Committee:	Cabinet	**Date:**
Title:	Treasury Management - Mid Year Review 2022/23	29 June 2023
Portfolio Holder:	Portfolio Holder for Finance and Budget	
Report Author:	Jody Etherington, Assistant Director - Finance jetherington@uttlesford.gov.uk	**Key decision:** No

Summary

1. The Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the 'CIPFA Code') requires the publication of treasury management semi-annual and annual reports. This report covers the 2022/23 financial year.

2. Treasury management activities are defined by CIPFA as:

   "The management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks."

3. Treasury management has been undertaken in line with the Treasury Management Strategy which was approved by Full Council in February 2022.

Recommendations

4. The Cabinet is recommended to note the Treasury Management Outturn Report 2022/23 set out at Appendix A.

Financial Implications

5. As set out at Appendix A.

Background Papers

6. None

Impact

Communication/Consultation	Corporate Management Team (CMT) and Informal Cabinet Briefing (ICB)
Community Safety	N/A
Equalities	N/A
Health and Safety	N/A
Human Rights/Legal Implications	N/A
Sustainability	N/A
Ward-specific impacts	N/A
Workforce/Workplace	N/A

Situation

7. 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 risks are therefore central to the Council's treasury management strategy.

8. The main risks to the Council's treasury activities are:

    I. Liquidity risk (inadequate cash resources)
    II. Market or interest rate risk (fluctuations in interest rates)
    III. Inflation risk (exposure to change in prices)
    IV. Credit and counterparty risk (security of investments)
    V. Refinancing risks (impact of debt maturing in future years)
    VI. Legal and regulatory risk (i.e. non-compliance with requirements)

9. A detailed report is attached at Appendix A and this has been compiled with the support of our external treasury advisors, Arlingclose Ltd.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Liquidity	2 – unlikely due to forward planning of income receipts and expenditure	2 – we would incur additional costs of borrowing from external sources	Cash in and out flows are managed on a daily basis. All income and expenditure is planned and built in to cash flow statements. A minimum amount is maintained to cover any unexpected events.
Interest Rate fluctuations	2 – there is normally a period prior to rises being announced	3 – this could significantly affect the cost of borrowing if they went up	The interest rate forecasts and projections are monitored regularly and we receive regular updates from our consultants (Arlingclose), in addition action has been taken recently to reduce the Council's exposure by fixing a greater proportion of borrowing for the longer term.

1 = Little or no risk or impact
2 = Some risk or impact – action may be necessary.
3 = Significant risk or impact – action required
4 = Near certainty of risk occurring, catastrophic effect or failure of project.

Appendix A

Treasury Management Outturn Report 2022/23

Introduction

The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve treasury management semi-annual and annual reports.

The Council's treasury management strategy for 2022/23 was approved at a meeting on 22 February 2022. 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.

The CIPFA *Prudential Code for Capital Finance in Local Authorities 2021* (the 'Prudential Code') includes a requirement for local authorities to provide a Capital Strategy, which is a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 22 February 2022.

External Context

Economic background: 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.

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.

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.

Following the decision by the UK government under Rishi Sunak and Jeremy Hunt to reverse some of the support to household energy bills announced under Liz Truss, further support in the form of a cap on what energy suppliers could charge households was announced in the March Budget to run from April until the end of June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April.

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 5.7% for 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.

Despite household budgets remaining under pressure, consumer confidence rose to -36 in March, following readings of -38 and -45 in the previous two months, and much improved compared to the record low of -49 in September. Quarterly GDP was soft through the year, registering a 0.1% gain in the April-June period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter. For the October-December period it was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Q4 was 0.6%.

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. Since the year-end, there has been a further hike of 25bps to 4.50% on 11 May 2023.

After reaching 9.1% in June, annual US inflation slowed for eight consecutive months to 6% in February. The Federal Reserve continued raising interest rates over the period with consecutive increases at each Federal Open Market Committee meeting, taking policy rates to a range of 4.75%- 5.00% at the March meeting.

From the record high of 10.6% in October, Eurozone CPI inflation fell steadily to 6.9% in March 2023. Energy prices fell, but upward pressure came from food, alcohol, and tobacco. The European Central Bank continued increasing interest rates over the period, pushing rates up by 0.50% in March, taking the deposit facility rate to 3.00% and the main refinancing rate to 3.50%.

Financial markets: 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.

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.

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

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.

The following month Fitch revised the outlook on the UK sovereign to negative from stable. Moody's made the same revision to the UK sovereign, following swiftly after with a similar move for a number of local authorities and UK banks including Barclays Bank, National Westminster Bank (and related entities) and Santander.

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.

On the back of this, the Council's treasury management adviser (Arlingclose) reduced the 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.

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 as recommended by Arlingclose remains under constant review.

Local authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. Section 114 notices have been issued by only a handful of authorities with specific issues. While Arlingclose's advice for local authorities on its counterparty list remains generally unchanged, a degree of caution is merited with certain authorities. The Council will continue to follow Arlingclose's advice in this regard.

Local Context

At 31 March 2023, the Council had net borrowing of £286.8 million arising from its revenue and capital income and expenditure. 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 are summarised in table 1 below.

Table 1: Balance Sheet Summary

	31.3.22 Actual £m	2022/23 Movement £m	31.3.23 Actual £m
General Fund CFR	16.1	0.6	16.7
HRA CFR	80.9	0.0	80.9
Investments CFR	226.6	11.9	238.5
Total CFR	**323.6**	**12.5**	**336.1**
Less: Other debt liabilities *	-4.2	0.2	-4.0
Borrowing CFR	**319.4**	**12.7**	**332.1**
Less: Usable reserves	-33.0	-1.0	-34.0
Less: Working capital	-23.9	12.6	-11.3
Net borrowing	**262.5**	**24.3**	**286.8**

* PFI liabilities that form part of the Council's total debt.

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 2023 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.22 Balance £m	2022/23 Movement £m	31.3.23 Balance £m	31.3.23 Weighted Average Rate %
Long-term borrowing	120.1	70.5	190.6	3.61
Short-term borrowing	166.0	-57.2	108.8	2.68
Total borrowing	**286.1**	**13.3**	**299.4**	
Short-term investments	18.6	-6.5	12.1	3.99
Cash and cash equivalents	5.0	-4.5	0.5	1.88
Total investments	**23.6**	**-11.0**	**12.6**	
Net borrowing	**262.5**	**24.3**	**286.8**	

Borrowing Update

The Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the Capital Financing Requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

However, where an authority already holds a commercial property portfolio, as in the case of this Council, the Prudential Code does permit further capital expenditure on the prudent active management and rebalancing of the portfolio, and maximising the value of existing property assets. All of the capital expenditure on the commercial property portfolio in 2022/23 falls into one of the permitted categories, for example the development of investment sites already held.

Before undertaking further additional borrowing the Council will review the options for exiting these investments, in line with the requirements of the Prudential Code.

Borrowing Strategy and Activity

As outlined in the Treasury Management Strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower 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. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio and, where practicable, to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The cost of both long and short-term borrowing rose dramatically over the year, with rates at the end of March around 2% - 4% higher than those at the beginning of April. Rate rises have been driven primarily by inflation and the need for central banks to control this by raising interest rates. Particularly dramatic rises were seen in September after Liz Truss' 'mini-budget' included unfunded tax cuts and additional borrowing to fund consumer energy price subsidies: over a 24-hour period some PWLB rates increased to 6%. Rates have now fallen from September peaks but remain volatile and well above recent historical norms. The PWLB 10 year maturity certainty rate stood at 4.33% at 31 March 2023, 20 years at 4.70%, and 30 years at 4.66%.

A new HRA PWLB rate of gilt yield plus 0.4% (0.4% below the currently available certainty rate) was announced on 15 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.

Given the rise in interest rates throughout the year, the Council has taken proactive steps to limit its exposure to future interest rate risk by rebalancing the debt portfolio so a higher proportion of debt is fixed for the longer term. This included, in September 2022, taking our £80 million of new long-term PWLB loans to replace short-term borrowing from other local authorities which matured in the second half of the year. The percentage of debt which is fixed for more than one year has increased from 42% to 64% as a result.

At 31 March 2023 the Council held £299.4 million of loans, (an increase of £13.3 million from 31 March 2022), as part of its strategy for funding previous and current years' capital programmes. Outstanding loans at 31 March 2023 are summarised in the tables below.

Table 3A: Borrowing Position

	31.3.22 Balance £m	2022/23 Movement £m	31.3.23 Balance £m	31.3.23 Weighted Average Rate %	31.3.23 Weighted Average Maturity years
Public Works Loan Board	78.4	79.9	158.3	3.76	13.8
Phoenix Life Ltd	36.7	-0.6	36.1	2.86	20.0
Local authorities (long-term)	5.0	-5.0	0.0	-	-
Local authorities (short-term)	166.0	-66.0	100.0	2.62	0.4
Building societies	0.0	5.0	5.0	3.80	0.1
Total borrowing	**286.1**	**13.3**	**299.4**	**3.27**	**9.8**

Table 3B: Long-dated loans outstanding

	31.3.23 Balance £m	Rate %	Period Remaining (Years)
PWLB Maturity Loan	2.0	4.03%	2.0
PWLB Maturity Loan	3.0	2.82%	2.0
PWLB Maturity Loan	3.0	2.92%	3.0
PWLB Maturity Loan	3.0	3.01%	4.0
PWLB Maturity Loan	3.0	3.08%	5.0
PWLB Maturity Loan	3.0	3.15%	6.0
PWLB Maturity Loan	4.0	3.21%	7.0
PWLB Maturity Loan	50.0	4.16%	7.5
PWLB Maturity Loan	4.0	3.26%	8.0
PWLB Maturity Loan	4.0	3.30%	9.0
PWLB Maturity Loan	4.0	3.34%	10.0
PWLB Maturity Loan	4.0	3.37%	11.0
PWLB Maturity Loan	4.0	3.40%	12.0
PWLB Maturity Loan	4.0	3.42%	13.0
PWLB Maturity Loan	5.0	3.44%	14.0
PWLB Maturity Loan	5.0	3.46%	15.0
PWLB Maturity Loan	5.0	3.47%	16.0
PWLB Maturity Loan	5.0	3.48%	17.0
PWLB Maturity Loan	5.0	3.49%	18.0
PWLB Maturity Loan	5.4	3.50%	19.0
Phoenix Annuity Loan	14.6	2.86%	34.3
Phoenix Annuity Loan	11.7	2.86%	34.3
Phoenix Annuity Loan	9.8	2.86%	34.3
PWLB Annuity Loan	29.9	4.28%	48.5

The Authority’s borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short- and long-term borrowing was maintained.

Other Debt Activity

After £0.2 million repayment of prior years' Private Finance Initiative liabilities, total debt other than borrowing stood at £4.0 million on 31 March 2023, taking total debt to £303.4 million.

Treasury Investment Activity

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

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances ranged between £10.1 and £91.8 million due to timing differences between income and expenditure. Investment balances were significantly higher than usual following the taking of £80 million of new PWLB loans in late September 2022 as set out above – as these loans were used to repay other borrowing maturing in subsequent months the balance fell back to £12.6 million by the end of the financial year. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.22 Balance £m	2022/23 Movement £m	31.3.23 Balance £m	31.3.23 Weighted Average Rate %	31.3.23 Weighted Average Maturity years
Government (incl. local authorities)	18.6	-6.5	12.1	3.99	0.2
Money Market Funds	2.5	-2.5	0.0	-	-
Banks (unsecured)	2.5	-2.0	0.5	1.88	0.0
Total investments	**23.6**	**-11.0**	**12.6**	**3.89**	**0.2**

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.

Bank Rate 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.

By the end of 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 0.51% and 0.58% p.a. at the start of April 2022, and between 3.88% and 3.96% by mid-March 2023.

Following the failure of Silicon Valley Bank and Signature Bank in the USA in March 2023, the Council took proactive steps to limit its exposure to any potential contagion risk by withdrawing its investments in Money Market Funds. Since this time, any excess cash has been deposited overnight with the DMADF. This is a cautious approach which is under constant review, although it should be noted that the impact on investment returns is minimal.

A summary of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking report in table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure %	Weighted Average Maturity days	Rate of Return %
31.03.2022	3.57	AA-	21.00	50	0.44
31.03.2023	4.65	A+	5.00	71	3.89
Similar LAs	4.74	A+	63.00	56	0.73
All LAs	4.71	A+	59.00	12	1.59

Non-Treasury Investments

The definition of investments in the CIPFA 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) and/or for commercial purposes (made primarily for financial return).

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.

The Council has invested the following total principal sums in directly owned property:

Commercial Property - Sums Invested	31.3.22 Actual £m	31.03.23 Actual £m
Skyway House, Parsonage Road, Takeley – Offices	20.8	21.3
Deer Park Road, Livingston, Scotland – Veterinarian Practice	5.2	5.2
Stane Retail Park, Colchester – Retail Park	27.1	27.2
Chorley – Regional Distribution Centre	58.3	58.3
Gloucester – Distribution Centre	33.9	43.3
Tewkesbury – Offices and warehouse	24.5	29.1
TOTAL	**169.8**	**184.4**

These investments generated £9.0 million of investment income for the Council in 2022/23 after taking into account direct costs.

In addition, as at 31 March 2023 the Council had invested £60.0 million in loans to its subsidiary, Aspire (CRP) Ltd, which holds a 50% share in investment property at Chesterford Research Park. These loans generated income of £2.5 million of investment income during the year.

All non-treasury investments are acquired and managed in line with the Commercial Strategy approved each year by Full Council, and available on the Council's website. This sets out in more detail the risks to the Council of holding such investments, mitigating actions taken, and governance and oversight arrangements.

The principle risks of tenant defaults, void periods, and unexpected refurbishment costs are managed by setting aside sums in a commercial asset reserve. As at 31 March 2023 this reserve stood at £4 million, and there is provision in the Medium Term Financial Strategy to increase this amount by £1 million in each of the following 5 years.

The total contribution to the Council's budget generated by commercial investments in 2022/23 (net of associated borrowing costs and repayment of principal) was £5.1 million, representing 28% of the Council's net direct service expenditure.

Compliance

All treasury management activities undertaken during the year complied fully with the CIPFA Code and the Council's approved Treasury Management Strategy, with one minor exception. The investment limit for banks (unsecured) was breached on three occasions during the year due to large unconfirmed receipts after the external investment deadlines (in two cases), and in one case an administrative oversight which meant that the deadline for authorising an external investment was missed. In all cases the excess amount remained with the Council's principle bankers (Barclays), and action was taken to rectify the situation on the following working day.

Compliance with specific treasury management limits is demonstrated in the tables below.

Table 7: Debt Limits

	2022/23 Maximum £m	31.3.23 Actual £m	2022/23 Operational Boundary £m	2022/23 Authorised Limit £m	Complied
Borrowing	356.8	299.4	395.0	415.0	✓
Other long-term liabilities (PFI)	4.2	4.0	5.0	5.0	✓
TOTAL	**361.0**	**303.4**	**400.0**	**420.0**	✓

Table 8: Investment Limits

	2022/23 Maximum £m	31.3.23 Actual £m	2022/23 Limit* £m	Complied
Banks (unsecured)	4.1	0.6	2.0	☒
UK Central Government	76.0	4.1	Unlimited	✓
UK Local Authorities including Police and Fire per authority	3.0	3.0	3.0	✓
Money Market Funds, per fund	2.0	0.0	2.0	✓

* The above limits are those set out in the 2022/23 Treasury Management Strategy. Investment limits were increased with effect from 21 February 2023 as set out in the 2023/24 Treasury Management Strategy. In all cases, compliance has been assessed against the relevant limits in force at the time.

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	2022/23 Target	Complied
Portfolio average credit rating	A+	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	£10.7m	£2.0m	✓

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limit on the one-year revenue impact of a 1% rise or fall in interests was:

	31.3.23 Actual	2022/23 Limit	Complied
Upper limit on one-year revenue impact of a 1% rise in interest rates	£0.6m	£2.0m	✓
Upper limit on one-year revenue impact of a 1% fall in interest rates	£0.6m	£2.0m	✓

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

Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	31.3.23 Actual %	Upper Limit %	Complied
Under 12 months	36	70	✓
12 months and within 24 months	2	50	✓
24 months and within 5 years	4	50	✓
5 years and within 10 years	25	80	✓
10 years and within 20 years	18	80	✓
20 years and above	15	100	✓

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 a year: The purpose of this indicator is to control the Council' 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:

	2022/23	2023/24	2024/25
Actual long-term principal invested beyond year end	0	0	0
Limit on long-term principal invested beyond year end	£10m	£10m	£10m
Complied	✓	✓	✓