Item No: 6.3	Classification: Open	Date: 23 November 2022	Meeting Name: Council Assembly
Report title:		Treasury Management – Outturn 2021-22 and Mid-year Update 2022-23	
Wards or Groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That council assembly note the 2021-22 treasury management outturn report and the 2022-23 mid-year treasury management update report and in particular;

   - the update on the Economic Background and implications for the Treasury Management Strategy in 2023-24 (para. 7-21),

   - that all treasury management activity was undertaken in compliance with the approved treasury management strategy and within the council's prudential indicators, attached at appendices A (2021-22) and B (2022-23),

   - that the balance outstanding on all external debt as at 30 September 2022 was £888m,

   - That the balance of investments at 30 September 2022 stood at £198m.

BACKGROUND INFORMATION

2. In compliance with the Local Government Act 2003, the council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice (the Code). The Code requires local authorities to determine an annual treasury management strategy and, as a minimum, formally report on their treasury activities and arrangements to Council Assembly mid-year and after the year-end.

3. The Code provides the following objective with regard to treasury management:

   "It is important that treasury management policies adequately reflect risk and in particular security, liquidity and yield, in that order of importance. No treasury management transaction is without risk and management of risks is the key purpose of the treasury management strategy."

4. The council is exposed to financial risks from its investments, existing external debt, as well as future borrowing requirements arising from the council's capital programme. The risks include potential losses from investments and increased borrowing costs from changing interest rates. The successful identification, monitoring and control of risk remain central to the Authority's treasury management strategy.

5. CIPFA published its revised Treasury Management Code of Practice and Prudential Code for Capital Finance in December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments. The principles within the two Codes took immediate effect although local authorities could defer introducing the revised reporting requirements within the revised Codes until the 2023/24 financial year if they wish, which the council has elected to do.

6. Treasury management within the council is conducted within the framework of the Treasury Management Code. The code now also includes extensive additional requirements for service and commercial investments.

KEY ISSUES FOR CONSIDERATION

Economic Background: April 2021 to September 2022

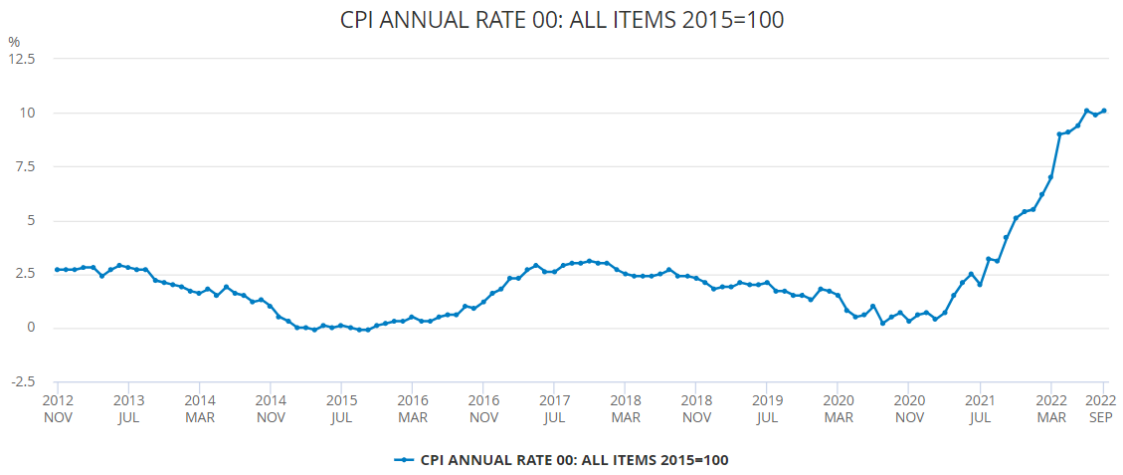
7. The continuing economic recovery from the coronavirus pandemic, coupled with the war in Ukraine, higher inflation and higher interest rates were the major issues in 2021-22. In its March 2022 interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict would worsen supply chain disruptions around the world and push CPI inflation to around 8% later in 2022.

8. The Bank of England base rate was 0.1% in April 2021, rising to 0.75% by March 2022.

9. The economic landsape in the first half of 2022-23 has been shaped by the continuing war in Ukraine, political turmoil in the United Kingdom and rapidly worsening financial outlook both at home and abroad.

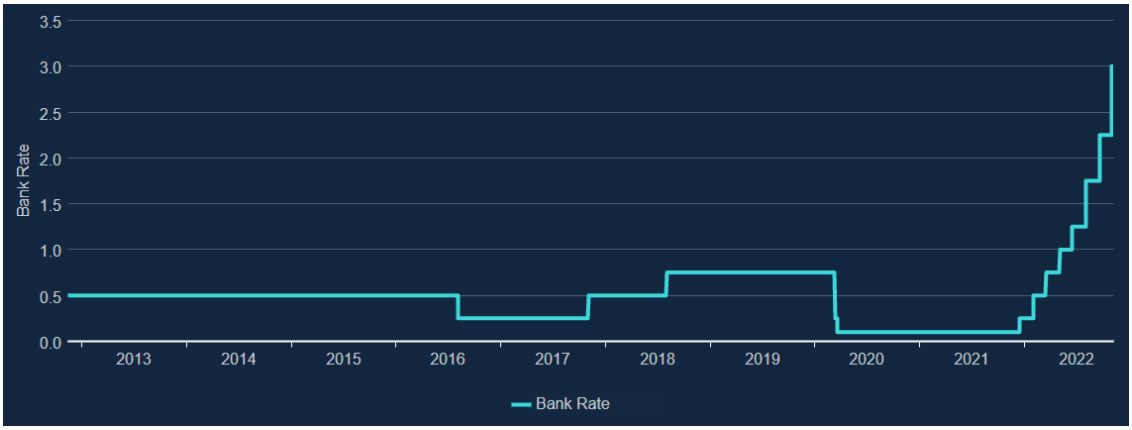
10. UK (and global) inflation has remained extremely high. CPI was 10.1% in September, the highest rate for 40 years. The energy regulator, Ofgem, increased the energy price cap by 54% in April, while a further increase in the cap from October was dampened by the UK government stepping in to provide support to limit bills to £2,500 annually until 2024.

CPI Inflation 2012 – 2022



11. From a base of 0.75% in March 2022, the Bank of England's Monetary Policy Committee (MPC) pushed through interest rate rises of 0.25% in each of the following two MPC meetings, before hiking by 0.50% in August and again in September to 2.25%. However, in the last month the Bank has further increased the rate by by 0.75% to 3%.

Bank of England base rate 2013 - 2022



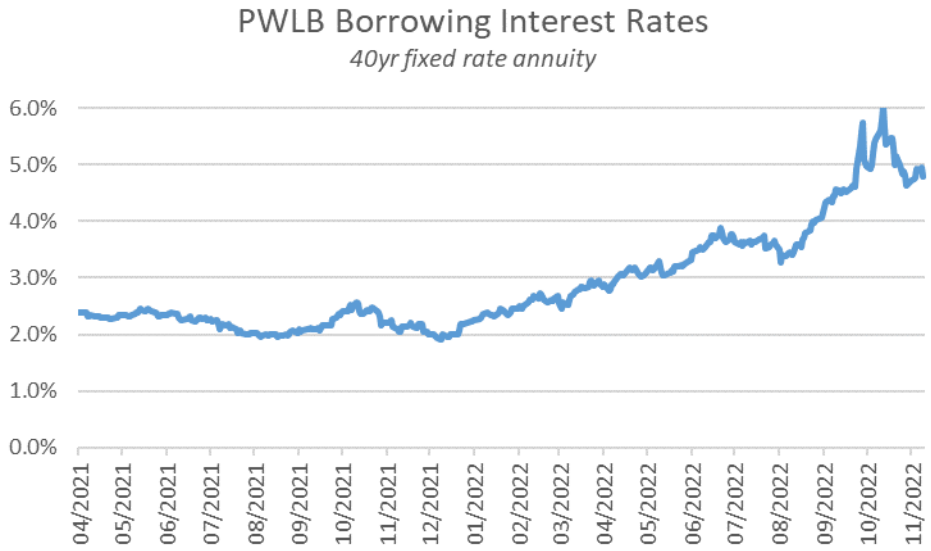
12. On 23 September 2022, the UK government, following a change of leadership, announced some measures in a 'mini budget', loosening fiscal policy with a view to boosting the UK GDP's trend growth rate to 2.5%. This unsettled markets and triggered a series of events including:

- Devaluation of sterling against the dollar to its lowest ever level
- Sudden devaluation of UK gilts, boosting yields to levels not seen in ten years
- A major liquidity event in the UK Liability Driven Investment (LDI) Pensions sector, requiring serious intervention from the BOE including bond purchases and extended re-purchasing facilities.

13. A combination of BOE interventions and multiple fiscal policy u-turns from central government (following encouragement from the IMF) returned some

confidence to markets and averted further deterioration in the nation's finances.

14. The increases in both the BOE base rate and UK Gilts are driving up the cost of external borrowing significantly. Whilst the Public Works Loans Board (PWLB) remains the cheapest option, the cost of new borrowing (and refinancing maturing debt) has increased from 1.9% in December 2021 to 4.79% as at 9 November 2022 – an increase of over 250% in the space of 11 months. Rates briefly touched 6% during the peak of the political crisis in October.



Implications for ongoing Treasury Management Strategy

15. The council has an ambitious capital programme, both to support the wide range of services it offers but also to build much-needed new council homes. In the past, revenue balances have been utilised to forestall the need to borrow externally. This approach is commonly known as internal borrowing. Internal borrowing is cheaper than external borrowing and remains the preferred source of financing in the short term whilst sufficient funds are available.

16. However, in September 2017, officers reported to cabinet that from 2017-18 onwards there would be an increasing need to borrow externally. Since then, external borrowing has gradually increased, both as a proportion of capital funding and in absolute terms. This has been necessary because of the scale of the capital programme.

17. Southwark has the tenth highest outstanding PWLB debt of all English councils. This is largely as a consequence of the size of Southwark's council housing estate and its position as the fourth largest social landlord in the country. This ranking is likely to rise based on the additional borrowing that will be required in coming years to fund the capital programme.

18. The most significant part of that programme remains new homes. To date, approximately £226m of external borrowing has been taken to fund the New Homes Programme and a further £674m has been previously earmarked as the sum that could be borrowed within prudential code and affordability limits. This amounts to £900m in total for new homes. This provision is being constantly reviewed, especially in the context of interest rate rises, rent caps and inflation.

19. The need to borrow externally has a revenue impact, and this is accounted for annually in the council's budget setting process, both for the Housing Revenue Account and the General Fund.

20. The PWLB remains the cheapest and most efficient source of external debt and the current strategy prioritises this over alternative funding sources which frequently incur additional unseen overheads including management fees, administration costs and balance sheet complexities which reduce transparency. Officers seek to ensure that the entire cost of borrowing is taken into account and that best value for money is achieved for taxpayers.

21. Council Assembly will be receiving a report on the review of the capital programme in February 2023 and officers will be reviewing and revising the Treasury Management Strategy with reference to this and to the rapidly changing economic environment.

OUTTURN 2021-22

22. The 2021-22 treasury management strategy was approved by Council Assembly in February 2021. Under financial delegation, all executive, managerial and operational decisions are the responsibility of the strategic director of finance and governance.

Debt Management

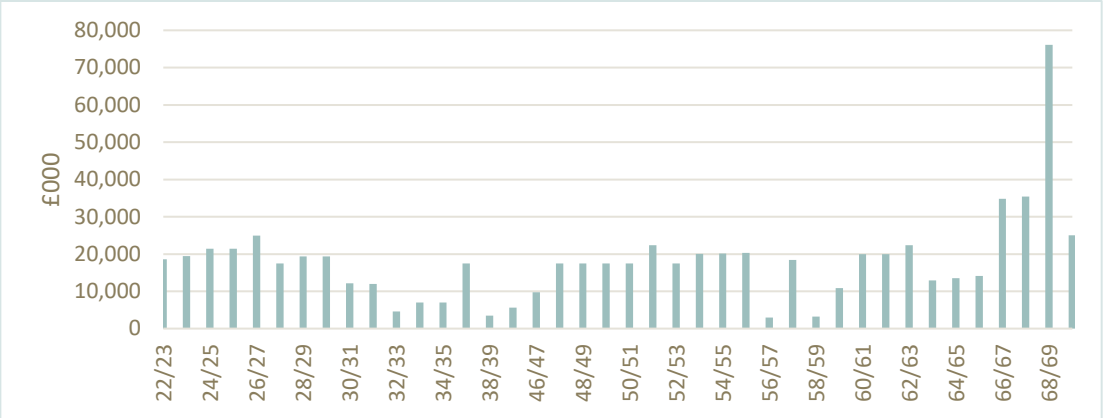
23. As at 31 March 2022, the outstanding debt held by the council was £896m, an increase from £886m as at 31 March 2021.

24. During the financial year to 31 March 2022, the council borrowed £50m from the PWLB, a part of HM Treasury, in separate loans with maturing terms ranging from 38 to 41 years, at an average interest rate of 1.58%.

25. Drawing of long-term borrowing is supplemented by short-term borrowing from other local authorities to reduce overall debt interest expense for the council and to manage cash-flow. This approach continued during 2021-22. The level of outstanding short term borrowing from other local authorities as at 31 March 2022 was £175m. The weighted average rate of interest for the council's overall debt portfolio was 3.13% as at 31 March 2022. For short-term borrowing the weighted average was 0.37%.

26. Short-term debt drawn during 2021-22 will mature in 2022-23 and there will be a requirement to refinance this by drawing down further borrowing. The council will consider a number of borrowing sources, both long and short term. Decisions on the most optimal and value for money source and duration of the borrowing will be made in the context of any changes in interest rates and the longer term cash flow requirements of the council. It is expected that further borrowing will be required in 2022-23 both to re-finance maturing debt and to finance the growing capital programme.

27. The maturity profile of outstanding long-term debt as at 31 March 2022 is shown in the chart below:



Provision for repayment of debt

28. Each year, the general fund sets aside sums, known as the minimum revenue provision (MRP), to reduce its borrowing liabilities. In 2021-22, £9.1m (£10m in 2020-21) was set aside to repay debt. The HRA can, voluntarily, also set aside sums to reduce its borrowing liabilities. During 2021-22, no additional sums were set aside.

29. The council's policy on MRP is published each year and agreed by Council Assembly as part of the overall Treasury Management Strategy (TMS). The TMS for 2023/24 will be agreed by Council Assembly in February 2023.

Investment Management

30. CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until cash is required for use in the course of business.

31. The council has significant funds invested, representing income received in advance of expenditure plus balances and reserves held. Council cash that is not immediately required for current expenditure is invested in money market instruments in accordance with the MHCLG Guidance on

Local Authority Investments and the investment strategy as approved by Council Assembly for each financial year.

32. In accordance with MHCLG guidance, the council gives priority to the security and liquidity of any investments made and then seeks an investment return commensurate with these principles. The Authority'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.

33. Council investments are managed both in-house and delegated to two external fund managers (Alliance Bernstein and Aberdeen Standard Investments). The focus for in-house investment is to meet variable near-term cash liquidity requirements.

34. The external fund managers invest over a longer term across a range of investment instruments including UK government gilts, supranational bank bonds, and certificates of deposits and covered bonds issued by major banks/ building societies. The use of fund managers has the advantage of diversification of investment risk, coupled with the services of professional fund managers, which over the longer term, provides enhanced returns commensurate with the council's risk appetite. Although investments can be redeemed from the fund managers at short notice, the intention is to hold them for the medium term. Their performance and suitability in meeting the council's investment objectives are regularly monitored.

35. As at 31 March 2022, total investments stood at £161m (£219m at 31 March 2021). The overall rate of return on investments during 2021-22 was -0.04% (0.52% in 2020-21).

36. To assess the external fund manager's portfolio, the council measures the return against a composite investment benchmark of three month LIBID and one to three year gilt index. For the financial year, the benchmark index annualised return was -0.51%. Actual fund manager return was -0.13%, indicating a better performance compared to the benchmark.

37. The rate of return generated by the treasury management portfolio is a consequence of the council's prudent, low risk approach to treasury management investment policy. This is in line with the requirements of the statutory guidance for local government treasury investments issued by MGCLG.

38. The distribution of investments by maturity and credit rating as at 31 March 2022 is set out in following table.

Maturity Profile and Credit Ratings

	A		AA		AAA		Total	
Investment Maturity	**£m**	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**
Up to 1Year	50.0	31	27.9	17	63.5	39	141.4	88
1-2 Years	3.1	2	4.4	3	6.5	4	14.0	9
2-5Years	3.6	2	0.0	0.0	2.2	1	5.8	4
Total	**56.7**	**35**	**32.3**	**20**	**16.8**	**45**	**161.2**	**100**

AAA represents the highest credit quality, AA represents very high credit quality and A represents high credit quality.

Non-Treasury Investments

39. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which are held primarily or partly for financial return. These include;

- The council's commercial property portfolio which was valued at £338.2m at 31 March 2022 (£328.5m at 31 March 2021). Despite the pandemic rental income has held up reasonably well, generating £20.9m in 2021-22.

- The balance of loans to local institutions totalling £27m at 31 March 2022.

Prudential Indicators - Actuals

40. Local authority borrowing, investment and capital finance activity is supported by the Prudential Code for Capital Finance, the Treasury Management in the Public Services Code of Practice and related guidance published by CIPFA. The codes require councils to set a series of indicators and limits each year. The 2021-22 indicators were agreed in February 2021, before the start of the financial year. Appendix A shows the outturn of the Authority against the 2021-22 prudential indicators.

41. The council complied with its prudential indicators throughout 2021-22.

Revised CIPFA Codes, Updated PWLB Lending Facility Guidance

42. In August 2021, HM Treasury significantly revised guidance for the PWLB lending facility with more detail and examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investments assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

43. CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20 December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.

44. To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. The code also states that it is not prudent for local authorities to make investment or spending decisions that will increase the capital financing requirement unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to borrow should review the options for exiting these investments.

45. Borrowing is permitted for cashflow management, interest rate risk management, refinancing of current borrowings and to adjust levels of internal borrowing. Additionally, borrowing to refinance capital expenditure which is primarily related to the delivery of a local authority's function, though a financial return is also expected is allowed, provided that the financial return is not the primary reason for the expenditure. These changes align the CIPFA Prudential Code with PWLB lending rules.

46. The Authority did not plan to borrow to invest primarily for commercial return and so is unaffected by the changes to the Prudential Code.

MID-YEAR UPDATE 2022-23

47. The 2022-23 treasury management strategy was approved by Council Assembly in February 2022. Under financial delegation, all executive, managerial and operational decisions are the responsibility of the strategic director of finance and governance.

Debt Management

48. As at 30 September 2022, the Council's outstanding long-term loans portfolio stood at £888m. The majority of long-term loans outstanding was borrowed from the PWLB at fixed rates of interest.

49. During the first half of 2022-223, £2.6m of long-term borrowing was repaid and £150m new PWLB loans were taken out, partly to re-finance maturing debt and partly to secure preferential rates in a deteriorating market. This borrowing was taken out in a number of tranches and for a range of tenures at an average rate of 3.23% - this is lower than the average of the council's total existing debt holdings and significantly lower than the rates that would have been available if the council had borrowed at a later date.

50. The balance of short-term borrowing at 30 September 2022 was £20m, with a weighted average rate of 0.67%, which is significantly less than long-term rates of borrowing. All short-term borrowing was via other local authorities

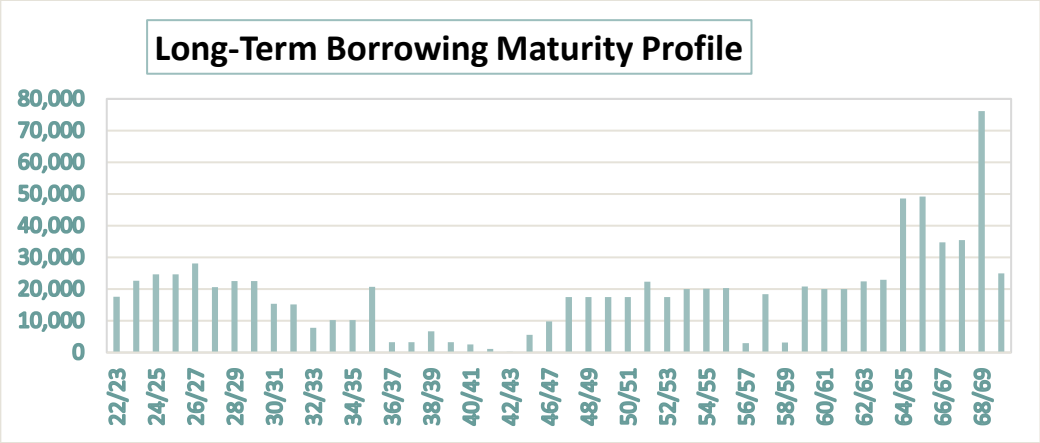
which are typically at lower rates compared to other sources for short-term loans.

51. Borrowing short-term (less than one year) increases the councils exposure to interest rate and refinancing risks. To mitigate this risk, it would be prudent to ensure that short-term borrowing as a proportion of the total debt portfolio is managed within prudential limits.

52. The benefits of internal/short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. This will help inform decisions on whether the council borrows additional sums at long-term fixed rates with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

53. The weighted average rate of interest for the council's debt portfolio is 3.7% at 30 September 2022 (3.1% at 31 March 2022).

54. The maturity profile of outstanding long term borrowing as at 30 September 2022 is shown in the chart below:



Investment Management

55. The council holds significant investment balances, representing income received in advance of expenditure plus balances and reserves. During the year, the council's investment balances ranged between £159m and £285m due to timing differences between income and expenditure. Investment balance at 30 September 2022 was £198m.

56. The annualised rate of return for council treasury management assets for the first half of 2022-23 financial year was 0.67%, an improvement on the prior year performance of -0.04%, reflecting the increasing rate of return available in the market.

57. To assess the external fund managers' performance, the council measures the return against a composite investment benchmark of SONIA and one to three year gilt index. For the equivalent period of the financial year, the

benchmark index annualised return was -0.92% and the fund managers performed better with an annualised return of 0.05%.

58. The investment activity during the period conformed to the approved strategy and cash flow was successfully managed to maintain liquidity.

59. The distribution of investments by maturity and credit rating as at 30 September 2022 is set out in the table below:

Investment Maturity Profile and Credit Ratings

	A		AA		AAA		Total	
Investment Maturity	**£m**	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**
Up to 1 Year	55.4	28	48.8	25	82.7	41	186.9	94
1-2 Years	1.5	1	0.1	0	3.5	2	5.0	3
2-5Years	1.9	1	0.2	0	3.9	2	5.9	3
Total	**58.7**	**30**	**49.1**	**25**	**90.0**	**45**	**197.8**	**100**

AAA represents the highest credit quality, AA represents very high credit quality and A represents high credit quality.

Prudential Indicators – Actuals and Estimates

60. Local authority borrowing, investment and capital finance activity is supported by the Prudential Code for Capital Finance, the Treasury Management in the Public Services Code of Practice and related guidance published by CIPFA. The codes require councils to set a series of indicators and limits each year. The 2022-23 indicators were agreed in February 2022, before the start of the financial year. Appendix B shows the estimated position against the 2022-23 prudential indicators as at 30 September 2022.

61. The council has complied with its prudential indicators throughout the first half of 2022-23.

Community, Equalities (including socio-economic) and Health Impacts

62. This report monitors the council's compliance with the treasury management strategy and Council's prudential indicators as agreed in February 2021 and February 2022. This report has been judged to have no direct impact on local people and communities.

Climate change implications

63. There are no climate change implications arising directly from this report.

Resource implications

64. There are no direct resource implications in this report.

Consultation

65. There has been no consultation on this report.

SUPPLEMENTAL ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

66. The constitution determines that agreeing the treasury management strategy is a function of the council assembly and that review and scrutiny of strategies and policies is the responsibility of the audit, governance and standards committee.

67. Financial standing orders require the strategic director of finance and governance to set out the treasury management strategy for consideration and decision by council assembly, and report on activity on a regular basis to cabinet and at mid and year-end to council assembly. Furthermore all executive and operational decisions are delegated to the strategic director of finance and governance.

68. The Local Government Act 2003 ("the 2003 Act") and supporting regulations require local authorities to determine annual borrowing limits and have regard to the Prudential Code for Capital Finance, and the Treasury Management in the Public Services Code of Practice and Guidance, published by the Chartered Institute of Public Finance and Accountancy, when considering borrowing and investment strategies, determining or changing borrowing limits or prudential indicators.

69. Section 15(1) of the 2003 Act requires a local authority "to have regard (a) to such guidance as the Secretary of State may issue". This guidance is found in the Ministry of Housing, Communities and Local Government Guidance on Local Authority Investments updated February 2018 and there is statutory guidance on the Minimum Revenue Provision (MRP) made under section 21(1A) of the 2003 Act.

70. Section 12 of the 2003 Act grants local authorities the powers to invest for any purpose relevant to its functions or for the purposes of the prudent management of its financial affairs.

Reasons for lateness

71. This report was completed as late as possible to give as much information as feasible on the council's financial status.

Reasons for urgency

72. This report should be considered before the next budget setting council assembly in February 2023.

BACKGROUND DOCUMENTS

Background Papers	Held at	Contact
Capital and Treasury Management Strategy 2021-22	160 Tooley Street	Timothy Jones
Capital and Treasury Management Strategy 2022-23	160 Tooley Street	Timothy Jones

APPENDICES

No.	Title
Appendix A	Prudential Indicators – 2021-22 Actuals
Appendix B	Prudential Indicators – 2022-23 Actuals & Estimates

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Timothy Jones, Departmental Finance Manager	
Version	Final	
Dated	11 November 2022	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments Sought**	**Comment included**
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	No	N/A
Cabinet Member	Yes	No
Date final report sent to Constitutional Team		11 November 2022

APPENDIX A

PRUDENTIAL INDICATORS: 2021-22 ACTUALS

BACKGROUND

1. Capital finance, borrowing and investment arrangements are supported by a series of prudential indicators, drawn from the Prudential Code on Capital Finance for Local Authorities and the Treasury Management in the Public Services Code of Practice plus Guidance, published by CIPFA. The Local Government Act 2003 requires that councils have regard to these codes. The indicators were approved by Council Assembly in February 2020. This appendix updates the 2021-22 indicators as per the un-audited statement of accounts for 2021-22.

2. The indicators are grouped into three broad areas: affordability and prudence, capital finance and treasury management. The indicators are of a technical nature and existing budgets take account of capital finance and treasury activities. The indicators themselves have no effect on those budgets.

AFFORDABILITY AND PRUDENCE INDICATORS

3. The indicators below are for affordability and prudence.

2020-21	2021-22	
		Ratio of Financing Cost to Net Revenue Stream A measure of the cost of borrowing and long term liabilities (e.g. PFI) net of interest income and set-asides, as a percentage of revenue.
8%	8%	HRA
4%	4%	General fund

		Capital Financing Requirements (CFR) and Gross Debt The CFR is the balance remaining on past capital expenditure financed through debt and long term liabilities (e.g. PFI). The level of gross debt should not exceed the CFR unless prudent over the short term. Actual gross debt remained below the CFR throughout 2019- 20 on account of cash balances, internal borrowing and PFI transactions.
£1,220m	£1,363m	CFR
£886m	£896m	Maximum gross debt in the year

CAPITAL FINANCING INDICATORS

4. The indicators below are for capital finance.

2020-21	2021-22	
Capital Expenditure - Capital expenditure includes PFI funded spend.		
£215m	£211m	HRA
£118m	£101m	General fund
£333m	**£312m**	**Total**

. ***Capital Financing Requirement (CFR)*** - the CFR is the balance on past capital expenditure financed through borrowing and long term liabilities (e.g. PFI).		
£521m	£609m	HRA
£699m	£754m	General fund
£1,220m	**£1,363m**	**Total**

TREASURY MANAGEMENT INDICATORS

5. The indicators below are for treasury management.

Operational Boundary and Authorised Limit for External Debt:

These are limits the council determines to accommodate borrowing and long term liabilities.
The lower limit is the operational boundary and takes account of existing positions and ordinary activity and the higher limit is the authorised limit, enabling additional borrowing to be taken for very short periods, in the interest of prudence, within a risk controlled framework.

2020-21 Outturn	2021-22 Limit	2021-22 Outturn	Operational Boundary
£886m	£1,550m	£896m	Borrowing (maximum outstanding in year)
£86m	£81m	£81m	Other Long -Term Liabilities
£972m	**£1,631m**	**£977m**	**Total**

			Authorised Limit
£886m	£2,000m	£896m	Borrowing (maximum outstanding in year)
£86m	£120m	£81m	Other Long -Term Liabilities
£972m	**£2,120m**	**£977m**	**Total**

2020-21 Outturn	2021-22 Limit	2021-22 Outturn	
77%	100%	84%	**Gross and Net Debt** An upper limit on net debt as a percentage of gross debt. The net debt has remained below gross on account of investments held to meet spend.

			Maturity Structure of Borrowing Limits accommodating existing positions with flexibility to vary exposure within a risk controlled framework.
22%	35%	20%	Under 1 year
1%	35%	2%	1 year and within 2 years
6%	50%	9%	2 years and within 5 years
8%	75%	9%	5 years and within 10 years
62%	100%	60%	10 years and over
			Limits on Investments Greater than One Year Caps on the maximum exposure to longer investments, while recognising benefits from prudent exposure within a risk controlled framework.
28%	65%	13%	Percentage longer than one year
11.6 months	2.5 years	9 months	Overall maximum average maturity

APPENDIX B

PRUDENTIAL INDICATORS: 2022-23 ACTUALS AND ESTIMATES

BACKGROUND

1. Capital finance, borrowing and investment arrangements are supported by a series of prudential indicators, drawn from the Prudential Code on Capital Finance for Local Authorities and the Treasury Management in the Public Services Code of Practice plus Guidance, published by CIPFA. The Local Government Act 2003 requires that councils have regard to these codes. The indicators were approved by Council Assembly in February 2022. This appendix updates 2022-23 indicators.

2. The indicators are grouped into three broad areas: affordability and prudence, capital finance and treasury management. The indicators are of a technical nature and existing budgets take account of capital finance and treasury activities.

AFFORDABILITY AND PRUDENCE INDICATORS

2021-22 Outturn	2022-23 Estimate	
		Ratio of Financing Cost to Net Revenue Stream A measure of the cost of borrowing and long term liabilities net of interest income and set-asides, as a percentage of revenue.
9%	12%	HRA
7%	6%	General Fund

		Capital Financing Requirements (CFR) and Gross Debt The CFR is the balance remaining on past capital expenditure financed through debt and long term liabilities. The level of gross debt should not exceed the CFR unless prudent over the short term. Actual gross debt has remained below the CFR throughout 2021-22 and 2022-23.
£1,363m	£1,677m	CFR
£977m	£969m	Maximum Gross Debt in the Year

CAPITAL FINANCE INDICATORS

2021-22 Outturn	2022-23 Estimate	
		Capital Expenditure
£211m	£429m	HRA
£101m	£112m	General fund
£312m	**£541m**	**Total**

		Capital Financing Requirement (CFR) The CFR is the balance on past capital expenditure financed through borrowing and long term liabilities
£609m	£861m	HRA
£754m	£815m	General fund
£1,363m	**£1,677m**	**Total**

TREASURY MANAGEMENT INDICATORS

Operational Boundary and Authorised Limit for External Debt:

These are limits the council determines to accommodate borrowing and long term liabilities. The lower limit is the operational boundary and takes account of existing positions and ordinary activity and the higher limit is the authorised limit, enabling additional borrowing to be taken for very short periods, in the interest of prudence, within a risk controlled framework.

2021-22 Outturn	2022-23 Limit	2022-23 Estimate	Operational Boundary
£896m	£1,458m	£888m	Borrowing (maximum outstanding in year)
£81m	£101m	£81m	Other Long Term Liabilities
£977m	**£1,560m**	**£969m**	**Total**

			Authorised Limit
£896m	£1,823m	£888m	Borrowing (maximum outstanding in year)
£81m	£101m	£81m	Other Long Term Liabilities
£977m	**£1,925m**	**£969m**	**Total**

2021-22 Outturn	2022-23 Limit	2022-23 Estimate	
84%	100%	89%	**Gross and Net Debt** An upper limit on net debt as a percentage of gross debt. The net debt has remained below gross on account of investments held to meet spend.

			Maturity Structure of Borrowing Limits accommodating existing positions with flexibility to vary exposure within a risk
20%	35%	5%	Under 1 year
2%	35%	3%	1 year and within 2 years
9%	50%	9%	2 years and within 5 years
9%	75%	11%	5 years and within 10 years
60%	100%	73%	10 years and over
			Limits on Investments Greater than One Year Caps on the maximum exposure to longer investments, while recognising benefits from prudent exposure within a risk controlled framework.
13%	65%	10 %	Percentage longer than one year
9 months	2.5 years	8.4 months	Overall maximum average maturity