This report will be made public on 12 September 2023

Folkestone & Hythe District Council

Report Number **C/23/35**

To:	**Cabinet**
Date:	**20 September 2023**
Status:	**Non-Key Decision**
Head of Service:	**Lydia Morrison – Interim Director of Corporate Services**
Cabinet Member:	**Councillor Tim Prater, Deputy Leader and Cabinet Member for Finance and Governance.**
SUBJECT:	**TREASURY MANAGEMENT ANNUAL REPORT 2022/23**

SUMMARY: This report reviews the Council's treasury management activities for 2022/23, including the actual treasury management indicators. The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

REASONS FOR RECOMMENDATION:

Cabinet is asked to agree the recommendations set out below because: -

a) Both CIPFA's Code of Practice on Treasury Management in the Public Services and their Prudential Code for Capital Finance in Local Authorities, together with the Council's Financial Procedure Rules, require that an annual report on treasury management is received by the Council after the close of the financial year.

RECOMMENDATION:

1. To receive and note Report C/23/35.

1. INTRODUCTION

1.1 The annual treasury report is a requirement of the Council's reporting procedures. It covers the treasury activity for 2022/23 compared to the approved strategy for the year. It also summarises the actual treasury management indicators for 2022/23 compared to those approved for the year.

1.2 The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

1.3 Cabinet approved the Treasury Management Strategy Statement for 2022/23, including treasury management indicators, on 26 January 2022. Full Council approved the Capital Strategy for 2022/23 covering capital expenditure and financing, treasury management and non-treasury investments on 23 February 2022. The report also updated Cabinet on changes to both CIPFA's Prudential Code and Treasury Management Code along with the Public Works Loan Board (PWLB) lending arrangements.

1.4 The Council's formal treasury management reporting arrangements comply with the requirements of the CIPFA's Treasury Management Code and also provide the opportunity for proper scrutiny of its treasury management activities.

2. ECONOMIC COMMENTARY

(Based on commentary supplied by Arlingclose Ltd, the Council's Treasury Advisor)

2.1 Economic Background

2.1.1 The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.

2.1.2 Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.

2.1.3 Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.

2.1.4 The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period December-February showed an unemployment rate of 3.7%. The inactivity rate was 21.3% in the December-February quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December-February at as 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, however, both measures were negative for that period and have been so throughout most of the year.

2.1.5 The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.

2.2 Financial Markets

2.2.1 Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.

2.2.2 Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.

2.3 Credit Review

2.3.1 Early in the period, Moody's affirmed the long-term rating of Guildford BC but revised the outlook to negative. The agency also downgraded Warrington BC and Transport for London.

2.3.2 In July Fitch revised the outlook on Standard Chartered and Bank of Nova Scotia from negative to stable and in the same month Moody's revised the outlook on Bayerische Landesbank to positive. In September S&P revised the outlook on the Greater London Authority to stable from negative and Fitch revised the outlook on HSBC to stable from negative.

2.3.3 During the last few months of the reporting period there were only a handful of credit changes by the rating agencies, then in March the collapse of Silicon Valley Bank (SVB) in the US quickly spilled over into worries of a wider banking crisis as Credit Suisse encountered further problems and was bought by UBS. Credit Default Prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September/October at the time of the then-government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, they had moderated somewhat by the end of the period as fears of contagion subsided, but many are still above their pre-March levels reflecting that some uncertainty remains.

2.3.4 On the back of this, Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list. As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remains under constant review.

3. TREASURY POSITION AT 31 MARCH 2023

3.1 On 31 March 2023, the Council had net investments of £35.7m arising from its revenue and capital income and expenditure, an increase on 2021/22 of £0.2m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in table 1 below.

Table 1: Balance Sheet Summary

	31.3.22 Actual £m	**31.3.23 Actual £m**	**Movement £m**
General Fund CFR	15.6	16.8	1.2
HRA CFR	47.4	47.4	0.0
Investment CFR	70.2	77.2	7.0
Total CFR	**133.2**	**141.4**	**8.2**
Less External Borrowing	(97.7)	(107.1)	(9.4)
Internal Borrowing	**35.5**	**34.3**	**(1.2)**
Less Usable Reserves	(54.0)	(43.3)	10.7
Less Working Capital	(12.7)	(15.3)	(2.6)
Investments (-)/New Borrowing	**(31.2)**	**(24.3)**	**6.9**

3.2 The net increase in the Council's CFR of £142.8m was reported to Cabinet on 12 July 2023 in the General Fund Capital Programme Outturn 2022/23 report. Notably, capital expenditure in 2022/23 include the Otterpool Park Garden Town development (£7.9m), funding to support Oportunitas Limited for its property investment programme (£1.5m) and the Princes Parade Leisure and Housing scheme (£1.9m) was met from prudential borrowing. Moving forward, it is expected some of the remaining internal borrowing will be replaced with new external borrowing as the cash reserves and balances are applied towards their intended use.

3.3 The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position at 31 March 2023 and the year-on-year change in show in table 2 below.

Table 2: Treasury Management Summary

	31.3.21 Balance £m	2022/23 Movement £m	31.3.23 Balance £m
Long-term borrowing	57.2	6.3	63.5
Short-term borrowing	40.5	3.1	43.6
Total borrowing	**97.7**	**9.4**	**107.1**
Long-term investments	(16.0)	2.0	(14.0)
Cash and cash equivalents	(15.1)	4.9	(10.2)
Total investments	**(31.1)**	**6.9**	**(24.3)**
Net borrowing	**66.6**	**16.2**	**82.8**

Note: the figures in the table are from the balance sheet in the authority's statement of accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

3.4 The increase in the Council's net borrowing of £16.2m reflects the increase in the CFR by £8.2m, plus the reduction of useable reserves of £10.7m and increase of working capital of £2.6m outlined above in table 1.

4. BORROWING 2022/23

4.1 Borrowing Update

4.1.1 The updated CIPFA Prudential Code and PWLB lending arrangements now prohibit local authorities from borrowing to incur capital expenditure on investment assets primarily for yield. These are prospective rather than retrospective requirements.

4.1.2 The Council did not purchase any investment assets primarily for yield during 2022/23 or over the period of the approved Medium Term Capital Programme so is unaffected by the changes to the Prudential Code and PWLB lending arrangements for its borrowing activity.

4.1.3 The Prudential Code states that local authorities who already held commercial investment assets primarily for yield prior to the changes made in 2021 are not required to sell these. However, local authorities who have an ongoing borrowing requirement are expected to review these commercial investment assets as part of their annual treasury management of investment strategies to evaluate the financial returns are commensurate with the risks involved. The Council currently holds the Connect 38 office building in Ashford that meets this definition and will now be subject to the annual evaluation process.

4.2 Borrowing Activity 2022/23

4.2.1 At 31 March 2023, the Council held £107.1m of loans, an increase of 9.4m on the previous year, as part of its strategy for funding previous and current years' capital programme. Following the introduction of the Housing Revenue Account (HRA) Self-Financing regime in 2012 the Council operates a two pool debt approach allocating its loans between the General Fund and HRA. The year-end borrowing position and the year-on-year change is shown in table 3 below. A full list of the loans held at 31 March 2023 is shown in appendix 1 to this report.

Table 3: Borrowing Position – Two Pool Debt Approach

	31.3.22 Balance £m	**2022/23 Movement £m**	**31.3.23 Balance £m**	**Average Rate %**
General Fund				
Public Works Loan Board	7.2	9.7	16.8	4.18%
Local Authorities	42.5	(2.7)	39.8	3.58%
Total General Fund borrowing	**49.7**	**7.0**	**56.6**	**3.76%**
Housing Revenue Account				
Public Works Loan Board	45.0	5.4	50.4	3.73%
Local Authorities	3.0	(3.0)	0	0%
Total HRA borrowing	**48.0**	**2.4**	**50.4**	**3.58%**
Total borrowing	**97.7**	**9.4**	**107.1**	**3.67%**

4.2.2 The weighted average maturity of the overall loan's portfolio at 31 March 2023 is 6.3 years.

4.2.3 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the authority's long-term plans change being a secondary objective.

4.2.4 With short-term interest rates remaining much lower than long-term rates, it was considered to be more cost effective in the near term to use mainly short-term loans borrowed from other local authorities and also to continue using internal resources to meet the increase in the CFR. The movement in these loans is shown in table 3, above.

4.2.5 The Council's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short and long-term borrowing is in place to provide flexibility for future decisions.

4.2.6 A new HRA PWLB rate of gilt yield plus 0.4% (0.4% below the currently available certainty rate) was announced on 15th March 2023. This discounted rate is to support local authorities borrowing for Housing Revenue Accounts and the delivery of social housing and is expected to be available from June 2023, initially for a period of one year.

5. INVESTMENT ACTIVITY 2022/23

5.1 The CIPFA Treasury Management Code defines treasury management investments as those that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of its business.

5.2 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2022/23, the Council's investment balance ranged between £16.9 million and £35.6 million due to timing differences between income and expenditure. The Council had an average investment balance of £28.8m during 2022/23. This is less than originally anticipated and is due to the following three main factors:

i) Lower than anticipated usable reserves at 31 March 2023

ii) Delays to the council's General Fund capital expenditure programme for 2022/23 to be met from prudential borrowing.

iii) Short-term cash flow fluctuations due timing of receipt of Council Tax receipts and government grants.

5.3 The Council generated a return, net of fees, of 2.97% for the year from its treasury investments. The year-end investment position and the year-on-year change are shown in table 4 below. A list of the individual investments held at 31 March 2023 is shown in appendix 2 to this report.

Table 4: Investment Position

	31.3.21 Balance £m	Net Movement £m	31.3.22 Balance £m	Average Return %
Government (inc Local Authorities)	5.0	(5.0)	0.0	0.0
Money Market Funds	10.1	0.1	10.2	4.04
Property Pooled Fund	6.2	(1.0)	5.2	4.23
Multi-Asset Income Funds	9.8	(0.9)	8.9	4.21
Total investments	**31.1**	**(6.8)**	**24.3**	**2.97**

5.4 The weighted average maturity of the investment portfolio at 31 March 2023 was 14 days.

5.5 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

5.6 Bank Rate has increased from 0.75% at the beginning of the year to 4.25% at the end of March 2023. Short-dated cash rates, which had ranged between 0.7% - 1.5% at the beginning of April, rose by around 3.5% for overnight/7-day maturities and 3.3% for 6-12 month maturities.

5.7 By end March 2023, the rates on DMADF deposits ranged between 4.05% and 4.15%. The return on the Council's sterling Low Volatility Net Asset Value (LVNAV) Money Market Funds ranged between [0.9% - 1.1% p.a.] in early April and between [3.8% and 3.9%] at the end of March.

5.8 The Council met its investment objectives and strategy for 2022/23. As previously outlined in sections 3 and 4 of this report, the Council has been able to use short term liquid cash to meet its underlying borrowing need through internal borrowing, reducing its exposure to credit risk. Secondly, the return from the strategic investments in pooled funds have continued to provide cash returns in excess of average inflation over the year. The performance of these pooled funds is considered in more detail below.

5.9 **Externally Managed Pooled Funds** - The Council has £15m invested in externally managed multi-asset and property funds, representing the authority's forecast minimum level of cash reserves and balances over the medium term. These pooled funds aim to provide returns in excess of inflation and, over time, provide the opportunity for some limited capital growth.

5.10 The funds generated a total reduction in capital value of £1.39m or 9.91% compared to their value at 31 March 2022, comprising an income return of £0.58m (4.16%) which is used to support services in year, and £1.97m

(14.04%) of unrealised capital reduction. A summary of the pooled funds value and performance for the financial year is shown in table 5 below.

Table 5 – Pooled Funds Summary

Fund	Value at 31/03/22	Value 31/03/23	Capital Return 2022/23	Cash Return 2022/23	Total Return 2022/23
	£m	£m	£m	£m	£m
CCLA Local Authority Property Fund	6.21	5.19	(1.02)	0.26	(0.76)
CCLA Diversified Income Fund	2.04	1.86	(0.18)	0.06	(0.12)
Aegon Diversified Monthly Income Fund	3.51	3.09	(0.42)	0.18	(0.24)
Ninety-One Diversified Income Fund	3.35	3.16	(0.19)	0.13	(0.06)
UBS Multi-Asset Income Fund	0.90	0.75	(0.15)	0.05	(0.10)
Total	**16.01**	**14.05**	**(1.96)**	**0.68**	**(1.28)**
Return %			**(12.25)%**	**4.25%**	**(8.00)%**

5.11 The UK and global equities remained volatile against a backdrop of high and sticky inflation, rapid policy rates tightening and an increasing risk of recession. There was a large sell-off in global equities in April, and again in June and September for both UK and global equities. The total return on the FTSE All Share index for the 12 months ending March 2023 was 2.9% and 5.4% for the FTSE 100.

5.12 The negative correlation between bonds and equities, which had featured for some years, turned positive in 2022 as both bonds and equities sold off simultaneously against an outlook of sticky inflation and high interest rates. Simultaneously, tighter financial conditions, higher bond yields and challenges in some segments of commercial real estate (e.g., offices post-COVID, high street shops and shopping centres) saw commercial property values fall during 2022, with a large fall in the final calendar quarter.

5.13 Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council’s medium- to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns should exceed cash interest rates.

5.14 The progression of risk and return metrics are shown in the extracts from Arlingclose’s quarterly investment benchmarking in table 6 below.

Table 6: Investment Benchmarking – Treasury investments managed in-house only

	Credit Score	Credit Rating	Bail-in Exposure	WAM* (days)	Income Return
FHDC					
31.03.2022	3.99	AA-	68%	7	0.52%
31.03.2023	**4.84**	**A+**	**100%**	**1**	**3.65%**
Similar LAs	**4.08**	**AA-**	**59%**	**47**	**2.97%**
All LAs	**4.13**	**AA-**	**60%**	**14**	**2.93%**

*WAM = weighted average maturity of investments held.

5.15 The investment benchmarking, which is a snapshot at the end of each quarter and only covers in-house managed investments, demonstrates the council's risk profile and returns are comparable to both its peer group and the wider local authority population as at 31 March 2023 (measured against other Arlingclose clients only).

6. FINANCIAL SUMMARY

6.1 The following table summarises the Council's net interest cost for its treasury management activities in 2022/23 and shows the outturn to the General Fund and the Housing Revenue Account is lower than the approved estimate, subject to audit:

Table 7: Net Interest Cost

	2021/22 Actual	2022/23 Estimate	2022/23 Actual	2022/23 Variance Estimate to Actual
	£'000	**£'000**	**£'000**	**£'000**
Interest Paid	2,058	2,243	2,478	**235**
Interest Received (net of fees)	(643)	(610)	(895)	**(285)**
Net Interest	**1,415**	**1,633**	**1,583**	**(50)**
Net Impact				
General Fund	(291)	58	(472)	**(530)**
H.R.A	1,513	1,575	1,514	**(61)**
Capitalised Interest	193	0	540	**540**
	1,415	**1,633**	**1,583**	**(50)**

6.2 The reduction in the net borrowing cost to the General Fund of £530k is mainly due to; -

i) higher than anticipated investment income received (£285k) from its strategic pooled fund investments and money market deposits, and
ii) capitalised interest on borrowing mainly attributable to land acquired for the Otterpool Park Garden Town Development.

6.3 The Council changed its Accounting Policy from 2019/20 to allow it to capitalise interest incurred on qualifying capital projects that are expected to take a number of years to be delivered. This has enabled the capitalisation of interest on borrowing to purchase the property from Cozumel Estates and other property for the Otterpool Park development acquired since 1 April 2019.

7. OTHER NON-TREASURY HOLDINGS AND ACTIVITY

7.1 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 it holds primarily for financial return. This is replicated in the former MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return. The assets are summarised in the table below:

Table 8: Non-Treasury Holdings and Returns

Investment Type	Value 31/03/22 £m	Value 31/03/23 £m	Net Income 2022/23 £'000	Equated Rate of Return %
Investment Property				
Otterpool Property	8.9	9.6	129	(1.24)
Offices	16.8	17.2	(186)	1.09
Commercial Land	1.7	0.4	-	-
Commercial Units	1.9	2.4	(162)	6.37
Assets Under Construction	0.2	-	-	-
Total Investment Property	**29.5**	**29.6**	**(219)**	**0.73**
Subsidiary Companies				
Oportunitas loan	4.3	5.8	(208)	4.88
Oportunitas equity	2.3	2.3	14	(0.78)
Oportunitas - Total	6.6	8.1	(194)	3.21
Otterpool Park LLP equity	1.2	1.5	13	(1.00)
Otterpool Park LLP loan	1.3	7.8	(14)	5.10
Otterpool Park LLP - Total	2.5	9.3	(1)	0.09
Total Subsidiaries	**9.1**	**17.4**	**(195)**	**2.01**
Total	**38.6**	**47.0**	**(301)**	**0.30**

7.2 The net income and rate of return excludes the impact of any unrealised property valuation gains or losses. Ordinarily the rate of return on non-treasury investment assets would be expected to be higher than that earned on treasury investments reflecting the additional risks to the council of holding such investments. This is demonstrated with the return on the commercial units and Oportunitas.

Otterpool land purchases have been recatagorised as surplus assets and so has been excluded from table 8.

8. COMPLIANCE WITH INVESTMENT LIMITS AND TREASURY INDICATORS

8.1 The Director of Corporate Services reports that the treasury management activities undertaken during 2022/23 complied with the CIPFA Code of Practice and the council's approved Treasury Management Strategy.

9. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

9.1 Legal Officer's Comments (NM)

There are no significant legal implications as a result of the recommendations in this report which are not covered in the body of the report. Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities issued under the Local Government Act 2003 provides assurance that the council's investments are, and will continue to be, within its legal powers.

9.2 Finance Officer's Comments (OO)

This report has been prepared by the Finance Specialist Team and relevant financial implications are included within it.

9.3 Diversities and Equalities Implications

The report does not cover a new service or policy or a revision of either and therefore does not require an Equality Impact Assessment.

9.4 Climate Change Implications (AT)

There are no climate change implications arising directly from this report. It updates Cabinet on the treasury management activities undertaken during the 2022-23 financial year and confirms all borrowing and investment decision were made in accordance with the approved strategy for the year.

9.5 Communications Officer's Comments (KA)

There are no communications implications arising directly from this report.

10. CONTACT OFFICER AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

- Daniella Loxton, Senior Finance Specialist (Capital and Treasury)

Telephone: 01303853583; Email:daniella.loxton@folkestone-hythe.gov.uk

- Ola Owolabi, Chief Financial Services Officer
Telephone: 01303 853728, Email: ola.owolabi@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report:

Arlingclose Ltd – Model Treasury Management Annual Report Template

Appendices:
Appendix 1 – Borrowing, loans held at 31 March 2023
Appendix 2 – Investments held at 31 March 2023
Appendix 3 – Compliance with specific investment and borrowing limits and Treasury Indicators

APPENDIX 1 – BORROWING, LOANS HELD AT 31 MARCH 2023

Lender	Loan No	Loan Type	Start Date	Maturity Date	Principal Outstanding 31/03/2023	Interest Rate
					£	%
Public Wo	430141	Annuity	09/11/1973	01/11/2033	3,485.16	11.38
Public Wo	488942	Fixed	12/08/2004	07/08/2034	2,000,000.00	4.80
Public Wo	492233	Fixed	28/09/2006	15/03/2054	2,000,000.00	4.05
Public Wo	493698	Fixed	10/08/2007	07/08/2055	2,500,000.00	4.55
Public Wo	493914	Fixed	10/09/2007	07/02/2053	2,500,000.00	4.55
Public Wo	494027	Fixed	31/10/2007	15/03/2044	2,000,000.00	4.65
Public Wo	494028	Fixed	31/10/2007	15/03/2045	2,000,000.00	4.65
Public Wo	494029	Fixed	31/10/2007	15/03/2046	2,141,190.00	4.65
Public Wo	500537	Fixed	28/03/2012	28/03/2031	4,010,000.00	3.26
Public Wo	500538	Fixed	28/03/2012	28/03/2028	4,000,000.00	3.08
Public Wo	500540	Fixed	28/03/2012	28/03/2025	4,000,000.00	2.82
Public Wo	500541	Fixed	28/03/2012	28/03/2029	4,000,000.00	3.15
Public Wo	500542	Fixed	28/03/2012	28/03/2030	4,000,000.00	3.21
Public Wo	500543	Fixed	28/03/2012	28/03/2027	4,000,000.00	3.01
Public Wo	500546	Fixed	28/03/2012	28/03/2024	4,000,000.00	2.70
Public Wo	500548	Fixed	28/03/2012	28/03/2026	4,000,000.00	2.92
Public Wo	602621	Fixed	28/02/2023	28/02/2024	10,000,000.00	4.54
Public Wo	609700	Fixed	27/03/2023	27/03/1935	10,000,000.00	3.93
Total - Public Works Loan Board					**67,154,675.16**	
Leicester C	3092	Fixed	31/01/2022	31/01/2024	5,000,000.00	0.40
Leicester C	3095	Fixed	22/03/2022	22/03/2024	5,000,000.00	1.25
Cornwall C	3097	Fixed	14/10/2022	14/10/2025	5,000,000.00	5.00
Leicester C	3098	Fixed	14/10/2022	14/10/2025	5,000,000.00	5.00
West Midl	3099	Fixed	31/01/2023	30/01/2024	5,000,000.00	4.00
Lichfield D	3101	Fixed	09/03/2023	07/03/2024	2,000,000.00	4.40
East Susse	3102	Fixed	21/03/2023	19/03/2024	5,000,000.00	4.50
North Hert	3103	Fixed	28/02/2023	30/11/2023	2,000,000.00	4.40
South Cam	3104	Fixed	27/02/2023	14/12/2023	2,000,000.00	4.45
North Som	3105	Fixed	09/03/2023	07/03/2024	3,000,000.00	4.70
Folkestone	n/a	Variable - 2 day call notice	Various May 2018	n/a	500,000.00	Variable
Total - Other Loans					39,500,000.00	
Total - Borrowing at 31/03/2023					**106,654,675.16**	

APPENDIX 2 – INVESTMENTS HELD AT 31 MARCH 2023

Category and Counterparty	Amount or Value £	Terms	Indicative Interest Rate or Yield %
Government & Local Authorities			
UK - Debt Management Office	0		0
Money Market Funds			
Aberdeen Standard MMF	498,000	No notice instant access	4.05
Northern Trust MMF	4,265,000	No notice instant access	4.04
Federated MMF	5,000,000	No notice instant access	4.04
Other Pooled Funds			
Commercial Property Funds			
CCLA Property Fund	5,186,101	No specified maturity date	4.23
Multi-Asset Income Funds			
CCLA Diversified Income Fund	1,855,384	No specified maturity date	2.75
UBS Multi-Asset Income Fund	715,575	No specified maturity date	5.62
Aegon Asset Management Diversified Monthly Income Fund	3,096,216	No specified maturity date	5.03
Ninety-One Diversified Income Fund	3,160,534	No specified maturity date	3.92
Total Investments	**24,294,810**		4.14

* Net of Fees

APPENDIX 3 – COMPLIANCE WITH SPECIFIC INVESTMENT AND TREASURY INDICATORS

Compliance with specific investment limits is demonstrated in table 1 below.

Table 1: Specific Investment Limits

	Maximum to 31.3.23	31.3.23 Actual	2022/23 Limit	Complied
Any single organisation, except UK Government	nil	nil	£5m each	✓
UK Central Government	nil	nil	Unlimited	✓
Any group of funds under the same management	nil	nil	£5m per group	✓
Negotiable instruments held in a broker's nominee account	nil	nil	£10m per broker	✓
Foreign countries	nil	nil	£5m per country	✓
Registered Providers	nil	nil	£10m in total	✓
Unsecured investments with Building Societies	nil	nil	£6m in total	✓
Loans to unrated corporates	nil	nil	£5m in total	✓
Money Market Funds	£21m	£10.45m	Unlimited	✓
Strategic Pooled Funds	£14.05m	£14.05m	£25m	✓
Any group of pooled funds under the same management	£7.04m	£7.04m	£10m per manager	✓
Real estate investment trusts	nil	nil	£10m in total	✓

Treasury Management Indicators

The council measures and manages its exposures to treasury management risks using the following indicators.

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

	31.3.23 Actual	2021/23 Target	Complied
Portfolio average credit rating	AA-	A	✓

Liquidity: The council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing
.

	31.3.23 Actual	2022/23 Target	Complied
Total cash available within 3 months	£10.2m	£5m	✓

Interest Rate Exposures: This indicator is set to control the council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed is shown in table 3 below:

Table 3: Interest Rate Exposures

	31.3.23 Actual	2022/23 Limit	Complied
Upper limit on one-year revenue impact of a 1% **rise** in interest rates	£589,852	£187,000	×
Upper limit on one-year revenue impact of a 1% **fall** in interest rates	(£647,334)	(£245,000)	×

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates. This is an advisory indicator designed to reduce the authority's exposure to interest rate changes on variable debt and investments. The actual upper limit on the one-year revenue impact of a 1% rise and fall in rates exceeds the limits set for the year. The original approved limits did not fully reflect the maximum amount of new or replacement borrowing the Council could be liable to take up over the next 12 months. The actual limit reflects the prudential borrowing need for the latest approved capital programme. Although this suggests a potential increased interest charge to revenue for a rise in rates, Members are reminded that the Council capitalises its interest cost directly related to borrowing for qualifying capital schemes.

Maturity Structure of Borrowing: This indicator is set to control the council's exposure to refinancing risk. Compliance with the upper and lower limits on the maturity structure of fixed rate borrowing is shown in table 4 below:

Table 4: Maturity Structure of Borrowing

	31.3.22 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	11.6%	30%	0%	✓
12 months and within 24 months	3.4%	40%	0%	✓
24 months and within 5 years	4.8%	50%	0%	✓

5 years and within 10 years	10.7%	80%	0%	✓
10 years and above	12.3%	100%	0%	✓

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

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the council's exposure to the risk of incurring losses by seeking early repayment of its investments. Compliance with the limits on the long-term principal sum invested to final maturities beyond the period end is shown in table 5 below:

Table 5: Principal Sums Invested for Periods Longer than 364 days

At 31.3.23	**2022/23**	**2023/24**	**2024/25**
Actual principal invested for longer than 364 days	-	-	-
Limit on principal invested beyond 364 days	£15m	£5m	£5m
Complied	✓	✓	✓

Although the council's investments in the pooled funds of £14.01m are accounted for as non-current (long term) assets, based on the intention to continue to hold them for longer than 12 months, they do not have a fixed maturity date and can be redeemed within a short notice period if required so do not feature in this indicator.