| Report of | Meeting | Date |
|---|---|---|
| Director (Finance) and Section 151 Officer | Governance Committee | Wednesday, 2 August 2023 |

# Treasury Management Outturn Report 2022/23

| | |
|---|---|
| Is this report confidential? | No |

| | |
|---|---|
| Is this decision key? | No |

## Purpose of report

1. To report on Treasury Management performance and compliance with Prudential Indicators for the financial year ended 31 March 2023.

## Recommendation to Governance Committee

2. That the report be noted.

## Reasons for recommendations

3. Production of an Annual Report is a requirement under the Treasury Management Code of Practice.

## Other options considered and rejected

4. Not applicable

## Corporate priorities

5. The report relates to the following corporate priorities:

| | |
|---|---|
| **Housing where residents can live well** | **A green and sustainable borough** |
| **An enterprising economy with vibrant local centres in urban and rural areas** | **Healthy, safe and engaged communities** |

## Background to the report

6. This report advises on compliance with Prudential and Treasury Indicators in 2022/23. The return on investments for the year was 1.72**%,** which was higher than the previous year,

and above the benchmark of **1.22%.** Details of borrowing and investments as at 31 March 2023 are presented in the report.

7. Borrowings and investments as at 31 March 2023 are also presented, and our treasury advisors, Link Asset Services, have provided updated interest rate forecasts for 2023/24 and subsequent financial years.

8. The Treasury Strategy for 2022/23 to 2024/25 was approved by Council on 22 February 2022. The strategy included prudential and treasury indicators, the treasury management strategy, annual investment strategy (including the list of approved investment counterparties), and the annual Minimum Revenue Provision (MRP) Policy.

9. A mid-year review of Treasury Management activity was presented to Governance Committee on 23 November 2022. This reported that during the first half of 2022/23, average daily balances were lower than 2021/22, due to the phasing out of Covid Support Grants. The report also outlined that the levels of interest achievable on investments has increased from historical lows the previous year.

10. A glossary of technical terms used in this report is presented as Appendix J.

**Capital Expenditure and Financing 2022/23**

11. The Council undertakes capital expenditure on long-term activities. These activities may either be:
    - financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council’s borrowing need; or
    - if sufficient financing is not available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

12. The total value of actual capital expenditure is one of the council's prudential indicators. The table below shows the actual capital expenditure for 2022/23.

| Table 1 – Capital Expenditure | 2022/23 Estimate £'000 | 2022/23 Revised £'000 | 2022/23 Actual £'000 | 2022/23 Variance £'000 |
|---|---|---|---|---|
| A strong local economy | 9,451 | 4,226 | 4,055 | (171) |
| An ambitious council that does more to meet the needs of residents and the local area | 1,570 | 1,278 | 851 | (427) |
| Clean, safe and healthy homes and communities | 12,724 | 9,168 | 7,772 | (1,396) |
| Involving residents in improving their local area and equality of access for all | 489 | 1,176 | 821 | (355) |
| **Capital Expenditure Total** | **24,234** | **15,848** | **13,499** | **(2,349)** |

13. In addition to the usual range of factors which can affect the timing of capital projects, the progression of the 2022/23 programme was affected by rising construction costs and interest rates impacting on business cases for a number of schemes, and the effect of global supply chain issues on IT projects in particular.

14. Additional analysis of the schemes included in the 2022/23 Capital Programme was presented to Executive Cabinet on 15 June 2023 in the report 'Capital Programme and Balance Sheet Monitoring'.

Financing of the capital expenditure is shown in the following table.

| Table 2 – Capital Financing 2022/23 | 2022/23 Estimate £'000 | 2022/23 Revised £'000 | 2022/23 Actual £'000 | 2022/23 Variance £'000 |
|---|---|---|---|---|
| Capital Expenditure (from Table 1 above) | 24,234 | 15,848 | 13,499 | (2,349) |
| Capital Receipts | (1,000) | 0 | (507) | (507) |
| Grants & Contributions | (6,129) | (8,243) | (7,507) | 736 |
| Revenue & Reserves | (1,795) | (1,511) | (850) | 661 |
| **NET FINANCING NEEDED FOR YEAR** | **15,310** | **6,094** | **4,635** | **(1,459)** |

**Capital Financing Requirement 2022/23**

15. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the unfinanced capital expenditure in 2022/23, plus the unfinanced capital expenditure from prior years which has not yet been paid for by revenue or other resources.

16. Part of the Council's treasury activity is to address the funding requirement for this borrowing need. Depending on the capital expenditure programme, the Council's cash position is organised to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such

as the Government, through the Public Works Loan Board (PWLB), or the money markets), or utilising temporary cash resources within the Council.

17. The CFR is not matched in full by external borrowing, so the Council is said to have under borrowed by using its own cash balances to finance capital expenditure. There is some loss of interest as a result, but had external loans been taken, then the interest payable would have been at a higher rate. Use of the Council's own cash helps to achieve savings in net interest.

18. The Council's underlying borrowing need is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets funded by borrowing are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can be borrowed and repaid, but this does not change the CFR.

19. The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

20. The 2022/23 MRP Policy (as required by DLUHC Guidance) was approved by Council as part of the Treasury Strategy 2022/23 to 2024/25 on 22 February 2022.

21. The Council's CFR for the year is shown in Table 3 below and represents a key prudential indicator. It includes financing by means of a finance lease for leisure related capital investment, which increases the Council's borrowing need.

| **Table 3 – Capital Financing Requirement** | **2022/23 Estimate £'000** | **2022/23 Revised £'000** | **2022/23 Actual £'000** | **2022/23 Variance £'000** |
|---|---|---|---|---|
| Opening CFR | 109,344 | 103,028 | 98,349 | (4,679) |
| Net financing need for the year (Table 2) | 15,310 | 6,094 | 4,635 | (1,459) |
| Additional post outturn relating to Tatton costs presented at Council July 2023 | 0 | 0 | 644 | 644 |
| Less MRP | (1,641) | (1,296) | (1,293) | 3 |
| **Closing CFR** | **123,013** | **107,826** | **102,335** | **(5,491)** |

See also Note 35 Capital Expenditure and Financing in the Statement of Accounts 2022/23.

**The CFR and Gross Debt**

22. Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

23. In order to ensure that borrowing levels are prudent over the medium term and are only for capital purposes, the Council ensures that its gross external borrowing does not, except in the short term, exceed the total of the CFR in the preceding year (2021/22) plus the estimates of any additional CFR for the current (2022/23) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator would allow the Council some flexibility to borrow in advance of its immediate capital needs.

24. No additional long term loans from the PWLB were taken out in 2022/23 to fund the Capital Programme.

| Table 4 – Portfolio Position | 2022/23 Estimate £'000 | 2022/23 Revised £'000 | 2022/23 Actual £'000 | 2022/23 Variance £'000 |
|---|---|---|---|---|
| Debt at 1 April | 70,265 | 70,265 | 70,265 | 0 |
| Other Long Term Liabilities (OLTL) | 0 | | 0 | 0 |
| Total Gross Debt 1 April 2022 | 70,265 | 70,265 | 70,265 | 0 |
| Change in Debt | 1,924 | 958 | 1,924 | 0 |
| Change in OLTL | 0 | 0 | 0 | 0 |
| Change in Gross Debt 2023 | 1,924 | 958 | 1,924 | 0 |
| Gross Debt 31 March 2023 | 68,341 | 69,307 | 68,341 | 966 |
| Capital Financing Requirement (Table 3) | 123,013 | 107,826 | 102,335 | (5,491) |
| **Under / (Over) Borrowing** | **54,672** | **38,519** | **33,994** | **(4,525)** |

25. An analysis of external borrowing as at 31 March 2023 is presented in Appendix A.

26. **The authorised limit**. This is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level, except that, under s5 of the Act, the authorised limit may be treated as increased in relation to any payment which:

    (i) is due to the authority which has not yet been received by it, and
    (ii) was not a delayed receipt of a payment which was taken into account when the limit was first arrived at.

    The limit set for 2022/23 by Council on 22 February 2022 was £107.815m and actual gross was £68.341m. The Council has therefore maintained gross borrowing within its authorised limit throughout the year.

27. **The operational boundary**. This is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached. The operational boundary set for 2022/23 was £102.615m and actual gross debt at 31 March 2023 was £68.341m. The Council remained within its operational boundary throughout the year.

28. **Actual financing costs as a proportion of net revenue stream**. This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income), against the revenue stream (council tax, business rates, and various Government grants).

| Table 5 – Ratio of Financing Costs to Net Revenue Stream | 2022/23 Estimate % | 2022/23 Revised % | 2022/23 Actual % | 2022/23 Variance % |
|---|---|---|---|---|
| Ratio | 23.82 | 17.12 | 14.22 | -2.90 |

The actual ratio was lower than originally estimated in 2022/23, principally because borrowing was lower than expected.

**Treasury Position As At 31 March 2023**

**Treasury management debt and investment position**

29. The Council's treasury management debt and investment position is organised to ensure adequate liquidity for revenue and capital activities, security for investments, and to manage risks within all treasury management activities. Gross debt is shown in Table 4, and Investments (including Cash and Cash equivalents but excluding accrued interest) are shown in Table 6.

| Table 6 – Year End Resources 2022/23 | 2022/23 Estimate £'000 | 2022/23 Revised £'000 | 2022/23 Actual £'000 | 2022/23 Variance £'000 |
|---|---|---|---|---|
| Core Funds / Working Balances | (56,672) | (42,153) | (35,244) | (6,909) |
| Under / (over) borrowing (Table 4) | (54,672) | (38,519) | (33,994) | 4,525 |
| Investments | (2,000) | (3,634) | (1,250) | (2,384) |

30. The working balances held at 31 March 2023 were as expected. A detailed analysis of Short Term Investments and Cash and Cash Equivalents is presented at Appendix B. The maximum balance invested with each counterparty complied with the limits approved by the Council. Appendix C presents the approved counterparty limits for 2022/23.

31. The Council approved that a maximum of £4m should be invested with UK local authorities for more than 365 days and up to two years, with a maximum of £2m per individual authority. No sums were invested for more than 365 days.

| Table 7 – Maximum Principal Sums Invested >365 Days | 2022/23 Estimate £'000 | 2022/23 Revised £'000 | 2022/23 Actual £'000 | 2022/23 Variance £'000 |
|---|---|---|---|---|
| UK Government | 0 | 0 | 0 | 0 |
| UK Local Authorities ** | 4,000 | 4,000 | 0 | (4,000) |
| UK Banks & Building Societies | 0 | 0 | 0 | 0 |
| Non-UK Banks | 0 | 0 | 0 | 0 |
| **Total** | **4,000** | **4,000** | **0** | **(4,000)** |
| ** Maximum of £2 million per local authority | | | | |

**Investment Performance 2022/23**

**Review of Performance**

32. Investments returns dropped to historically exceptional low levels during 2020/21 and 2021/22. However from a rate of 0.75% in April 2022 there have been a number of increases in the year resulting in a Bank of England base rate of 4.25% by March 2023. This is reflected in the average yield for 2022/23 of 1.72% being significantly higher than in the previous year.

33. Given the low returns available compared to borrowing rates, particularly in the earlier part of the year, the Council has continued to achieve budget savings by maintaining a position of under borrowing, which means that it has used its own cash balances to finance capital expenditure rather than taking additional external loans.

34. **Investment Policy.** The Council's investment policy is governed by DLUHC investment guidance, which has been implemented in line with the annual investment strategy approved by Council for 2022/23. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as ratings outlooks, credit default swaps, banks share prices etc.). Link Asset Services, the Council's treasury advisors, provide suggested investment durations for the approved counterparties. During 2022/23 no new cash was invested in term deposits. To manage the Council's cash flow, balances were held only in highly liquid accounts, specifically in call accounts and MMFs, with the need for money to be available at short notice having been heightened by the unusual pattern of cash flows resulting from the impacts of the pandemic.

Investment performance in 2022/23 is presented in Table 8.

| Table 8 – Investment Performance 2022/23 | Average | Interest | Average |
|---|---|---|---|

| | Daily Investment £'000 | 2022/23 £ | Rate % |
|---|---|---|---|
| Fixed Term Deposits | 0 | 0 | 0 |
| Notice Accounts | 712 | 2,978 | 0.42 |
| Call Accounts | 1,667 | 18,575 | 1.11 |
| Money Market Funds | 2,912 | 53,726 | 2.18 |
| Debt Management Office DDMADF | 853 | 20,673 | 2.42 |
| **Total** | **6,144** | **95,952** | **1.72** |

35. The average return of 1.72% in 2022/23 is significantly higher than that achieved in 2021/22 and reflects the rise in interest rates that took place throughout the financial year.

36. The original earnings target for 2022/23, set in February 2022, was 1.25%, this was confirmed in the half-yearly update in November 2022. Due to returns increasing over the year, actual performance is comfortably above this target.

37. Appendix C presents the counterparty limits for 2023/24. It is unlikely that cash will be invested in anything other than liquid accounts with instant access.

**Investment Counterparty Limits**

38. These remain unchanged from those approved by Council on 22 February 2022 and there are no current proposals for any changes.

**Advice Of Link Asset Services**

**Treasury Advisors' review of 2022/23 and forward looking commentaries**

39. Link Asset Services' review of the Economy and Interest Rates in 2022/23 is presented as Appendix D.

40. Appendix F is a detailed commentary on interest rate forecasts.

**Climate change and air quality**

41. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

**Equality and diversity**

42. Not applicable

**Risk**

43. Regular monitoring and reporting of the Council's Treasury Management position ensure compliance with Prudential Indicators and the Treasury Management Code of Practice.

**Comments of the Statutory Finance Officer**

44. There are no direct financial implications arising from this report. All financial implications in respect of treasury management activity arise as a result of the annual Treasury Strategy for 2022/23 approved previously by Council. This report presents details of actual performance achieved as a result of implementing the approved strategies. Variances from the revised budgets for interest receivable and payable for 2022/23 were reflected in the report 'Capital Programme and Balance Sheet Monitoring 2022/23' presented to Cabinet on 15 June 2023.

45. In March 2020 the government consulted on revising the PWLB's lending terms and to end the situation in which a minority of local authorities used PWLB loans to support the acquisition of investment assets primarily for yield.

46. In November 2020, the government published its response to this consultation and implemented these reforms.

47. The Council is compliant with the latest PWLB reforms.

**Comments of the Monitoring Officer**

48. Presentation of this report is required to comply with the CIPFA Code of Practice on Treasury Management in the Public Services (2017 edition).

**Background documents**

- CIPFA Treasury Management in the Public Services: Code of Practice & Cross-Sectoral Guidance Notes (December 2017 edition)
- CIPFA Treasury Management in the Public Services: Guidance Notes for Local Authorities (July 2018 edition)
- CIPFA Prudential Code for Capital Finance in Local Authorities (December 2017 edition)
- CIPFA Standards of Professional Practice: Treasury Management
- DLUHC Guidance on Local Government Investments
- DLUHC Guidance on Minimum Revenue Provision
- Treasury Management Policy Statement 2021/22 to 2024/25 (Council 24 February 2021)
- Treasury Management Policy Statement 2022/23 to 2025/26 (Council 23 February 2022)

**Appendices**

Appendix A: External Borrowing as at 31 March 2023

Appendix B: Investments as at 31 March 2023

Appendix C: Investment Counterparties 2022/23

Appendix D: Link Asset Services' Economic Update 2022/23

Appendix E: Link Asset Services' commentary on Interest Rates 2022/23

Appendix F: Glossary of Terms

| Report Author: | Email: | Telephone: | Date: |
|---|---|---|---|
| Jean Waddington (Principal Financial Accountant) | jean.waddington@chorley.gov.uk | 01257 515151 | 23.6.23 |

**External Borrowing 31 March 2023**

| Type of loan | Loan number | Start date | Maturity date | Interest Rate % | Total £000 |
|---|---|---|---|---|---|
| PWLB loan - Annuity | 502694 | 29/11/2013 | 26/11/2063 | 4.34 | 1,566 |
| PWLB loan - Annuity | 502695 | 29/11/2013 | 26/11/2043 | 4.18 | 1,589 |
| PWLB loan - Annuity | 502696 | 29/11/2013 | 26/11/2038 | 4.02 | 1,454 |
| PWLB loan - Annuity | 502697 | 29/11/2013 | 26/05/2033 | 3.69 | 1,216 |
| PWLB loan - Annuity | 502698 | 29/11/2013 | 26/05/2028 | 3.18 | 844 |
| PWLB loan - Annuity | 502699 | 29/11/2013 | 26/05/2023 | 2.42 | 114 |
| PWLB loan - Maturity | 506764 | 21/12/2017 | 21/12/2067 | 2.31 | 2,500 |
| PWLB loan - EIP | 506766 | 21/12/2017 | 21/12/2031 | 1.76 | 1,607 |
| PWLB loan - EIP | 508381 | 17/01/2019 | 17/01/2054 | 2.51 | 2,657 |
| PWLB loan - EIP | 508382 | 17/01/2019 | 17/01/2059 | 2.58 | 2,700 |
| PWLB loan - EIP | 509178 | 24/04/2019 | 24/04/2044 | 2.23 | 2,150 |
| PWLB loan - Annuity | 509641 | 09/08/2019 | 09/08/2059 | 1.87 | 30,041 |
| PWLB loan - Annuity | 509689 | 16/08/2019 | 16/08/2059 | 1.86 | 1,878 |
| PWLB loan - EIP | 509691 | 16/08/2019 | 16/08/2039 | 1.32 | 2,475 |
| PWLB loan - EIP | 165470 | 28/02/2020 | 28/02/2060 | 2.71 | 5,550 |
| PWLB loan - Maturity | New | 01/03/2022 | 01/03/2072 | 2.02 | 10,000 |
| Public Works Loan Board total | | | | | 68,341 |
| Local Authorities total (borrowings made for less than 1 year) | | | | | 10,000 |
| **External Borrowing total** | | | | | **78,341** |

APPENDIX B

**List of Investments as at 31/03/23**

| Counterparty | Type | Amount £'000 | Rate % | Date | Maturity |
|---|---|---|---|---|---|
| **Fixed Term Deposit sub total** | | **0** | | | |
| Barclays BPA Deposit Account | Call | 1,250 | 0.01% | On Call | n/a |
| **Call Accounts sub total** | | **1,250** | | | |
| Federated | MMF | 0 | n/a% | On Call | n/a |
| Aberdeen Standard | MMF | 0 | n/a% | On Call | n/a |
| Blackrock | MMF | 0 | n/a% | On Call | n/a |
| **Money Market Funds sub total** | | **0** | | | |
| **Total** | | **1,250** | | | |

APPENDIX C

# Investment Counterparties 2022/23

| Category | Institutions | LAS Colour Code | Maximum Period | Limit per Institution |
|---|---|---|---|---|
| **Banks & Building Societies: Call Accounts /Term Deposits / Certificates of Deposit (CDs)** | | | | |
| Government related/guaranteed entities | DMADF (DMO) | Yellow | 6 months | Unlimited |
| | UK Local Authority | Yellow | 1 year<br>2 years | £3m per LA<br>£2m per LA; £4m in total |
| UK part-nationalised institutions | Royal Bank of Scotland group | Blue | 1 year | £4m per group |
| UK-incorporated Institutions | UK banks and building societies of high credit quality | Orange<br>Red<br>Green | 1 year<br>6 months<br>3 months | £5m per group (or institution if independent) |
| **Money Market Funds** | | | | |
| Money Market Funds | MMFs of high credit quality - AAA rated | | Instant access | £5m per fund |

| | |
|---|---|
| **Yellow** | 5 years |
| **Purple** | 2 years |
| **Blue** | 1 year (only applies to nationalised or semi nationalised UK Banks) |
| **Orange** | 1 year |
| **Red** | 6 months |
| **Green** | 100 days |
| **No colour** | Not to be used |

# Economics Update 2023/24

The overall balance of risks to economic growth in the UK is to the downside.

**Downside risks to current forecasts for UK gilt yields and PWLB rates include:**

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, the rising gilt yields we have seen of late).

- The Bank of England increases Bank Rate too fast and too far over the coming months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

- UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- Geopolitical risks, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

- A broadening of banking sector fragilities, which have been successfully addressed in the near-term by central banks and the market generally, but which may require further intervention if short-term interest rates stay elevated for longer than is anticipated.

**Upside risks to current forecasts for UK gilt yields and PWLB rates:**

- The Bank of England allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.

- The pound weakens because of a lack of confidence in fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Longer-term US treasury yields rise strongly if inflation remains more stubborn than the market currently anticipates, pulling gilt yields up higher consequently.

**LINK GROUP FORECASTS**

We now expect the MPC will further increase Bank Rate during Q2 and Q3 2023 to combat on-going inflationary and wage pressures. We do not think that the MPC will increase Bank Rate above 5%, but it is possible.

## Updated Interest Rate Forecasts

| Link Group Interest Rate View | 25.05.23 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 |
| BANK RATE | 4.75 | 5.00 | 5.00 | 4.75 | 4.50 | 4.00 | 3.50 | 3.25 | 2.75 | 2.50 | 2.50 | 2.50 | 2.50 |
| 3 month ave earnings | 4.80 | 5.00 | 5.00 | 4.80 | 4.50 | 4.00 | 3.50 | 3.30 | 2.80 | 2.50 | 2.50 | 2.50 | 2.50 |
| 6 month ave earnings | 5.10 | 5.20 | 5.10 | 4.90 | 4.50 | 3.90 | 3.40 | 3.20 | 2.90 | 2.60 | 2.60 | 2.60 | 2.60 |
| 12 month ave earnings | 5.40 | 5.40 | 5.30 | 5.00 | 4.50 | 3.90 | 3.40 | 3.20 | 2.90 | 2.70 | 2.70 | 2.70 | 2.70 |
| 5 yr PWLB | 5.00 | 5.00 | 5.00 | 4.80 | 4.50 | 4.10 | 3.70 | 3.50 | 3.30 | 3.20 | 3.20 | 3.10 | 3.10 |
| 10 yr PWLB | 5.00 | 5.00 | 5.00 | 4.80 | 4.40 | 4.10 | 3.80 | 3.60 | 3.50 | 3.40 | 3.30 | 3.30 | 3.30 |
| 25 yr PWLB | 5.30 | 5.30 | 5.20 | 5.10 | 4.80 | 4.50 | 4.20 | 4.00 | 3.80 | 3.70 | 3.60 | 3.60 | 3.60 |
| 50 yr PWLB | 5.10 | 5.10 | 5.00 | 4.90 | 4.60 | 4.30 | 4.00 | 3.80 | 3.60 | 3.50 | 3.40 | 3.40 | 3.40 |

| Link Group Interest Rate View | 27.03.23 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 |
| BANK RATE | 4.50 | 4.50 | 4.25 | 4.00 | 3.50 | 3.25 | 3.00 | 2.75 | 2.75 | 2.50 | 2.50 | 2.50 |
| 3 month ave earnings | 4.50 | 4.50 | 4.30 | 4.00 | 3.50 | 3.30 | 3.00 | 2.80 | 2.80 | 2.50 | 2.50 | 2.50 |
| 6 month ave earnings | 4.50 | 4.40 | 4.20 | 3.90 | 3.40 | 3.20 | 2.90 | 2.80 | 2.80 | 2.60 | 2.60 | 2.60 |
| 12 month ave earnings | 4.50 | 4.40 | 4.20 | 3.80 | 3.30 | 3.10 | 2.70 | 2.70 | 2.70 | 2.70 | 2.70 | 2.70 |
| 5 yr PWLB | 4.10 | 4.10 | 3.90 | 3.80 | 3.70 | 3.60 | 3.50 | 3.40 | 3.30 | 3.20 | 3.20 | 3.10 |
| 10 yr PWLB | 4.20 | 4.20 | 4.00 | 3.90 | 3.80 | 3.70 | 3.50 | 3.50 | 3.40 | 3.30 | 3.30 | 3.20 |
| 25 yr PWLB | 4.60 | 4.50 | 4.40 | 4.20 | 4.10 | 4.00 | 3.80 | 3.70 | 3.60 | 3.50 | 3.50 | 3.40 |
| 50 yr PWLB | 4.30 | 4.20 | 4.10 | 3.90 | 3.80 | 3.70 | 3.50 | 3.50 | 3.30 | 3.20 | 3.20 | 3.10 |

# Glossary of Terms

**Authorised Limit** –represents the limit beyond which borrowing is prohibited and needs to be set and revised by the Council. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need, with some headroom for unexpected movements.

**Bank Rate –** the rate at which the Bank of England offers loans to the wholesale banks, thereby controlling general interest rates in the economy.

**Capital expenditure** – material expenditure on capital assets, such as land and buildings, capitalised in accordance with regulations.

**Capital Financing Requirement (CFR)** – the level of capital expenditure to be financed from borrowing. This requirement will eventually be met by revenue resources through the Minimum Revenue Provision (MRP) mechanism.

**CIPFA** – Chartered Institute of Public Finance and Accountancy

**Counterparty** – the other party involved in a borrowing or investment transaction.

**Credit Rating** – a qualified assessment and formal evaluation of the credit history and capability of repaying obligations of an institution (bank or building society). It measures the probability of the borrower defaulting on its financial obligations, and its ability to repay these fully and on time. Ratings are prepared by Finch, Moody's and Standard & Poor's, and these are monitored by Link Asset Services.

**Gilt -** is a UK Government liability in sterling, issued by HM Treasury and listed on the London Stock exchange.

**Liquidity –** the ability of an asset to be converted into cash quickly and without any price discount. The more liquid an organisation is, the better able it is to meet short-term financial obligations.

**LIBID** – London Interbank Bid Rate - the interest rate at which London banks ask to pay for borrowing Eurocurrencies from other banks. Unlike LIBOR, which is the rate at which banks lend money, LIBID is the rate at which banks ask to borrow. It is not set by anybody or organisation but is calculated as the average of the interest rates at which London banks bid for borrowed Eurocurrency funds from other banks. It is also the interest rate London banks pay for deposits from other banks.

**LVNAV MMF** (Low Volatility Net Asset Value MMF) - a type of fund categorised as a Short Term MMF. Units in the fund are purchased or redeemed at a constant price, as long as the value of the assets in the fund do not deviate by more than 0.2% from par.

**DLUHC –** Department for Levelling Up, Homes and Communities (formerly MHCLG)

**Minimum Revenue Provision (MRP)** - is a provision the council has set-aside from revenue to repay loans arising from capital expenditure financed by borrowing. MRP is required even when borrowing is internal rather than external.

**Monetary Policy Committee (MPC) –** independent body which determines the Bank Rate.

**Money Market Fund (MMF)** - mutual fund that invests only in highly liquid instruments such as cash, cash equivalent securities, and high credit rating debt-based securities with a short-term, maturity—less than 13 months. As a result, these funds offer high liquidity with a very low level of risk.

**Operational Boundary –** This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an early warning indicator to ensure the Authorised Limit is not breached.

**Prudential Code** – the Local Government Act 2003 requires the Council to 'have due regard' to the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The Prudential Code is published by CIPFA.

**PWLB –** Public Works Loan Board. An institution managed by the Government to provide loans to public bodies at rates which reflect the rates at which the government is able to sell gilts.

**Revenue expenditure** – day to day items which may not be capitalised without a Government direction, including employees' pay, transport and premise costs, supplies and services and benefits