Report of:	Meeting	Date
Councillor Michael Vincent, Resources Portfolio Holder and Clare James, Corporate Director Resources	Council	27 October 2022

Treasury Management Activity April to September 2022

1. Purpose of report

1.1 To report on the overall position and activities in respect of Treasury Management for the first half of the financial year 2022/23, covering the six month period from April to September 2022.

2. Outcomes

2.1 An informed Council who have an understanding of Treasury Management activity, in line with the approved Treasury Management Policy and Strategy Statements and Treasury Management Practices.

3. Recommendation

3.1 That the Mid-year Review Report on Treasury Management Activity for the first half of the 2022/23 financial year be noted, in line with requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA's) 'Treasury Management in the Public Services: Code of Practice (revised 2021)'.

4. Background

4.1 Treasury Management

4.1.1 CIPFA has set out a clear definition of treasury management activities:

"The management of the organisation's borrowing, investments and cash flows, 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."

4.1.2 The Council operates a balanced budget, which broadly means cash raised during the year will fund cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, making sure that there is adequate liquidity cover before considering optimisation of investment returns.

4.1.3 Another function of the treasury management service is the funding of the council's capital plans. The capital plans provide a guide to the borrowing need of the council, essentially the longer term cash flow planning, to ensure the council can meet its capital spending operations. This management of longer term cash flow may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet council risk or cost objectives.

4.1.4 This report has been written in accordance with the requirements of the CIPFA's 'Treasury Management in the Public Services: Code of Practice (revised 2021)' (the Code). The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies, objectives and approach to risk management of the Council's treasury management activities.
- Creation and maintenance of suitable Treasury Management Practices (TMPs) which set out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- Creation and maintenance of Investment Management Practices (IMPs) for investments that are not for treasury management purposes.
- Receipt by the full Council of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy, Capital Strategy and Minimum Revenue Provision Policy – for the year ahead, a Mid-year Review Report and an Annual Report, covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions. For this Council the Finance Director is responsible for treasury management.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Overview and Scrutiny Committee.

4.1.5 As recommended by the Code, this mid-year report covers the following:

- An economic update for the first half of the 2022/23 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and related prudential indicators;
- A review of the Council's investment portfolio for 2022/23;
- A review of the Council's borrowing strategy for 2022/23;
- A review of any debt rescheduling undertaken during 2022/23;
- A review of compliance with Treasury and Prudential Limits for 2022/23.

5. Key issues and proposals

5.1 Economic update

(The following economic update 5.1 to 5.3 is extracted from an update provided by the Council's Treasury Advisors, Link Group, issued on 7 October 2022.)

5.1.1 The UK economy grew by 0.2% in Q1 2022/23 (quarter to quarter), though revisions to historic data left it below pre-pandemic levels.

5.1.2 There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production and construction output fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.

5.1.3 The fall in the composite PMI (Purchase Managers Index) from 49.6 in August to a 20-month low preliminary reading of 48.4 in September points to a fall in GDP in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3% below their level at the start of the year. There are also signs that households are spending their excess savings in response to high prices. Indeed, cash in households' bank accounts rose by £3.2bn in August, which was below the £3.9bn rise in July and much smaller than the 2019 average monthly rate of £4.6bn.

5.1.4 The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth.

5.1.5 Utility price inflation is expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). With the Government freezing utility prices at that level for two years, energy price inflation will fall sharply after October and have a big downward influence on CPI inflation.

5.1.6 CPI inflation eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. With the oil price now just below $90pb, we would expect to see fuel prices fall further in the coming months. Nonetheless, the rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggests that domestic price pressures are showing little sign of abating which is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.

5.1.7 The first half of the year saw a change in both Prime Minister and Chancellor who have made a step change in government policy. The government's huge fiscal loosening from its proposed significant tax cuts will add to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Fears that the government has no fiscal anchor on the back of these announcements has meant that the pound has weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low on the Monday following the government's "fiscal event", it has since recovered. That is due to hopes that the Bank of England will deliver a very big rise in interest rates at the policy meeting on 3rd November and the government will lay out a credible medium-term plan in the near term. This was originally expected as part of the fiscal statement on 23rd November but has subsequently been moved forward to an expected release date in October. Nevertheless, with concerns over a global recession growing, there are downside risks to the pound.

5.1.8 The Monetary Policy Committee (MPC) has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed and ECB raised rates by 75 basis points (bps) in their most recent meetings, the Bank of England's latest 50 basis points hike looks relatively dovish. However, the UK's status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes. Since the fiscal event on 23 September, we now expect the MPC to increase interest rates further and faster, from 2.25% currently to a peak of 5% in February 2023. The combination of the government's fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable.

5.1.9 Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21 June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharp at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the government's extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the "fiscal event", which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things; First, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31 October, Second, it committed to buy up to £65bn of long-term gilts to "restore orderly market conditions" until 14 October. In other words, the Bank is restarting QE, although for financial stability reasons rather than monetary policy reasons. There is a possibility that the Bank continues with QE at the long-end beyond 14 October or it decides to delay quantitative tightening beyond 31 October, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.

5.1.10 After a shaky start to the year, the S&P 500 and FTSE 100 climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 is 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

5.2 Interest Rates Forecast

5.2.1 The council's treasury advisor, Link Group, provided the following forecasts on 27 September 2022 (PWLB rates are certainty rates):

Link Group Interest Rate View – 27/09/2022												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Bank Rate View	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 Month average earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 Month average earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 Month average earning	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5yr PWLB Rate	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10yr PWLB Rate	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25yr PWLB Rate	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50yr PWLB Rate	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

5.2.2 The latest forecast on 27 September sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is providing a package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices.

5.2.3 The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September's "fiscal event". To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.

5.3 The balance of risks to the UK

5.3.1 Following the Government's fiscal event on 23 September, both S&P and Fitch have placed the UK sovereign debt rating on negative outlook, reflecting a downside bias to the current ratings in light of expectations of weaker finances and the economic outlook.

5.3.2 It is noted that sentiment in the current economic climate can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

5.4 Treasury Management Strategy Statement and Annual Investment Strategy Update

5.4.1 The Treasury Management Strategy Statement (TMSS), for 2022/23 was approved by this Council on 14 April 2022.

5.4.2 In accordance with the CIPFA's Treasury Management Code of Practice, it sets out the council's investment priorities as being:

1. Security of capital;
2. Liquidity;
3. Yield.

5.4.3 The council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the council's risk appetite. In the current economic climate it is considered appropriate to keep investments short-term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach.

5.5 TMSS Update

5.5.1 There are no policy changes to the TMSS; the details in this report update the position in light of the updated economic position and budgetary changes already approved.

5.6 Investment Portfolio

5.6.1 In accordance with the Code, it is the council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the council's risk appetite.

5.6.2 Banks rates have gradually increased in the first half of the year, which has been reflected in the investment rates. This has resulted in a better return on investments as highlighted in section 5.7.3. With an expectation that rates will stabilise in the second half of the year, investment returns will continue to improve into 31 March 2023.

5.6.3 The council has continued to invest any surplus balances with the council's Bank, NatWest on-call deposit facility, Money Market Funds (MMF) with Prime Rate Capital Management, LGIM, Insight, the Bank of Scotland (Overnight/Call account and 95 day notice facility), Handelsbanken (Instant Access account and 35 day notice facility) Santander (35 day corporate notice facility) and Qatar National bank (1 month and a 3 month fixed notice facility).

5.6.4 Our current policies and practices allow us to invest up to £6m with any one institution or 20% of the investment balance per individual counterparty or 25% per whole counterparty group whichever is higher. During the first six months of 2022/23 this facility was not used.

5.6.5 Within the council's current Annual Investment Strategy, the Investment Policy criteria are based on Link Asset Services creditworthiness service and it is meeting the requirement of the treasury management function. The council, to date, has adopted a very cautious approach and regularly monitors organisations with which investments are held to ensure they meet the Investment Policy criteria.

5.7 Investment Counterparty criteria

5.7.1 The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

5.7.2 Interest receivable on investments for the first half of the year was £177,173 compared to an annual budget of £50,000. The level of interest received is expected to increase through the second part of the year. The driving factor is an increase in the level of interest rates available. As a result, the medium term financial plan (MTFP) forecast has been adjusted upwards to reflect a more realistic target.

5.7.3 The equated investments for the first half of 2022/23 are detailed in the following table indicating that investments earned an average return of 0.44% which means that we have underperformed the benchmark SONIA (Sterling Overnight Interbank Average) 7-day average of 1.19%. The volatility in the markets has seen the average rate as low as 0.69% in April up to highs of 2.19% in September. As referred to above, in-line with our investment priorities, at times we have deposited funds in low interest earning accounts in order to maintain security and liquidity of funds and this will be monitored going forward.

	Equated Investment Principle	**Interest Due**	**Rate of Return %**	**Benchmark Return %**	**Number of days invested**
Santander 35 Day Corp Notice	£8,000,001	£36,076	0.64	1.19	183
Qatar 3 month	£3,000,001	£22,181	1.17	1.19	183
Qatar 6 month	£3,071,234	£22,918	0.75	1.19	183
Handelsbanken I.A. Account	£6,035,617	£9,116	0.01	1.19	183
Bank of Scotland (Call Acc)	£4,149,727	£783	0.01	1.19	183
Nat West - Liquid Select	£6,170,332	£3,430	0.10	1.19	183
LGIM	£7,186,301	£42,749	0.67	1.19	183
Insight	£8,043,836	£45,350	0.61	1.19	183
Deutsche	£7,190,686	£37,258	0.71	1.19	183
Prime Rate	£7,654,247	£44,851	0.63	1.19	183
TOTAL	**£60,501,982**	**£264,712**	**0.44**		

The Council's Capital Position (Prudential Indicators)

5.8 Prudential Indicator for Capital Expenditure

5.8.1 The following table shows the updated budget position for capital expenditure and the changes since the 2022/23 capital programme was agreed as part of the 2022/23 budget process.

	2022/23 Original Estimate £	Movements		Current Position as at 30/08/22 £
		2021/22 Slippage £	Portfolio Holder/ Cabinet Decisions £	
Total Capital Expenditure	10,094,588	6,411,216	-1,583,163	14,922,641

5.9 Changes to the Financing of the Capital Programme

5.9.1 The table below shows how the capital expenditure will be financed, with any shortfall of resources resulting in a need to borrow. The current planned expenditure is fully funded resulting in a nil additional borrowing requirement. Just under 79% of planned expenditure is funded by grants and contributions; with around 21% being funded from a combination of capital receipts and revenue contributions/utilisation of reserves (this includes Project Neptune).

	2022/23 Original Estimate £	Current Position as at 30/08/22 £
Total Expenditure	**10,094,588**	**14,922,641**
Financed by:		
Capital Receipts	0	205,985
Capital Grants and Contributions	9,939,388	11,293,865
Revenue/reserves	155,200	3,422,791
Total Financing		
Borrowing Requirement	**10,094,588**	**14,922,641**

5.10 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

5.10.1 The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

Prudential Indicators	2022/23 Original Estimate £m	2021/22 Mid-Year Estimate £m
Capital Financing Requirement:		
Total CFR	**10,973**	**10,973**

Operational Boundary for external debt:		
Debt	13,452	13,452
Other long term liabilities	50	50
Total Operational Boundary	**13,502**	**13,502**

5.10.2 The CFR has been updated and has seen minor adjustments, based upon the 2021/22 outturn position. Planned capital expenditure for 2022/23 has been fully funded. The CFR requirement represents historical capital expenditure which has yet to be financed.

5.10.3 There has been no change to the prudential indicator setting out the operational boundary for external debt; we are currently operating below the operational boundary level of external debt. The operational boundary is based on probable external debt during the course of the year. It is not a limit but it acts as an early warning indicator to ensure that the Authorised Limit is not breached. If external debt levels are close to the operational boundary, they will be monitored closely to ensure that the Authorised Limit, which is the maximum level of external borrowing that the council can incur, is not exceeded.

5.11 Limits to Borrowing Activity

5.11.1 The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

5.11.2 The Corporate Director Resources reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

5.11.3 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Council. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The approved Authorised Limit for 2022/23 is set at £20.1m; this limit is still sufficient for the council.

5.12 Borrowing

5.12.1 The council's capital financing requirement (CFR) for 2022/23 is £10.9m. The CFR denotes the Council's underlying need to borrow for capital purposes. This borrowing can be external, from the Public Works Loan Board (PWLB) or the market, or internal, from balances on a temporary basis. The 2022/23 budget assumed no additional long-term borrowing and that capital schemes were to be funded by grants and contributions, capital receipts, revenue or reserves.

5.12.2 There were no short-term borrowing transactions (i.e. less than 365 days) during the first six months of 2022/23.

5.12.3 Interest payments in respect of short-term and long-term borrowing for the first half of the financial year are on target and total £34,415 compared to a budgeted figure of £68,830 for the full year. There is also an additional budget of £1,000 to cover interest payments in the latter part of the financial year in case there are any temporary borrowing requirements as income from Council Tax reduces during February and March.

5.12.4 The council incurs charges at 4% over the current base rate for net overdrawn balances with no annual arrangement fee. The council's net bank account position was not overdrawn during the period April to September 2022.

5.13 Debt Rescheduling

5.13.1 Debt rescheduling opportunities have been very limited in the recent past given the structure of interest rates and following the increase in the margin added to gilt yields which impacted PWLB new borrowing rates from October 2010. Essentially the economic conditions made the early repayment of our loans cost prohibitive. No debt rescheduling has been undertaken to date in the current financial year. However, the recent change in economic climate means that this is being actively reviewed as the costs have reduced significantly.

5.13.2 The following table provides details of the council's outstanding long term borrowing:

Date	Source	Value (£)	Period (Yrs)	Rate (%)	Maturing
05/03/08	PWLB	552,000	30	4.48	September 2037
05/03/08	PWLB	1,000,000	50	4.41	September 2057
		1,552,000			

5.14 Compliance with Treasury and Prudential Limits

5.14.1 It is a statutory duty for the council to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2022, the council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2022. The Corporate Director Resources reports that no difficulties are envisaged for the current or future years in complying with these indicators.

5.14.2 All treasury management operations have also been conducted in full compliance with the Council's TMPs.

Financial and legal implications	
Finance	Considered in detail in the report above.
Legal	The approval of the recommendation will ensure that the CIPFA Code of Practice on Treasury Management and statutory requirements have been complied with.

Other risks/implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	**✓ / x**
community safety	**x**
equality and diversity	**x**
sustainability	**x**
health and safety	**x**

risks/implications	**✓ / x**
asset management	**x**
climate change	**x**
ICT	**x**
data protection	**x**

Processing Personal Data

In addition to considering data protection along with the other risks/implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018.

Report author	**Telephone no.**	**Email**	**Date**
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List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

Prudential Indicators – Quarter 2 Update

Prudential Indicators

Indicator No.

1.

The actual capital expenditure incurred in 2021/22 and the estimates of capital expenditure for the current and future years that are recommended for approval are:

	2021/22 Actual £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
Project Neptune	0	4,194,917	0	0	0	0	0
Other schemes	21,450	118,644	98,878	0	0	0	0
Fleetwood Market and Studios	53,910	1,142,879	0	0	0	0	0
Sea Defences	1,527,714	4,741,228	15,409,986	13,527,861	12,753,353	1,066,000	0
ICT	35,161	57,960	0	0	0	0	0
Housing	2,201,319	2,933,802	2,079,964	2,079,964	2,079,964	2,079,964	2,079,964
Fleetwood Heritage Action Zone	284,687	975,347	214,656	0	0	0	0
Parks and Open Spaces	67,696	191,424	0	0	0	0	0
Fleetwood Restoration of the Mount	24,955	53,538	0	0	0	0	0
Vehicle Replacement	53,817	512,902	149,500	302,500	215,000	404,500	0
	4,270,709	**14,922,641**	**17,952,984**	**15,910,325**	**15,048,317**	**3,550,464**	**2,079,964**

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2021/22 are:

	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Ratio	0.79%	0.10%	0.51%	0.45%	0.36%	0.35%	0.34%

The estimates of financing costs include current commitments and the proposals in the budget report.

3. Estimates of the end of year capital financing requirement for the authority for the current and future years and the actual capital financing requirement at 31st March 2021 are:

	31/03/21 Actual £000	31/03/22 Estimate £000	31/03/23 Estimate £000	31/03/24 Estimate £000	31/03/25 Estimate £000	31/03/26 Estimate £000	31/03/27 Estimate £000
Total Capital Financing Requirement	11,068	10,973	10,876	10,786	10,713	10,638	10,563
(Expenditure less capital grants & use of usable/set-aside receipts)							

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

To ensure that debt over the medium term is only for capital purposes, debt should not, except in the short term, exceed the Capital Financing Requirement for the previous, current and next two financial years.

Treasury Management Indicators

Wyre Borough Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services.

Indicator No.

1. External Debt - Authorised Limit

The maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council. This is a statutory limit determined under the local Government Act 2003 and must not be exceeded during the year.

	2021/22 Actual £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
Borrowing	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Other Long Term Liabilities	0	100	100	100	100	100	100
Total Authorised Limit	**20,000**	**20,100**	**20,100**	**20,100**	**20,100**	**20,100**	**20,100**

2. External Debt - Operational Boundary (Reasonable Limit-day to day)

The reasonable limit for external debt (excluding investments) focussing on day-to-day treasury management activities.

	2021/22 Actual £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
Borrowing	13,452	13,452	13,452	13,452	13,452	13,452	13,452
Other Long Term Liabilities (Deferred Liabilities)	10	50	50	50	50	50	50
Total Operational Boundary	**13,462**	**13,502**	**13,502**	**13,502**	**13,502**	**13,502**	**13,502**

3. Actual External Debt

	31/03/22 Actual £000
External Debt-Temporary Borrowing	0
External Debt-PWLB	1,552
Other Long Term Liabilities	11
Total Actual External Debt	1,563

It should be noted that actual external debt is not directly comparable to the authorised limit or operational boundary, since the actual external debt reflects the position at one point in time.

4. Fixed Interest Rate Exposures

	2021/22 Actual %	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %
Principal sums outstanding in respect of borrowing at fixed rates	100	100	100	100	100	100	100
Principal sums outstanding in respect of fixed rate investments	25	25	25	25	25	25	25

5. Variable Interest Rate Exposures

	2021/22 Actual %	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %
Principal sums outstanding in respect of borrowing at variable rates	25	25	25	25	25	25	25
Principal sums outstanding in respect of variable rate investments	100	100	100	100	100	100	100

Borrowing at fixed rates will be between 75% - 100% of the total portfolio
Borrowing at variable rates will be between 0% - 25% of the total portfolio
Investments at fixed rates will be between 0% - 25% of the total portfolio
Investments at variable rates will be between 75% - 100% of the total portfolio

6. Maturity Structure of Borrowing

It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowing as follows.

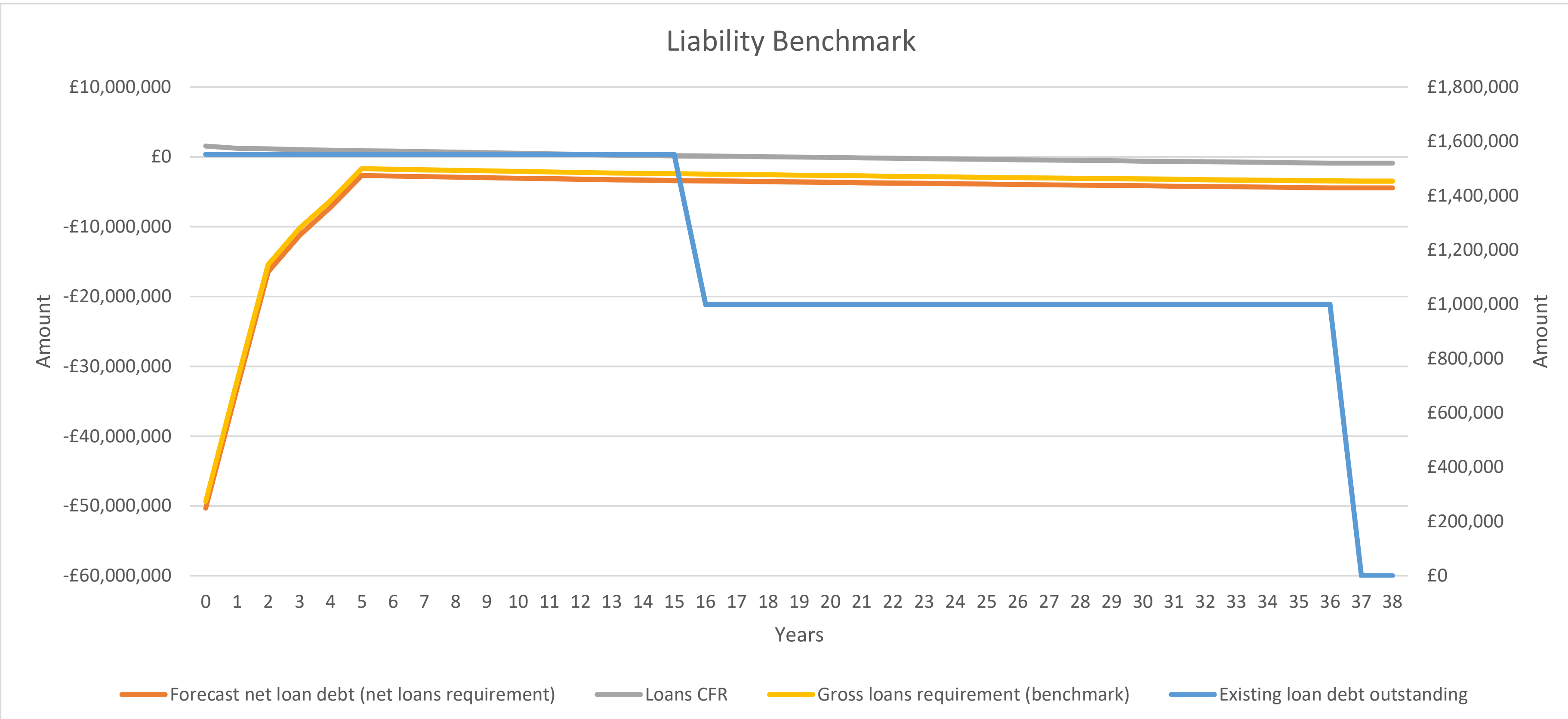
Amount of projected borrowing that is fixed rate maturing in each period as a % of total projected borrowing that is fixed rate at the start of the period.

	Upper Limit	Lower Limit
Under 12 months	100	0
12 months and within 24 months	45	0
24 months and within 5 years	75	0
5 years and within 10 years	75	0
10 years and above	100	0

7. Total principal sums invested for periods longer than 364 days

	2021/22 Actual £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
Total principal sum invested to final maturities beyond the period end	0	0	0	0	0	0	0

APPENDIX 1



Liability Benchmark
£10,000,000
£0
-£10,000,000
-£20,000,000
-£30,000,000
-£40,000,000
-£50,000,000
-£60,000,000
Amount
£1,800,000
£1,600,000
£1,400,000
£1,200,000
£1,000,000
£800,000
£600,000
£400,000
£200,000
£0
Amount
0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38
Years
Forecast net loan debt (net loans requirement)
Loans CFR
Gross loans requirement (benchmark)
Existing loan debt outstanding