Kirklees COUNCIL

Name of meeting: Corporate Governance and Audit Committee

Date: 16 June 2023

Title of report: Annual Report on Treasury Management 2022/23

Purpose of report
Financial Procedure Rules (Section 9.5) require that the Council receives an annual report on Treasury Management activities for the previous financial year. The report to this committee reviews borrowing and investment performance before it is considered by Cabinet and Council.

Key Decision - Is it likely to result in spending or saving £500k or more, or to have a significant effect on two or more electoral wards?	**Not applicable**
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	**Yes**
The Decision - Is it eligible for "call in" by Scrutiny?	**Yes**
Date signed off by Service Director **Is it also signed off by the Service Director - Finance?** **Is it also signed off by the Service Director for Governance and Commissioning Support?**	**Dean Langton 8 June 2023** **As above** **Julie Muscroft 8 June 2023**
Cabinet member portfolio	**Cllr Paul Davies**

Electoral wards affected: Not applicable

Ward councillors consulted: Not applicable

Public or private: **Public**

GDPR: This report contains no information that falls within the scope of General Data Protection Regulations

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1. Summary

1.1 The Council's treasury management operation for the year has followed the strategy approved by Council on 16 February 2022. Investments averaged £61.1 million and were largely deposited in instant access accounts earning an average interest rate of 1.92%.

1.2 Total external borrowing at 31 March 2023 increased by £144.9 million to £613.8 million (£468.9 million as at 31 March 2022). The Council took £70.0 million new Government long term loans from the Public Works Loan Board (PWLB) (see paragraph 2.6.3 for more detail) and an additional £35.0 million Local Authority medium term 2 to 3 year loans (see paragraph 2.6.4 for more detail). Temporary borrowing increased for the year by £60.5 million to £82.0 million (£21.5 million 31st March 2022). The average long-term borrowing rate for 2022/23 relating to all long-term debt on the balance sheet was 3.67%. Short-term borrowing rates averaged 1.34%.

1.3 In 2017/18 the Council approved a revision to its Minimum Revenue Provision (MRP) policy, which relates to the amount of revenue resources set aside each year to provide for its outstanding debt repayments over the longer term. This was done by updating its approach to Supported Borrowing from 2007/08 onwards, moving from a 4% reducing balance to an annuity basis in its repayment of debt.

1.4 In updating the approach the Council effectively over-provided in previous years the re-payment of debt to the sum of £91.1 million. Within the Treasury Management Strategy 2018/19 the Council set out its approach to unwind this over-provision at £9.1 million each year over the next 10 years, starting from 2017/18 onwards.

1.5 Following approval within the 2018/19 Treasury Management Strategy there was a further increase in the un-winding in the General Fund MRP for 2022/23. The maximum amount of un-wind in any one year cannot be more than the overall annual MRP calculation, as otherwise the Council would end up in a negative MRP position, which is not allowable under accounting rules. The calculation estimated for 2022/23 was £13.7 million. The actual MRP calculation for 2022/23 was £17.2 million and hence the maximum unwind allowable. However, in 2022/23 the actual unwind was in-line with the budget at £13.7 million.

1.6 Treasury management costs incurred in the year include £10.8 million on net interest payments. The Council complied with its treasury management prudential indicators in the year.

2. Information required to take a decision

2.1 Background

2.1.1 The Council has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and operates its treasury management service in compliance with this Code and various statutory requirements. These require that the prime objective of the activity is to secure the effective management of risk, and that borrowing is undertaken on a prudent, affordable and sustainable basis.

2.1.2 Council Financial Procedure Rules require that the Council receives an annual report on Treasury Management activities for the year. Cabinet is responsible for the implementation and monitoring of the treasury management policies. Corporate Governance and Audit Committee undertake a scrutiny role with regard to treasury management.

2.1.3 In reviewing 2022/23 performance, reference will be made to the Treasury Management Strategy Report approved by Budget Council on 16 February 2022.

2.2 Borrowing and Investment Strategy 2022/23

2.2.1 The Council's overall Treasury Management Strategy prioritises security and liquidity of its investments before seeking a higher rate of return. which was adhered to in 2022/23. The Council aims to invest externally, balances of £30 million, largely for the purpose of managing day-to-day cash flow requirements. The investment strategy is designed to minimise risk and the Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

2.2.2 As outlined in the Treasury Strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The Council pursued its strategy of keeping borrowing and investments below their underlying levels, known as internal borrowing.

2.3 The Economy and Interest Rates

2.3.1 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.

2.3.2 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.

2.3.3 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.

2.3.4 The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period December-February showed an unemployment rate of 3.7%. The inactivity rate was 21.3% in the December-February quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December-February at as 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.

2.3.5 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 Gross Domestic Product 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 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%.

2.3.6 The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.

2.3.7 Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility. Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.

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

2.3.9 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.

2.4 Investment Activity

2.4.1 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 represent balances that need to be invested until the cash is required for use in the course of business.

2.4.2 The Council's treasury management investments totalled £44.0 million as at 31 March 2023 (£78.9 million 31 March 2022). The Council invested an average balance of £61.1 million externally during the year (£37.9 million 2021/22). Interest income of £0.983 million was generated through these investments (£0.034 million 2021/22) and £0.379 million dividend income from the CCLA Property Fund (£0.349 million 2021/22). Appendix 1 shows where investments were held at the beginning of April 2022, the end of September 2022 and the end of March 2023, by counterparty, by sector and by country. The Council's average lending rate for the year was 1.92% (0.12% 2021/22).

2.4.3 The majority of investments were placed in liquid instruments such as instant access bank deposit accounts, DMO (Debt Management Office) and Money Market Funds (MMFs). MMFs offer greater diversification of counterparties, thus lowering risk as well as instant access.

2.4.4 The bank rate has increased from 0.75% at the beginning of the year to 4.25% at the end of March 2023. Short-dated cash rates, which had ranged between 0.7% to 1.5% at the beginning of April, rose by around 3.5% for overnight and 7 day maturities and 3.3% for 6 to 12 month maturities. By the end of March 2023, the rates on DMO deposits ranged between 4.05% and 4.15%.

2.4.5 The Council continues to hold £10 million investment in the Local Authorities Pooled Investment Fund (LAPF). The Local Authorities Property Fund was established in 1972 and is managed by CCLA Fund Managers. As at March 2023 there are assets under management of £1,203 million. The Fund aims to provide investors with regular revenue income and long-term price stability and it is an actively managed, diversified portfolio of UK commercial property. It principally invests in UK assets but may invest in other assets.

2.4.6 The fund returned a gross dividend yield of 3.09% in 2022/23 (3.25% 2021/22), which compares favourably with an average 1.92% on other short-term investments (see paragraph 2.4.2 above). Net income of £0.379 million was received by the Council in 2022/23 (£0.349 million in 2021/22).

2.4.7 Rapid rises in yields caused damage to property fund valuations with tighter financial conditions and challenges in some segments of commercial estates such as offices and high street shops which saw commercial property values fall during 2022, with a large fall in the final quarter.

2.4.8 Strategic fund investments are made in the knowledge that capital values will move both up and down over time. Unrealised cumulative capital losses of £1.1 million will not have an impact on the General Fund as the Council is utilising a Government statutory override for pooled investment funds. Under the Regulations, gains and losses resulting from unrealised fair value movements, that otherwise must be recognised in the income and expenditure account under IFRS9, are not currently charged to the revenue account, and must be taken into an unusable reserve account.

2.4.9 The DHLUC published a consultation on the IFRS9 pooled investment fund statutory override for English Authorities which was due to expire with effect from 31 March 2023. The override will be extended for two years and therefore remain in place for the 2023/24 and 2024/25 financial years.

2.5 Borrowing Update

2.5.1 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 Finance Requirement (CFR) and so may lead to new borrowing, unless directly and primarily related to the functions of the Council. PWLB loans are no longer available to buy investment assets primarily for yield unless these loans are for refinancing purposes.

2.5.2 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. There are no aspects of the Council's current multi-year plan that are expected to be in breach of the Code.

2.5.3 The cost of both long and short-term borrowing rose dramatically over the year, with rates at the end of March 2023 over 3.0pp higher than those at the beginning of April 2022. Rate rises have been driven primarily by inflation and the need for central banks to control this by raising interest rates. PWLB rates remain volatile and well above historical norms. The PWLB 10 year maturity certainty rate stood at 4.33% at 31 March 2023, 20 years at 4.70% and 30 years at 4.66%.

2.5.4 A new HRA PWLB rate of gilt yield plus 0.4% (0.4% below the currently available certainty rate) was announced on 15 March 2023. The discounted rate is to support Local Authorities borrowing for Housing Revenue Accounts and the delivery of social housing and is expected to be available from June 2023, initially for a period of one year.

2.6 Borrowing Activity

2.6.1 In terms of borrowing, long-term loans maturing greater than one year totalled £512.8 million and short-term loans maturing within 12 months (excluding interest accrued) totalled £101.0 million (£442.3 million and £26.6 million 31 March 2022), an overall increase of £144.9 million. Appendix 2 details repayments of long-term loans during the year and short-term loans outstanding as at 31 March 2023.

2.6.2 The Council has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark, which also takes into account usable reserves and working capital. 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. Having considered the appropriate duration and structure of the borrowing need based on realistic projections, it was decided to take a combination of short-term borrowing and longer-term repayment loans.

2.6.3 The Council borrowed £70.0 million of new long-term EIP loans from the PWLB in 2022/23. These loans were taken throughout the year.

	Amount £m	**Rate %**	**Start date**	**Maturity date**
PWLB (538379)	20.0	2.60	9 Aug 22	9 Aug 42
PWLB (594601)	15.0	4.10	31 Jan 23	31 Jan 38
PWLB (594848)	15.0	3.99	1 Feb 23	1 Feb 37
PWLB (608189)	20.0	4.15	21 Mar 23	21 Mar 38
Total	**70.0**			

An EIP loan pays back principal over the life of the loan, and the interest associated with the loan goes down as the principal outstanding reduces.

2.6.4 As the bank base rate rose significantly during the period along with PWLB rates, the Council took advantage of medium-term loans over a 2 to 3 year time frame, achieving slightly lower interest rates for the period compared to the PWLB and securing the funds needed. The table below shows £35.0 million of loans taken during 2022/23, there is a further 3 year loan of £5.0 million taken in 2021/22 still outstanding at 31 March 2023.

	Amount £m	Rate %	Start date	Maturity date
Crawley Borough Council	5.0	0.50	1 Apr 22	2 Apr 24
South Yorkshire Mayoral Combined Authority	10.0	1.50	1 Apr 22	1 Apr 25
Leicester City Council	5.0	0.75	13 Apr 22	12 Apr 24
Leicester City Council	10.0	2.00	15 Jul 22	15 Jul 25
Oxfordshire County Council	5.0	2.00	15 Aug 22	15 Aug 25
Total	**35.0**			

2.6.5 Fixed rate loans account for 88.02% of total long-term debt (see also Appendix 5) giving the Council stability in its interest costs. The maturity profile for all long-term loans is shown in Appendix 3 and shows that no more than 6.44% of all debt is due to be repaid in any one year. This is good practice as it reduces the Council's exposure to a substantial borrowing requirement in any one particular future year, when interest rates might be at a relatively high level.

2.6.6 The primary source of the Council's borrowing is from the Governments PWLB representing 71.27% of total external borrowing.

2.6.7 The Council continues to hold £61.5 million of LOBO (Lender's Option Borrower's Option) loans which represents 11.56% of total external borrowing. LOBO loans are where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option to propose an increase in the interest rates during the year.

2.6.8 The table below sets out the actual external borrowing requirement against estimated requirements;

	2021/22 £m actual	2022/23 £m forecast	2022/23 £m actual
General Fund CFR - Non PFI	556.1	618.0	617.0
PFI	39.4	35.5	35.5
HRA CFR - Non PFI	166.0	175.3	168.0
PFI	45.2	42.7	42.7
Total CFR	**806.7**	**871.5**	**863.2**
Less: PFI debt liabilities	84.6	78.2	78.2
: Other deferred liabilities	3.6	3.6	3.5
Borrowing CFR	**718.5**	**789.7**	**781.5**
External borrowing:			
PWLB Loans	313.3	358.9	379.0
LOBOs	61.5	61.5	61.5
Loan Stock (Fixed Rate)	7.0	7.0	7.0
Other LT Loans (Fixed Rate)	45.6	44.3	44.3
Other MT Loans (Fixed Rate)	20.0	40.0	40.0
Temporary borrowing	21.5	74.0	82.0
Total External borrowing	**468.9**	**585.7**	**613.8**
Internal borrowing *	**249.6**	**204.0**	**167.7**
Investments	78.9	30.0	44.0

* This is the amount the Council still needs to borrow to fund its capital programme (and which is currently being funded from internal resources such as reserves and working capital)

2.6.9 In terms of debt rescheduling, the premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity in 2022/23.

2.6.10 The average long-term borrowing rate for 2022/23 for the Council's long-term loans outstanding was 3.67% (3.84% 2021/22).

2.7 Trends in treasury management activity

2.7.1 Appendix 4 shows the Council's borrowing and investment trends over the last 6 years. This highlights the current trend of borrowing shorter and longer term to fund cashflow.

2.8 Risk and Compliance Issues

2.8.1 The Council reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy, including the prudential indicators. Details can be found in Appendix 5. Indicators relating to affordability and prudence are highlighted in this appendix.

2.8.2 When the Council has received unexpected monies late in the day, officers have no alternative but to put the monies into the Barclays Business Reserve Account overnight. The largest daily amount deposited in this account overnight as a result of unexpected late receipts was £2.1 million. Whilst this is not an ideal situation, the Council is still within investment limits as per the Treasury Management Strategy which is set at £10.0 million per counterparty.

2.8.3 In line with Council Treasury Management Strategy, the Council has not placed any direct investments in companies as defined by the Carbon Underground 200.

2.8.4 The Council is aware of the risks of passive management of the treasury portfolio and, with the support of the Council's consultants (Arlingclose), has proactively managed the debt and investments over the year.

2.8.5 The CIPFA Code of Practice requires that treasury management performance be subject to regular member scrutiny. The Corporate Governance and Audit Committee performs this role and members have received reports on strategy, half yearly monitoring and now the outturn for the year 2022/23. Training was provided to Members in November 2022.

<u>Looking ahead – Treasury Management developments in 2023/24</u>

2.9 Re-financing/re-payment of current Long-Term Borrowing

2.9.1 As outlined within the Council approved Treasury Management Strategy 2023/24, the Council will continue to look to repay existing long-term debt when the opportunity arises where it becomes beneficial for the Council to do so.

2.9.2 Council officers will liaise with the Council's external Treasury Management advisors, Arlingclose, to review lender options, and proceed if they are considered to be in the longer-term best interests of the Council.

2.10 Loan Funding Sources

2.10.1 The Council may be presented with additional sources of long-term funding at certain points in time, beyond those currently listed in the Council's current Treasury Management Strategy. These may be at preferential rates of interest and therefore the Service Director Finance (Section 151 Officer) will look to maximise the use of source funds when it is preferential to do so.

2.11 Investment Opportunities

2.11.1 The Service Director Finance, supports the approach that the borrowing and investment strategy for 2023/24 continues to place emphasis on the security and liquidity of the Council's balances.

2.11.2 The investment in the CCLA property fund (see paragraphs 2.4.5 to 2.4.9) is part of a longer-term investment strategy to mitigate against any short-term market volatility or risk. As this fund has no defined maturity date its performance and continued suitability in meeting the Council's investment objectives is regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a longer period total returns will exceed cash interest rates.

2.12 New Borrowing

2.12.1 As mentioned previously, the Council has an increasing CFR due to the capital programme. The Council's current approach to fund the capital plan is to use a combination of short and longer-term borrowing. Unfortunately borrowing rates remain high and are likely to continue to rise in the near term. As short and medium-term rates remain slightly lower over a shorter time frame compared to longer-term, the Council will continue to borrow this way to minimise borrowing costs, although resulting in a higher proportion of debt that is not fixed over longer periods.

2.12.2 The base rate is expected to continue to rise during 2023/24. Long-term PWLB loans will be taken if gilt yields drop and the opportunity to take those fixed rate loans are presented.

2.12.3 The Council's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short and long-term borrowing will be maintained considering the appropriate duration and structure of the borrowing need based on realistic projections, and with ongoing consultation with Arlingclose.

2.12.4 As noted in the recent 2023/24 Treasury Management Strategy report, the Council will also consider the opportunity to arrange forward starting loans (with alternative lenders as these are not available through the PWLB), where the interest rate is fixed in advance but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. Again, this would only be undertaken after having considered the appropriate duration and structure of the borrowing need based on realistic projections, and with ongoing consultation with Arlingclose.

3. Implications for the Council

3.1 Working with People – N/A

3.2 Working with Partners – N/A

3.3 Place Based Working – N/A

3.4 Climate Change and Air Quality – N/A

3.5 Improving outcomes for children - N/A

3.6 Financial Implications for the people living or working in Kirklees – N/A

3.7 Other (e.g. Legal/Financial) – Any changes in assumed borrowing and investment requirements, balances and interest rates will be reflected in revenue budget monitoring reports during the year.

4. Consultees and their opinions

None.

5. Next steps and timelines

5.1 Comments and feedback from CGAC will be incorporated into this report which will be subsequently considered at Cabinet and Council in June/July 2023 as part of the overall financial outturn and rollover report 2022/23.

6. Officer recommendations and reasons

6.1 CGAC are asked to note the treasury management performance in 2022/23 as set out in this report, prior to its submission to Cabinet and Council;

7. Cabinet portfolio holder's recommendations

The Cabinet portfolio holder notes the borrowing and investment performance as detailed in this report.

8. Contact officer

James Anderson	Head of Accountancy
Rachel Firth	Finance Manager

9. Background Papers and History of Decisions

CIPFA's Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2021 edition
CIPFA's Prudential Code for Capital Finance in Local Authorities 2021 edition
Public Works Loan Board Website.
Treasury Management 2022/23 Strategy Report approved by Council on 16 February 2022.

10. Service Director responsible

Dean Langton 01484 221000

APPENDIX 1

Kirklees Council Investments 2022/23											
		Credit	**1 April 2022**			**30 September 2022**			**31 March 2023**		
Counterparty		**Rating Mar 2023***	**£m**	**Interest Rate**	**Type of Investment**	**£m**	**Interest Rate**	**Type of Investment**	**£m**	**Interest Rate**	**Type of Investment**
Specified Investments											
Barclays	Bank	F1/A+	0.0	N/A	Instant Access	0.0	N/A	Instant Access	0.5	3.57%	Instant Access
Aberdeen Standard	MMF**	AAAmmf	8.9	0.51%	Instant Access	10.0	2.14%	Instant Access	0.2	4.06%	Instant Access
Aviva	MMF**	Aaa-mf	10.0	0.51%	Instant Access	10.0	1.94%	Instant Access	8.3	4.12%	Instant Access
Deutsche	MMF**	AAAmmf	0.0	0.49%	Instant Access	0.0	1.78%	Instant Access	10.0	4.16%	Instant Access
Goldman Sachs	MMF**	AAAmmf	3.3	0.48%	Instant Access	7.3	1.97%	Instant Access	0.0	4.01%	Instant Access
PCC for Devon & Cornwall	Local Authority		10.0	0.60%	Local Authority	0.0	N/A	Local Authority	0.0	N/A	Local Authority
PCC for Dorset	Local Authority		10.0	0.60%	Local Authority	0.0	N/A	Local Authority	0.0	N/A	Local Authority
Leeds City Council	Local Authority		0.0	N/A	Local Authority	5.0	2.00%	Local Authority	0.0	N/A	Local Authority
PCC for West Yorkshire	Local Authority		0.0	N/A	Local Authority	3.0	2.20%	Local Authority	5.0	4.65%	Local Authority
Northamptonshire Council	Local Authority		0.0	N/A	Local Authority	0.0	N/A	Local Authority	5.0	4.50%	Local Authority
PCC for West Mercia	Local Authority		0.0	N/A	Local Authority	0.0	N/A	Local Authority	3.0	4.60%	Local Authority
PCC for Warwickshire	Local Authority		0.0	N/A	Local Authority	0.0	N/A	Local Authority	2.0	4.60%	Local Authority
Debt Management Office	Cent Govt		26.7	0.55%	Cent Govt	36.0	2.02%	Cent Govt	0.0	N/A	Cent Govt
CCLA	Property Fund		10.0	N/A	Property Fund	10.0	N/A	Property Fund	10.0	N/A	Property Fund
			78.9			**81.3**			**44.0**		
Sector Analysis			**£m**	**%age**		**£m**	**%age**		**£m**	**%age**	
Bank			0.0	0%		0.0	0%		0.5	1%	
MMF**			22.2	28%		27.3	34%		18.5	42%	
Local Authorities/Cent Govt			46.7	59%		44.0	54%		15.0	34%	
Property Fund			10.0	13%		10.0	12%		10.0	23%	
			78.9	100%		**81.3**	100%		**44.0**	100%	
Country analysis			**£m**	**%age**		**£m**	**%age**		**£m**	**%age**	
UK			56.7	72%		54.0	66%		25.5	58%	
MMF**			22.2	28%		27.3	34%		18.5	42%	
			78.9	100%		**81.3**	100%		**44.0**	100%	

*Fitch short/long term ratings, except Aviva MMF (highest Moody rating). See next page for key. ** MMF – Money Market Fund. These funds are domiciled in Ireland for tax reasons, but the funds are made up of numerous diverse investments with highly rated banks and other institutions. The credit risk is therefore spread over numerous countries, including the UK. The exception to this is the Aviva Government Liquidity Fund which invests directly in UK government securities and in short-term deposits secured on those securities.

<u>Key – Fitch's credit ratings</u>:

		Long	Short
Investment Grade	Extremely Strong	AAA	
		AA+	
	Very Strong	AA	F1+
		AA-	
		A+	
	Strong	A	F1
		A-	
		BBB+	F2
	Adequate	BBB	
		BBB-	F3
Speculative Grade		BB+	
	Speculative	BB	
		BB-	
		B+	B
	Very Speculative	B	
		B-	
		CCC+	
		CCC	
	Vulnerable	CCC-	C
		CC	
		C	
	Defaulting	D	D

Appendix 2

Long-term loans repaid and short-term loans outstanding 31 March 2023

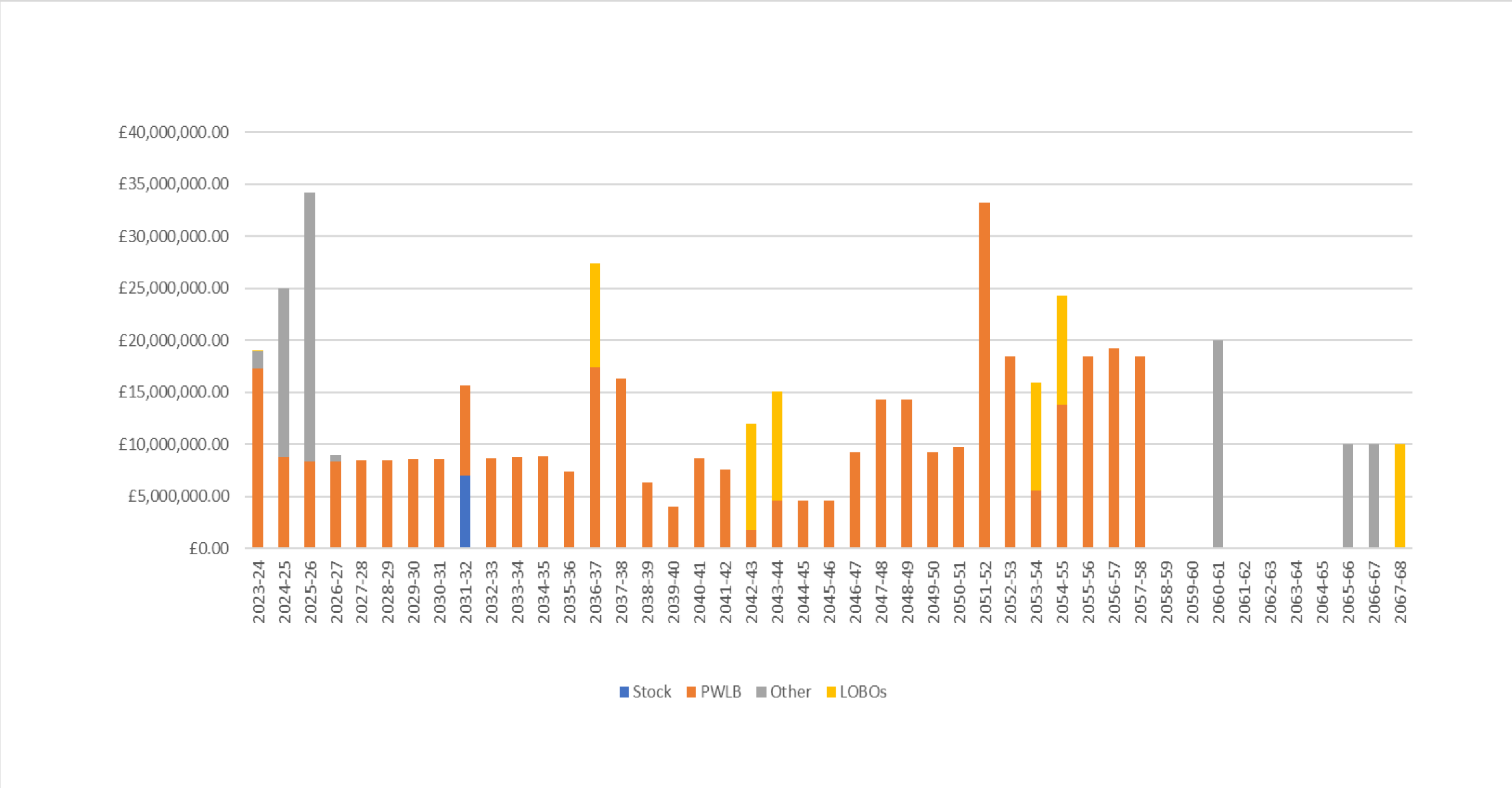
Long-term loans repaid during 2022/23

	Amount £000s	Rate %	Date repaid
Repayments on annuity loans			
PWLB (496956)	404	4.58	29 Sep 22
PWLB (496956)	413	4.58	29 Mar 23
Repayments on EIP loans			
PWLB (340221)	250	1.63	27 Apr 22
PWLB (439173)	250	1.66	17 May 22
PWLB (373440)	250	1.46	12 Jul 22
PWLB (487385)	250	2.28	22 Aug 22
PWLB (313112)	250	1.64	5 Sep 22
PWLB (493145)	250	1.98	9 Sep 22
PWLB (340221)	250	1.63	27 Oct 22
PWLB (439173)	250	1.66	17 Nov 22
PWLB (373440)	250	1.46	12 Jan 23
PWLB (538379)	500	2.60	9 Feb 23
PWLB (487385)	250	2.28	21 Feb 23
PWLB (313112)	250	1.64	6 Mar 23
PWLB (493145)	250	1.98	9 Mar 23
Total	**4,317**		

Short-term loans outstanding 31 March 2023

	Amount £000s	Rate %	Length (days)
Temporary borrowing from the Money Market			
West Yorkshire Combined Authority	10,000	0.80	276
West Sussex County Council	5,000	4.05	365
East Suffolk Council	5,000	3.60	182
South Lanarkshire Council	5,000	3.45	121
West Yorkshire Combined Authority	5,000	4.00	350
Spelthorne Borough Council	5,000	3.55	90
West Yorkshire Combined Authority	5,000	3.70	181
Warwickshire County Council	5,000	4.00	364
Rotherham Metropolitan Council	5,000	4.25	33
Ashfield District Council	5,000	4.55	92
Warwickshire County Council	5,000	4.50	364
Portsmouth City Council	5,000	4.50	61
Medium-term loans due to mature in the next twelve months	15,000		
Local lenders/Trust Funds	2,027		
Total Temporary borrowing	**82,027**		
Long-term loans due to mature in the next twelve months	18,997		
Total	**101,024**		

Kirklees Council Loan Maturity Profile (All Debt) **Appendix 3**



Appendix 4

Kirklees Council - Borrowing and Investment Trends

At 31 March	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Investments	44.0	78.9	37.1	52.0	39.1	36.1
ST Borrowing (excl interest accrued)	101.0	26.6	50.0	53.2	11.8	20.8
LT Borrowing	512.8	442.3	375.8	373.7	384.1	392.4
Total Borrowing	613.8	468.9	425.8	426.9	395.9	413.2
Net debt position	**569.8**	**390.0**	**388.7**	**374.9**	**356.8**	**377.1**
Capital Financing Requirement (excl PFI)						
General Fund	617.0	556.1	500.1	461.6	436.6	420.3
HRA	168.0	166.0	170.3	175.3	175.3	182.8
Total CFR	**785.0**	**722.1**	**670.4**	**636.9**	**611.9**	**603.1**
Less deferred liabilities (non PFI)	3.5	3.6	3.6	3.7	3.9	4.1
Borrowing CFR	**781.5**	**718.5**	**666.8**	**633.2**	**608.0**	**599.0**
Balances “internally invested”	167.7	249.6	241.0	206.3	212.1	185.8
Ave Kirklees’ investment rate for financial year	1.9%	0.1%	0.1%	0.7%	0.7%	0.3%
Ave Base rate (Bank of England)	2.3%	0.2%	0.1%	0.7%	0.7%	0.3%
Ave LT Borrowing rate (1)	3.8%	1.9%	2.3%	2.4%	2.5%	2.5%

(1) Based on average PWLB rate throughout the year on a 25 to 30 year loan (less 0.2% PWLB certainty rate) repayable on maturity

APPENDIX 5

Treasury Management Prudential Indicators

Interest Rate Exposures

While fixed rate borrowing can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance justifies retaining a degree of flexibility through the use of variable interest rates on at least part of the treasury management portfolio. The Prudential Code requires the setting of upper limits for both variable rate and fixed interest rate exposure:

	Limit Set 2022/23	Actual 2022/23
Interest at fixed rates as a percentage of net interest payments	60% - 100%	88%
Interest at variable rates as a percentage of net interest payments	0% - 40%	12%

The interest payments were within the limits set.

Maturity Structure of Borrowing

This indicator is designed to prevent the Council having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate	Limit Set 2022/23	Actual Levels 2022/23
Under 12 months	0% - 20%	4%
12 months to 2 years	0% - 20%	5%
2 years to 5 years	0% - 60%	11%
5 years to 10 years	0% - 80%	11%
More than 10 years	20% - 100%	69%

The limits on the proportion of fixed rate debt were adhered to.

Total principal sums invested for periods longer than 364 days

The Council has not invested any sums longer than 364 days.