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INVESTMENT SUB COMMITTEE
FRIDAY, 20TH JANUARY, 2023 AT 10.00 AM

Supplementary Agenda

To all members of Investment Sub Committee: The following papers, which were not available for dispatch with the agenda, are attached. Please bring them with you to the meeting:-

Agenda No	Item
5.	**Summary Investment and Borrowing Position at 31st December 2022 (Pages 3 - 20)**

Yours faithfully,

David Ford

Chief Executive

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Summary Investment and Borrowing Position at 31 December 2022

Investment Sub Committee Friday, 20 January 2023

Report of:	Chief Finance Officer (Section 151)
Purpose:	For information
Publication status:	Unrestricted
Wards affected:	All

Executive summary:

This report updates the Investment Sub Committee on the Council's investment and borrowing position at 31st December 2022, provides an update on the outcome of the Government's consultation on the extension of the IFRS 9 statutory override, and reports the Council's Prudential Indicators, which are recommended for approval as part of the Capital, Investment and Treasury Management Strategy elsewhere on the agenda.

This report supports the Council's priority of: Building a better Council/ Supporting economic recovery in Tandridge.

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Recommendation to Committee:

That the Sub Committee notes:

A) the Council's Investment and Borrowing position at 31st December 2022 as set out in Appendix A & B
B) the outcome of the IFRS 9 statutory override
C) the estimates and limits in the Council's Prudential Indicators set out in Appendix C, which are recommended for approval as part of the Capital, Investment and Treasury Management Strategy

Reason for recommendation:

This report will be reviewed by the Sub Committee, which provides an update on the Council's investment and borrowing position.

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1. Introduction and background

1.1 The Capital, Investment and Treasury Management Strategy for 2022/23 was reported to the Strategy and Resources Committee on 1st February 2022. This covered the borrowing and investment plans for the Council. As detailed in this strategy, part of the Treasury Management function is to ensure that the cashflow is adequately planned and surpluses are invested while allowing for cash to be available when needed. Additionally, the treasury management function ensures that the Council can meet its capital spending plans. This requires the management of longer-term cash which will involve the use of long or short-term loans, or cash flow surpluses.

1.2 The proposed Strategy for 2023/24 is included as Item 6 on the agenda for this Committee, where it is recommended for approval by Full Council. The Treasury Management function continues to play an important role in the Council's prudent financial management.

2. Summary Investment and Borrowing Position

2.1 A summary of the Council's investment and borrowing at 31st December 2022 is set out in Appendix A.

- Total long term financial investments (over 12 months) amount to £10.9 million (a reduction of £643k since 30th September 2022, arising from a fall in the capital value of the CCLA Property Fund due to prevailing market conditions). Officers are pursuing information required from Funding Circle to update both the forecast return for the year and the net yield on the investment as documented in Appendix B. An update will be provided to this Committee when this information is available.

- Short term investments (less than 12 months) amount to £22.8 million (an increase of £6.2 million since 30th September 2022, due to increased balances invested in Money Market Funds).

- The Council also has £21 million in non-financial investments which is made up of capital loans to specific service providers and limited companies (a reduction of £79k since 30th September 2022, representing the value of loan repayments from Freedom Leisure).

- The total amount of Public Works Loan Board (PWLB) loans at 31st December 2022 is £102.3 million. This is made up of £43.4 million General Fund loans and £58.9 million Housing Revenue Account loans (unchanged from 30th September 2022).

3. Statutory Override Update

3.1 At its meeting on Friday 4th November 2022, Investment Sub Committee was provided with an update on what was then an ongoing Government consultation on the future of the IFRS 9 statutory override. The introduction of this override in 2018 required Councils to remove the impacts of fair value movements of pooled investment funds from their budgets, and record them in an unusable reserve on the balance sheet. This is known as an override as it results in a deviation from standard accounting practice. Its introduction mitigated the risk to the General Fund of movements in the fair value of certain investments and the resultant impact on service delivery. The Council's long-term investments comprise:

- CCLA Property Fund
- Schroeders Credit/Bond Fund
- UBS Multi Asset Fund
- CCLA Diversification Fund

3.2 The statutory override was time-limited to five years, ending on 31st March 2023. At that time, the Government said that it would keep use of the statutory override under review, but made no further commitments.

3.3 In August 2022, the Government launched the consultation on whether to extend the override, make it permanent or allow it to lapse. Officers expressed an opinion that the override should be made permanent. Following consideration of the responses to the consultation, the Government has decided to extend the override for a further two years until 31st March 2025.

3.4 The Council will now need to consider its options for future investments, which were set out in the ISC update on 17th June and then again on 4th November:

Scenario	**Override continued**
Outline	General Fund continues to be insulated from gains and losses in fair value. The gain / loss on the asset would have a General Fund impact if the investment was withdrawn at greater than or lower than the initial investment.

Potential responses	• Maintain the current portfolio of investments if they still demonstrate strong in-year yield; or • Disinvest in current funds and then re-invest in funds that offer the strongest in-year yield but set aside surpluses into a reserve to manage volatility in funds that would be felt if the Council needed to disinvest from the asset; or • Reduce the investment portfolio in overall size.
Preferred response	• **The portfolio of funds should be kept under review to maximise in-year yield whilst providing adequate long-term security of Council investments;** • An element of in-year yield could be credited to a reserve to guard against falls in value upon disinvestment – a target level of reserve for this purpose would be developed in consultation with Arlingclose • The appropriate overall value of investments will continued to be gauged against cash requirements and the differential in interest rates on new borrowing and investment return
Risks	The continuation of the override may be time-limited, or the prevailing financial position of the Council may require disinvestment from funds, potentially at a loss. The statutory override does not protect the General Fund in the event of disinvestment.
Mitigations	An element of surpluses should be credited to a specific reserve in order to manage the risk that losses in investment values following disinvestment will ultimately be a General Fund impact. The reserve may require a level of up-front funding. It is proposed that this is achieved through either a) from in-year surpluses in investment income (if achievable) or; b) a contribution from the General Fund at a level to be determined through the 2023/24 budget process and in consultation with Arlingclose. Any losses could also be mitigated by recognising the gain from a stronger-performing investment.

3.5 Officers will now revisit the mix of investments and report back to committee.

4 Update on the Council's Prudential Indicators

4.1 Following the publication of the 2021 Prudential Code and Treasury Management Code, the Council reports quarterly to this Committee its performance against its treasury management and other Prudential Indicators. The Codes require authorities to self-regulate the affordability, prudence and sustainability of their capital expenditure and borrowing plans by setting estimates and limits for a range of indicators.

4.2 Authorities are required to report estimates and limits annually as part of their capital and treasury management strategies, which the Council has done as part of the Capital, Investment and Treasury Management Strategy for 2023/24 included as Item 6 of the agenda. Appendix C to this report extracts the Prudential Indicators required by the Prudential and Treasury Management Codes from the Strategy into a standalone Appendix.

Key implications

5 Comments of the Chief Finance Officer

5.1 The forecast position at 31 December 2022 is for investment income for the year to be £433k more than budgeted. This is mainly due to the performance of the Council's investments in Money Market Funds, as generally funds have reacted to the increases in the Bank of England base rate. The forecast for General Fund and HRA loan interest payable is in accordance with budget.

5.2 The surplus could be released against the Council's overall outturn position for 2022/23. As another option, following the outcome of the consultation on the IFRS 9 statutory override outlined above, the Council could transfer a surplus to a specific reserve to manage the risk of losses in the value of investments following disinvestment, or in anticipation of the possibility that the override is not extended beyond March 2025. It is proposed that this decision is ultimately made by Committee as part of the outturn process for 2022/23.

5.3 With all investments there are risks attached. The Council manages these risks by holding diversified investments and through seeking expert advice from its Treasury Management Advisors and through the Finance Joint Working Agreement with the Orbis Centre of Expertise. The Council will continue to monitor the value of its investments in context of the regulatory environment.

6 Comments of the Head of Legal Services

6.1 The Council's Capital, Investment and Treasury Management Strategy Statement follows the latest codes of practice and the DLUHC and CIPFA guidance.

6.2 The Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

7 Equality

7.1 The proposals within this report do not have the potential to disadvantage or discriminate against different groups with protected characteristics in the community.

8 Climate Change

8.1 There are no significant environmental/sustainability implications associated with the report. It is however recognised that some Council investments may be in companies that are considered to have a detrimental impact on the climate, for example oil companies. The Council will need to consider its strategy in respect of this.

Appendices

Appendix A – Summary of Investments and Borrowing

Appendix B – Market Value of Long-Term Investments

Appendix C – Prudential Indicators – performance and updated estimates

Background papers

Investment Sub-Committee Papers 17th June 2022 and 4th November 2022

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Summary of Investments and Borrowing **Appendix A**

Investment	Investment Amount 31/03/22 £	Net Asset Value 31/12/22 £	Yield Rate Note 1 %	Forecast Return 2022/23 £
Non - Specified (Financial Investments)- Long Term (over 12 mths)				
CCLA Property Fund	4,888,056	4,098,139	4.23	173,184
Schroders Bond Fund	2,775,151	2,550,808	5.75	146,567
UBS Multi Asset Fund	2,639,592	2,203,110	7.14	157,323
CCLA Diversification Fund	2,046,513	1,856,251	3.29	61,150
Funding Circle (Note 2)	391,191	236,668	-	-
Sub Total Non-specified (Financial Investments)	**12,740,503**	**10,944,976**		**538,224**
Non - Specified (Non-Financial Investments)- Long Term (over 12 mths)				
Gryllus Property Company Loan - Maidstone	2,394,000	2,394,000	5.81	139,023
Freedom Leisure- Loan (TLP)	481,140	435,857	5.50	31,963
Freedom Leisure- Loan (de Stafford)	372,431	279,321	7.58	28,230
Gryllus Property Company Loan - 80-84 Station Rd East	1,012,500	1,012,500	5.43	54,979
Gryllus Property Company Loan - Castlefield	11,664,000	11,664,000	6.10	711,504
Gryllus Property Company Share Capital Note 2	5,251,500	5,251,500	-	-
Sub Total Non-specified (Non-Financial Investments)	**21,175,571**	**21,037,179**		**965,699**
Total Non-Specified Investments	**33,916,074**	**31,982,155**		**1,503,922**
Specified Investments-Short Term (less than 12 mths)				
Notice Accounts	1,995,487	1,991,685	1.75	34,800
Money Market Funds	13,260,000	20,800,000	1.88	390,000
Total Specified Investments	**15,255,487**	**22,791,685**		**424,800**
Total Non- Specified and Specified Investments	**49,171,561**	**54,773,840**		**1,928,723**
Total Investment Income Budget 2022/23				1,495,700
Over/(under) budget				**433,023**

Borrowing	Loan Amount £	Interest %	Forecast Cost 2022/23 £
General Fund Borrowing			
Gryllus Loan	3,420,000	2.46	84,132
Freedom Leisure Loan	2,225,000	2.45	54,513
Village Health Club	938,678	2.38	22,341
Linden House	4,175,000	2.69	112,308
Linden House	254,000	2.42	6,147
Quadrant House	15,340,000	2.41	369,694
Quadrant House	800,000	2.28	18,240
Gryllus - 80-84 Station Road	724,400	2.28	16,516
Gryllus - Castlefield	15,549,000	2.91	452,476
Sub Total General Fund Borrowing	**43,426,078**		**1,136,366**
Total GF PWLB Budget 2022/23			**1,137,000**
Over/(under) budget			**(634)**
HRA Borrowing			
Public Works Loan Board	58,839,000	2.70	1,640,708
Sub Total HRA Borrowing	**58,839,000**		**1,640,708**
Total HRA PWLB Budget 2022/23			**1,639,600**
Over/(under) budget			**1,108**
Total Borrowing	**102,265,078**		**2,777,074**
Total Budget 2022/23			**2,776,600**
Total Over/(under) budget			**474**

Notes:

1. Yield Rate - forecast return divided by net asset value. Arlingclose have advised that this is the standard approach, which allows for comparison of the current return to alternative investment options.

2. Return from Funding Circle investment has not been forecast as this is dependent upon information that is still to be received.

Market Value of Long Term Investments at 31/12/2022

Appendix B

Carrying Value	2017/18 Carrying Value 31.3.2018	2018/19 Carrying Value 31.3.2019	2019/20 Carrying Value 31.03.2020	2020/21 Carrying Value 31.03.2021	2021/22 Carrying Value 31.03.2022	2022/23 Carrying Value 31.12.2022
	£	£	£	£	£	£
CCLA Property Fund	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Schroders Bond Fund	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
UBS Multi Asset Fund	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
CCLA Diversification Fund	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total	**12,000,000**	**12,000,000**	**12,000,000**	**12,000,000**	**12,000,000**	**12,000,000**

Market Value	2017/18 Market Value 31.3.2018	2018/19 Market Value 31.3.2019	2019/20 Market Value 31.03.2020	2020/21 Market Value 31.03.2021	2021/22 Market Value 31.03.2022	2022/23 Market Value 31.12.2022
	£	£	£	£	£	£
CCLA Property Fund(mid-market value)	4,276,854	4,276,005	4,188,063	4,158,183	4,888,056	4,098,139
Schroders Bond Fund	2,912,837	2,865,130	2,539,938	2,908,911	2,775,151	2,550,808
UBS Multi Asset Fund	2,918,160	2,868,479	2,520,713	2,777,398	2,639,592	2,203,110
CCLA Diversification Fund(indicative market value)	1,921,257	1,982,167	1,804,193	1,955,874	2,046,513	1,856,251
Total	**12,029,108**	**11,991,781**	**11,052,907**	**11,800,366**	**12,349,312**	**10,708,308**

Surplus/(Deficit)	2017/18 Surplus/ (Deficit) 31.3.2018	2018/19 Surplus/ (Deficit) 31.3.2019	2019/20 Surplus/ (Deficit) 31.03.2020	2020/21 Surplus/ (Deficit) 31.03.2021	2021/22 Surplus/ (Deficit) 31.03.2022	2022/23 Surplus/ (Deficit) 31.12.2022
	£	£	£	£		
CCLA Property Fund	276,854	276,005	188,063	158,183	888,056	98,139
Schroders Bond Fund	(87,163)	(134,870)	(460,062)	(91,089)	(224,849)	(449,192)
UBS Multi Asset Fund	(81,840)	(131,521)	(479,287)	(222,602)	(360,408)	(796,890)
CCLA Diversification Fund	(78,743)	(17,833)	(195,807)	(44,126)	46,513	(143,749)
Total	**29,108**	**(8,219)**	**(947,093)**	**(199,634)**	**349,312**	**(1,291,692)**

Gross Revenue Yield	Yield 2017/18	Yield 2017/18	Yield 2018/19	Yield 2018/19	Yield 2019/20	Yield 2019/20	Yield 2020/21	Yield 2020/21	Yield 2021/22	Yield 2021/22	Full Year forecast at 31.12.22 Yield 2022/23	Full Year forecast at 31.12.22 Yield 2022/23
	£	%	£	%	£	%	£	%	£	%	£	%
CCLA Property Fund	193,758	4.53%	183,989	4.30%	185,240	4.42%	179,910	4.33%	158,867	3.25%	173,184	4.23%
Schroders Bond Fund	105,413	3.62%	120,508	4.21%	124,418	4.90%	125,529	4.32%	128,455	4.63%	146,567	5.75%
UBS Multi Asset Fund	146,788	5.03%	116,513	4.06%	137,531	5.46%	140,171	5.05%	120,654	4.57%	157,323	7.14%
CCLA Diversification Fund	62,732	3.27%	67,030	3.38%	66,284	3.67%	62,069	3.17%	48,871	2.39%	61,150	3.29%
Total	**508,691**		**488,040**		**513,473**		**507,679**		**456,847**		**538,224**	

Surplus/(Deficit)- Capital Value	Surplus/ (Deficit) 2017/18	Surplus/ (Deficit) 2017/18	Surplus/ (Deficit) 2018/19	Surplus/ (Deficit) 2018/19	Surplus/ (Deficit) 2019/20	Surplus/ (Deficit) 2019/20	Surplus/ (Deficit) 2020/21	Surplus/ (Deficit) 2020/21	Surplus/ (Deficit) 2021/22	Surplus/ (Deficit) 2021/22	Full Year forecast at 31.12.22 Surplus/ (Deficit) 2022/23	Full Year forecast at 31.12.22 Surplus/ (Deficit) 2022/23
	£	%	£	%	£	%	£	%	£	%	£	%
CCLA Property Fund	193,868	4.53%	(849)	-0.02%	(87,942)	-2.10%	(29,880)	-0.72%	729,873	14.93%	(789,917)	-19.28%
Schroders Bond Fund	(50,726)	-1.74%	(47,707)	-1.67%	(325,192)	-12.80%	368,973	12.68%	(133,760)	-4.82%	(224,343)	-8.79%
UBS Multi Asset Fund	(100,545)	-3.45%	(49,681)	-1.73%	(347,766)	-13.80%	256,685	9.24%	(137,806)	-5.22%	(436,482)	-19.81%
CCLA Diversification Fund	-78,743	n/a	60,910	3.07%	(177,974)	-9.86%	151,681	7.76%	90,639	4.43%	(190,262)	-10.25%
Total	**(36,146)**		**(37,327)**		**(938,874)**		**747,459**		**548,946**		**(1,641,004)**	

Net Yield	Net Yield 2017/18	Net Yield 2017/18	Net Yield 2018/19	Net Yield 2018/19	Net Yield 2019/20	Net Yield 2019/20	Net Yield 2020/21	Net Yield 2020/21	Net Yield 2021/22	Net Yield 2021/22	Full Year forecast at 31.12.22 Net Yield 2022/23	Full Year forecast at 31.12.22 Net Yield 2022/23
	£	%	£	%	£	%	£	%	£	%	£	%
CCLA Property Fund	387,626	9.06%	183,140	4.28%	97,298	2.32%	150,030	3.61%	888,740	18.18%	(616,733)	-15.05%
Schroders Bond Fund	54,687	1.88%	72,801	2.54%	(200,774)	-7.90%	494,502	17.00%	(5,305)	-0.19%	(77,776)	-3.05%
UBS Multi Asset Fund	46,243	1.58%	66,832	2.33%	(210,235)	-8.34%	396,856	14.29%	(17,152)	-0.65%	(279,159)	-12.67%
CCLA Diversification Fund	n/a	n/a	127,940	6.45%	(111,690)	-6.19%	213,750	10.93%	139,510	6.82%	(129,112)	-6.96%
Total	**488,556**		**450,713**		**(425,401)**		**1,255,138**		**1,005,793**		**(1,102,780)**	

Peer to Peer Investment Note 1**	**2017/18**	**2017/18**	**2018/19**	**2018/19**	**2019/20**	**2019/20**	**2020/21**	**2020/21**	**2021/22**	**2021/22**	**2022/23 '31.12.22**	
Funding Circle	**£**	**%**	**£**	**%**	**£**	**%**	**£**	**%**	**£**	**%**	**£**	**%**
Carrying Value	**2,075,341**		**2,056,664**		**1,831,028**		**863,160**		**391,191**		**236,668**	
Interest Paid by Borrowers	181,014		184,654		193,170		127,982		66,749			
Less FC Service fee	(19,668)		(19,729)		(19,611)		(12,462)		(6,279)			
Promotions/Transfer payment			-		470		0		0			
Bad Debts	(61,288)		(111,152)		(127,649)		(80,881)		(36,103)			
Recoveries	14,780		27,428		30,253		42,431		62,769			
Net Yield	**114,838**	**5.53%**	**81,201**	**3.95%**	**76,633**	**4.19%**	**77,070**	**8.93%**	**87,136**	**13.89%**	**0**	**0.00%**
Provisions for future losses	**0**		**(10,000)**									

Notes:

1. Funding Circle yield has not been forecast for 2022/23 as this is dependent upon information that is still to be received.

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Prudential Indicators

Estimates of Capital Expenditure

	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	Total 2023/24 to 2025/26
General Fund services	5.0	7.1	3.3	2.0	1.8	7.1
Community Infrastructure Levy (CIL) Funded	0.5	2.1	0.5	0.7	0.0	1.2
Council Housing (HRA)	11.1	16.0	15.4	12.7	3.9	32.1
TOTAL	**16.6**	**25.2**	**19.2**	**15.5**	**5.7**	**40.4**

Capital Financing

	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	Total 2023/24 to 2025/26 £m
General Fund						
Grants & contributions	3.2	3.4	1.8	0.9	0.9	3.5
CIL	0.5	3.1	0.5	0.7	0	1.2
Internal resources	0.6	1.5	0	0	0	0
Borrowing	1.2	1.3	1.6	1.2	0.9	3.6
Total General Fund and CIL	**5.5**	**9.3**	**3.9**	**2.8**	**1.8**	**8.3**
HRA						
Internal resources	11.1	13.3	9.0	9.0	3.9	22.0
Borrowing	0	2.6	6.4	3.7	0	10.1
Total HRA	**11.1**	**15.9**	**15.4**	**12.7**	**3.9**	**32.1**
TOTAL	**16.6**	**25.2**	**19.3**	**15.5**	**5.7**	**40.4**

Estimates of Capital Financing Requirement

The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure on service delivery and on investments and reduces with MRP and capital receipts used to replace debt.

	31/03/2022 Actual £m	**31/03/2023 Estimate £m**	**31/03/2024 Estimate £m**	**31/03/2025 Estimate £m**	**31/03/2026 Estimate £m**
General Fund services	25.9	26.2	26.8	27.1	27.0
Council housing (HRA)	61.3	65.2	71.5	75.3	75.2
Commercial activities/non-financial investments*	21.2	21.0	20.8	20.6	20.4
TOTAL CFR	**108.4**	**112.4**	**119.1**	**123.0**	**122.6**

** Commercial activities/non-financial investments relate to areas such as capital expenditure on investment properties, loans to third parties etc.*

Authorised limit and operational boundary for external debt

The operational boundary is an indicator against which to monitor its external debt position. It is based on the Council's estimate of the most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the CFR and cash flow requirements and is a key management to for in-year monitoring.

The authorised limit represents a control on the maximum level of borrowing. It is a statutory limit determined under section 3(1) of the Local Government Act 2003 and represents a limit beyond which external debt is prohibited. It is the maximum amount of debt that the Council can legally owe.

	2022/23 limit £m	**2023/24 limit £m**	**2024/25 limit £m**	**2025/26 limit £m**
Authorised limit – borrowing	150	150	150	150
Authorised limit – leases	0	0	0	0
Authorised limit – total external debt	150	150	150	150
Operational boundary – borrowing	140	140	140	140
Operational boundary – leases	0	0	0	0
Operational boundary – total external debt	140	140	140	140

Proportion of financing costs to net revenue stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet net financing costs.

	2021/22 Actual £m	**2022/23 Estimate £m**	**2023/24 Estimate £m**	**2024/25 Estimate £m**	**2025/26 Estimate £m**
Net revenue stream	11.3	11.4	11.9	11.9	11.9
General Fund - Financing costs	0.4	0.3	0.5	0.5	0.6
Proportion of GF financing costs to net revenue stream	4%	3%	4%	4%	4%

Net income from commercial and service investments to net revenue stream

This is an indicator of affordability and highlights the net financial impact on the authority of its entire non-treasury investment income.

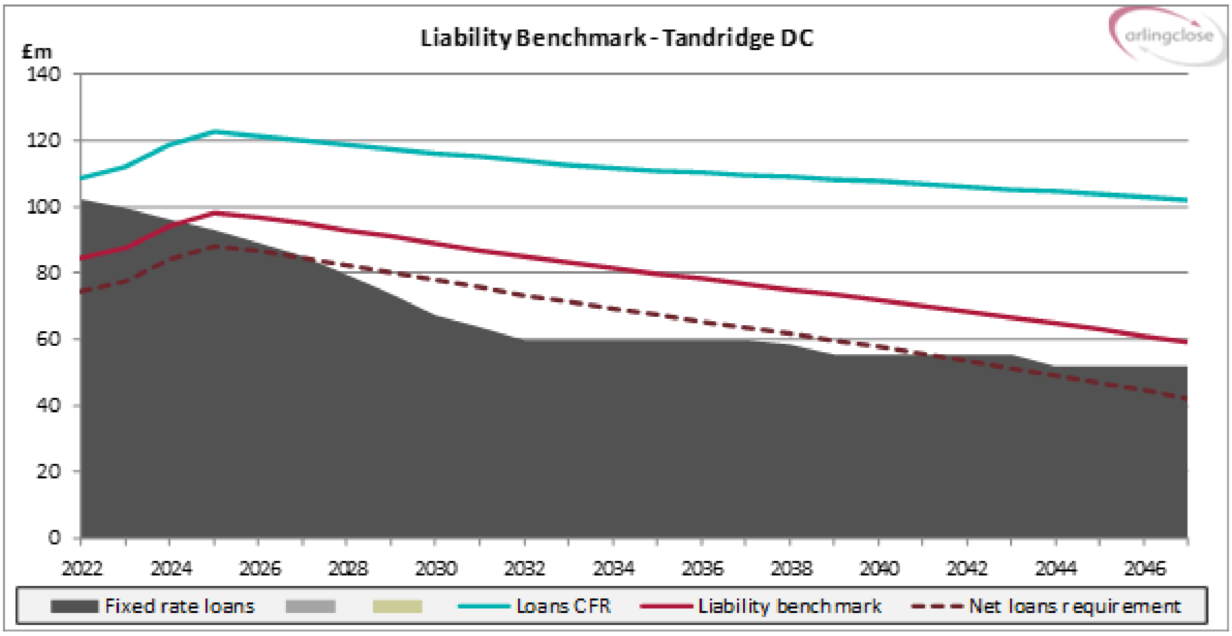
	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2024/25 Estimate £m
Net revenue stream	11.3	11.4	11.9	11.9	11.9
Total net income from service and commercial investments	1.5	1.6	1.6	1.6	1.6
Proportion of net income to net revenue stream	13%	14%	13%	13%	13%

Treasury Management Prudential Indicators

Liability Benchmark

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. The liability benchmark itself 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 required to manage day-to-day cash flow.

Position at 31 March	2021/22 Actual £m	2022/23 Projected £m	2023/24 Estimated £m	2024/25 Estimated £m	2025/26 Estimated £m
Loans CFR	108.7	111.9	118.6	122.4	122.1
External borrowing	-102.3	-99.4	-96.3	-92.8	-89.2
Internal (over) borrowing	6.4	12.4	22.3	29.6	32.9
Balance sheet resources	-34.5	-34.5	-34.5	-34.5	-34.5
Investments/ (new borrowing)	28.0	22.0	12.1	4.9	1.5
Treasury investments	28.0	22.0	12.1	10.0	10.0
New borrowing	0.0	0.0	0.0	5.1	8.5
Net loans requirement	74.2	77.4	84.1	88.0	87.6
Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability benchmark	84.2	87.4	94.1	98.0	97.6



Overall, the liability benchmark shows that the amount of external debt (the grey shaded area) exceeds the liability benchmark (red line), indicating that we have borrowed more than needed up to this point. However this gap closes over the medium term, after which point more money will need to be borrowed to meet the overall financing requirement.

In the short term, the difference between the CFR (underlying need to borrow – represented by the blue line) and actual external borrowing is funded from Reserves and Balances (internal borrowing).

Maturity structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Debt Maturity Profile Limits	**Actual as at 31/03/22**	**Upper Limit 2023/24**	**Lower Limit 2023/24**
	%	%	%
Under 1 year	3	15	0
1 to 2 years	7	15	0
2 to 5 years	13	25	0
5 years to 10 years	19	50	0
More than 10 years	4	50	0
Over 20 years	54	70	0
Total	**100%**		

Long-term treasury management investments

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2022/23	2023/24	2024/25	No fixed date
Limit on principal invested beyond year end	£16m	£16m	£16m	£16m

Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as net principal borrowed will be:

	2022/23 £m	2023/24 £m	2024/25 £m
Upper limit on fixed interest rate exposures	285	285	285
Upper limit on variable interest rate exposures	60	60	60