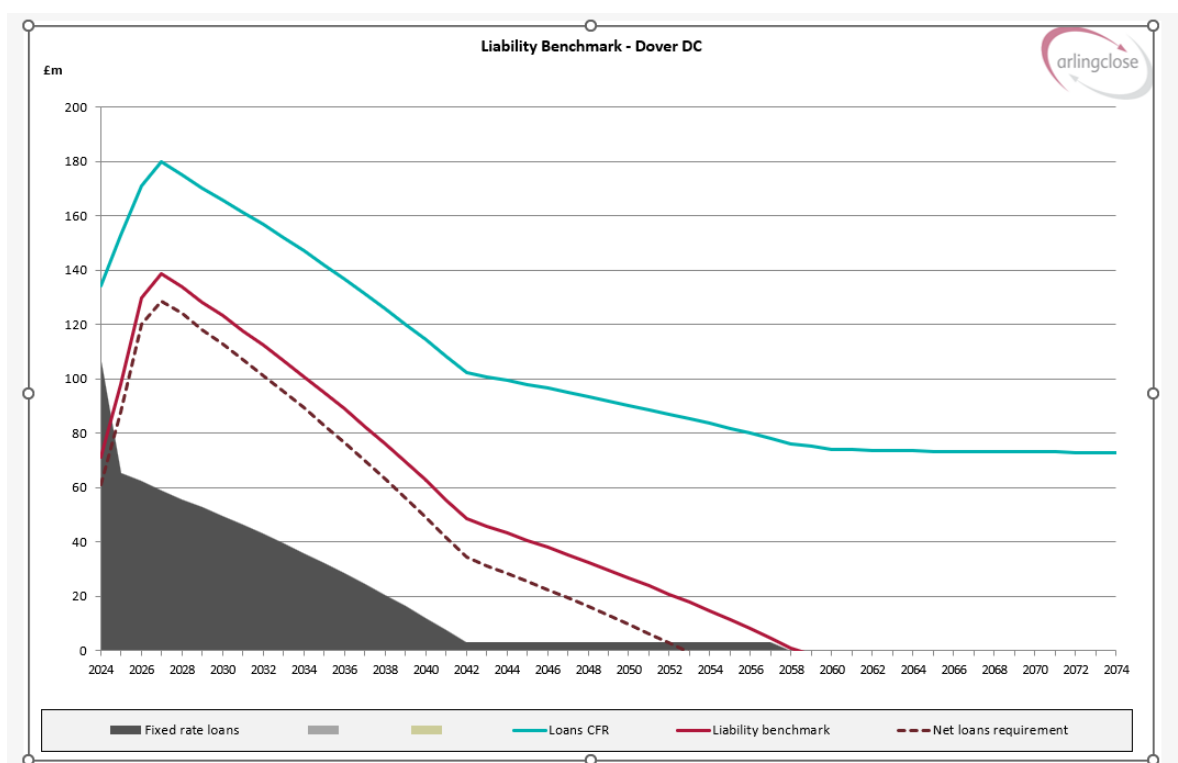
### **Liability Benchmark:**

12.1.1. This new indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £8m required to manage day-to-day cash flow.

## Dover DC

Position at 31 March	Actual Forecasts £m				
	2024	2025	2026	2027	2028
Loans CFR	134.3	152.7	171.1	179.9	175.1
External borrowing	-108.7	-65.4	-62.6	-58.8	-55.8
Internal (over) borrowing	25.6	87.2	108.5	121.1	119.3
Balance sheet resources	-73.0	-64.8	-51.1	-51.1	-51.1
Investments (new borrowing)	47.4	-22.5	-57.4	-70.0	-68.2
Treasury investments	47.4	10.0	10.0	10.0	10.0
New borrowing	0.0	32.5	67.4	80.0	78.2
Net loans requirement	61.4	87.9	120.0	128.7	124.0
Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability benchmark	71.4	97.9	130.0	138.7	134.0

12.1.2. Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure from the Medium Term Financial Plan to be funded by borrowing, minimum revenue provision on new capital expenditure based on the asset life and income, expenditure and reserves all increasing by inflation of 2% p.a. This is shown in the chart below together with the maturity profile of the Council's existing borrowing.



12.1.3. Whilst borrowing may be above the liability benchmark, strategies involving borrowing which is significantly above the liability benchmark carry higher risk.

## 12.2. Maturity Structure of Borrowing:

12.2.1. This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	31.3.24 Actual £000	Upper Limit	Lower Limit	Complied?
Under 12 months	43,256	25%	0%	x
12 months and within 24 months	9,528	50%	0%	✓
24 months and within 5 years	3,033	50%	0%	✓
5 years and within 10 years	16,502	100%	0%	✓
10 years and above	37,779	100%	0%	✓

12.2.2. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

## 12.3. Long-term Treasury Management Investments:

12.3.1. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2023/24	2024/25	2025/26
Actual principal invested beyond year end	0	0	0
Limit on principal invested beyond year end	£55m	£55m	£55m
Complied?	✓	✓	✓

12.3.2. Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

### Additional indicators

12.4. **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	2023/24 Target	2023/24 Actual	Complied?
Portfolio average credit score	6	5.4	✓

12.5. **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing / it can borrow each period without giving prior notice.

	31.3.24 Actual	2023/24 Target	Complied?
Total cash available within 3 months	£9.2m	£8m	✓
Total sum borrowed in past 3 months without prior notice	£40.5m	n/a	✓

#### 12.6. Interest Rate Exposures:

12.6.1. This indicator is set to control the Council's exposure to interest rate risk. Bank Rate rose by 1.00% from 4.25% on 1st April 2023 to 5.25% by 31st March 2024.

Interest rate risk indicator	2023/24 Target	31.3.24 Actual	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	500k	46k	✓
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	500k	46k	✓

12.6.2. For context, the changes in interest rates during the year were:

	<u>31/3/23</u>	<u>31/3/24</u>
Bank Rate	4.25%	5.25%
1-year PWLB certainty rate, maturity loans	4.78%	5.36%
5-year PWLB certainty rate, maturity loans	4.31%	4.68%
10-year PWLB certainty rate, maturity loans	4.33%	4.74%
20-year PWLB certainty rate, maturity loans	4.70%	5.18%
50-year PWLB certainty rate, maturity loans	4.41%	5.01%

12.6.3. The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at new market rates.