Agenda Item No:8

Treasury Management Report – Quarter Two Update 2022-23

To:	Strategy & Resources Committee
Meeting Date:	16th December 2022
From:	Service Director: Finance & Procurement
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	Not applicable
Outcome:	Through this report the Committee supervises the Council's treasury management, and ensures that public money across the Council's cashflows, borrowing and investments is utilised and deployed effectively and in compliance with the Treasury Management Strategy.
Recommendation:	The Strategy & Resources Committee is recommended to note the Treasury Management Quarter Two Report for 2022/23, and endorse it for consideration at Full Council

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1. Background

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code 2021 requires reporting on prudential indicators quarterly as part of the authority's integrated revenue, capital and balance sheet monitoring. This is therefore an opportunity to provide a more detailed review on a biannual basis.

1.2 Updates on treasury management activities are provided quarterly to this committee, either through the Integrated Finance Monitoring Report (IFMR) or through this more detailed biannual report, and are necessarily retrospective in describing the position at the end of a quarter. However, changes to the UK economy and corresponding implications for our treasury management activity can sometimes be fast paced, therefore some of the information relevant to this biannual report may be partially out of date by the time it is reported. Any significant live treasury management information is therefore presented on a regular basis to committee as part of the Integrated Finance Monitoring Reports.

1.3 As part of the Council's Treasury Management Strategy, implementing the requirements of the Prudential Code, the detailed treasury report needs to be considered by Full Council twice annually. The key prudential indicators against which our treasury management activity is assessed are reviewed quarterly by Strategy & Resources Committee though the IFMR and are set out in Appendix 1.

1.4 This report therefore forms the update on treasury management and is the first standalone report of 2022/23 for consideration by Council. The information presented is as at the end of the second quarter. The end of Quarter 2 occurred during the middle of the market reaction to the mini budget of Chancellor Kwasi Kwarteng, and since then we have undergone further market reaction, as well as a change of both Chancellor and Prime Minister. This has resulted in a reversal of many of the measures previously announced and an Autumn Statement that was intended to put the public finances onto a more balanced footing over the medium-term. As such, economic context and loan rate projections in this report have been minimised, with more emphasis on the underlying data about the Council's treasury management activity, as that is still very relevant.

2. Summary Treasury Management Position

2.1. The level of net debt borrowing (including third-party loans) set in the Treasury Management Strategy (TMS) for 31st March 2023 was £825.0m. On 1st April 2022, net debt (including 3rd party loans) was £665.7m; by 30th September 2022 this had reduced to £593.3m. This reflects a decrease in borrowing over the year, due to some loans maturing and not yet being refinanced, combined with slower spend on the Council's Capital Programme than was forecast, plus continuing high levels of cash reserves which have allowed the Council to maintain high levels of internal borrowing.

2.2 Further analysis on borrowing and investment is set out in the next two sections. A summary of the Council's debt and investment position is shown in Table 1.

Table 1: Net Borrowing Quarter 2 2022/23

Borrowings	Actual as at 1 April 2022 £m	Actual as at 30 Sept 2022 £m	Year-to-date change £m
Borrowing repayable in >12mth	724.3	664.4	-59.9
Borrowing repayable in <12mth	55.0	103.7	48.7
Total Borrowings	779.3	768.1	-11.2
Less Treasury Investment	-113.6	-174.8	-61.2
Total Net Debt/Borrowings (including 3rd party loans and equity)	665.7	593.3	-72.4
Less Third-Party Loans and Equity	-118.8	-118.6	0.1
Total Net Debt/Borrowings (excluding 3rd party loans and equity)	546.9	474.7	-72.3

2.3 Overall borrowing has decreased through the year to date, reflecting the Council's healthier than expected cash position caused in part by additional government grants and the profile of capital expenditure. Reflecting the increases in medium-/long-term borrowing rates during Quarter 2, the Council took out more short-term borrowing to minimise exposure to higher interest rates while the economic position remained uncertain. We are not currently projecting to need to take out any further borrowing until March or April 2023.

3. Investments

3.1 The Treasury Management Strategy for 2022/23, including the Annual Investment Strategy for financial assets, was approved by Council in February 2022. It sets out the Council's investment priorities as being:

1. Security of Capital;
2. Liquidity; and then
3. Yield

3.2 The Council will aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. As shown by the interest rate forecasts in Section 3, the Money Market Fund (MMF) & Call Account rates are continuing to increase, therefore the Council will receive a better return on short-term, laddered investment.

3.3 At 30th September 2022, the Council's investment balances totalled £174.8m; this is split between Money Market Funds, Call/Notice accounts, Collective Investment Funds & Deposit funds (see Table 2 below). This balance excludes Third-Party Loans and Share Capital.

Collective Investment Funds

3.4 Property Fund: At the end of Quarter 2, the capital value of the investment was £12.7m compared to an original investment value of £12m. The portfolio is actively managed in support of the objectives of providing a high income and capital appreciation over the long-term. Returns from UK commercial property moved from slowdown into reverse over Quarter 2. Rental income remained stable and continued to benefit from the normalisation of terms on leases which had been under special arrangements during the pandemic, but capital values began to decline. Higher interest rates and the expectation of further hikes are detrimental to property valuations – both because of reduced demand from debt-funded investors, and because the relative attractiveness of the income yield from property diminishes in the face of rising yields on fixed-income assets such as government and corporate bonds. The deterioration in property market conditions, precipitated by the recent sharp rise in bond yields, is likely to continue in the coming months. The higher interest rate environment has negative implications for the economic outlook and hence for rental income and growth. Further declines in capital valuations are anticipated for the remainder of 2022 and into 2023, as investor activity pauses reflecting greater caution and weaker sentiment, and until the scale of the risks become clearer. The dividend rate of return on the initial investment for Quarter 2 was 3.3%.

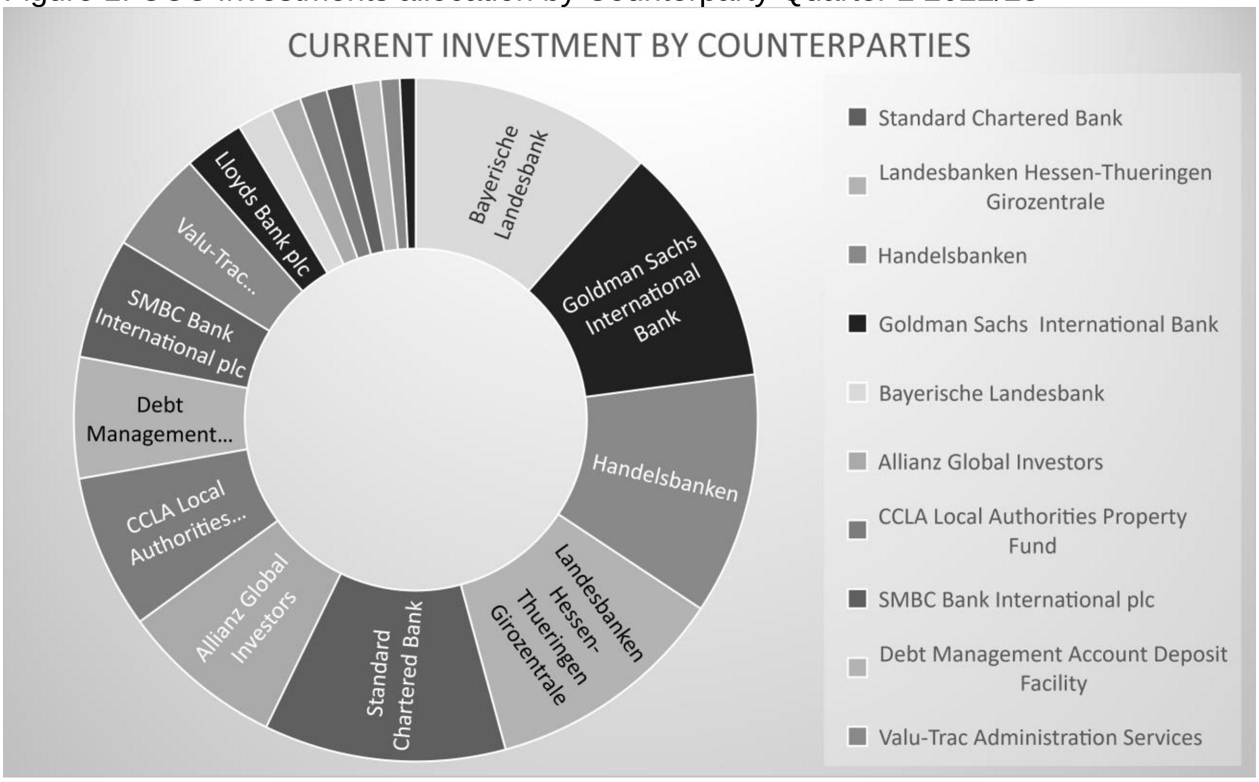
3.5 Diversified Income Fund: At the end of Quarter 2, the capital value of the investment was £2.2m compared to an original investment value of £2.5m. The investment objective of the fund is to provide income and the potential for capital growth from an actively managed diversified portfolio. The fund invests in a broad range of assets including fixed income securities and global equities and also less traditional exposures such as student accommodation and music royalties. The fund will maintain the portfolio’s emphasis on real assets such as good quality equities and alternatives, with a cautious allocation to the fixed income sectors. The dividend rate of return on the initial investment for Quarter 2 was 3.7%, which is higher than budgeted.

3.6 Multi-Class Credit Fund: At the end of Quarter 2, the valuation of the CCC share of the fund stood at £13.5m compared to an original investment value of £14.5m. The fund aims to generate positive returns throughout the interest rate and economic cycles by allocating to different credit asset classes and through bottom-up security selection. To reduce the risk elements of the portfolio, the manager has reduced duration to 1.4 years and holds elevated levels of cash and US treasuries, which has reduced spread risk on the portfolio. The manager has also improved the underlying credit quality of the portfolio, with exposure to investment grade securities (BBB and higher) rising from just over 42% at the start of 2022 to just over 57% by the end of Quarter 2. Performance is likely to remain volatile throughout the rest of the year as uncertainties remain, however a higher yield environment should allow the fund to continue to maintain the desired income return whilst maintaining tighter risk controls than normal. It is worth noting that the fund size has decreased, meaning the Council makes up a larger part of the fund, a position which will be kept under review. The latest dividend rate of return on the initial investment was 2.5%, which is in line with expectation.

3.7 Infrastructure Income Fund: At the end of Quarter 2, the valuation of the CCC share of the fund stood at £8.4m, compared to an original investment value of £8m. The fund's objective is to deliver a regular income, targeted at 4.5% per annum, whilst preserving investor's capital throughout market cycles and with the potential for growth. The fund invests in a diversified portal of global listed securities and offers exposure to companies engaged in the provision, storage, supply and consumption of clean energy. The fund recorded new highs during the quarter, only to see all gains eradicated in the final weeks of September. The threat of higher interest rates and risk of recession has inevitably seen capital being withdrawn from risk assets. Whilst the fund is diversified, the UK remains a core exposure; as such, the announcement of a revenue cap from January 2023 for electricity generators has created some uncertainty. However, the anticipated value of the cap is such that the actual impact on valuations is likely to prove modest. The fund entered this period of volatility with a high cash balance and has been employing aggressive capital deployment to take advantage of recent market declines. The fund does not anticipate disruption to dividend distributions over the remainder of the year and is targeting a higher absolute full-year payout when compared with 2021. The dividend rate of return on the initial investment for Quarter 2 was 3.9%.

3.8 The average investment balance during Quarter 2 (excluding Third-Party Loans and equity) was £156.7m, which carried a weighted average rate of 1.6%. The level of investment funds varies dependent on the timing of precept receipts, grants, the progress of the capital programme and decisions made about timing of borrowing. Figure 1 below shows the investment by counterparty at 30th September 2022.

Figure 1: CCC Investments allocation by Counterparty Quarter 2 2022/23



3.9 The table below summarises the maturity profile of the Council's investment portfolio at the end of Quarter 2 (excluding Third-Party Loans):

Table 2: Investment maturity profile at end of Quarter 2 2022/23

Product	Access Type	Maturity Period 0d £m	0-3m £m	3-6m £m	~5yrs £m	Total £m	%
Money Market Funds	Same-Day	6.0				**6.0**	*3.5*
Bank Call Account	Instant Access	26.8				**26.8**	*15.3*
Fixed Deposit Account	3-6 Months FD		10.0	95.0		**105.0**	*60.1*
Pooled Property Fund	Redemption Period Applies				12.7	**12.7**	*7.3*
Pooled Diversified Income Fund	Redemption – two days				2.2	**2.2**	*1.3*
Pooled Multi-class credit Fund	Redemption Period Applies				13.5	**13.5**	*7.7*
Income Fund (Energy)	Redemption Period Applies				8.4	**8.4**	*4.8*
	Total	**32.9**	**10.0**	**95.0**	**36.9**	**174.8**	***100.0***
	%	*18.8*	*5.7*	*54.3*	*21.1*	***100.0***	

3.10 The tables below set out details of the amounts outstanding on loans and share capital investments classed as capital expenditure advanced to third-party organisations at the end of Quarter 2:

Table 3: Loans/Equity holdings in This Land companies end of Quarter 2 2022/23

Loan Summary	Amount Outstanding (£m)	Repayment Year
Land, Construction & Development loans	113.851	2026/27, 2027/28 and 2028/29
Equity holding	5.851	N/A
Total Loans/Equity in This Land Ltd	119.702	

Table 4: Loans/Equity holdings in Pathfinder Legal Services end of Quarter 2 2022/23

Loan Summary	Original Amount (£m)	Amount Outstanding (£m)	Repayment Year
Cashflow loan	0.325	0.325	2029/30
Equity holding	0.475	0.475	-
Total Loans/Equity in Pathfinder Legal Services	0.800	0.800	

Table 5: Third-Party Loans Principal Outstanding end of Quarter 2 2022

Loan Counterparty	Original Amount (£m)	Amount Outstanding (£m)	Repayment Year
Arthur Rank Hospice Charity	4.000	3.200	2042/43
Estover Playing Field 2015 CIC (Guaranteed by March Town Council)	0.350	0.134	2024/25
Wisbech Town Council	0.150	0.150	2043/44
VIVA Arts & Community Group	0.300	0.032	2031/32
Total Third-Party Loans	4.800	3.516	

3.11 Investment returns compared to benchmark returns are shown in Table 6 below. The preferred benchmark is SONIA (Sterling Overnight Index Average), which is the risk-free rate for sterling markets administered by the Bank of England. SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. The Council uses the 30-day backward looking rate on a SONIA basis, as this most accurately reflects the type and length of investments (excluding Collective Investment Funds) that the Council holds. The decision to use backward looking is because this reflects the rates at the time of decision-making, rather than forward looking rates at the time of reporting.

Table 6: Average Benchmark versus Council Performance for Quarter 2 2022/23 (excluding Collective Investment Funds)

	Benchmark	Benchmark Return	Council Performance
Quarter 1	**30-day backward SONIA**	0.89%	0.84%
Quarter 2	**30-day backward SONIA**	1.22%	1.61%
For the Year	**30-day backward SONIA**	**1.06%**	**1.31%**

3.12 Leaving market conditions aside, the Council's return on investments is influenced by several factors, the largest contributors being the duration of investments and the credit quality of the institution or instrument:

- Credit risk is the consideration of the likelihood of default and is controlled through the creditworthiness policy approved by Council.
- The duration of an investment introduces liquidity risk; the risk that funds cannot be accessed when required.
- Interest rate risk, arising from fluctuating market interest rates.

These factors and associated risks are actively managed by the Council's Finance team. Given the recent volatility of the financial markets, the finance team is keeping a close eye on the credit ratings of institutions we have deposits with, as well as looking to spread deposits across a range of institutions, and is also considering the mix of type and duration of deposits.

4. Borrowing

4.1 The Council can raise cash through borrowing to fund expenditure on its capital programme for the benefit of Cambridgeshire. The amount of new borrowing needed each year is determined by capital expenditure plans and projections of the Capital Financing Requirement, underlying borrowing requirement, forecast cash-backed reserves and both current and forecast economic conditions.

4.2 The Council will continue to utilise short to medium-term borrowing from other local authorities and authorised brokers, particularly in the current environment. In the medium to longer-term, once rates have peaked and eventually start to dip, we will also consider PWLB, particularly if longer-term borrowing is required. The Council intends to continue with the strategy of keeping a reasonable proportion of the borrowing portfolio short-dated to take advantage of lower rates, and is able to do so having taken advantage of the low-interest rate environment of the last few years to extend the average duration of loans in the portfolio by fixing loans for extended maturities at historically low levels. As a result, the Council's overall average interest rate for borrowing is low at around 2.3% for Quarter 2, despite incurring higher rates on some historic debt.

4.3 In Quarter 2, the Council repaid on maturity a total of £26.2m, of which £10.0m was short-term loans from other local authorities and £16.2m was longer-term loans from other local authorities and PWLB. Loans raised during Quarter 2 amounted to £50.0m from other local authorities; this was all medium-term borrowing.

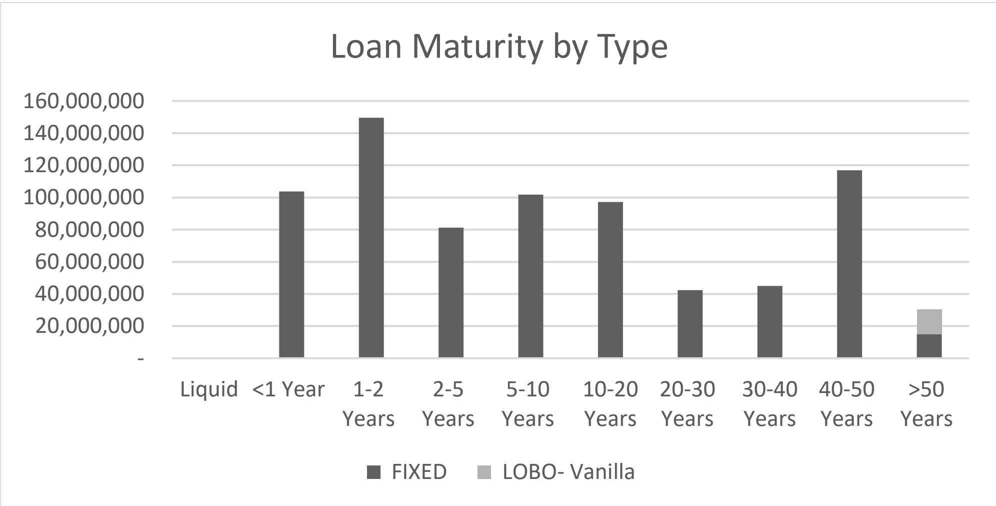
4.4 At the end of Quarter 2, the Council held £768.1m of borrowing of which £35.0m was short-term borrowing that matures in less than 1 year from date of issue. The Council continues to be able to re-finance loans as required, albeit now at higher rates than the maturity loan in the case of short-term loans. Refinancing of maturing PWLB loans is still possible at a lower rate, as some of these older loans were fixed at a time of higher interest rates.

4.5 Table 7 overleaf sets out the maturity profile of the Council's borrowing portfolio at the end of Quarter 2; £453.6m is held with the PWLB, £254.0m from other local authorities, £45.0m in market loans and £15.5m is a single market Lender Option Borrower Option (LOBO) loan. Of the £768.1m of borrowing, £103.7m (including both short-term and longer-term loans) will mature in less than 1 year, therefore potentially requiring refinancing.

Table 7: Loan Maturity Profile (Closing) – Quarter 2 2022/23

Term remaining	Borrowing £m	Borrowing %
< 1 Year	103.7	13.5
1 - 2 years	149.5	19.5
2 - 5 years	81.2	10.6
5 - 10 years	101.7	13.2
10 - 20 years	97.2	12.7
20 - 30 years	42.3	5.5
30 - 40 years	45.0	5.8
40 - 50 years	117.0	15.2
> 50 years	30.5	4.0
Total	768.1	100.0

Figure 2: Loan Maturities by Type (Closing) – Quarter 2 2022/23



4.6 The market LOBO loan is included in Table 7 at final maturity rather than next potential call date. In the current environment, the likelihood of the lender exercising their option to increase the interest rate on this loan – and so triggering the Council's option to repayment at par – has increased compared to previous years due to rising rates, but is still considered to be low.

4.7 The Council is in an internally borrowed cash position and balances will need to be replenished at some point in the future (subject to expenditure demands), which is in accordance with our Treasury Management Strategy. This strategy is prudent while investment returns are lower than the cost of servicing debt and also serves to mitigate counterparty risk. The Council therefore plans to maintain this internal borrowing position but will closely monitor those reserves, balances and cashflows supporting this approach.

4.8 No borrowing rescheduling was undertaken during Quarter 2. Rescheduling opportunities are limited based on the Council's loan portfolio. For PWLB loans, due to the spread between the carrying rate of existing borrowing and early redemption rates, substantial exit (premium) costs would be incurred. For market borrowing, the lender uses the certainty of the loans cashflow profile to hedge against forecast interest rate movements and so would pass the cost of unwinding these instruments onto the Council as an exit (premium) cost. Officers continue to monitor the position regularly.

5. Compliance with Treasury and Prudential Limits

5.1 The Council's treasury and prudential indicators are shown in Appendix 1.

5.2 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ended 30th September 2022, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy for 2022/23.

5.3 All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

6. Debt Financing Budget

6.1 The debt financing budget is held as a central budget within Finance & Resources, and complies with the reporting requirement in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Treasury Management Practice. The current forecast outturn position is an underspend of £2.3m, summarised in Table 8 below.

Table 8: Debt Financing Budget Forecast Outturn 2022/23

	Budget (£m)	Forecast Outturn (£m)	Variance (£m)
Interest payable	19.687	18.692	(0.995)
Interest payable charged to Other Funds	(6.632)	(6.275)	0.087
Interest receivable	(10.338)	(11.947)	(1.609)
Interest receivable charged from Other Funds	10.274	11.297	1.023
Capitalisation of interest cost	(1.433)	(1.373)	0.061
Technical & Other	0.440	0.440	0.000
MRP	21.006	20.161	(0.846)
Total	33.275	30.995	(2.280)

6.2 The underspend is comprised of the following elements:

- Following a review of cashflow forecasts and borrowing requirements, the interest payable forecast has been revised giving a forecast net £847k underspend. Whilst the cost of taking out PWLB borrowing has been significantly higher over this financial year due to rising interest rates, the Council has instead taken advantage of lower rates on shorter-term Local Authority borrowing when refinancing existing loans, as well as taking the opportunity to fix deals several months in advance to lock in lower rates. The cashflow position has been such that the Council is now forecasting to require less borrowing by the end of the financial year; as a result, some maturing loans will not need to be refinanced. The cashflow position will continue to be monitored closely over the remaining months of the year and levels of borrowing will be adjusted accordingly.
- The forecast interest receivable is a net £588k over achievement of income, primarily due to the effect of increased interest rates on our short-term investment income.
- The Council is required to repay an element of the accumulated General Fund capital spend each year through a revenue charge (the MRP). Following analysis of capital schemes completed in 2021/22 and how they were funded, the MRP payment for 2022/23 has been recalculated and the forecast year-end position is £846k lower than budgeted.

7. Economic Position in September 2022

7.1 The second quarter of 2022/23 saw:

- Gross Domestic Product (GDP) in Quarter 1 revised upwards to 0.2% quarter on quarter from -0.1%, which meant the UK economy avoided recession for the time being.
- Signs of economic activity losing momentum as production fell due to rising energy prices.
- Consumer Price Index (CPI) inflation easing to 9.9% year on year in August, but domestic price pressures showed little sign of abating in the near-term.
- The unemployment rate fall to a 48-year low of 3.6% due to a large shortfall in labour supply.
- The Bank Rate rise by 100 basis points over the quarter, taking the rate to 2.25% with further rises to come.
- Gilt yields surge and sterling fall following the mini-budget in September 2022

An updated economic position was presented by Chancellor Jeremy Hunt in his Autumn Statement in November 2022. Whilst this is after the period relevant to this report, the accompanying economic projections by the Office of Budgetary Responsibility set out the revised economic outlook that will be the backdrop to the future treasury management position.

8. Interest Rate Forecast

8.1 The market uncertainty in quarter 2 resulted in significantly increased borrowing rates offered by the Public Works Loans Board and other lenders. Following the September mini budget, there was a broad sell-off of sovereign bonds and a resulting tightening of interest rates by the Bank of England. The tables below compare the PWLB rates offered in September as compared to June 2022 alongside the projected bank rate.

Interest Rate Forecast (%) September 2022

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 Rates	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 months 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 months average earnings	4.70	4.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 months average earnings	5.30	4.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 years PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 years PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
Bank Rates	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	2.40
50 years PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

Interest Rate Forecast (%) June 2022

Link Group Interest Rate View	21.06.2022										
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Bank Rates	2.25	2.75	2.75	2.75	2.75	2.50	2.5	2.25	2.25	2.25	2.25
3 months average earnings	2.50	2.80	2.80	2.80	2.60	2.50	2.30	2.30	2.20	2.20	2.20
6 months average earnings	2.80	3.00	3.00	2.90	2.90	2.80	2.70	2.60	2.50	2.40	2.30
12 months average earnings	3.20	3.20	3.20	3.00	2.90	2.80	2.60	2.50	2.40	2.40	2.40
5 years PWLB	3.30	3.30	3.30	3.30	3.20	3.10	3.00	3.00	3.00	2.90	2.90
10 years PWLB	3.50	3.50	3.50	3.50	3.40	3.30	3.20	3.20	3.20	3.10	3.10
25 years PWLB	3.70	3.70	3.70	3.70	3.70	3.60	3.50	3.50	3.40	3.40	3.30
50 years PWLB	3.40	3.50	3.50	3.40	3.40	3.30	3.20	3.20	3.10	3.10	3.00

8.2 While the policies of the mini budget were mostly reversed by Jeremy Hunt, interest rates faced by the Council for borrowing remain higher than they were in June 2022. This has caused a rising capital financing budget to be required in future years for borrowing that will fund our capital programme.

9. Alignment with Corporate Priorities

9.1 Environment and Sustainability

There are no significant implications for this priority.

9.2 Health and Care

There are no significant implications for this priority.

9.3 Places and Communities

There are no significant implications for this priority.

9.4 Children and Young People

There are no significant implications for this priority.

9.5 Transport

There are no significant implications for this priority.

10. Significant Implications

10.1 Resource Implications

This report provides information on performance against the Treasury Management Strategy. Decisions on treasury management, which are driven by the capital programme and the Council's overall financial position, will impact the Debt Charges Budget and are also reported through the Budget Monitoring process.

10.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications for this category.

10.3 Statutory, Legal and Risk Implications

The Council continues to operate within the statutory requirements for borrowing and investments. Further details can be found within Appendix 1.

10.4 Equality and Diversity Implications

There are no significant implications for this category.

10.5 Engagement and Communications Implications

There are no significant implications for this category.

10.6 Localism and Local Member Involvement

There are no significant implications for this category.

10.7 Public Health Implications

There are no significant implications for this category.

11. Source documents

11.1 None

Appendix 1: Treasury and Prudential Indicators Quarter 2

Treasury / Prudential Indicator	2022/23 Indicator	2022/23 Quarter 2
Authorised limit for external debt (Inc' loans raised to on-lend to Housing & Investment Company)	-----£1,067.0m-----	
Operational boundary for external debt (Inc' loans raised to on-lend to Housing & Investment Company)	----- £1,037.0m-----	
Total Borrowing – Quarter 2	--------£768.1m------	
Capital Financing Requirement (CFR) *[Excluding PFI and Finance Lease Liabilities]*	£1,006.2m	£957.8m^
Ratio of financing costs to net revenue streams – yearly average	8.9%	4.0%
Upper limit of fixed interest rates based on net debt*	150%	111%
Upper limit of variable interest rates based on net debt*	65%	-11%
Principal sums invested over 365 days (excluding Third-Party Loans)	£50.0m	£36.9m
Maturity structure of borrowing limits**: -		
Under 12 months	Max. 80% Min. 0%	13.5%
12 months to 2 years	Max. 50% Min. 0%	19.5%
2 years to 5 years	Max. 50% Min. 0%	10.6%
5 years to 10 years	Max. 50% Min. 0%	13.2%
10 years and above	Max. 100% Min. 0%	43.2%

^ Estimated – this will be updated once the Statement of Accounts position has been finalised

*The interest rate exposure is calculated as a percentage of net debt. Due to the mathematical calculation exposures could be greater than 100% or below zero (i.e., negative) depending on the component parts of the formula.

**The Treasury Management Code of Practice guidance notes requires that maturity is determined by the earliest date on which the lender can trigger repayment, which in the case of LOBO loans is the next break/call point. This approach differs to Table 7 at paragraph 4.5 above, which instead shows the Council's LOBO loan at maturity date as the likelihood of the option being exercised is low.