FINANCE (002)

Treasury Management Strategy

2022/23

North Kesteven
DISTRICT COUNCIL

Introduction

The local Government Act 2003 requires Councils to have regard to CIPFA Prudential Code on Treasury Management (the Code). This code has been adopted by the Council although no longer requires formal member approval.

There is a requirement for Councils to set a balanced revenue budget and a capital programme that is prudent, affordable and sustainable. Underpinning this is the requirement to have sufficient funds available at the appropriate time to meet those requirements. It is the remit of the Treasury Management function to ensure this happens.

The Council must set itself financial limits beyond which it must not operate (or report immediately if it does) and set itself a number of indicators that set targets on its activity or to monitor its performance. Some of these indicators are mandatory, but can be complemented by other “local” indicators. These are known as Prudential Indicators.

Reporting Requirements

The primary reporting requirements of the Code are as follows:

a. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities.
b. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
c. The creation of a separate Capital Strategy that will allow members to fully understand the overall long term policy objectives and resulting capital requirements, governance procedures and risks associated with it. Due to the big impact that the capital programme has on the treasury function, a summary of that programme forms part of the Council’s prudential Indicators.
d. Receipt by the Full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a quarterly Review and an Annual Report (stewardship report) covering activities during the previous year.
e. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
f. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

Economic View

The effects of the COVID-19 pandemic are still being felt as the U.K. starts to recover from the economic slowdown caused by fifteen months of lockdowns. The third quarter of the 2021 has seen inflation start to rise, above the government's target, caused by substantial increases in fuel prices and the after effects of schemes such as 'eat out to help out'. This in turn has the knock on effect of putting pressure on salaries and wages while causing the Bank of England to consider interest rate increases. The Bank is aware that interest rates are very low after being cut to emergency level during the pandemic and after a number of increases in gilt yields councils are seeing PWLB borrowing rates start to drift up.

It is too early to suggest that the economy is settling on a 'new normal' and with potential holds ups in the supply chain, shortages of drivers and a rapid contraction of the energy market mean the Chancellor's budget will need to address these issues.

The Council employs Link Asset Services to assist in its financial policy formation and its current financial view is attached at Appendix 1.

Investment/Borrowing Strategy

The Councils constitution requires an annual strategy to be reported to the Executive Board outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further report is produced after the year-end to report on actual activity for the year, and a new requirement of the revision of the Code of Practice is that there is a mid-year monitoring report. The Board already receives a quarterly report on the Councils treasury activities which is in excess of the requirements of the revised code. This strategy covers:

- The Councils debt and investment projections.
- The expected movement in interest rates
- The Council's borrowing and investment strategies
- Treasury performance indicators
- Specific limits on treasury activities
- Prudential and Treasury Indicators
- The current treasury position
- Debt rescheduling
- The policy on borrowing in advance of need
- Minimum Revenue Provision (MRP)
- The policy of the use of external service providers
- Any local treasury issues

Debt and Investment Projections

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources such as new income streams or asset sales.

The council must disclose its debt and investment projections for the current and 3 future years.

Core funds and expected investment levels:

Year End Resources £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Fund balances / reserves	36,526	30,721	25,679	24,707	25,603
Capital receipts	1,168	1,168	1,394	1,619	1,845
Provisions	0	0	0	0	0
Other	0	0	0	0	0
Total core funds	**37,694**	**31,889**	**27,073**	**26,326**	**27,448**
Working capital*	3,336	8,811	19,891	20,542	22,324
Under/over borrowing**	9,583	7,347	2,628	3,539	3,890
Expected investments	**50,613**	**48,047**	**49,592**	**50,407**	**53,662**

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
External Debt					
Actual Debt at 1 April	78,192	86,106	102,642	117,358	131,904
Other Long Term Liabilities	637	554	471	387	304
New Borrowing	0	10,000	18,621	16,802	16,632
Loan Repayments	-2,086	-2,086	-2,086	-2,086	-2,086
Movement In Other Long Term Liabilities	-83	-83	-83	-84	-84
Actual gross debt at 31 March	**76,661**	**94,492**	**119,565**	**132,377**	**146,670**
The Capital Financing Requirement	86,244	101,839	122,192	135,917	150,561
Under / (over) borrowing	**9,583**	**7,347**	**2,628**	**3,539**	**3,890**

Expected movement in interest rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates – This is shown at appendix 1.

Investment Strategy

The Council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

A prudent investment policy will have two underlying objectives:

- **Security** – protecting the capital sum invested from loss; and
- **Liquidity** – ensuring the funds invested are available for expenditure when needed.

The generation of **yield** is distinct from these prudential objectives. However, this does not mean that local authorities are recommended to ignore potential revenues. Once proper levels of security and liquidity are determined, the Council will consider what yield can be obtained consistent with these priorities.

The Council's overarching investment priority is therefore to ensure that there is sufficient cash available to meet its obligations as they arise which is achieved by following these principals

As an overview, the revenue budgets are self-funding in that they can only be set at levels to cover costs meaning they should be cash neutral over the year. Within this, income and expenditure happen at differing times and so an accurate cash flow forecast is key.

The Councils capital programme, due to its size, and how it's funded is key to the budget setting process along with any significant virements/under and overspends or changes in funding. Changes to the programme will affect the levels of borrowing, investments and in turn on the amounts of interest paid and received.

Accordingly, the investments strategy is based around the requirements of the cashflow forecast, and ensuring there is sufficient liquidity to meet its obligations with any surplus available for longer term investments.

Liquidity

This is defined as "having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives" (CIPFA Treasury Management Code of Practice). In respect of this area the Council seeks to maintain:

- Bank Overdraft – agreed maximum net £500,000, although daily cash management ensures this is around zero.
- Sufficient short term cash to cover estimated outgoings over the next 2 week period.

Security of Investments

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure**:**

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.

Specified and Non-Specified Investments

There are two types of investment that the Council can make

Specified Investments

In accordance with The Local Government Investment Guidance under S15 (1)(a) of the Local Government Act 2003, the specified instruments approved for investment and those most commonly used by local authorities are:

- Deposits with banks, building societies and local authorities (and certain other bodies meeting the criteria below and for less than one year.
- AAA rated bonds deposit facility
- Ultra Short Dated Bonds
- Eligible institutions
- Debt Management Account (run by the DMO/PWLB)
- Listed Securities
- Supranational Bonds of less than one year's duration
- A local Authority, Parish Council or Community Council
- Pooled Investment Vehicles such as Money Market Funds*
- Loans to 3rd Parties

* The Council will have regard to the regulations laid down in IFRS 9 and consider the implications of investment instruments (Including money market funds and property funds) which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. The Department for Levelling Up, Housing and Communities [DLUHC] have conducted a review and are allowing councils a 5 year grace period during which any fluctuations in the valuation of the pooled investment vehicle will be taken to an unusable reserve. After that time, any movement in the instrument value will be a charge or a credit to the Council's General Fund.

Non Specified Investments

Non-specified investments are any other type of investment i.e. not defined as Specified above, and would include any sterling investments and non-financial investments. The use of longer term instruments (greater than one year from inception to repayment) will fall in this category. These instruments will only be used where the Council's liquidity requirements are safeguarded. This will also be limited by the investment prudential indicators set as party of this strategy.

The Council will only deal in the following investment types and the counterparties shown in Appendix 2 are those currently complying with our counterparty credit rating criteria (see above). Institutions will be added and removed in line with approval from the Director of Resources, as their criteria complies/does not comply with our credit rating criteria.

The most commonly used Non Specified Investments are:

- Property Funds (Pooled investment vehicles as opposed to investment in physical properties)
- Supranational Bonds of more than one year's duration
- Gilt Edged Securities
- The Councils own bankers if they fail to meet the basic credit criteria
- Any Deposits with an institution that meets the criteria above of more than one year duration
- Loans to third Parties

Counterparty and Liquidity Framework

In conjunction with its treasury management advisers (Link Asset Services), the Council maintains a list of the organisations that it is able to deal with. This list is generated from the information provided by the 3 main ratings agencies of Fitch, Standard & Poors and Moody's.

In selecting the organisations, the council must set the criteria it wishes to use, having regard to its quality.

The current criteria used are:

- Short term rating - F2
- Long term rating – A-
- Top 10 UK Building Societies based on size
- Non UK banks in countries that have a sovereign rating of at least equal to the UK (currently AA-) and which meet the criteria above
- AAA rated Money Market Funds
- Property Funds
- The Municipal Bonds Agency and other Short dated bond funds
- UK Government including gilts and the Debt Management Office
- All Local Authorities
- Housing Associations – see below
- Supranational institutions such as the World Bank or the European Investment Bank

In order to maximise the opportunity of returns while adhering to the basic principal of ***security*** the Authority will broaden the number of foreign countries and their banks in which it can invest. It will therefore lower its required sovereign rating to AA- which is currently equal to the rating enjoyed by the United Kingdom.

The rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Code of Practice.

Housing Associations

Due to the nature of their business, Housing Associations do not seek short term ratings. It is therefore proposed that when seeking investment opportunities with them, only the long term rating given above will be applied.

Divestment

At its meeting on 11th July 2019, the Council passed a motion declaring a climate emergency and committing the council services to review their operations to meet the United Nations 17 sustainable development goals. This is in order to address the global challenges faced including equality of opportunity, protection of our environment and prosperity by 2030.

As part of this, the Council has reviewed its counterparties and will, as appropriate, only deal with ethical institutions, i.e. those that have no involvement with fossil fuels etc. Also, as part of this, the Council is investigating those institutions that actively seek to invest in the renewable and sustainable markets, although these investments generally provide a lower rate of return than a normal treasury investment.

The Council would still only invest with those organisations that meet the above investment strategy criteria.

Use of additional information other than credit ratings

Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties

Summary of counterparties and limits

The following table summarises the above counterparty and investment limits for investing:

	Maximum Money Limit	Maximum Time Limit
Government Part Owned Counterparty	£5m	6 Years
Other Approved Counterparty	£3m	6 Years
Group Limit	£6m	6 Years
Non UK Country Limit	£6m	6 Years
SIBA	£25m	
Money Market Funds	£5m Per Fund	
Short Dated & Ultra Short Dated Bond Funds	£5m Per Fund	
Property Funds	£5m Per Fund	
Housing Associations	£3m Per Association	6 Years
Debt Management Office	Unlimited	6 Months
Loans To Third Parties	£50m	40 Years
UK Local Authorities	Unlimited	40 Years

The only criteria to change relates to the UK Local Authorities. Previously this was set at £5m, this is seen as overly cautious due to Central Government backing and is now removed.

Investment returns expectations

As a national comparison, the council compares it’s return with the average 7 day London Interbank Bid Rate (LIBID).

Borrowing Strategy

The Councils borrowing strategy is based around its projections for the Capital Financing Requirement(CFR), affordability and view of where interest rates are likely to be. Borrowing cannot be undertaken for revenue purposes and so once again the capital programme is key. There may be times in the year when the cashflow forecasts a need for short time borrowing but this is a timing issue rather than a funding need.

Long term borrowing is generally taken from the Public Works Loans Board as that has historically been the cheapest form of long term borrowing for local authorities. However, the Local Government Association (LGA) is currently setting up a bonds agency to provide a cheaper alternative to the PWLB and this will be investigated prior to any further long term borrowing being undertaken. Shorter term borrowing is usually taken from the money markets as the PWLB do not lend for less than a year.

The Public Accounts Committee (PAC) has undertaken a review of Local Authority borrowing that is taken in relation to commercial activities, i.e. those activities where the sole aim is to generate additional income rather than to further the aims and objectives of the authority. They have now made it illegal to borrow in relation to those commercial activities, either from the Public Works Loans Board or the money markets. This authority does not undertake those activities.

We will keep this approach under review to ensure the most appropriate forms of borrowing are utilised.

Public Works Loan Board (PWLB) interest rates

The Government recognises that the freedoms for local authorities to borrow under the Prudential Framework are fundamental to supporting local capital strategies and authorities' organisational objectives, including regeneration, supporting local growth and service delivery. The PWLB supports this activity by on-lending Government borrowing from the capital markets to local authorities to deliver capital investment.

The maximum net amount of PWLB loans that can be outstanding at any time is subject to a statutory limit. In order to ensure that lending continues to be available for local authorities that need it, the Government has legislated a lending limit of £95bn.

PWLB lending is offered at a fixed margin above the Government's cost of borrowing, as measured by gilt yields. The Treasury has recently reduced its margin over gilts to 100bps (one percentage point) and subsequently lowered it to 80bps over gilts for qualifying authorities. This is known as the certainty rate and is only available to those authorities that disclose requested information to the PWLB.

Capital Financing Requirement (CFR)

This is a measure of the Councils overall need to borrow for capital purposes. It is a measure of the prior, current and future capital expenditure that has not been funded from the use of its own resources, i.e. the parts of the capital programme that it has decided to fund from long term borrowing rather than its own cash balances. It is the net financing need for the year that will increase the overall CFR

Although the capital programme has it's own strategy, due to the size and cash flow implications, a summary of the programme is detailed below.

This summary differs from the main Capital Programme shown elsewhere within this report in that it only covers approved plans rather than those that are at an outline or indicative stage. All limits and indicators have also been calculated on that basis.

Capital expenditure £m	**2020/21 Actual**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
Non-HRA	8,599,700	20,768,000	32,563,300	20,293,200	17,644,000
HRA	6,436,677	12,570,300	22,588,800	8,188,000	8,599,000
Total Expenditure	15,036,377	33,338,300	55,152,100	28,481,200	26,243,000
Funding					
Capital receipts	-821,101	-1,022,900	-4,800,000	-6,760,000	-3,560,000
Capital grants	-1,752,064	-2,541,700	-4,477,800	-852,900	-853,700
Capital reserves	-7,398,012	-7,916,400	-15,455,800	-4,566,500	-3,197,400
Revenue					
Net financing need for the year	5,065,200	21,857,300	30,418,500	16,301,800	18,631,900

It is the net financing need for the year that will increase the overall CFR.

The following table summarises the estimated CFR position

Year End Resources	**2020/21 Actual**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
Capital Financing Requirement	£	£	£	£	£
CFR Non Housing	21,275,979	38,956,035	53,595,198	65,905,105	78,634,693
CFR Housing	64,968,109	62,882,542	68,596,976	70,011,409	71,925,842
Total CFR	86,244,088	101,838,577	122,192,174	135,916,514	150,560,535
Movement In CFR	2,195,846	15,594,490	20,353,597	13,724,340	14,644,021
Represented By:					
Net Financing Need For Year	5,065,200	21,857,300	30,418,500	16,301,800	18,631,900
MRP/VRP & Other Movements	(2,869,355)	(6,262,810)	(10,064,903)	(2,577,460)	(3,987,879)
Movement In CFR	2,195,845	15,594,490	20,353,597	13,724,340	14,644,021

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures demonstrate the scope of this activity and, by approving these figures, it is considered that the scale is proportionate to the Authority's remaining activity.

A new International Financial Reporting Standard (IFRS 16) has been issued that will bring the accounting treatment of all relevant operating leases into line with finance leases. Whilst this should have no overall impact for the Council, it will increase the total value of the CFR and increase some financial limits and prudential indicators.

Limits to Borrowing Activity

As part of the treasury management guidance, the council must set limits within which its treasury management function must operate

Authorised Limit

This is the maximum amount of debt that the Council can sustain over the period. It must be prudent, sustainable and the council must not exceed it.

Authorised Limit For External Debt	2021/22 Estimated	2022/23 Estimated	2023/24 Estimated	2024/25 Estimated
	£	£	£	£
Borrowing - HRA	71,464,920	77,750,797	79,306,673	81,412,550
Borrowing - General Fund	38,402,154	53,124,692	65,517,974	78,330,938
Housing Company	20,000,000	30,000,000	30,000,000	30,000,000
Short Term Borrowing	2,000,000	2,000,000	2,000,000	2,000,000
Parish Precepts	3,500,000	3,600,000	3,700,000	3,800,000
Contingency	4,390,200	5,872,500	7,121,800	8,413,100
Other Long Term Liabilities	600,000	500,000	400,000	400,000
Total	140,357,274	172,847,989	188,046,447	204,356,587

Operational Boundary

This is the amount of debt that the council expects to have at any one time during the period. This can be exceeded for short periods depending on circumstances but is not expected to be long term.

Operational Boundary	2021/22 Estimated	2022/23 Estimated	2023/24 Estimated	2024/25 Estimated
	£	£	£	£
CFR	101,838,577	122,192,174	135,916,514	150,560,535
Parish Precepts	3,500,000	3,600,000	3,700,000	3,800,000
Short Term Borrowing	2,000,000	2,000,000	2,000,000	2,000,000
Housing Company	20,000,000	30,000,000	30,000,000	30,000,000
Other Long Term Liabilities	600,000	500,000	400,000	400,000
Total	127,938,577	158,292,174	172,016,514	186,760,535

Limits to Activity

The Council must also set limits for the activities it undertakes as part of its treasury management operations. These limits include:

- Monetary and time limits on the investments it makes both as individual counterparties and larger group organisations
- Monetary and time limits on different types of investments, e.g. Short/long term investments, money market funds, loans to 3rd parties etc.
- Limits on variable and fixed rate borrowing including maturity structure.
- Maximum amounts that can be invested for more than 1 year.

Debt Rescheduling

Debt rescheduling is a means of replacing existing loans that are due to be repaid within the relatively near future with variable or fixed rate loans that can be secured at present low rates of interest.

The reasons why rescheduling could be worth undertaking include:-

- The generation of long term savings at minimum risk:
- Enhancement of the balance of the long term portfolio i.e. improve the debt maturity profile and/or the balance of volatility

Any rescheduling that is undertaken by the Director of Resources under delegated powers will be reported to the Executive Board at the meeting following this action.

In light of the way the Public Works Loans Board now calculates the premia/discount on loan redemptions, this has become a less attractive option for the Council to take. None of the Council's currents loans could be redeemed at a discount and any interest saving would be significantly less than the premium paid to redeem the loan.

Borrowing in advance of need

The Council has some flexibility to borrow funds this year for use in future years. The Director of Resources may do this under delegated powers where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Conversely, the option to "Forward Deal" (lock into borrowing today that will not be taken until a point in the future), will also be considered. Whilst the Director of Resources will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities. Borrowing in advance will be made within the constraints that

- It will be limited to no more than 100% of the expected increase in borrowing need (CFR) over the three year planning period; and

- The Council would only look to borrow for schemes that are in the currently approved capital programme.

Risks associated with any borrowing activity will be subject to appraisal in advance and subsequent reporting through the quarterly reporting mechanism

Minimum Revenue Provision (MRP) Policy

Under regulation, the council is not allowed to charge council tax payers with depreciation, and in lieu of this, it is required to pay off an element of the accumulated General Fund capital spend (the HRA is not required to make an MRP) each year through a revenue charge. It is also allowed to undertake additional voluntary payments if it wishes. This MRP charge must be prudent and reasonable.

The Department for Levelling Up, Housing and Communities (DLUHC) Regulations require the Full Council to approve **an MRP Statement** in advance of each year.

The Council is required to approve the following MRP Statement:

For capital expenditure incurred before 1 April 2008 the MRP policy will be:

Existing practice - MRP will follow the existing practice outline in former DLUHC Regulations. This makes charge of 4% on the reducing balance of the capital financing requirement at that time

From 1 April 2008 for all Capital Programme borrowing the MRP policy will be:

Asset Life Method – MRP will be based on the amount of borrowing that is required divided by estimated life of the asset created (calculated on an asset by asset basis);

Finance Leases* - MRP will be calculated as being equal to the element of the rental/lease charge that goes to write down the balance sheet liability.

Loans to Third Parties – With the expectation that all loans will be repaid, there is no requirement for an MRP. All loans are reviewed on an annual basis and any potential for non-payment will be dealt with via the use of a Voluntary Revenue Provision (VRP) which is felt to be more prudent.

* A new International Financial Reporting Standard (IFRS 16) has been issued that will bring the accounting treatment of all relevant operating leases into line with finance leases. Whilst this should

have no overall impact for the Council, it will increase the level of MRP which will be offset by a reduction in service expenditure.

Performance Indicators

As part of its treasury management function, the council must monitor its performance by the use of prudential indicators. Due to the commercialisation agenda within Local Government, there is now a requirement to disclose information in relation to those activities. These indicators are either specified by the treasury management code or can be “local” in that they reflect local decisions

Cash Management

As part of its day to day activities, the treasury management function ensures that it has sufficient cashflow to fund its estimated outgoings. This involves estimating its short and long term requirements which includes day to day revenue expenditure and financing the capital programme. To measure this performance, the Council sets a target for investment income and short and long term interest payable. Any movement on these are monitored and reported on a quarterly basis.

Affordability

Ratio of financing costs to net revenue stream

This ratio shows the proportion of debt management costs to income received for the General Fund and HRA respectively.

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Non HRA	-0.67%	-0.74%	-2.58%	-2.64%	-0.50%
HRA	13.35%	12.97%	11.98%	12.01%	11.88%

Impact of Capital Decisions

Estimates of the impacts of capital investment decisions on both housing rent levels and band D Council Tax.

These are local indicators to show the effects of capital programme decisions on both the rent and council tax payers.

Impact of capital investment decisions on the Band D Council Tax

This estimates the impact of capital decisions on the levels of Housing Rents and Council Tax Charged to tenants and residents

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Gross Spend	226.31	542.25	845.80	524.37	454.74
Funded From Borrowing	133.29	492.36	587.49	330.80	351.34

Impact of capital investment decisions on Housing Rent levels

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Gross Spend	1,676.22	3,282.92	5,867.22	2,121.24	2,216.24
Funded From Borrowing	0.00	783.49	2,025.97	906.74	1,288.66

HRA Indicators

The HRA also has specific indicators to show the HRA debt per HRA dwelling and HRA revenues as a proportion of HRA debt

Ratio Of Debt To Revenues	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
HRA Debt £m	64,140,153	62,054,587	63,469,020	65,383,453	66,297,887
HRA Revenues £m	15,532,000	15,509,000	16,392,100	17,061,000	17,803,300
Ratio Of Debt To Revenues	4.13	4.00	3.87	3.83	3.72

Debt Per HRA Dwelling	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
HRA Debt £m	64,140,153	62,054,587	63,469,020	65,383,453	66,297,887
Number Of HRA Dwellings	3,840	3,829	3,850	3,860	3,880
Debt Per Dwelling £	16,703	16,206	16,485	16,939	17,087

Other Activity Limits

There are four further treasury activities limits that were previously prudential activities, the purpose of which is to contain the activity of the treasury function within certain limits thereby managing risk and reducing the impact of an adverse movement in interest rates. However, if these are too restrictive they will impair the opportunities to reduce costs/improve performance.

- Upper limits on variable interest rate exposure – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.
- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits. They have been set at the maximum level to allow for possible rescheduling opportunities into any period depending on market conditions.
- Total principal funds invested for greater than 365 days – These limits are set with regard to the Council's liquidity requirements and to reduce the need for borrowing, and are based on the availability of funds after each year-end.

The Council is asked to approve the following limits:

Maximum Principal Sums Invested > 365 Days	2021/22	2022/23	2023/24	2024/25
Maximum Investment	£30m	£50m	£50m	£50m

Maturity Structure Of Fixed And Variable Interest Rate Borrowing 2022/23		
	Lower	Upper
Under 12 Months	0%	100%
12 Months To 2 Years	0%	100%
2 Years To 5 Years	0%	100%
5 Years To 10 Years	0%	100%
10 Years To 20 Years	0%	100%
20 Years To 30 Years	0%	100%
30 Years to 40 Years	0%	100%
40 Years To 50 Years	0%	100%
Over 50 Years	0%	100%

Benchmarking

As part of the service provided by Link Assets Services, the council participates in a benchmarking group with other councils in Lincolnshire, Nottinghamshire, Yorkshire and Leicestershire. This group meets quarterly to discuss relevant issues and compare performance.

External cash fund management

Due to the relatively short time period that monies are available for investment and the relatively low levels of investment, the Council made a decision that Cash Management will be undertaken in house, rather than by external managers.

North Kesteven
DISTRICT COUNCIL

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