EXECUTIVE BOARD DECISION

REPORT OF:	Executive Member for Finance and Governance
LEAD OFFICER:	Strategic Director of Finance and Resources
DATE:	11th July 2024

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

CORPORATE TREASURY MANAGEMENT OUTTURN REPORT 2023/24

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1. PURPOSE

To report to Members the Treasury Outturn position for 2023/24.

2. RECOMMENDATIONS

The Executive Board is asked to note the Treasury Outturn position for 2023/24.

3. BACKGROUND

3.1 In March 2023, the Council agreed a Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy for 2023/24.

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 2023/24.

4. KEY ISSUES AND RISKS

4.1 Treasury Priorities

4.1.1 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.

5. 2023/24 OUTTURN

5.1 Original Strategy for 2023/24

5.1.1 The Strategy for 2023/24 was approved by Executive Board on 9th March 2023. The main aspects of the strategy 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 any available balances and short-term borrowing if required.

- 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.

5.2 External Context

Economic Background

5.2.1 UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.4% in February, but was still above the Bank of England's 2% target at the end of the period. The core measure of CPI, i.e. excluding food and energy, also slowed in February to 4.5% from 5.1% in January, a rate that had stubbornly persisted for three consecutive months.

5.2.2 The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with the economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.

5.2.3 Labour market data provided a mixed message for policymakers. Employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e. including bonuses) and 7.8% for regular pay growth (i.e. excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England's forecast.

5.2.4 Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March

2024. The vote at the March meeting was 8-1 in favour of maintaining rates at this level, with the single dissenter preferring to cut rates immediately by 0.25%. Although financial markets shifted their interest rate expectations downwards with expectations of a cut in June, the MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.

5.2.5 In the Bank's quarterly Monetary Policy Report (MPR) released in August 2023 the near-term projection for services price inflation was revised upwards, goods price inflation widespread across products, indicating stronger domestic inflationary pressure with second-round effects in domestic prices and wages likely taking longer to unwind than they did to emerge. In the February 2024 MPR the Bank's expectations for the UK economy were positive for the first half of 2024, with a recovery from the mild recession in calendar H2 2023 being gradual. Headline CPI was forecast to dip below the 2% target quicker than previously thought due to declining energy prices, these effects would hold inflation slightly above target for much of the forecast horizon.

5.2.6 Following this MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most likely start to be cut later in H2 2024. The risks in the short-term are deemed to be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.

5.2.7 The US Federal Reserve also pushed up rates over the period, reaching a peak range of between 5.25-5.50% in August 2023, where it has stayed since. US policymakers have maintained the relatively dovish stance from the December FOMC meeting and at the meeting in March, economic projections pointed to interest rates being cut by a total of 0.75% in 2024.

5.2.8 Following a similarly sharp upward trajectory, the European Central Bank hiked rates to historically high levels over period, pushing its main refinancing rate to 4.5% in September 2023, where it has remained. Economic growth in the region remains weak, with a potential recession on the cards, but inflation remains sticky and above the ECB's target, putting pressure on policymakers on how to balance these factors.

Financial Markets

5.2.9 Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October they started declining again before falling sharply in December as falling inflation and dovish central bank attitudes caused financial markets to expect cuts in interest rates in 2024. When it emerged in January that inflation was stickier than expected and the BoE and the Federal Reserve were data dependent and not inclined to cut rates soon, yields rose once again, ending the period some 50+ bps higher than when it started.

5.2.10 Over the financial year, the 10-year UK benchmark gilt yield rose from 3.44% to peak at 4.75% in August, before then dropping to 3.44% in late December 2023 and rising again to 3.92% (28th March 2024). The Sterling Overnight Rate (SONIA) averaged 4.96% over the period to 31st March.

Credit Review

5.2.11 In response to an improving outlook for credit markets, in January 2024 Arlingclose moved away from its previous temporary stance of a 35-day maximum duration and increased its advised recommended maximum unsecured duration limit on all banks on its counterparty list to 100 days.

5.2.12 Earlier in the period, S&P revised the UK sovereign outlook to stable and upgraded Barclays Bank to A+. Moody's also revised the UK outlook to stable, Handelsbanken's outlook to negative, downgraded five local authorities, and affirmed HSBC's outlook at stable while upgrading its Baseline Credit Assessment. Fitch revised UOB's and BMO's outlooks to stable.

5.2.13 In the final quarter of the financial year, Fitch revised the outlook on the UK sovereign rating to stable from negative based on their assessment that the risks to the UK's public finances had decreased since its previous review in October 2022, the time of the mini- budget.

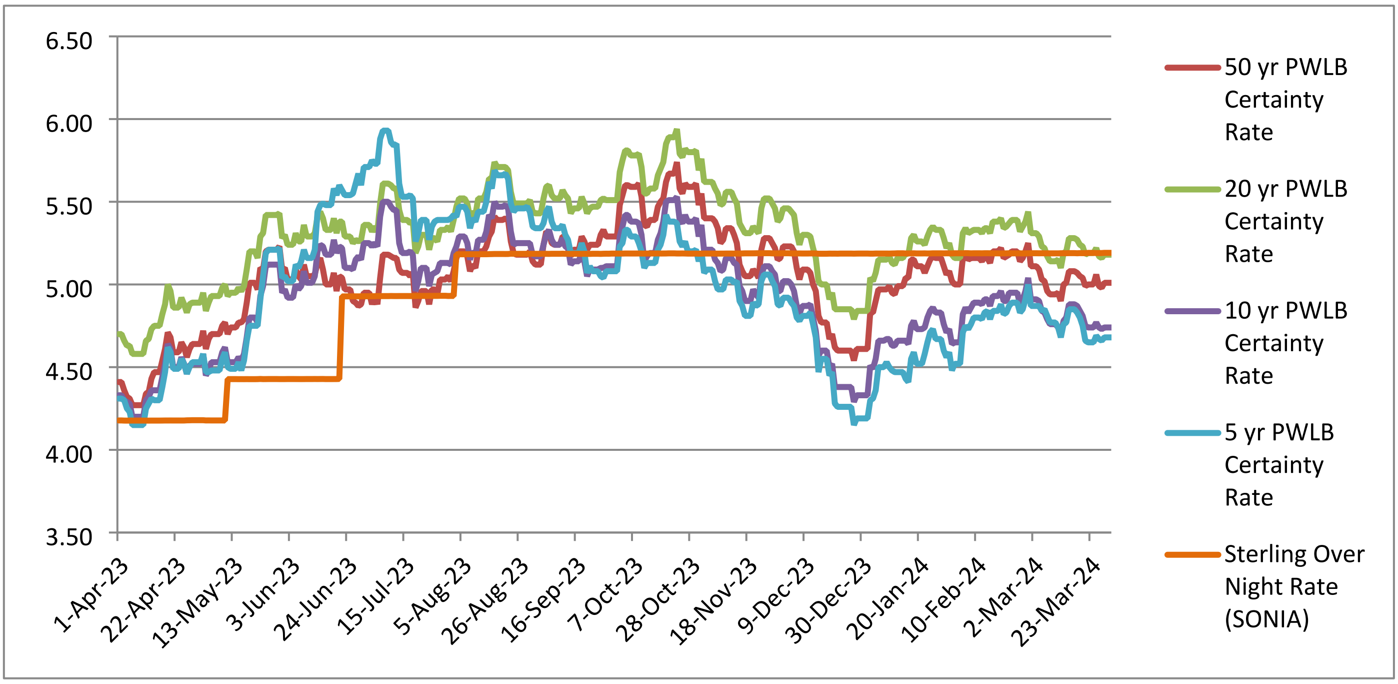
5.2.14 Moody's, meanwhile, upgraded the long-term ratings of German lenders Helaba, Bayern LB and LBBW on better solvency and capital positions, despite challenges from a slowing German economy and exposure to the commercial real estate sector. Moody's also upgraded or placed on review for an upgrade, Australian banks including ANZ, CBA NAB and Westpac on the back of the introduction of a new bank resolution regime.

5.2.15 Credit default swap prices began the financial year at elevated levels following the fallout from Silicon Valley Bank and collapse/takeover of other lenders. From then the general trend was one of falling prices and UK lenders' CDS ended the period at similar levels to those seen in early 2023. Earlier in the year some Canadian lenders saw their CDS prices rise due to concerns over a slowing domestic economy and housing market, while some German lenders were impacted by similar economic concerns and exposure to commercial real estate towards the end of the period, with LBBW remaining the most elevated.

5.2.16 Heightened market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

5.2.17 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 2023/24:-



5.3 Treasury Management Performance 2023/24

5.3.1 By 31st March 2024, the Council had net borrowing of around £50M, arising from its revenue and capital income and expenditure, a decrease of £37M 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 2023 £M	2023/24 Movement £M	31 Mar 2024 £M
General Fund CFR	281.2	(10.2)	271.0
Less: CFR re Debt -			
Managed by Lancashire County Council (LCC)	(14.8)	0.3	(14.5)
Re Private Finance Initiative (PFI) Arrangements	(68.9)	0.2	(68.7)
Loans / Borrowing CFR	**197.5**	**(9.7)**	**187.8**
Less: Usable Reserves and Working Capital	(110.3)	(27.4)	(137.7)
Net Borrowing (excludes LCC and PFI debt)	**87.2**	**(37.1)**	**50.1**

5.3.2 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.

5.3.3 The treasury management position at 31st March 2024 and the change during the year is shown in the table below:

Table 2: Treasury Management Summary

	31 Mar 2023 Balance £M	Movement £M	31 Mar 2024 Balance £M	31 Mar 2024 Rate %
Long-term Borrowing	138.0	(8.4)	129.6	3.9%
Short-term borrowing	0.0	0.0	0.0	
Other Debt (PFI and Debt Managed by LCC)	70.2	(3.1)	67.1	
Total Borrowing	**208.2**	**(11.5)**	**196.7**	
Short-term Investments	33.5	30.4	63.9	5.8%
Cash and Cash Equivalents	17.3	(1.7)	15.6	5.2%
Total Investments	**50.8**	**28.7**	**79.5**	
Net Borrowing	**157.4**	**(40.2)**	**117.2**	

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

(a) Principal repayments of £3.4M on PWLB EIP (Equal Instalment of Principal) loans,
(b) The repayment of a LOBO (Lender Option, Borrower Option) loan of £5.0M to Dexia Credit Local due to the lender exercising their option to increase the interest rate in December 2023,
(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.

5.3.5 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.

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

Table 3: Treasury Revenue Outturn 2023/24

Outturn 2022/23 £'000		Original Budget 2023/24 £'000	Outturn 2023/24 £'000	Variance to Budget 2023/24 £'000
5,531	Interest paid on borrowing – long term debt	5,430	5,154	(276)
104	Interest paid on borrowing – short term debt	1,073	0	(1,073)
357	Interest paid on debt managed by LCC	492	554	62
5,731	PFI interest paid	5,765	5,644	(121)
(1,315)	Interest – treasury / other minor elements	(1,300)	(4,457)	(3,157)
5,792	MRP on Council borrowing	6,142	5,938	(204)
210	MRP on PFI debt	228	228	0
188	MRP on debt managed by LCC	195	195	0

5.3.7 Interest paid on borrowing in 2023/24 was around £1M less than the original estimate, primarily reflecting the decision not to take any additional debt during the year but also due to the repayment of the LOBO loan.

5.3.8 The average investment balance over the year has increased to £89M (£66M in 2022/23). 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**).

5.3.9 Investment interest rates were high at the beginning of the year and increased throughout in line with Bank Rate rises. Funds have continued to be invested for relatively 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 £1.3M in 2022/23 to £4.5M in 2023/24.

5.3.10 The average rate of return for the whole financial year was 4.89% (against 1.98% in 2022/23).

5.4 Borrowing Update

5.4.1 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

5.4.2 The Authority has not invested in assets primarily for financial return or that are not primarily related to the functions of the Authority. It has no plans to do so in future.

5.4.3 At 31st March 2024, the authority held £196.7M of loans, a decrease of £11.5M compared to 31st March 2023, 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 2023 Principal (£M)	Rate / Return	Average Life (Yrs)	31 Mar 2024 Principal (£M)	Rate / Return	Average Life (Yrs)
Fixed Rate Funding:						
Public Works Loan Board	120.0	3.84%	16.9	116.6	3.94%	16.4
Market Debt (Long Term)	10.0	4.47%	31.6	10.0	4.47%	30.6
Market Debt (Short Term)	0.0			0.0		
	130.0			**126.6**		
Variable Rate Funding:						
Public Works Loan Board	0.0			0.0		
Market Debt	8.0	4.50%	18.0	3.0	4.75%	13.4
	8.0			**3.0**		
Loans Taken by Blackburn with Darwen Borough Council	**138.0**			**129.6**		
Debt from PFI Arrangements	57.5			55.2		
Debt Managed by LCC	12.7	2.80%		11.9	4.37%	
Total Debt	**208.2**			**196.7**		

5.4.4 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.

5.4.5 In-keeping with these objectives, no new borrowing was taken during the year, while £8.4M 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.

5.4.6 **LOBO loans**: The Authority continues to hold £8.0M 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. Dexia Credit Local exercised this option during the year, and a loan of £5.0M was subsequently repaid in December 2023 (included in the £8.4M above).

5.5 Treasury Investment Update

5.5.1 The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Authority'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.

5.5.2 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £51M and £106M due to timing differences between income and expenditure.

5.5.3 The overall investment position as at 31st March 2024 is shown in the table below.

Table 5: Treasury Investment Position

	31 Mar 2023 Balance £M	Movement £M	31 Mar 2024 Balance £M	31 Mar 2024 Income Return %
Banks and Building Societies (unsecured)	0.0	0.0	0.0	4.3%
Government (incl Local Authorities)	33.5	30.4	63.9	5.8%
Money Market Funds	17.3	(1.7)	15.6	5.2%
Total Investments	**50.8**	**28.7**	**79.5**	**5.7%**

5.5.4 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.

5.5.5 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 5.11% and 5.29%.

5.5.6 Similarly, deposit rates with the Debt Management Account Deposit Facility (DMADF) increased significantly throughout the year and by 31st March were between 5.08% and 5.19% depending on the deposit maturity. The average return on the Authority's DMADF deposits during the year was 4.89%.

5.6 Treasury Management Prudential Indicators

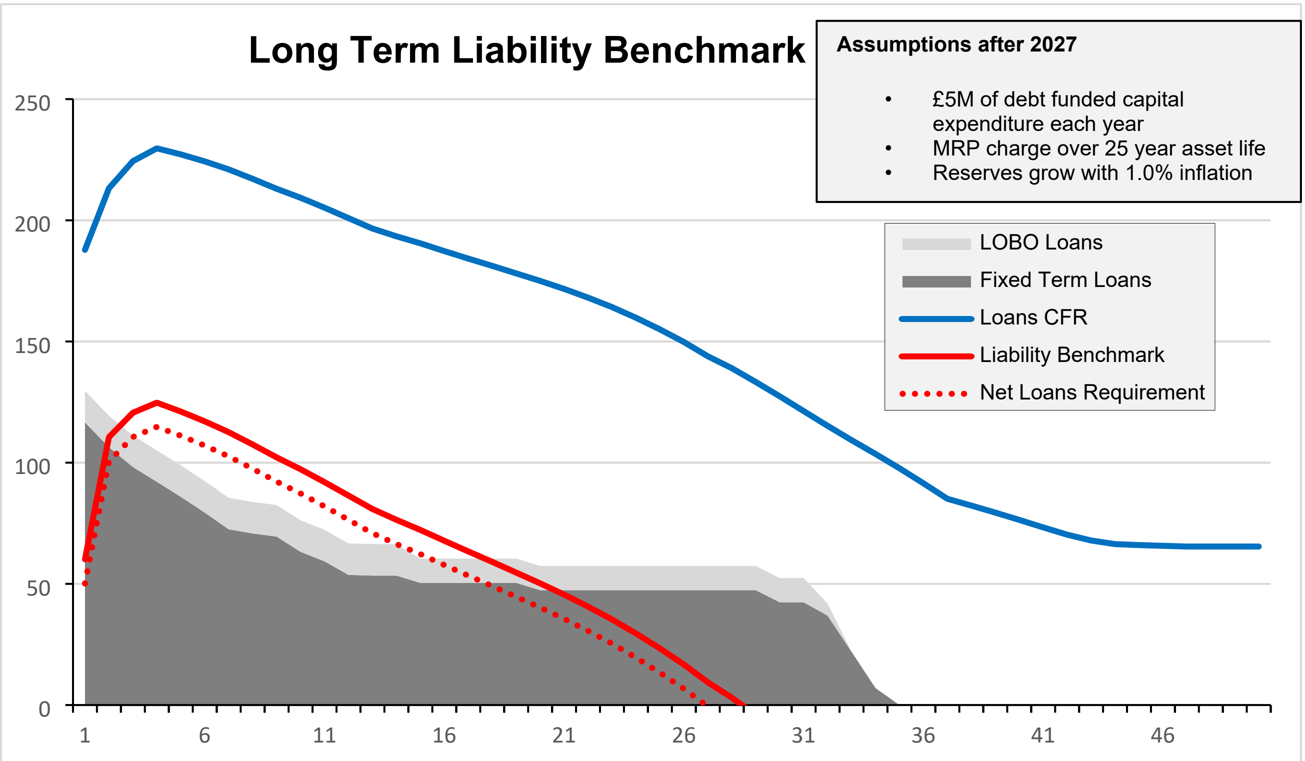
5.6.1 As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures a number of treasury management prudential indicators.

5.6.2 **Liability Benchmark:**

This new indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £10m required to manage day-to-day cash flow.

	31.3.24 Actual	31.3.25 Forecast	31.3.26 Forecast	31.3.27 Forecast
Loans CFR	187.8	213.2	224.4	229.7
Less: Balance sheet resources	(137.7)	(112.7)	(113.8)	(114.9)
Net loans requirement	50.1	100.5	110.6	114.8
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	**60.1**	**110.5**	**120.6**	**124.8**
Existing borrowing	**129.6**	**119.4**	**111.2**	**105.1**

5.6.3 Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £5m a year, minimum revenue provision on new capital expenditure based on a 25-year asset life and income, and expenditure and reserves all increasing by inflation of 1% p.a. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing.



5.6.4 The position with regard to performance against other Treasury / Prudential Indicators in 2023/24 is summarised in Appendix 2 and 3. There was no breach of the Authorised Borrowing Limit or the Operational Boundary (set for management purposes).

5.6.5 Outturn capital spend was £19.5M, which is below the £42.3M anticipated at the start of the year.

5.7 Compliance

5.7.1 The Strategic Director of Finance and Resources as 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.

5.8 Treasury Management Consultancy

5.8.1 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.

5.8.2 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.

5.9 Other

5.9.1 ***IFRS 16***: 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 that 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 Authority intends to adopt the new standard on 1st April 2024.

6. Risk Management

6.1 The Council's key priorities for managing its investments are the security and liquidity of its funds, before seeking the best rate of return. Most surplus cash is therefore held as short-term investments with the UK Government, highly rated banks and pooled funds.

6.2 The Council's primary objective for the management of its debt is to ensure its long-term affordability. The largest part of its loans is from the Public Works Loan Board at long-term fixed rates of interest.

6.3 A combination of short duration investments and long duration debt exposes the Council to the risk of falling investment income during periods of low interest rates. However, the risk of low investment returns is considered to be of lower priority compared to the benefits of optimising the security and liquidity of investments, and the savings made on borrowing costs.

7. FINANCIAL IMPLICATIONS

7.1 The financial implications arising from the 2023/24 Treasury Outturn have been incorporated into the body of this report.

8. LEGAL IMPLICATIONS

8.1 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.

8.2 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.

9. POLICY IMPLICATIONS, RESOURCE IMPLICATIONS, CONSULTATIONS

None

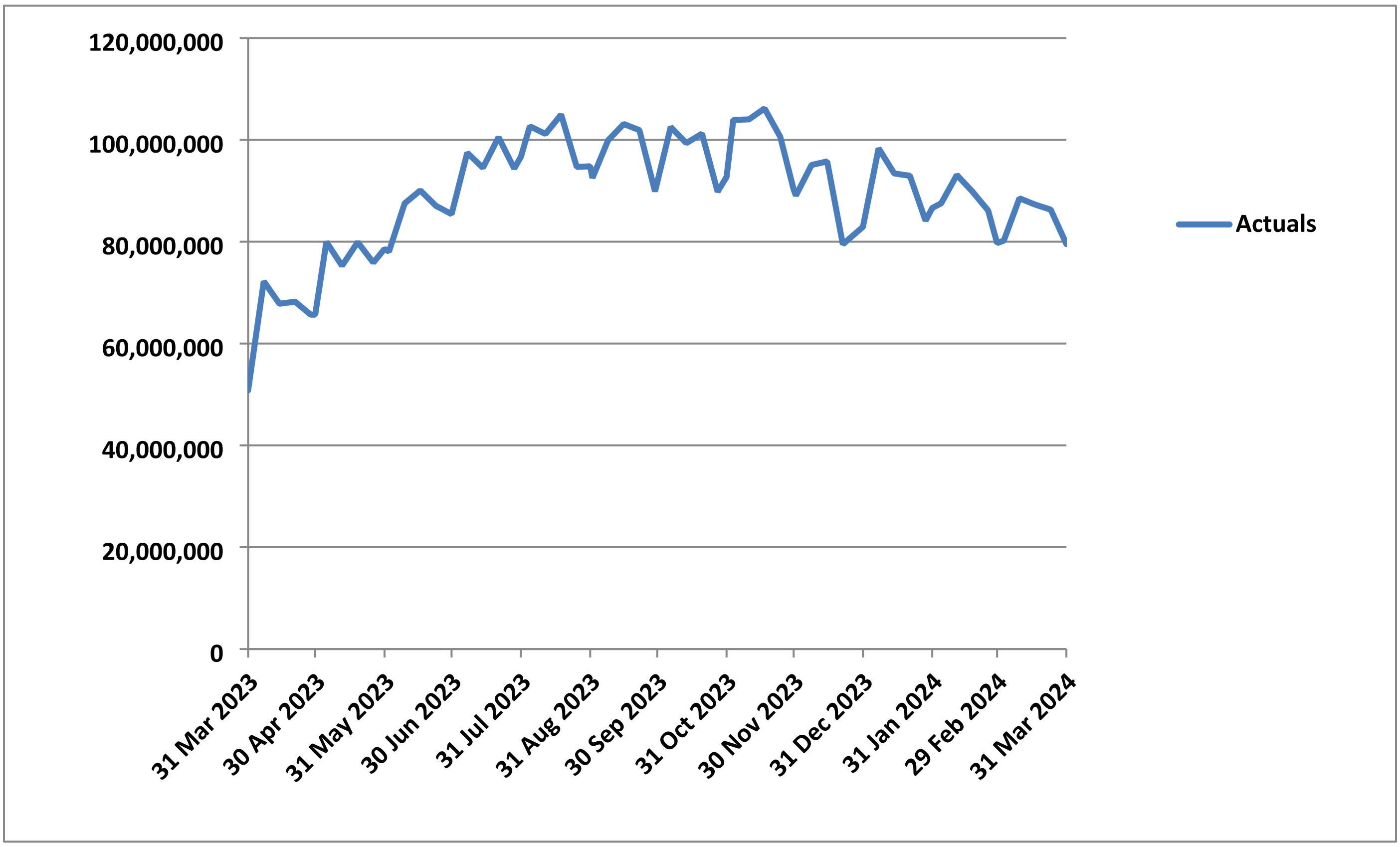
10. STATEMENT OF COMPLIANCE

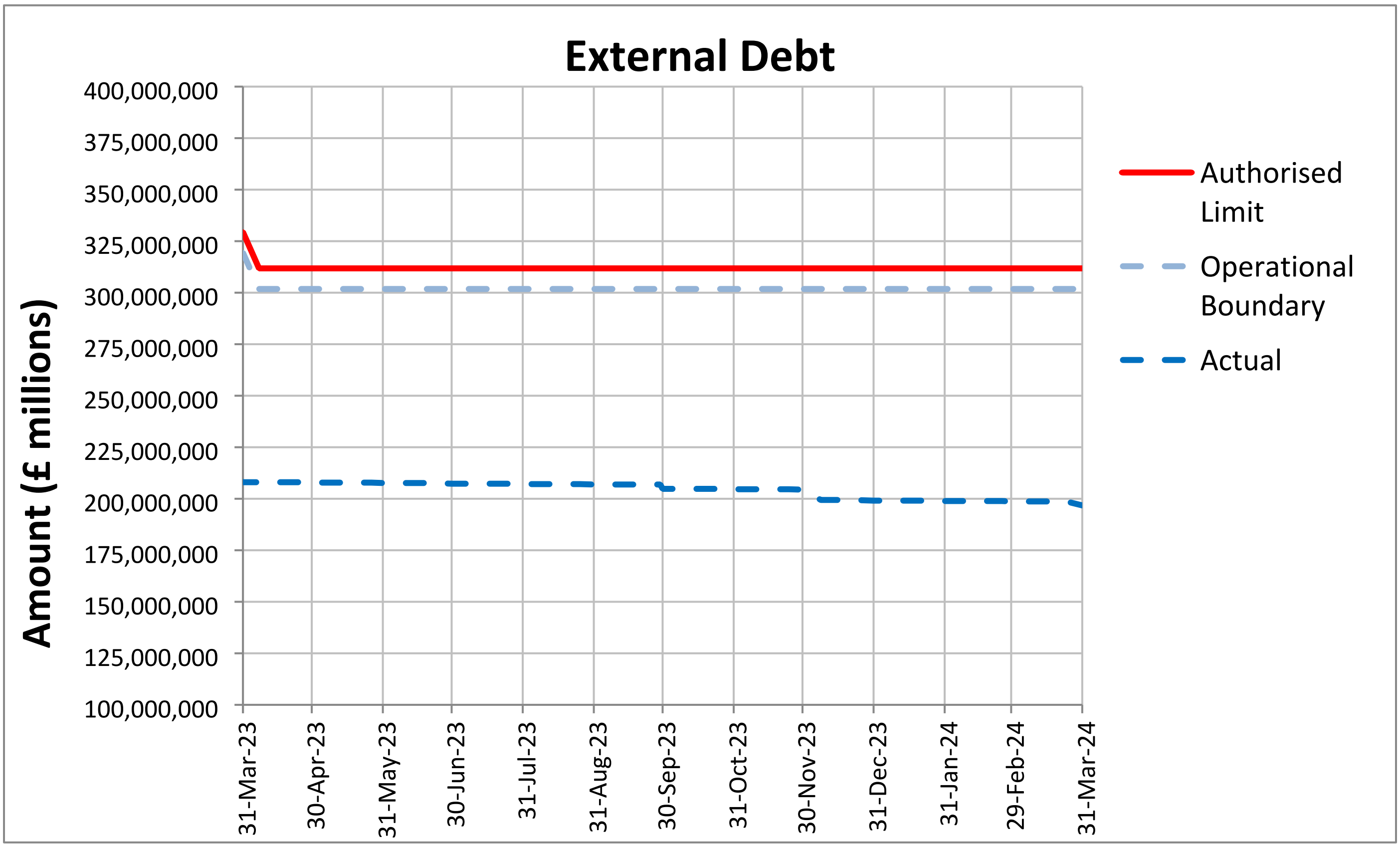
The recommendations are made further to advice from the Monitoring Officer and the Strategic Director of Finance and Resources as Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment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

VERSION:	**0.01**

CONTACT OFFICER:	Jenny Bradley – Finance Manager extn 267681 Simon Ross – Head of Finance extn 585569
DATE:	June 2024
BACKGROUND PAPER:	Treasury Management strategy for 2023/24 approved at Executive Board on the 9th March 2023.

Weekly Investment Balances **2023/24** **Appendix 1**




External Debt
400,000,000
375,000,000
350,000,000
325,000,000
300,000,000
275,000,000
250,000,000
225,000,000
200,000,000
175,000,000
150,000,000
125,000,000
100,000,000
Amount (£ millions)
31-Mar-23
30-Apr-23
31-May-23
30-Jun-23
31-Jul-23
31-Aug-23
30-Sep-23
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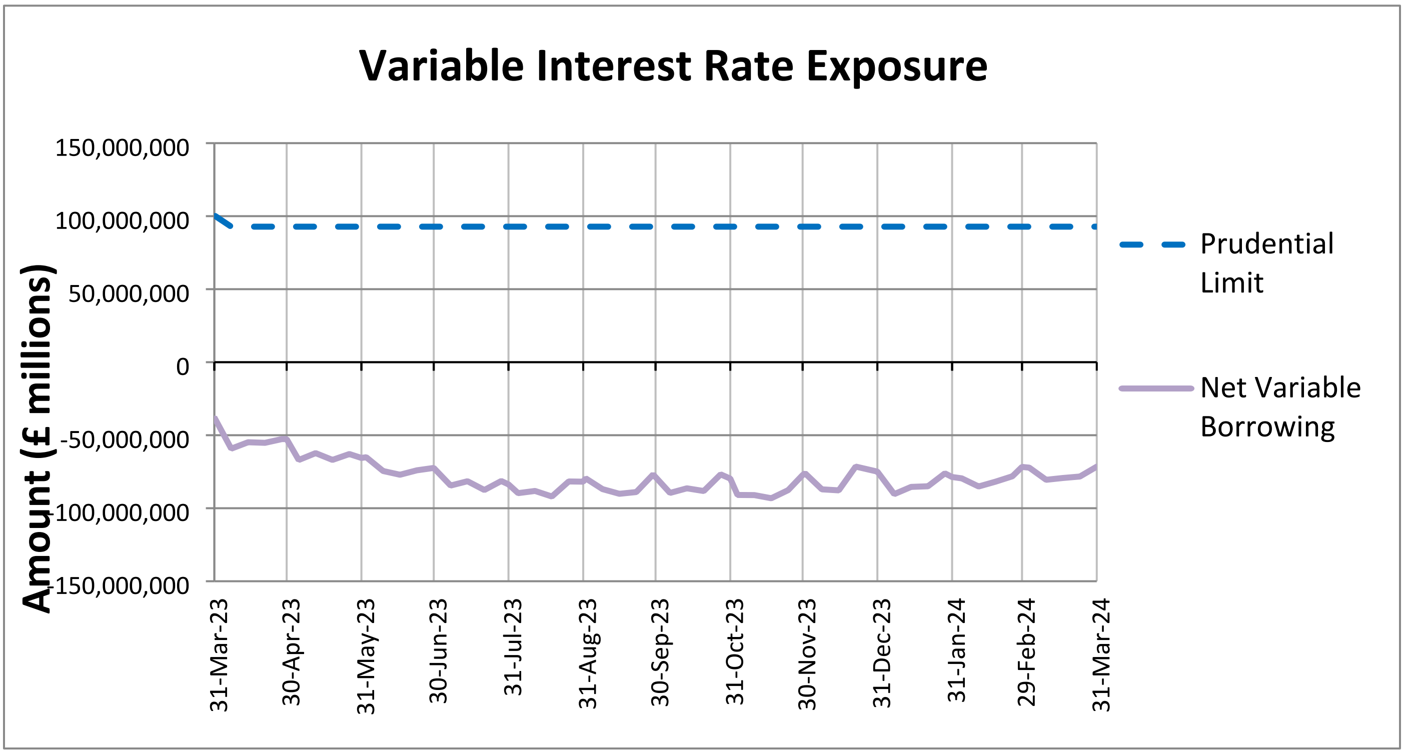
31-Jan-24
29-Feb-24
31-Mar-24
Authorised Limit
Operational Boundary
Actual


Variable Interest Rate Exposure
150,000,000
100,000,000
50,000,000
0
-50,000,000
-100,000,000
-150,000,000
Amount (£ millions)
31-Mar-23
30-Apr-23
31-May-23
30-Jun-23
31-Jul-23
31-Aug-23
30-Sep-23
31-Oct-23
30-Nov-23
31-Dec-23
31-Jan-24
29-Feb-24
31-Mar-24
Prudential Limit
Net Variable Borrowing

Performance against Treasury & Prudential Indicators 2023/24 (approved by Exec Board 9th March 2023) Appendix 3

<table>
<tr><th></th><th>Indicator 2023/24</th><th>As Approved March 23</th><th>Current Monitoring</th><th>Commentary</th></tr>
<tr><td></td><td>Estimated Capital Expenditure</td><td>£42.3M</td><td>£19.5M</td><td></td></tr>
<tr><td></td><td>Estimated Total Capital Financing Requirement at End of Year</td><td>£291.8M
(incl projections re LCC debt £14.5M and accumulated PFI / lease debt £68.7M)</td><td>£271.0M
(incl LCC debt £14.5M and accumulated PFI / lease debt £68.7M)</td><td></td></tr>
<tr><td></td><td>Estimated Ratio of Financing Costs to Net Revenue Stream</td><td>10.6%</td><td>7.8%</td><td></td></tr>
<tr><td></td><td>Proportion of Net income from Commercial and Service Investments to Net Revenue Stream</td><td>0.3%</td><td>0.9%</td><td></td></tr>
<tr><td></td><td>Outturn External Debt Prudential Indicators</td><td><table>
<tr><td>LCC Debt</td><td>14.8M</td></tr>
<tr><td>PFI Elements (no lease)</td><td>68.9M</td></tr>
<tr><td>Remaining Elements</td><td>218.1M</td></tr>
<tr><td>Operational Boundary</td><td>301.8M</td></tr>
<tr><td>Authorised Borrowing Limit</td><td>311.8M</td></tr>
</table></td><td><table>
<tr><th>Borrowing to Date</th><th>£M</th></tr>
<tr><td>LCC Debt</td><td>11.9</td></tr>
<tr><td>PFI Elements</td><td>55.2</td></tr>
<tr><td>BwD</td><td>129.6</td></tr>
<tr><td>Total</td><td>196.7</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>£92.8M</td><td>Exposure to Date (£71.5M)</td><td>Limit not breached during the year</td></tr>
<tr><td></td><td>Fixed Interest Rate Exposure</td><td>£212.1M</td><td>Exposure to Date £121.6M</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>18.2</td><td>14%</td></tr>
<tr><td>1-2</td><td>8.2</td><td>6%</td></tr>
<tr><td>2-5</td><td>18.9</td><td>15%</td></tr>
<tr><td>5-10</td><td>20.0</td><td>15%</td></tr>
<tr><td>>10</td><td>64.3</td><td>50%</td></tr>
<tr><td>Total</td><td>129.6</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>