Subject: 2021/22 TREASURY MANAGEMENT OUTTURN REPORT

Report to: Policy and Resources 27 September 2022
Council 13 October 2022

Report by: Finance Director

GREAT YARMOUTH BOROUGH COUNCIL

SUBJECT MATTER

This report presents the treasury management activity for the 2021/22 financial year and includes:

1. The overall treasury position for 2021/22
2. The borrowing requirement and debt for 2021/22
3. The borrowing outturn for 2021/22

RECOMMENDATIONS

That Council :-

(1) Approve the Treasury Management outturn report and indicators for 2021/22.

1. INTRODUCTION AND BACKGROUND

1.1 The Council 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. This report fulfils the Council's legal obligation to have regard to the CIPFA Code.

1.2 The Council's treasury management strategy for 2021/22 was approved at a meeting of the Council in February 2021. 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.

1.3 The Prudential Code includes a requirement for local authorities to provide a Capital Strategy, 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 in February 2022.

2. NATIONAL CONTEXT AND ECONOMIC COMMENTARY

2.1 Economic background: The continuing economic recovery from coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.

2.2 Bank Rate was 0.1% at the beginning of the reporting period. April and May saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that.

2.3 UK CPI 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, inflation then was 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. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous month and the highest reading in the National Statistic series. Core inflation, which excludes the more volatile components, rose to 5.2% year on year from 4.4%.

2.4 The government's jobs furlough scheme insulated the labour market from the worst effects of the 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 the most recent labour market data for the three months to January 2022 showed the unemployment rate at 3.9% while the employment rate rose to 75.6%. Headline 3-month average annual growth rate for wages were 4.8% for total pay and 3.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 0.1% while regular pay fell by 1.0%.

2.5 With the fading of lockdown – and, briefly, the 'pingdemic' – restraints, activity in consumer-facing sectors improved substantially as did sectors such as oil and mining with the reopening of oil rigs but materials shortages and the reduction in the real spending power of households and businesses dampened some of the growth momentum. Gross domestic product (GDP) grew by an upwardly revised 1.3% in the fourth calendar quarter of 2021 according to the final estimate (initial estimate 1.0%) and took UK GDP to just 0.1% below where it was before the pandemic. The annual growth rate was revised down slightly to 7.4% (from 7.5%) following a revised 9.3% fall in 2020.

2.6 Having increased Bank Rate from 0.10% to 0.25% in December, the Bank of England hiked it further to 0.50% in February and 0.75% in March. At the 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.

2.7 In its March 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 to around 8% later in 2022, even higher than forecast only a month before in the February Monetary Policy Report. The Committee also noted that although GDP in January 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.

2.8 GDP growth in the euro zone increased by 0.3% in calendar Q4 2021 following a gain of 2.3% in the third quarter and 2.2% in the second. Headline inflation remains high, with CPI registering a record 7.5% year-on-year in March, the ninth successive month of rising inflation. Core CPI inflation was 3.0% year on year in March, 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%. The US economy expanded at a downwardly revised annualised rate of 6.9% in Q4 2021, a sharp in 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 further increases should be expected in the coming months. The Fed also repeated it plan to reduce its asset purchase programme which could start by May 2022.

2.9 **Financial markets:** The conflict in Ukraine added further volatility to the already uncertain inflation and interest rate outlook over the period. The Dow Jones started to decline in January but remained above its pre-pandemic level by the end of the period while the FTSE 250 and FTSE 100 also fell and ended the quarter below their pre-March 2020 levels.

2.10 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.

2.11 The 5-year UK benchmark gilt yield began the quarter at 0.82% before rising to 1.41%. Over the same period the 10-year gilt yield rose from 0.97% to 1.61% and the 20-year yield from 1.20% to 1.82%. The Sterling Overnight Rate (SONIA) averaged 0.39% over the quarter.

2.12 **Credit review:** In the first half of FY 2021-22 credit default swap (CDS) spreads were flat over most of period and are broadly in line with their pre-pandemic levels. In September spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but then fell back. Fitch and Moody's revised upward the outlook on a number of UK banks and building societies on the Council's counterparty to 'stable', recognising their improved capital positions compared to 2020 and better economic growth prospects in the UK.

2.13 Fitch also revised the outlook for Nordea, Svenska Handelsbanken and Handelsbanken plc to stable. The agency considered the improved economic prospects in the Nordic region to have reduced the baseline downside risks it previously assigned to the lenders.

2.14 The successful 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 engendered 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.

2.15 Having completed its full review of its credit advice on unsecured deposits, in September Arlingclose extended the maximum duration limit for UK bank entities on its recommended lending list from 35 days to 100 days; a similar extension was advised in December for the non-UK banks on this list. As ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remains under constant review.

2.16 **Revised CIPFA Codes, Updated PWLB Lending Facility Guidance** - In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more detail and 12 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.

2.17 CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20th 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.

2.18 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 if they wish. Great Yarmouth Borough Council have opted to make this deferral.

2.19 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 decision that will increase the CFR unless directly and primarily related to the functions of the Council. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.

2.20 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.

2.21 Unlike the Prudential Code, there is no mention of the date of initial application in the Treasury Management Code. The TM Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version. Great Yarmouth Borough Council will follow the same process as the Prudential Code, i.e. delaying changes in reporting requirements to the 2023/24 financial year.

3. LOCAL CONTEXT

3.1 On 31 March 2022, the Council had net borrowing of £85.6m 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
General Fund CFR	£72.298
HRA CFR	£89.211
Total CFR	**£161.509**
Less: Other debt liabilities*	(0.670)
Borrowing CFR	£160.839
Less: Usable reserves	(£42.400)
Less: Working capital	(£32.836)
Net borrowing	**£85.603**

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

3.2 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 is 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	£82.583	(£0.096)	£82.487	4.44% - 4.95%
Short-term borrowing	£51.592	£1.411	£53.003	0.09%-0.28%
Total borrowing	**£134.175**	**£1.315**	**£135.490**	
Long-term investments	£1.000	£0	£1.000	3.25%
Cash and cash equivalents	£32.753	£16.134	£48.887	0.00-0.35%
Total investments	**£33.753**	**£16.134**	**£49.887**	
Net borrowing	**£100.422**	**(13.819)**	**£85.603**	

Note: the figures in the table are from the balance sheet in the Council's statement of accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments. Long-term investments consist of CCLA Property Fund a mid-long-term strategic investment.

4. BORROWING UPDATE

4.1 The council is currently reviewing its capital programme in light of these changes to the CIPFA Prudential Code and PWLB lending arrangements to ensure that borrowing to invest primarily for commercial return is not undertaken.

5. BORROWING ACTIVITY

5.1 At 31 March 2022 the Council held £135.489m of loans, an increase of £1.315m from 31 March 2021, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31 March are summarised in Table 3 below.

Table 3: Borrowing Position	**31.3.21 Balance £m**	**2021/22 Movement £m**	**31.3.22 Balance £m**	**31.3.22 Rate %**	**31.3.22 Maturity years**
Public Works Loan Board	£71.387	(£0.001)	£71.386	3.15%-4.40%	10-40 years
Banks (LOBO)	£3.000	£0	£3.000	4.95%	1-2 years
Banks (fixed term)	£7.000	£0	£7.000	3.35%-3.98%	<1-60 years
Local authorities (long-term)	£1.196	(£0.096)	£1.100	4.44%	>1 year
Local authorities (short-term)	£51.592	£1.411	£53.003	0.09%-0.28%	<1 year
Total borrowing	**£134.174**	**£1.315**	**£135.489**		

5.2 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.

5.3 With short-term interest rates remaining much lower than long-term rates, the council considered 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.

5.4 In furtherance of these objectives, new loans totalling £43m were borrowed in 2021/22 to repay £41.5m existing short-term borrowing and create liquidity. This strategy enabled the Council to reduce net borrowing costs by utilising the Local authority lending market.

5.5 New borrowing of £43m from Local Authorities in the year was for less than 1 year and at interest rates between 0.09% and 0.28%. Loans repaid to Local Authorities in the year of £41.5m were from between less than a month and 1 year at interest rates of between 0.11% and 1.45%.

5.6 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 was maintained.

5.7 PWLB funding margins have increased 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 advisor Arlingclose.

5.8 LOBO loans: The Council continues to hold £3m of LOBO (Lender's Option Borrower's Option) loans 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. The bank did not exercise its option to increase the rate during the year.

6. TREASURY INVESTMENT ACTIVITY

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

6.2 The Council holds a significant level of invested funds, representing income received in advance of expenditure plus balances and reserves held and money borrowed in advance of need. During 2021/22, the council's investment balances ranged between £27m and £55m, averaging £43m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

6.3 The council received substantial central government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. Which was temporarily invested in short-dated, liquid instruments such as call accounts and Money Market Funds of which £14m[1] of un-utilised grant is due to be returned to central government in 2022/23.

Table 4: Treasury Investment Position	**31.3.21 Balance £m**	**2021/22 Movement £**	**31.3.22 Balance £m**	**31.3.22 Income Return %**	**31.3.22 Rate %**
Banks & building societies (unsecured)	£1.355	(£0.200)	£1.155		0.35%
Government (Inc. local authorities)	£19.290	£8.440	£27.730	0.46%	0.15% - 0.55%
Money Market Funds	£12.000	£8.000	£20.000		0.41% - 0.57%
Other Pooled Funds – Property Funds	£1.000	£0.000	£1.000	3.88%	3.25%
Total investments	**£33.645**	**£16.240**	**£48.885**		

6.4 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.

6.5 Ultra low short-dated cash rates, which were a feature since March 2020 when Bank Rate was cut to 0.1%, prevailed for much of the 12-month reporting period which resulted in the return on sterling low volatility net asset value (LVNAV) Money Market Funds being close to zero even after some managers have temporarily waived or lowered their fees. However, higher

[1] This is the additional amount received above the level required to be paid to eligible businesses.

returns on cash instruments followed the increases in Bank Rate in December, February and March. At 31st March, the 1-day return on the Council's MMFs ranged between 0.41% - 0.57% p.a

6.6 Similarly, deposit rates with the Debt Management Account Deposit Facility (DMADF) initially remained very low with rates ranging from 0% to 0.1% but following the hikes to policy rates increased to between 0.55% and 0.85% depending on the deposit maturity. The average return on the Council's DMADF deposits was 0.55%.

6.7 The progression of credit risk and return metrics for the Council's investments managed in-house are shown in the extracts from Arlingclose quarterly investment benchmarking in table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Total Return %
31.03.2021	4.26	AA-	41%	24	0.04%
31.03.2022	4.25	AA-	43%	68	0.46%
Similar Las	4.11	AA-	61%	43	0.46%
All Las	4.17	AA-	60%	14	0.46%

**The 2021/22 TMSS set the limit per institution at £3m with which the Council complied. The above table does not include investments with the DMO £18.730m the total investments as at 31st March 2021 was £49.740m.*
*** £20m of the total £49.740m investments exposed to bail-in on 31/3/2022 was invested in Money Market Funds which are pooled funds which have a highly diversified portfolio of money market and other instruments. The Money Market Funds which are used by the Council to maintain high credit security and liquidity.*

6.8 **Externally Managed Pooled Funds:** In accordance with the strategy, £1m of the Council's investments are held in CCLA Local Authority Property Fund an externally managed strategic pooled property fund where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. The funds generated an average total return of £34k (3.25%) to support services in year.

6.9 In the nine months to December 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-March quarter 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, the latter triggering significant volatility and uncertainty in financial markets. In light of Russia's invasion, Arlingclose contacted the fund managers of our MMF and strategic funds and confirmed no direct exposure to Russian or Belarusian assets had been identified. Indirect exposures were immaterial. It should be noted that that any assets held by banks and financial institutions (e.g. from loans to companies with links to those countries) within MMFs and other pooled funds cannot be identified easily or with any certainty as that level of granular detail is unlikely to be available to the fund managers or Arlingclose in the short-term, if at all.

6.10 The change in the Council's funds' capital values and income earned over the 12-month period is shown in Table 4 (income return column to be added to table 4).

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

6.12 The Council had budgeted £45K income from these investments in 2021/22. Income received was £44K, whist a further £24K has been declared and is due to be paid by April/May.

7. FINANCIAL IMPLICATIONS

7.1 **Other Non-Treasury Holdings and Activity** - Although not classed as treasury management activities the definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

7.2 At the balance sheet date of 31st March 2022, the Council also held £52.1m of investments in directly owned property, loans to homeowners and local bodies and investments in a trading subsidiary. There has been no significant change from last financial year.

7.3 These non-treasury investments generated £3.262m of investment income for the Council after taking account of direct costs, representing a rate of return of 6.1%. This is higher than the return earned on treasury investments but reflects the additional risks to the Council of holding such investments.

7.4 **Performance** Report - The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and is developing further performance measures on this.

7.5 **Compliance** Report – The Finance Director 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 2021/22.

7.6 Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 6 below, and compliance with the specific investment limits is demonstrated in table 7 below.

Table 6: Debt Limits	2021/22 Maximum £m	31.3.22 Actual £m	2021/22 Operational Boundary £m	2021/22 Authorised Limit	Complied? Yes/No

				£m	
Borrowing	£143.606	£135.582	£176.000	£181.000	Yes
Long term liabilities, PFI & Finance Leases	(£0.670)	(£0.670)	£2.000	£2.000	Yes
Total debt	**£142.936**	**£134.912**	**£178.000**	**£183.000**	**Yes**

7.7 Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. Total debt did not exceed the operational boundary during 2020/21.

Table 7: Investment Limits	**2021/22 Maximum**	**31.3.22 Actual**	**2021/22 Limit**	**Complied? Yes/No**
Any single organisation, except the UK Government	£1.5m	£1.010m	£1.6m	Yes
UK Central Government	Unlimited	£18.730m	Unlimited	Yes
UK Central Government Local Authorities	£10m	£9m	£3m (2years)	Yes
Secured Investments	Nil	Nil	£3m (5 years)	Yes
Banks (unsecured)	£1.5m	£1.010m	£1.6m (unlimited)	
Any group pooled funds under the same Management (incorporates Money Market Funds and Strategic Pooled Funds)	£5m	£5m	£7m	Yes
Negotiable instruments held in a broker's nominee account	Nil	Nil	£5m per broker	Yes
Limit per non-UK country	Nil	Nil	£1.5m per country	Yes
Registered providers and registered social landlords (unsecured)	Nil	Nil	£3m in total	Yes
Unsecured investments with building societies	Nil	Nil	£1.5m in total (1 year)	Yes
Strategic Pooled Funds	£1m	£1m	£3m	Yes
Money Market Funds	£20.830m	£20m	£4m per fund Unlimited	No
Other Investments	Nil	Nil	£1m (2 years)	Yes

7.8 The Council exceeded the investment limits in table 7 above during December 2021 in Aberdeen Liquidity Money Market Fund where the maximum limit per fund is £4m this was breached the Council had invested at the highest £4.830m. This was due to the Council having higher retained cash balances than anticipated due the timing of receipt of grant monies ahead of paying out and the Debt Management Office investment rate was negative interest rates therefore the Council considered our strategic goals of security, liquidity and return and chose the Money Market Funds as the most appropriate to achieve the strategic goals.

7.9 **Treasury Management Indicators -** The Council measures and manages its exposures to treasury management risks using the following indicators.

7.10 **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.

Credit risk indicator	31.3.22 Actual	2021/22 Target	Complied?
Portfolio average credit rating	AA-	A	Yes

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

Liquidity	31.3.22 Actual	2021/22 Target	Complied?
Liquid short-term deposits	£21.010m	£12m	Yes
Bank overdraft	£0m	£0.250m	Yes

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

Interest rate risk indicator	31.3.22 Actual £000	21/22 Limit £000	Complied
Upper limit on one-year revenue impact of a 1% rise in interest rates	£67	£30	No
Upper limit on one-year revenue impact of a 1% fall in interest rates	£85	£110	Yes

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

7.14 The impact of a 1% rise in interest rates limit was breached, this is because the limit was set based on a lower investment balance and higher loan balances which reflected the Councils portfolio as at 31/12/2020 when the Treasury Management Strategy was written. The Councils investment balances have increased by 35% and loan balances have decreased by 3% due to Government funding received to assist with the pressures relating to the pandemic.

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

Maturity Structure of Borrowing	31.3.22 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	39%	50%	0%	Yes
12 months and within 24 months	0%	50%	0%	Yes
24 months and within 5 years	2%	60%	0%	Yes
5 years and within 10 years	6%	80%	0%	Yes

10 years and above	53%	100%	0%	Yes

7.16 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.

7.17 **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:

Principal Sums Invested for Periods Longer than 365 days	2021/22 £m	2022/23 £m	2023/24 £m
Actual principal invested beyond year end	£10m	£10m	£10m
Limit on principal invested beyond year end	£12m	£12m	£12m
Complied	Yes	Yes	Yes

8. OTHER

8.1 The implementation of the new IFRS 16 Leases accounting standard was due to come into for force for local authorities from 1st 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. Authorities can now choose to adopt the new standard on 1st April 2022, 1st April 2023 or 1st April 2024. The Council intends to adopt the new standard on 1st April 2024.