EXECUTIVE BOARD DECISION

REPORT OF:	Executive Member for Finance and Governance
LEAD OFFICERS:	Chief Executive
DATE:	6th July 2023

PORTFOLIO/S AFFECTED:	All
WARD/S AFFECTED:	All
KEY DECISION:	**YES** ☒ **NO** ☐

SUBJECT: CORPORATE TREASURY MANAGEMENT OUTTURN REPORT 2022/23

1. EXECUTIVE SUMMARY

To report to Members the Treasury Outturn position for 2022/23.

2. RECOMMENDATIONS

The Executive Board is asked to note the Treasury Outturn position for 2022/23.

3. BACKGROUND

3.1 In March 2022 the Council agreed a Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy for 2022/23.

3.2 The CIPFA Treasury Management Code requires the Council to approve a Treasury Management Strategy (including various Treasury Management indicators) before the start of each financial year, and to consider the outturn after each year end. This report is to update Executive Board on the overall outturn position for 2022/23.

4. KEY ISSUES & RISKS

4.1 <u>Treasury Priorities</u>

The Council has operated within CIPFA and statutory guidance and requirements in respect of Treasury Management practice. The approved Treasury Management Policy Statement, together with the more detailed Treasury Management Practices and each year's Annual Strategy have all emphasised the importance of security and liquidity over yield.

2022/23 OUTTURN

4.2 Original Strategy for 2022/23

4.2.1 The Strategy for 2022/23 was approved by Executive Board on 10th March 2022. An update to the Prudential and Treasury Management Indicators, following the decision to delay the adoption of the new IFRS 16 Leases accounting standard, was approved by Executive Board on 8th September 2022. This update did not change the main aspects of the strategy, which are outlined below:

- We would seek to minimise borrowing costs, in the context of the Council's long-term debt being considerably lower than its accumulated Capital Financing Requirement, with the difference to be covered by the use of short-term borrowing and any available balances.

- Long-term borrowing would only be taken if it became apparent that there was a risk of significantly increased interest rates, and then only if available balances were not thought to be sufficient to manage the Capital Financing Requirement until rates stabilised and / or reduced.

- Any balances over and above those required to maintain basic liquidity could be invested in either the medium term (out to a year) or the longer term (over a year), with priority to be given to security of funds and liquidity (accessibility) over yield (or return).

- The limits to investment by reference to amount, duration and credit rating were largely unchanged from those applying in previous years.

4.3 External Context

Economic Background

4.3.1 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.

4.3.2 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.

4.3.3 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.

4.3.4 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 household 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.

4.3.5 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%.

4.3.6 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 both 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.

4.3.7 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%.

4.3.8 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 (basis points, or 0.01 of a %) 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.

4.3.9 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 meetings, taking policy rates to a range of 4.75%- 5.00% at the March meeting.

4.3.10 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 3.0% and the main refinancing rate to 3.5%.

Financial Markets

4.3.11 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.

4.3.12 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

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

4.3.14 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.

4.3.15 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.

4.3.16 During the last few months of the reporting period, there were only a handful of credit changes by the rating agencies, and 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.

4.3.17 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.

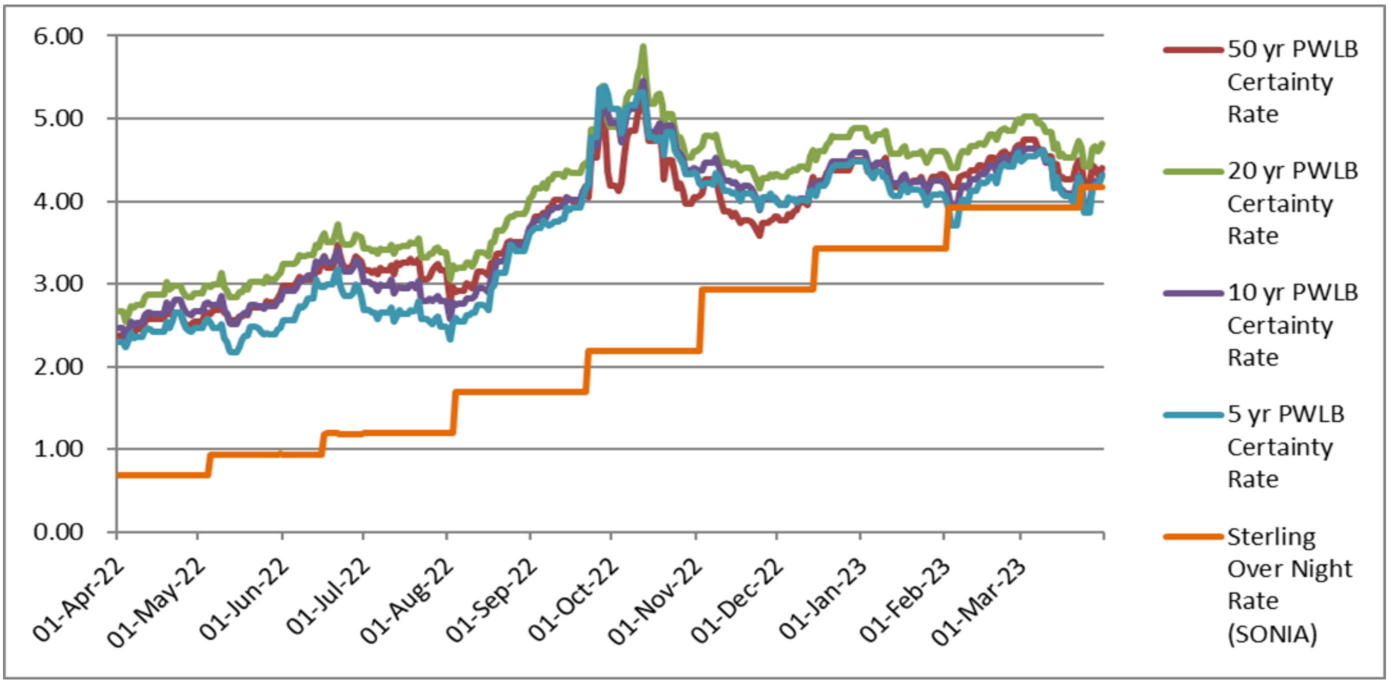
4.3.18 On the back of this our treasury management advisor, Arlingclose, reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks / institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list.

4.3.19 As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

4.3.20 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 unchanged, a degree of caution is merited with certain authorities.

4.3.21 The pattern of interest rates over the year is summarised in the chart below. Local government long-term borrowing costs are set by the Public Works Loan Board (PWLB) - these directly mirror gilt yields. Nominal investment rates, measured through the Sterling Over Night Rate (SONIA), are also shown.

Interest Rate Movements in 2022/23 –



4.4 Revised CIPFA Codes, Updated PWLB Lending Facility Guidance

4.4.1 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.

4.4.2 CIPFA published its revised Prudential Code for Capital Finance and Treasury Management 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.

4.4.3 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 wished. The Council took advantage of the option to defer introducing the revised reporting requirements until the 2023/24 year.

4.4.4 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 Capital Financing Requirement (CFR) unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments

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

4.4.6 Unlike the Prudential Code, there was no mention of the date of initial application in the Treasury Management Code. The Treasury Management Code now includes additional requirements for service and commercial investments, beyond those in the 2017 version. The Authority followed the same process as the Prudential Code, i.e. delayed changes in reporting requirements to the 2023/24 financial year.

4.4.7 Given the nature of the Council's present and forecast capital investment and related borrowing decisions, aside from the changes to reporting requirements, it is unaffected by these changes.

4.5 Treasury Management Performance 2022/23

4.5.1 By 31st March 2023, the Council had net borrowing of around £87M, arising from its revenue and capital income and expenditure, a decrease of £32M from the previous year.

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 the table below.

Table 1: Balance Sheet Summary

	31 Mar 2022 £M	2022/23 Movement £M	31 Mar 2023 £M
General Fund CFR	289.6	(8.4)	281.2
Less: CFR re Debt -			
Managed by Lancashire County Council (LCC)	(14.9)	0.1	(14.8)
Re Private Finance Initiative (PFI) Arrangements	(69.1)	0.2	(68.9)
Loans/Borrowing CFR	**205.6**	**(8.1)**	**197.5**
Less: Usable Reserves and Working Capital	(86.0)	(24.3)	(110.3)
Net Borrowing (excludes LCC and PFI debt)	**119.6**	**(32.4)**	**87.2**

4.5.2 High interest rates have increased the cost of short-term, temporary loans; however, no new borrowing was taken during the year. Investment returns from cash assets that may be used in lieu of borrowing have also increased, and the Authority has felt the benefit of this. The Authority 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.

4.5.3 The treasury management position at 31st March 2023 and the change during the year is shown in the table below:

Table 2: Treasury Management Summary

	31 Mar 2022 Balance £M	Movement £M	31 Mar 2023 Balance £M	31 Mar 2023 Rate %
Long-term Borrowing	141.8	(3.8)	138.0	3.9%
Short-term borrowing	20.0	(20.0)	0.0	
Other Debt (PFI and Debt Managed by LCC)	72.7	(2.5)	70.2	
Total Borrowing	**234.5**	**(26.3)**	**208.2**	
Short-term Investments	10.0	23.5	33.5	3.5%
Cash and Cash Equivalents	32.2	(14.9)	17.3	4.1%
Total Investments	**42.2**	**8.6**	**50.8**	
Net Borrowings	**192.3**	**(34.9)**	**157.4**	

4.5.4 In summary, the key changes to the Council's overall debt position across the year were:

(a) A decrease in the level of short term borrowing, from £20.0M to nil,
(b) Principal repayments of £3.6M on PWLB EIP (Equal Instalment of Principal) loans,
(c) Repayments of part of the outstanding PFI debt recognised on the balance sheet for Building Schools for the Future (BSF), and of debt managed by LCC.

No debt rescheduling was undertaken, because the premiums payable on early repayment of PWLB and Market debt made it uneconomic to do so.

4.5.5 No short-term loans were taken during the year, and investment balances have continued to be unusually high, impacted by significant capital grant funding being received in advance of scheme expenditure.

4.5.6 In summary, the outturn position in respect of interest costs and income, and MRP charges, was as follows:

Table 3: Treasury Revenue Outturn 2022/23

Outturn 2021/22 £'000		Original Budget 2022/23 £'000	Outturn 2022/23 £'000	Variance to Budget 2022/23 £'000
5,584	Interest paid on borrowing – long term debt	5,511	5,531	20
163	Interest paid on borrowing – short term debt	1,092	104	(988)
184	Interest paid on debt managed by LCC	290	357	67
5,723	PFI interest paid	5,697	5,731	34
(54)	Interest – treasury / other minor elements	(25)	(1,315)	(1,290)
5,814	MRP on Council borrowing	6,060	5,792	(268)
194	MRP on PFI debt	210	210	0
209	MRP on debt managed by LCC	152	188	36

4.5.7 Interest paid on borrowing in 2022/23 was around £1M less than the original estimate, reflecting the decision not to take any additional debt during the year.

4.5.8 The average investment balance over the year has increased to £66M (£61M in 2021/22). Investment balances have remained high during this year, largely due to the timing of funds received from central government and significant capital grants received in advance of spend being incurred, including Darwen Town Deal and Levelling Up funding. (See Weekly Balances **Appendix 1**).

4.5.9 Investment interest rates were relatively high at the beginning of the year and increased throughout in line with Bank Rate rises. Funds have continued to be invested for short periods, and sometimes with the government's Debt Management Office, to manage risk. Despite this low risk approach, interest earned on treasury cash investments has been extremely high during the year, increasing from £0.05M in 2021/22 to £1.3M in 2022/23.

4.5.10 The average rate of return for the whole financial year was 1.98% (against 0.08% in 2021/22).

4.6 Borrowing Update

4.6.1 As indicated above, the Authority was not planning to borrow to invest primarily for commercial return and so is unaffected by the changes to the Prudential Code.

4.6.2 At 31st March 2023, the authority held £208.2M of loans, a decrease of £26.3M compared to 31st March 2022, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31st March are summarised in the table below:

Table 4: Borrowing Position

	31 Mar 2022 Principal (£M)	Rate / Return	Average Life (Yrs)	31 Mar 2023 Principal (£M)	Rate / Return	Average Life (Yrs)
Fixed Rate Funding:						
Public Works Loan Board	123.5	3.79%	17.4	120.0	3.84%	16.9
Market Debt (Long Term)	10.3	4.45%	31.9	10.0	4.47%	31.6
Market Debt (Short Term)	20.0	0.61%		0.0		
	153.8			**130.0**		
Variable Rate Funding:						
Public Works Loan Board	0.0			0.0		
Market Debt	8.0	4.50%	19.0	8.0	4.50%	18.0
	8.0			**8.0**		
Loans Taken by Blackburn with Darwen Borough Council	**161.8**			**138.0**		
Debt from PFI Arrangements	59.7			57.5		
Debt Managed by LCC	13.0	1.82%		12.7	2.80%	
Total Debt	**234.5**			**208.2**		

4.6.3 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 long-term plans change being a secondary objective.

4.6.4 In-keeping with these objectives, no new borrowing was taken during the year, while £23.6M of existing loans were allowed to mature without replacement. This strategy enabled the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

4.6.5 **LOBO loans**: The Authority continues to hold £13M 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 Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the year.

4.7 Treasury Investment Update

4.7.1 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.

4.7.2 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £42M and £85M due to timing differences between income and expenditure. The investment position is shown in the table below.

Table 5: Treasury Investment Position

	31 Mar 22 Balance £M	Movement £M	31 Mar 2023 Balance £M	31 Mar 2023 Income Return %
Banks and Building Societies (unsecured)	3.1	(3.1)	0.00	0.7%
Government (incl Local Authorities)	10.0	23.5	33.5	3.5%
Money Market Funds	29.1	(11.8)	17.3	4.1%
Total Investments	**42.2**	**8.6**	**50.8**	**3.7%**

4.7.3 Both the CIPFA Code and government guidance require the Authority 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 Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

4.7.4 Higher returns on cash instruments followed the increases in Bank Rate throughout the year, and at 31st March, the 1-day return on the Authority's MMFs ranged between 3.97% and 4.12%.

4.7.5 Similarly, deposit rates with the Debt Management Account Deposit Facility (DMADF) increased significantly throughout the year and by 31st March were between 4.05% and 4.15% depending on the deposit maturity. The average return on the Authority's DMADF deposits during the year was 2.09%.

4.8 <u>Compliance</u>

4.8.1 The Chief Executive as Interim Section 151 Officer reports that all treasury management activities during the year complied fully with the CIPFA Code of Practice and have complied with the Authority's approved Treasury Management Strategy.

4.8.2 The position with regard to performance against Treasury/Prudential Indicators in 2022/23 is summarised in **Appendix 2 and 3**. There was no breach of the Authorised Borrowing Limit or the Operational Boundary (set for management purposes).

Outturn capital spend was £15.6M, which is below the £35.7M anticipated at the start of the year.

4.9 <u>Treasury Management Consultancy</u>

4.9.1 The Council is contracted up to 31st March 2026 to receive treasury management support from Arlingclose Limited. They provide advice and information on the Council's investment and borrowing activities, although responsibility for final decision-making remains with the Council and its officers.

4.9.2 Over the period, in providing support to the Council, Arlingclose have provided ongoing officer training; support for and review of treasury decisions, reports and strategies; feedback on accounting for treasury activities; benchmarking with other authorities; guidance on borrowing and investment opportunities; forecasts of interest rates; and regular updates on credit ratings and other information on credit quality. The quality of the support provided has been of a high standard.

5. POLICY IMPLICATIONS

The information contained within this report accords with the Capital Strategy and the three-year budget forecast within the Medium Term Financial Strategy 2022/25, as approved at Finance Council on 28th February 2022, and the Treasury Management Strategy for 2022/23 as approved by Executive Board on the 10th March 2022.

6. FINANCIAL IMPLICATIONS

The financial implications arising from the 2022/23 Treasury Outturn have been incorporated into the body of this report.

7. LEGAL IMPLICATIONS

7.1 Under the Local Government Act 2003, local authorities determine locally their levels of capital investment and associated borrowing. The Prudential Code has been developed to support local authorities in taking these decisions, and the Council is required by Regulation to have regard to the Code when carrying out its duties under Part 1 of the Local Government Act 2003.

7.2 The Department for Communities and Local Government issued Guidance on Local Government Investments, under the Local Government Act 2003, effective from 1st April 2010. Authorities must manage their investments within an approved strategy, setting out what categories of investment they will use and how they will assess and manage the risk of loss of investments.

8. RESOURCE IMPLICATIONS

None.

9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1 ☒ Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2 ☐ In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. *(insert EIA link here)*

Option 3 ☐ In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. *(insert EIA attachment)*

10. CONSULTATIONS

None

11. STATEMENT OF COMPLIANCE

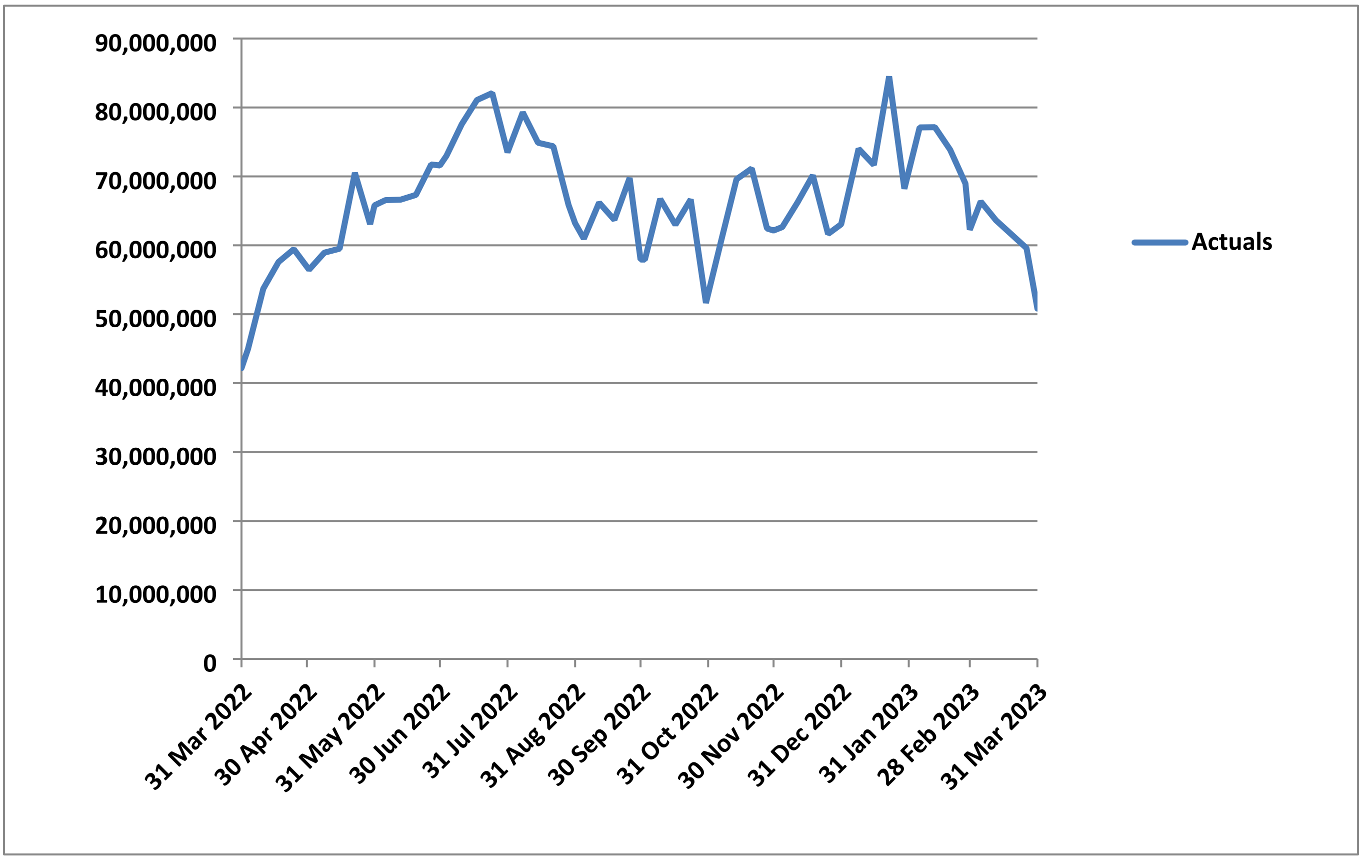
The recommendations are made further to advice from the Monitoring Officer and the Chief Executive as Interim Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded in the Summary of Decisions published on the day following the meeting.

VERSION:	**V1.0**

CONTACT OFFICER:	Jenny Bradley – Finance Manager extn 267681 Simon Ross – Head of Finance extn 585569
DATE:	June 2023
BACKGROUND PAPER:	Treasury Management strategy for 2022/23 approved at Executive Board on the 10th March 2022. Update to the Prudential and Treasury Management Indicators approved by the Executive Board on the 8th September 2022.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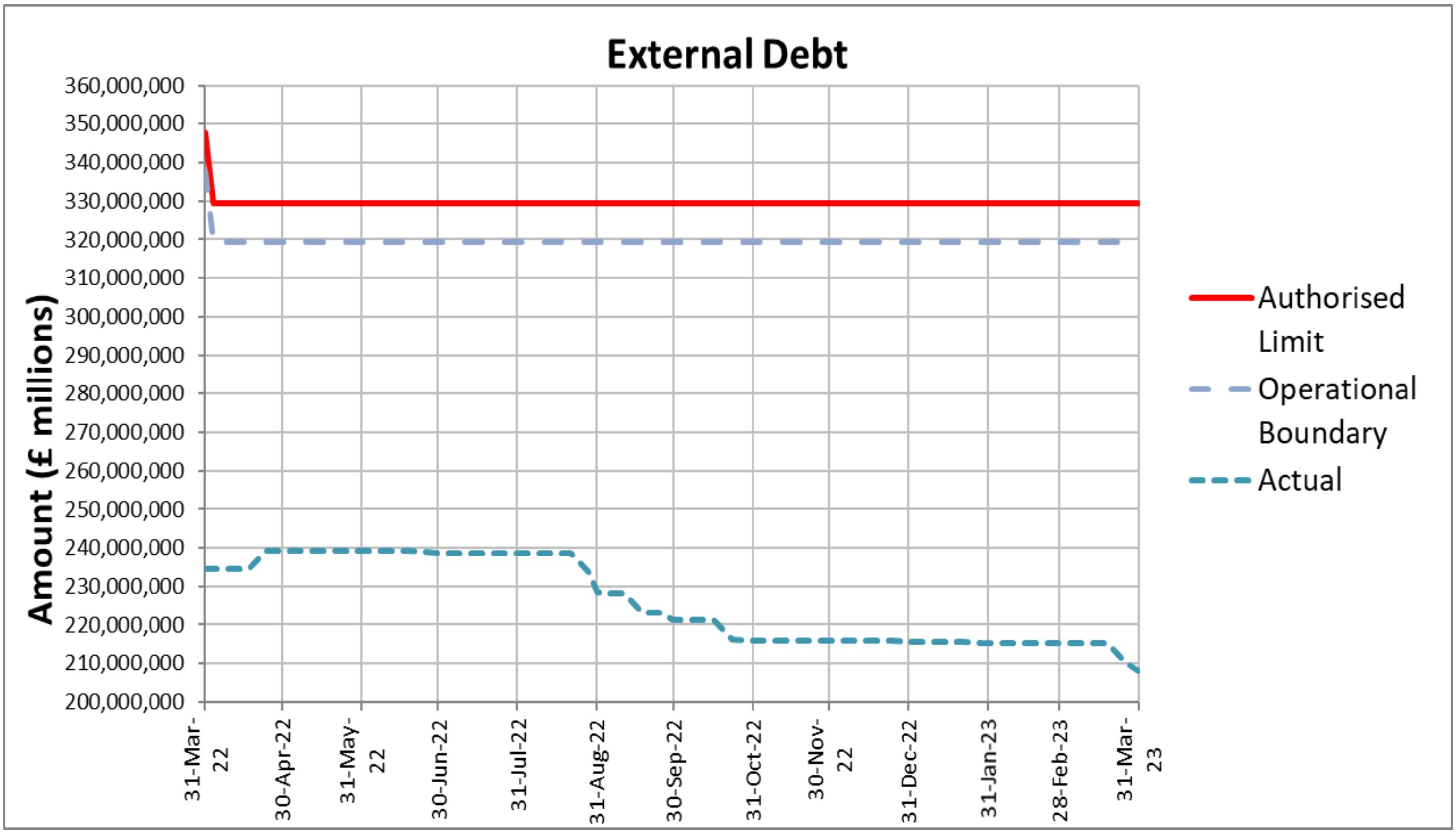
31 Mar 2023
Actuals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Amount (£ millions)
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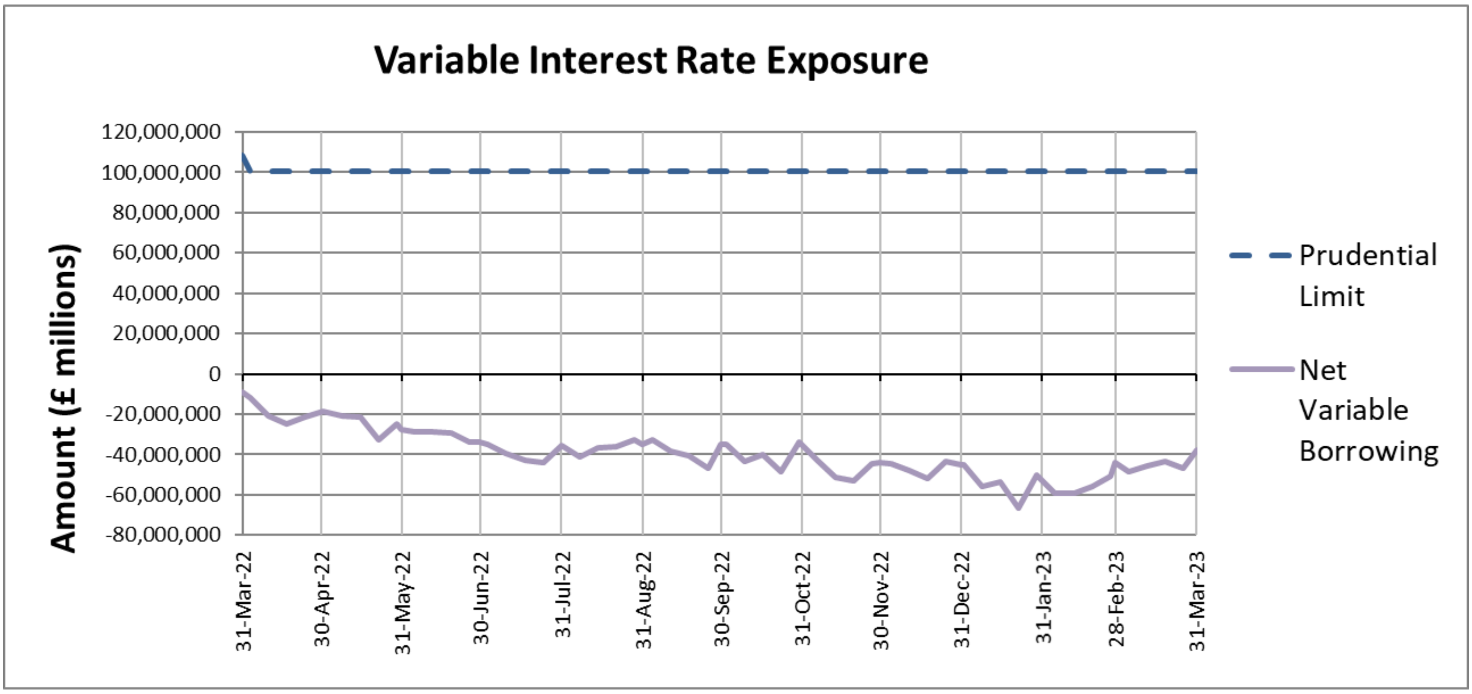
Authorised Limit
Operational Boundary
Actual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Amount (£ millions)
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30-Jun-22
31-Jul-22
31-Aug-22
30-Sep-22
31-Oct-22
30-Nov-22
31-Dec-22
31-Jan-23
28-Feb-23
31-Mar-23
Prudential Limit
Net Variable Borrowing

Performance against Treasury & Prudential Indicators 2022-23 (approved by Exec Board 8th September 2022) Appendix 3

<table>
<tr><th></th><th>Indicator 2022/23</th><th>As Approved Sept 22</th><th>Current Monitoring</th><th>Commentary</th></tr>
<tr><td></td><td>Estimated Capital Expenditure</td><td>£35.7M</td><td>£15.6M</td><td></td></tr>
<tr><td></td><td>Estimated Total Capital Financing Requirement at End of Year</td><td>£296.7M
(incl projections re LCC debt £14.8M and accumulated PFI / lease debt £68.9M)</td><td>£281.2M
(incl LCC debt £14.8M and accumulated PFI / lease debt £68.9M)</td><td></td></tr>
<tr><td></td><td>Estimated Ratio of Financing Costs to Net Revenue Stream</td><td>12.60%</td><td>6.50%</td><td></td></tr>
<tr><td></td><td>Outturn External Debt Prudential Indicators</td><td><table>
<tr><td>LCC Debt</td><td>15.0M</td></tr>
<tr><td>PFI Elements (no lease)</td><td>69.2M</td></tr>
<tr><td>Remaining Elements</td><td>235.2M</td></tr>
<tr><td>Operational Boundary</td><td>319.4M</td></tr>
<tr><td>Authorised Borrowing Limit</td><td>329.4M</td></tr>
</table></td><td><table>
<tr><th>Borrowing to Date</th><th>£M</th></tr>
<tr><td>LCC Debt</td><td>12.7</td></tr>
<tr><td>PFI Elements</td><td>57.5</td></tr>
<tr><td>BwD</td><td>138.0</td></tr>
<tr><td>Total</td><td>208.2</td></tr>
</table></td><td>LCC debt and BSF PFI debt will both fall across the year, as debt payments are made</td></tr>
<tr><td></td><td>Variable Interest Rate Exposure</td><td>£100.5M</td><td>Exposure to Date (£37.8M)</td><td>Limit not breached during the year</td></tr>
<tr><td></td><td>Fixed Interest Rate Exposure</td><td>£228.3M</td><td>Exposure to Date £125.0M</td><td>Limit not breached during the year</td></tr>
<tr><td></td><td>Prudential Limits for Maturity Structure of Borrowing</td><td><table>
<tr><th>Lower Limit</th><th>Upper Limit</th><th>Period (Years)</th></tr>
<tr><td>0%</td><td>50%</td><td><1</td></tr>
<tr><td>0%</td><td>30%</td><td>1-2</td></tr>
<tr><td>0%</td><td>30%</td><td>2-5</td></tr>
<tr><td>0%</td><td>30%</td><td>5-10</td></tr>
<tr><td>20%</td><td>95%</td><td>>10</td></tr>
</table></td><td><table>
<tr><th colspan="3">Actual Maturity Structure to Date</th></tr>
<tr><th>Period (Years)</th><th>£M</th><th>%</th></tr>
<tr><td><1</td><td>11.4</td><td>8%</td></tr>
<tr><td>1-2</td><td>15.2</td><td>11%</td></tr>
<tr><td>2-5</td><td>20.5</td><td>15%</td></tr>
<tr><td>5-10</td><td>22.7</td><td>17%</td></tr>
<tr><td>>10</td><td>68.2</td><td>49%</td></tr>
<tr><td>Total</td><td>138.0</td><td>100%</td></tr>
</table></td><td></td></tr>
<tr><td></td><td>Total Investments for Longer than 364 Days</td><td>£7M</td><td>No Long Term Investments Made</td><td></td></tr>
</table>