Agenda Item

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

13 October 2022

Report of the Director of Finance & ICT

Treasury Management Annual Report 2021-22

(Corporate Services and Budget)

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 This is not a Key Decision.

3. Purpose

3.1 To provide Cabinet with details of Treasury Management activities during 2021-22 and to indicate the Council's compliance with the prudential indicators set by Council at its meeting of 3 February 2021, in accordance with the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice and Cross-Sectorial Guidance Notes 2017 (the CIPFA Code).

4. Information and Analysis

Introduction

4.1 The Council's Treasury Management Strategy for 2021-22 was approved at the Council Meeting of 3 February 2021 as part of the Capital Programme Approvals, Treasury Management and Capital Strategies Report. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks, including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's Treasury Management Strategy.

4.2 Treasury risk management at the Council is conducted within the framework of the CIPFA Code, which requires the Council to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

External Context

Economic background

4.3 The continuing economic recovery from the Covid-19 pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues during 2021-22. The Bank of England Base Rate was 0.1% at the beginning of the financial year. April and May 2021 saw the economy gathering momentum as Covid-19 restrictions were eased. Despite the improving outlook, market expectations at that time were that the Bank of England would delay interest rate rises until 2022. However, rising, persistent inflation changed that.

4.4 UK Consumer Price Index (CPI) inflation was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality, which were re-opening after the pandemic lockdowns, higher inflation was then believed to be temporary. Thereafter, price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. A surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI inflation for March 2022 was 7.0% year on year. Core inflation, which excludes more volatile components, rose to a 30 year high of 5.7%.

4.5 The Government's jobs furlough scheme insulated the labour market from the worst effects of the Covid-19 pandemic. The labour market began to tighten and demand for workers grew strongly as employers found it increasingly difficult to find workers to fill vacant jobs. Having peaked at 5.2% in December 2020, unemployment continued to fall and labour market data for the three months to March 2022 showed the unemployment rate at 3.7%, while the employment rate rose to 75.7%. Headline 3-month average annual growth rate for wages was 4.2% for regular pay. In real terms, after adjusting for inflation, regular pay fell by 1.2%.

4.6 As lockdown restraints eased, activity in consumer-facing sectors improved substantially, as did sectors such as oil and mining, with the reopening of oil rigs. However, materials shortages and the reduction in the real spending power of households and businesses dampened some of the growth momentum. United Kingdom Gross Domestic Product (GDP) grew by 1.3% in the fourth calendar quarter of 2021 and took GDP to just 0.1% below where it was before the pandemic. The annual growth rate was 7.4%, following a 9.3% fall in 2020.

4.7 Having increased its Base Rate from 0.10% to 0.25% in December 2021, the Bank of England increased interest rates further, to 0.50% in February 2022 and 0.75% in March 2022. At its meeting in February, the Monetary Policy Committee (MPC) voted unanimously to start reducing the stock of its asset purchase scheme by ceasing to reinvest the proceeds from maturing bonds, as well as starting a programme of selling its corporate bonds.

4.8 In its March 2022 interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation higher later in 2022. The Committee also noted that although United Kingdom GDP in January 2022 was stronger than expected, with business confidence holding up and the labour market remaining robust, consumer confidence had fallen due to the squeeze in real household incomes.

4.9 Eurozone GDP growth increased by 0.3% in the last quarter of 2021, following a gain of 2.3% in the third quarter and 2.2% in the second. Headline Eurozone inflation remained high, with CPI registering a record 7.5% year-on-year in March 2022, the ninth successive month of rising inflation. Core Eurozone CPI inflation was 3.0% year on year in March 2022, was well above the European Central Bank's target of 'below, but close to 2%', putting further pressure on its long-term stance of holding its main interest rate of 0%.

4.10 The US economy expanded at an annualised rate of 6.9% in the last quarter of 2021, a sharp increase from a gain of 2.3% in the previous quarter. In its March 2022 interest rate announcement, the Federal Reserve raised the Fed Funds rate to between 0.25% and 0.50% and outlined that further increases should be expected in the coming months. The Federal Reserve also repeated it plan to reduce its asset purchase programme.

Financial markets

4.11 The conflict in Ukraine added further volatility to the already uncertain inflation and interest rate outlook over the year. The FTSE 100 fell and ended the year below its pre-March 2020 levels. The Dow Jones started to decline in January 2022 but remained above its pre-pandemic level by the end of the year. Bond yields were similarly volatile, as the tension between higher inflation and flight to quality from the war pushed and pulled yields, but with a general upward trend from higher interest rates dominating as yields generally climbed.

4.12 The 5-year UK benchmark gilt yield began the year at 0.40%, before rising to 1.45% at the end of the year. Over the same period the 10-year gilt yield rose from 0.93% to 1.63% and the 20-year yield from 1.38% to 1.86%.

4.13 The important UK interest benchmark, The Sterling Overnight Index Average (SONIA) rate averaged 0.14% over the year.

Credit background

4.14 In the first half of 2021-22, credit default swap (CDS) spreads were flat and broadly in line with their pre-pandemic levels. Fitch and Moody's revised upward the outlook on a number of UK banks and building societies on the Council's counterparty list to 'stable', recognising their improved capital positions compared to 2020 and better economic growth prospects in the UK.

4.15 The successful Covid-19 vaccine rollout programme was credit positive for the financial services sector in general and the improved economic outlook meant some institutions were able to reduce provisions for bad loans. However, in 2022, the uncertainty caused by Russia's invasion of Ukraine pushed CDS prices modestly higher over the first calendar quarter, but only to levels slightly above their 2021 averages, illustrating the general resilience of the banking sector. The institutions and durations on the counterparty list of the Council's Treasury Management Advisor remain under constant review.

Borrowing Update

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

4.17 CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code (TM Code) on 20 December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments. The principles of the Prudential Code took immediate effect, although local authorities could defer introducing the revised reporting requirements until the 2023-24 financial year. The Council has chosen this option.

4.18 To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decisions that will increase the Capital Financing Requirement (CFR), unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow will need to review the options for exiting these investments.

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

4.20 Unlike the Prudential Code, there is no mention of the date of initial application in the TM Code. The TM Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version. The Council will follow the same process as the Prudential Code, that is, delaying changes in reporting requirements to the 2023-24 financial year.

Local Context

4.21 On 31 March 2022, the Council had net borrowing of £13.845m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the CFR, while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.22 Actual £m
General Fund CFR	571.297
Less: Other debt liabilities*	-59.974
Borrowing CFR	**511.323**
Less: Usable reserves	-412.237
Less: Working capital	-85.241
Net borrowing requirement	**13.845**
Borrowing CFR is comprised:	
External borrowing	413.399
Internal borrowing	97.924
	511.323

* Finance leases, PFI liabilities and transferred debt that form part of the Council’s total debt.

4.22 Lower official interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The Council pursued its strategy of keeping 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 2022 and the change during the year are shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.21 Balance £m	2021-22 Movement £m	31.3.22 Balance £m	31.3.22 Rate %
Long-term borrowing	272.899	13.000	285.899	4.31
Short-term borrowing	88.000	39.500	127.500	0.29
Total borrowing	**360.899**	**52.500**	**413.399**	**3.07**
Long-term strategic pooled funds	66.953	4.812	71.765	4.29
Long-term investments*	44.500	-29.500	15.000	0.82
Short-term investments	160.000	91.002	251.002	0.69
Cash and cash equivalents	67.522	-24.530	42.992	0.63
Total investments	**338.975**	**41.784**	**380.759**	**1.37**
Net borrowing	**21.924**	**10.716**	**32.640**	

*Excludes Non-Treasury Loans

Borrowing Activity

4.23 The Council was not planning to borrow to invest primarily for commercial return and so was unaffected in 2021-22 by the changes to the Prudential Code.

4.24 At 31 March 2022, the Council held £413.399m of loans, (an increase of £52.500m from 31 March 2021, as part of its strategy for funding previous and current years' capital programmes. The year-end external borrowing position and the year-on-year change is shown in Table 3 below.

Table 3: External Borrowing Position

	31.3.21 Balance £m	2021-22 Movement £m	31.3.22 Balance £m	31.3.22 Interest Rate %	31.3.22 WAM* Years
Public Works Loan Board	257.899	0	257.899	4.50	16
Banks (LOBO)	5.000	0	5.000	4.50	17
Banks (fixed-term)	10.000	0	10.000	4.69	22
Local authorities (long-term)	0.000	13.000	13.000	0.30	2
Local authorities (short-term)	88.000	39.500	127.500	0.29	1
External Borrowing	**360.899**	**52.500**	**413.399**	**3.07**	**16**

*WAM – Weighted Average Maturity

4.25 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 Council's long-term plans change being a secondary objective.

4.26 With short-term interest rates remaining much lower than long-term rates, the Council considers it more cost effective in the near term to use internal resources or borrowed rolling temporary /short-term loans instead. The net movement in temporary / short-term loans is shown in Table 3 above.

4.27 However, the Council has an increasing CFR because of its capital programme and the estimated borrowing requirement is determined by a Liability Benchmark which also takes into account usable reserves and working capital. Having considered the appropriate duration and structure of the borrowing need based on realistic projections, it was decided to meet this requirement using a combination of short-term borrowing and long-term repayment on maturity loans. The Council borrowed £13m in medium/longer-term fixed rate loans, details of which are shown in Table 4 below. These loans provide the debt portfolio with some longer-term certainty and stability.

Table 4: Long-term New Borrowing

	Amount £m	Rate %	Period (Years)
Local authorities			
Nottingham City Council	10.000	0.30	2
Great Yarmouth Council	3.000	0.30	2
Total Long-term New Borrowing	**13.000**	**0.30**	**2**

4.28 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 has been maintained.

4.29 PWLB funding margins have fluctuated quite substantially and there remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Council will evaluate and pursue these lower cost solutions and opportunities with its external Treasury Management advisor.

4.30 The Council continues to hold a £5.000m LOBO (Lender's Option Borrower's Option) loan, where the lender has the option to propose an increase in the interest rate as set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the year.

Other Debt Activity

4.31 After £4.565m repayment of prior years' Private Finance Initiative / finance leases / transferred debt liabilities, total debt other than borrowing stood at £59.982m on 31 March 2022, taking total debt to £473.381m.

Treasury Investment Activity

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

4.33 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2021-22, the Council's investment balance ranged between £351.111m and £462.841m because of timing differences between income and expenditure. The year-end investment position is shown in Table 5 below.

Table 5: Investment Position (Treasury Investments)

	31.3.21 Balance £m	2021-22 Movement £m	31.3.22 Balance £m	31.3.22 Income Return %	31.3.22 WAM* days
Banks and building societies (unsecured)	52.522	55.472	107.994	0.85	156
Government (including local authorities)	214.500	-28.500	186.000	0.58	449
Registered Social Providers	5.000	10.000	15.000	0.92	608
Pooled Funds – Strategic Bond Funds	5.135	-0.281	4.854	2.50	N/A
Pooled Funds – Equity Income Funds	13.464	1.679	15.143	6.94	N/A
Pooled Funds – Property Funds	23.441	3.688	27.129	3.25	N/A
Pooled Funds – Multi Asset Income Funds	24.914	-0.275	24.639	4.15	N/A
Total investments	**338.976**	**41.783**	**380.759**	**1.37**	**354**

**WAM - Weighted average maturity applies to the first three categories above*.

4.34 The Pooled Funds investments are expected to be held over the medium term (for five years), however all funds can be realised within one week, except for the Property Fund (90 days).

4.35 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 treasury investments before seeking the optimum 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.

4.36 Ultra-low short-dated cash rates, which have been a feature since March 2020, when The Bank of England Base Rate was cut to 0.1%, prevailed for much of 2021-22, which resulted in the return on Sterling low volatility net asset value (LVNAV) Money Market Funds being close to zero, even after some managers temporarily waived, or lowered, their fees. However, higher returns on cash instruments followed subsequent increases in this Base Rate towards the end of 2021-22, in December 2021, February 2022 and March 2022.

4.37 Similarly, deposit rates with the Debt Management Account Deposit Facility (DMADF) initially remained very low during 2021-22, with rates ranging from negative to 0.1%, but following increases in The Bank of England Base Rate towards the end of 2021-22, they increased to between 0.55% and 0.85%, depending on the deposit maturity.

4.38 In furtherance of these objectives and given the risk and low returns from short-term unsecured bank investments during 2021-22, the Council maintained its diversification into more secure and/or higher yielding asset classes as shown in Table 5 above, with £71.765m net asset value (£70m nominal value) invested in a diversified mix of pooled property/bond/equity/multi-asset funds. As a result, the average rate of income return on investments has increased to 4.29%. This compares to 0.69% on traditional investments.

4.39 The progression of credit risk and return metrics for the Council's investments managed in-house are shown in benchmarking extracts from the Council's external investment advisor (Arlingclose), in Table 6 below.

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

	Credit Score	**Credit Rating**	**Bail-in Exposure**	**Weighted Average Maturity (days)**	**Rate of Return %**
Derbyshire - 31.03.2022	4.92	A+	33%	178	2.82
Similar Local Authorities	4.14	AA-	39%	1,640	3.01
All Local Authorities	4.39	AA-	60%	14	2.10

4.40 At 31 March 2022, the Council's portfolio of externally managed pooled strategic bond, equity, property and multi-asset funds amounted to £71.765m (£70m nominal value). The Council holds these funds with the aim of receiving regular revenue income and because over the long-term their prices are relatively stable.

4.41 In the nine months to December 2021, improved market sentiment was reflected in equity, property and multi-asset fund valuations and, in turn, in the capital values of the Council's property, equity and multi-asset income funds in the Council's portfolio. The prospect of higher inflation and rising bond yields did, however, result in muted bond fund performance. In the January to March 2022, the two dominant themes were tighter UK and US monetary policy and higher interest rates, and the military invasion of Ukraine by Russia in February 2022, the latter triggering significant volatility and uncertainty in financial markets. The change in the Council's funds' capital values and income earned during 2021-22 is shown in Table 5. The Council had budgeted a £2.800m income return from these investments in 2021-22. During 2021-22 the Council's pooled funds generated a net total return of £7.540m (11.26%), comprising a £2.728m (4.07%) income return, which has been used to support services in 2021-22, and £4.812m (7.19%) of unrealised capital growth.

4.42 In light of Russia's invasion of Ukraine, the Council's external treasury management advisor contacted the fund managers of these funds and confirmed that no direct exposure to Russian, or Belarusian, assets had been identified. Indirect exposures were immaterial. It should be noted that any assets held by banks and financial institutions (e.g. from loans to companies with links to those countries) within funds cannot be identified easily, or with any certainty, as that level of granular detail is unlikely to be available to the fund managers in the short-term, if at all.

4.43 These pooled 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. Their performance and continued suitability in meeting the Council's investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down over months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates. The Council is using the alternative fair value through profit and loss (FVPL) accounting method to account for these funds, which means that if there are any long term unrealised losses in the funds' fair values there will not be an impact on the Council's General Reserve balance until 2023-24 at the earliest. In light of their performance over the medium-term and the Council's latest cash flow forecasts, investment in these funds has been maintained.

4.44 Overall, during 2021-22, the Council generated £4.270m of income from its treasury investments.

Other Non-Treasury Holdings and Activity

4.45 The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Council, as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives), or for commercial purposes (made primarily for financial return).

4.46 Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) also broadens the definition of investments to include all such assets held partially or wholly for financial return.

4.47 At 31 March 2022, the Council held £13.047m of such investments. £12.547m of the balance is in respect of a regeneration loan to a local business/landlord, Buxton Crescent Ltd. This represents an increase on the previous year of £0.222m, being interest incurred since the full re-opening of the hotel on 17 July 2020 following the Covid-19 pandemic. Interest due of £0.161m was not charged but was subsequently recovered from a Government Covid-19 general funding grant. The loan has been re-scheduled over a 40 year period and repayments on the loan are to be deferred until 1 October 2023.

4.48 The other loan of £0.500m is to Chesterfield Football Club Community Trust. The loan was agreed to continue their sports and community programmes with schools and community groups in the greater Chesterfield area. £0.026m of loan interest was paid on 5 August 2022.

Treasury Performance

4.49 The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in Table 7 below.

Table 7: Performance

	Actual £m	Budget (CFR) £m	Over/ (Under) £m	Interest Actual %	Interest Other LA (Counties) Benchmark %	Interest Over/ (Under) %
Interest paid on capital and temporary borrowing	13.790	13.586	+0.204	3.07	No data held	N/A
Interest received on treasury investments	4.270	4.016	+0.254	2.82	3.01	-0.19

Compliance Report

4.50 The Director of Finance & ICT reports that all treasury management activities undertaken during 2021-22 complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

4.51 Compliance with the authorised limit and operational boundary for external debt is demonstrated in Table 8 below and compliance with specific investment limits is demonstrated in Table 9 below.

Table 8: Debt Limits

	2021-22 Maximum £m	31 March 2022 Actual £m	2021-22 Operational Boundary £m	2021-22 Authorised Limit £m	Complied
Total debt	491.439	473.372	675.000	707.000	✓

Table 9: Investment Limits

	2021-22 Maximum * £m	2021-22 Limit £m	March 2022 Actual £m	Complied
Any single organisation, except UK Government and Main Bank	30.000	30.000	30.000	✓
Main Bank (Lloyds)	56.462	60.000	41.992	✓
Any group of organisations under the same ownership	30.000	30.000	30.000	✓
Any group of pooled funds under the same management	32.259	30.000 nominal	32.259 (30.000 nominal)	✓
Registered providers and registered social landlords	15.000	10.000 individual 50.000 total	10.000 individual 15.000 total	✓
Negotiable instruments held in a broker's nominee account	44.967	100.000 per broker	5.002	✓
Limit per country (ex UK)	5.002	30.000 each	5.002	✓

*Maximum held at any one time.

Treasury Management Indicators

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

4.53 **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.

Table 10: Security

	31 March 2022 Actual	2021-22 Target	Complied
Portfolio average credit rating	A+	A-	✓

4.54 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of either cash available to meet unexpected payments within a rolling three-month period, without additional borrowing, or the amount it can borrow each period without giving prior notice.

Table 11: Liquidity

	31 March 2022 Actual £m	2021-22 Target £m	Complied
Total cash available within 1 month	107.992	10.000	✓
Total sum borrowed in past 3 months without prior notice	43.000	30.000	✓

4.55 **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk.

Table 12: Interest Rate Exposures

	31 March 2022 Actual £m	2021-22 Limit £m	Complied
Upper limit on one-year revenue impact of a 1% rise in interest rates.	2.241	3.000	✓
Upper limit on one-year revenue impact of a 1% fall in interest rates	-2.241	-3.000	✓

4.56 The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

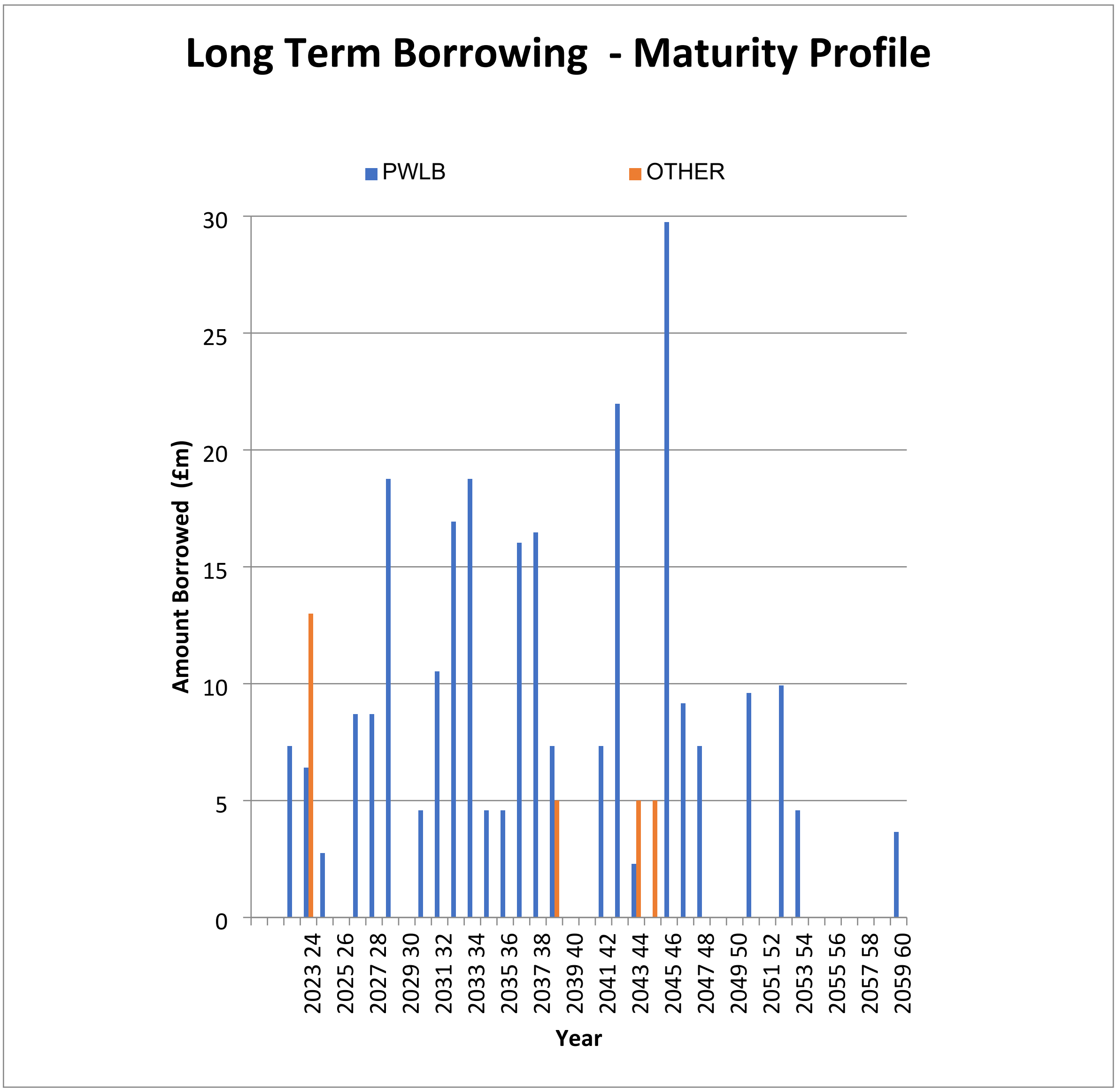
4.57 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The upper and lower limits on the maturity structure of all borrowing were:

Table 13: Maturity Structure of Borrowing

	31 March 2022 Actual %	**Upper Limit %**	**Lower Limit %**	**Complied**
Under 12 months	34	60	0	✓
12 - 24 months	5	20	0	✓
24 months - 5 years	3	20	0	✓
5 - 10 years	10	20	0	✓
10 - 20 years	22	40	10	✓
20 - 30 years	19	40	10	✓
Over 30 years	7	40	0	✓
Total	**100**			

4.58 The Council's long term maturity repayment profile at 31 March 2022 is shown below. A good spread of maturities is desirable. The average long term (loans over 1 year in duration) redemption is £7.523m per year over the next 38 years. The maximum redemption is £29.738m in 2045-46. The average duration of all the Council's loans is approximately 16 years. Any new borrowing would be targeted for maturity in years with nil/low repayments.

Chart: Maturity Profile of Long Term Borrowing



4.59 **Principal Sums Invested for Periods Longer than a Year:** 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. The limits on the long-term principal sum invested to final maturities beyond the period end were:

Table 14: Principal Sums Invested for Periods Longer than a Year

Loans Maturing =>	**Beyond 31 March 2023 £m**	**Beyond 31 March 2024 £m**	**Beyond 31 March 2025 £m**
Actual principal invested beyond the year end (including strategic pooled funds and non - treasury investments)	86.764	71.764	71.764
Limit on principal invested beyond the year end	150.000	125.000	100.000
Complied?	✓	✓	✓

Other

4.60 **IFRS 16**: The implementation of the new IFRS 16 Leases accounting standard was due to come into for force for local authorities from 1 April 2022. Following a consultation, CIFPA/LASAAC announced an optional two-year delay to the implementation of this standard, a decision which was confirmed by the Financial Reporting Advisory Board in early April 2022. Local authorities can now choose to adopt the new standard on 1 April 2022, 1 April 2023 or 1 April 2024. The Council intends to adopt the new standard on 1 April 2024.

5. Consultation

5.1 No consultation is required.

6. Alternative Options Considered

6.1 Not Applicable - This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

7. Implications

7.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

8. Background Papers

8.1 The Council's Treasury Management Strategy for 2021-22 was approved at the Council meeting of 3 February 2021 as part of the Capital Programme Approvals, Treasury Management and Capital Strategies Report.

9. Appendices

9.1 Appendix 1 - Implications.

10. Recommendation

10.1 That Cabinet notes the report on Treasury Management activities during 2021-22 and the Council's compliance with the prudential indicators set by Council at its meeting of 3 February 2021, in accordance with the Treasury Management in the Public Services: Code of Practice and Cross-Sectorial Guidance Notes 2017.

11. Reasons for Recommendation

11.1 The report on treasury management activities 2021-22 highlights the borrowing strategy and investments position of the Council during the previous financial year.

11.2 The report on treasury management activities 2021-22 also highlights the Council's performance and compliance with targets agreed as part of the Treasury Management Strategy 2021-22.

12. Is it necessary to waive the call-in period?

12.1 No

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Appendix 1

Implications

Financial

1.1 As outlined in the body of the report.

Legal

2.1 None

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's Treasury Management Strategy.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None