LONDON BOROUGH OF CAMDEN	**WARDS:** All
REPORT TITLE Treasury Management Annual Report and Mid-Year Strategy	
REPORT OF Cabinet Member for Finance and Cost of Living	
FOR SUBMISSION TO Resources and Corporate Performance Scrutiny Committee	**DATE** 14 November 2023

STRATEGIC CONTEXT

We Make Camden is our joint vision for the borough, developed in partnership with our community. The proposals ensure a strong treasury management strategy is in place to help achieve the ambitious vision of our communities. We Make Camden includes a commitment to "strong financial management". A robust and effective treasury management strategy is crucial to enabling this ambition.

SUMMARY OF REPORT

This report presents the treasury activity during 2022/23 and the first half of 2023/24, compliance with guidance and treasury indicators and an update on the economic background shaping the treasury strategy.

Local Government Act 1972 – Access to Information
There are no documents which are required to be listed.

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RECOMMENDATIONS

The Resources and Corporate Performance Scrutiny Committee is asked to consider the report and make any recommendations to Cabinet.

Signed: Daniel Omisore

Date: 03 November 2023

1. CONTEXT AND BACKGROUND

1.1. This report presents an update on the previous year's treasury management activities together with a mid-year update on progress against the current year's strategy. The annual report demonstrates the effect of the decisions taken in accordance with the 2022/23 Treasury Management Strategy as well as how treasury activity has complied with that policy. The mid-year report considers the continuing suitability of this year's strategy at the mid-year stage.

1.2. The report provides detailed assessment of our treasury management activity, but in summary, it is worth noting that:

- There is no increase in the risk profile and appetite and the Council continues to operate prudent debt and investment strategies.
- All Councils are operating in challenging and volatile economic circumstances with Central banks globally struggling to control inflation and financial markets expecting economies to enter recessionary periods. This is a very different scenario compared to past years and requires a prudent approach.
- The Council has not engaged in the arguably riskier commercial activities that have led to a tightening of the treasury framework for all Councils. While we continue to look at ways in which to maximise our investment returns, this has not been at the expense of the security of our investments.
- Treasury Management has impeded the overall financial stability of some Councils. For instance, some Councils have lent to other entities who have not been able to finance interest and repayment obligations and commercial lending where income streams have either dried up or the asset valuations have significantly diminished. It is important that Council's capital programme remains prudent, affordable and sustainable and revenue pressures can be managed within revenue budgets by effective treasury management.
- There are no immediate plans for new borrowing at this time. The internal borrowing policy continues to be sensible (saving £1.7m per annum) and appropriate given the outlook for interest rates on debt and investment. The policy ensures the Council minimises interest paid on debt and uses investment resources efficiently.
- During 2022/23 and the first half of 2023/24, the Council has operated within its treasury and prudential indicators set which demonstrates good governance and control.
- On 24 February 2022 the North London Waste Authority (NLWA) borrowed £250m and this cash is co-invested alongside Council investment balances and has therefore increased investments under management. Then on 19 January 2023 the NLWA borrowed a further £200m. The Executive Director Corporate Services has delegated authority to increase limits as and when future NLWA borrowing occurs in order to manage higher investment balances. While this may affect the scale of those investments, the underlying strategy remains unaffected. Note this report only reports on NLWA investments as invested alongside Council investments. All NLWA borrowing is not reported here but will be reported to the NLWA as part of their governance.

2. PROPOSAL AND REASONS

2.1. The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022/23. It is also required to review the 2023/24 annual strategy mid-year. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy

(CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

3. OPTIONS APPRAISAL

3.1. The effective management and control of risk are prime objectives of treasury management. Risks can include, amongst others, the failure of a bank to repay a loan. The Council needs to determine for itself how it pursues value for money whilst simultaneously striving to effectively manage and control such risks.

3.2. The Council has strategic options available in the management of its debt and investment portfolios:

- The Council must decide when it is appropriate to take on new **debt** and at what rates in order to fund its existing and planned capital expenditure. The Council can also choose to 'internally borrow' by avoiding new debt and instead using reserves and working balances to fund borrowing.
- The Council sets an **investment** strategy that prioritises security and its cash flow needs whilst maximising investment income.

ANNUAL REPORT

Borrowing

3.3. The borrowing strategy agreed for last year was premised on three factors:

- the Council's continuing underlying need to borrow
- the availability of reserves and working capital to cover under-borrowing (the capital financing requirement less existing borrowing), and
- the difference in rates available for investments versus those charged for new debt (the 'cost of carry'). Borrowing rates were expected to rise gradually during the year.

3.4. The Council is internally borrowing which means it is temporarily using its own resources (reserves and working capital) to fund past and planned capital expenditure rather than entering into new borrowing. Although external debt stood at £323m at the end of 2022/23, the overall need to borrow (the Capital Financing Requirement or CFR) was £662m and therefore the Council was under-borrowed by £339m. Note NLWA debt is not included in these figures and reported separately to their Authority.

TABLE 1: YEAR END DEBT POSITION

	31-Mar-22			31-Mar-23		
	Value	**Average interest rate (%)**	**Avg life (yrs)**	**Value**	**Average interest rate (%)**	**Avg life (yrs)**
Fixed rate (PWLB) borrowing	£205m	5.62	19.70	£198m	5.54	19.55
Variable rate (market) borrowing	£124m	4.63	29.96	£124m	4.63	28.96
Total debt	**£329m**	**5.12**	**24.83**	**£322m**	**5.08**	**24.25**
Capital Financing Requirement (CFR)	**£549m**			**£662m**		
Under-borrowing	**£-219m**			**£-340m**		

3.5. Table 1 shows that overall debt has decreased to £322m with loans maturing with a value of £7m in 2022/23. The overall average interest rate payable on the borrowing portfolio has decreased to 5.08% at the end of March 2023 and the average life of the portfolio was 24 years at that date.

3.6. Market debt remains unchanged at £124m during the year. The market debt comprises 6 LOBO (lender's option borrower's option) loans. LOBOs remain part of a valid, diversified borrowing strategy. Camden's market loans were acquired at lower interest rates than available from the Public Works Loan Board (PWLB) and, as per Table 1, the average rate for LOBO loans is currently lower than the average rate for the Council's PWLB borrowing. It is important to note that our LOBO loans are straight forward rather than the more complex loans ('inverse linkers') that other Councils have been involved with which have been investigated by the Communities Select Committee and have been prominent in the press.

3.7. LOBO loans can be 'called' by the lending banks on a half yearly basis which means the lender can change (increase) the rates applied and the borrower (the Council) has the 'option' to accept the new rate or repay the loan.

3.8. Although it is not estimated that these loans will be called over their lifetime, the Council keeps the loans under review and will negotiate a rescheduling when and if market conditions allow. Scenario testing carried out by the Council's treasury consultants, Link Asset Services, indicates that the cumulative call probability of a call by LOBO lenders will increase from circa 30-45% using current market expectations of interest rates to 35-55% when an additional 0.5% was added to future interest rate expectations over the life of the loans.

3.9. In accordance with the internal borrowing approach adopted, the Council did not take on any new debt during the year. The Council could have decided to borrow at rates (currently offered at 5.48% for 50-year loans) to meet some of its outstanding borrowing requirement. However, as the Council has no immediate need for external borrowing, this would have resulted in a 'cost of carry' of £1.7m (i.e. the difference between new borrowing rates and investment rates on re-invested cash not immediately required) which would be a real revenue cost to the Council.

3.10. The Council is required to work within a prudential framework which sets indicators for deciding the level of affordable borrowing and managing debt. The Council has complied with the requirements of the Prudential Code and Treasury Management Code of Practice throughout the year and remained within borrowing limits set (see indicators set out in Appendix 1). The debt portfolio remains affordable and appropriately structured with no immediate requirement to restructure the portfolio. Officers monitor the under-borrowing position with our treasury consultants regularly to ensure that the internal borrowing strategy remains appropriate.

Investments

3.11. The Council's investment strategy is governed by the Department of Levelling Up, Housing and Communities (DLUHC) guidance, and is approved annually by Council in March of each year. Using credit ratings provided by the three main rating agencies together with additional market information, this strategy sets out which counterparties (mainly banks but also other local authorities) the Council can invest with, cash limits for each counterparty, and the maximum investment term for each counterparty. Given the scale of investments under management the Council is more risk aware in setting its criteria for investment than other boroughs. The investment activity during the year conformed to the approved strategy.

3.12. Bank of England base rates were 0.75% on 1 April 2022 and during 2022/23 there were 8 increases with rates finishing the year at 4.25%. Since then, the Bank has raised rates at each successive meeting ending up at 5.25% in August and leaving them on hold at its September meeting. The Council continued to adopt a prudent approach to investment with security as the prime consideration. Whilst the Treasury function aims to optimise investment opportunities, it is primarily concerned with stewardship of public money.

3.13. Throughout the 2022/23 year the Council maintained average investment balances of £662m and the average rate of interest earned was 2.11%. This compared to average Sterling Overnight Index Average (known as SONIA) for 3 months of 2.72%, average 6-month SONIA of 3.10% and average 12-month SONIA of 3.52%.

3.14. The investment strategy limited investments with suitable counterparties to one year including NatWest due to it being part-nationalised with Government support. The investment strategy also allows investment with local authorities up to one year.

Regulatory guidance

3.15. On 20 December 2021 CIPFA published revised codes which build on previous editions (these include changes in capital strategy, prudential indicators and investment reporting). The Council continues to follow the principles within these codes that the Authority will not borrow to invest primarily for financial return. CIPFA and the Government are currently amending guidance to prevent a small number of authorities abusing the Treasury management framework. This Council is very supportive of the financial freedoms in the Prudential Code which the current framework allows and would want to protect our right to determine affordable capital schemes rather than a return to centrally set borrowing approvals.

3.16. The Prudential Code maintains the principle-based approach to decision-making (ensuring capital financing decisions are prudent, affordable and sustainable). The 2022/23 Treasury Management Strategy reported in March 2023 included a summary of the capital expenditure plans and forecast capital financing requirements and considers long-term borrowing needs.

3.17. The Treasury Management Code includes non-treasury investment activities, which reflects the increasingly prominent commercialisation agenda in public sector organisations.

3.18. DLUHC investment guidance for local authorities (2018) made a number of changes primarily to address the non-treasury investments used by some Councils. Local authorities are required to follow the guidance and the Council incorporated these changes into the Treasury Management Strategy.

MID-YEAR STRATEGY UPDATE

3.19. During the first half of 2023/24 the Council has continued with the Treasury policies pursued recently. It continues to avoid expensive borrowing by internally borrowing and has a prudent investment policy. The Council has complied with the CIPFA codes and its prudential and treasury indicators during the first half of 2023/24.

3.20. The 2023/24 Treasury Management Strategy noted that long-term borrowing rates were likely to rise. Following the Bank of England's decision to increase interest rates to 5.25% on 3 August 2023, the Council's treasury advisors Link had forecast Bank rate would next increase to 5.50% in September 2023, but the Bank paused rate rises. Changes to Bank Rate have a strong influence on the returns available to the Council on its short-term investments in the UK money markets.

3.21. The UK's quarterly economic growth was confirmed at 0.1% in the first quarter of 2023, remaining unchanged from the previous three-month period. Growth has recently stalled. Inflation fell to a 15-month low of 6.7% in September 2023. The Consumer Price Index fell to 7.9% in June 2023, better than the 8.2% expected by economists. The largest single contributor was falling motor fuel prices although food prices rose in June, but by less than in the same period last year.

3.22. The Bank's Monetary Policy Committee voted to increase the Base rate to 5.25% during the first half of 2023/24 leaving them on hold at its September MPC meeting. Link expect gilt yields and PWLB rates to gradually rise.

Borrowing

3.23. Borrowing is based on past and planned capital expenditure and needs to be affordable within revenue budgets in order to make sure services can operate without jeopardising day to day operations. The capital programme's impact on borrowing has increased since the Treasury Management Strategy was approved in February 2023. Planned capital expenditure in 2023/24 has decreased by £13m and financing has reduced by £22m. In July Cabinet approved the revised capital programme and financing plans which took into account delays and re-profiling spend to better reflect progress on site and the updated delivery plans.

TABLE 2: ESTIMATED CAPITAL EXPENDITURE AND FINANCING FOR 2023/24

	2023/24 Original Estimate	2023/24 Revised Estimate	Variance
Capital expenditure	261	248	-13
Less: financing	181	159	-22
Impact on borrowing requirement	80	89	9

3.24. The annual change to the borrowing requirement has increased by £9m for 2023/24, and so is higher at the year-end compared to the March estimate. Overall, the estimated Capital Financing Requirement (CFR) for 2023/24 has decreased to £733m from £739m in March 2023 when the Treasury Management Strategy was agreed (Table 3).

TABLE 3: MEDIUM TERM BORROWING REQUIREMENT*

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m

CFR (excl PFI)*	**733**	**734**	**715**	**764**	**714**
GF CFR	123	54	73	101	94
HRA CFR	610	679	642	663	619
Gross borrowing	**314**	**293**	**293**	**281**	**281**
GF	41	38	38	36	36
HRA	273	255	255	245	245
Under-borrowing	**419**	**440**	**422**	**484**	**433**
GF	82	17	35	65	58
HRA	337	424	387	419	375

**N.B. All figures as at 31 March and exclude PFI and finance leases*

3.25. Table 3 shows that the amount of capital expenditure (both past and current) that requires financing (the CFR). The CFR peaks in 26/27 at £764m. The Council currently has existing borrowing of £322m (with £8.3m maturing in 23/24) and this reduces as debt matures over the five-year period to £281m. In 2023/24 the Council will be under-borrowed by £419m and this under-borrowing will increase to a peak of £484m in 2026/27 (if no new borrowing is entered into).

3.26. The Council operates two distinct debt pools. This helps focus attention on the individual and differing needs of the Housing Revenue Account (HRA) and General Fund (GF). Decisions to borrow are considered with regard to these two pools' requirements.

3.27. The Council could take advantage of borrowing rates by acquiring new debt now to cover some of its borrowing requirement. This would serve to de-risk the debt portfolio by locking in fixed interest rates now. However, this would result in an immediate cost of carry estimated at £1.7m and so Internal borrowing remains the best course of action. This is a prudent and cost-effective approach in the current economic climate with borrowing rates slightly higher than investment rates. It is therefore anticipated that further borrowing will not be undertaken during this financial year.

3.28. It is unclear in the current financial environment what the trajectory for inflation and interest rates will be and so the policy on internal borrowing may need to change. However, Camden's forecast cash balance remains positive despite the capital expenditure planned and the movement on reserves and balances. Therefore, to incur the cost of carry estimated at £1.7m cannot be justified whilst positive cash balances continue (up to 2029/30) and internal borrowing is the best course of action. Officers monitor the under-borrowing position with our treasury consultants regularly to ensure that the internal borrowing strategy remains appropriate. This includes monitoring forecast rates and any changes in future plans to ensure the most suitable policy is used to fund our existing debt liabilities, planned prudential borrowing and other cash flows.

3.29. The Government has consulted on future PWLB lending terms after it raised rates by a further 1% on loans citing increased use of PWLB borrowing to support commercial projects in the public sector. Whilst there are exemptions for housing and regeneration this Council has argued against further controls outlined in the consultation. The Treasury updated the terms and conditions applied to PWLB lending, including more details on PWLB loans permitted and prohibited.

3.30. Debt rescheduling opportunities have been limited in the current economic climate and consequent structure of interest rates and following the increase in the margin added to gilts yields, which has impacted PWLB new borrowing rates since October 2010 and more recently in 2020. No debt rescheduling was undertaken during the first part of the year. Currently it would cost £1.5m to reschedule the £198m PWLB debt (in addition to repaying the principal debt amount) and so this is not economically advantageous.

3.31. The Council monitors its market loans which have semi-annual options for lenders to reset interest rates and the option to either accept or repay these loans. Many Councils have found it difficult to refinance these loans when this happens. This Council regularly reviews both the likelihood, market practice and options for refinancing. It is not expected that our loans will be called and we keep this under review.

3.32. The Council is required to set both an operational boundary and an authorised limit for external debt (Appendix 1). No difficulties are envisaged for the current or future years in complying with these prudential indicators.

Investment Strategy

3.33. The Council's investment priorities are:
(a) security of capital (primarily) and
(b) liquidity of its investments (secondly).

3.34. After these overriding priorities, the Council will aim to optimise return on its investments (thirdly) commensurate with high levels of security and good liquidity. The risk appetite of this Council is low in order to give priority to security of its investments which is paramount.

3.35. The UK money market investment environment has changed with an upward trajectory for investment rates and signs of increased liquidity. The pace of changes to Bank Rate remains a key determinant of investment returns. Following the Bank of England's decision at its meeting on 3 August 2022, the Monetary Policy Committee (MPC) voted to increase the base rate to 5.25%. A number of institutions have raised their interest rates due to the MPC raising base rates in order to combat high inflation. Overall, this has led to a significant increase in the average rate of return on the Council's investment portfolio, as previous fixed rate investments held had matured consequently with the proceeds reinvested at new, higher rates after the prioritisation of security and liquidity, such as with Fixed Deposit Investments. Overall, officers have seen a sharp increase in the returns available from the Sterling money markets compared to the previous financial year and expect returns to increase.

3.36. The Council invests in three **Money Market Funds** (MMFs) (Aberdeen, JP Morgan and Goldman Sachs) which are all in the Low Volatility Net Asset Value (LVNAV) class. Money Market Fund Regulations restrict LVNAV funds from returning negative rates. If negative rates are a possibility, fund managers will either need to convert to accumulating share classes (ultimately 'decumulating' in value) and/or adjust their fees to avoid the need to change to this type of fund. An accumulating share class vehicle reinvests the income received back into the fund, as opposed to distributing the returns back to the investor.

3.37. In terms of security, the price of **Credit Default Swaps** (CDS essentially a means of insuring against a borrower's failure to repay debt) has decreased during the first half of the year indicating reduced concern about banks' security. Link provide information on banks' CDS pricing and all banks on our list remain within tolerance.

3.38. The Council held £745m of investments as at 14 August 2023 (£662m at 31 March 2023) and the average rate of return on this date was 4.37% (2.11% at 31 March 2023). £229m of this investment balance was invested on behalf of the NLWA. The rate of return has increased (along with investment returns generally) as fixed rate term deposits have reached maturity and the proceeds have been reinvested at a higher rate of return after the prioritisation of liquidity and security of investments. It is likely that investment returns will increase as Base rates have been increasing. The Council's treasury consultants forecast the base rate will increase to 5.50% in Autumn and stay at that level in December 2023 and March 2024.

3.39. **NatWest bank** is eligible for inclusion on the Council's counterparty list by virtue of the Government's majority ownership. Given the Government's significant holding in the part-nationalised bank it is still not considered to be pure banking risk and is eligible for investments of up to one year on the Council's counterparty list. Due to significant Government ownership NatWest is considered to have quasi-sovereign risk, not pure banking risk, and has a limit of £135m.

3.40. The approved counterparty limits and prudential and treasury indicators were not breached in the year to 14 August 2023 and there were no liquidity concerns.

3.41. The **NLWA** is building an £850m energy recovery facility (ERF) to replace its existing facility. On 16 December 2021 the NLWA borrowed £280m from the PWLB to fund this project. This was invested in Euro MMFs as their contractual commitment for the plant is in Euros. Four Euro MMFs were used to invest a total of €330m (£280m in sterling), the total has decreased to approx. €226m due to euro contractual payments. Euro Money market funds were specifically used to ensure no currency fluctuations with their euro payment exposure.

3.42. The NLWA borrowed an additional £250m in February 2022 and a further £200m in January 2023 to cover their procurement for the new ERF. This was to cover sterling capital expenditure. This cash has been invested alongside the council's investment balances, bringing the total to £501m (£250m in addition to the original £51m and a further £200m) invested on behalf of the NLWA included within the investment portfolio reported here. Subsequently, investment limits were increased in a report to the Executive Director Corporate Services on 11 May 2022 (these increased limits are shown in brackets within Table 4). This was within delegated responsibility agreed by Council in the Treasury Management Annual Report and midyear strategy report[1] (November 2021).

[1]https://democracy.camden.gov.uk/documents/s99776/Treasury%20Management%20Annual%20Report%202020-21%20and%20Mid-Year%20Strategy%202021-22%2010112021%20Cabinet.pdf

TABLE 4 CREDIT RATING CRITERIA

Fitch		Moody's		S&P		Cash limit	Maximum Duration
Long Term	Short Term	Long Term	Short Term	Long Term	Short Term		
AA-	F1+	Aa3	P-1	AA-	A-1+	£45m (£80m)	1 year
AA	F1+	Aa2	P-1	AA	A-1+	£60m (£100m)	1 year
AA+	F1+	Aa1	P-1	AA+	A-1+	£80m (£140m)	1 year
AAA	F1+	Aaa	P-1	AAA	A-1+	£95m (£160m)	1 year

3.43. Officers will consider widening the number of MMFs used and consider adding additional funds to diversify risk.

3.44. The Treasury Management Strategy permits the use of **Multilateral development bank** bonds with a limit of £40m per counterparty. In order to manage the potential euro NLWA commitment some of the money required in year two and later could be invested in bonds and commercial paper issued by the European Investment Bank which is a Supranational Bank owned and supported by European Union nations. The European Investment Bank (EIB) are the biggest multilateral financial institution in the world with a AAA credit rating. The use of these EIB bonds and commercial paper would help diversify risk away from the Euro MMFs and provide a safe and stable investment option for medium term euro balances.

3.45. The Council is using a local climate bond in the form of a Community Municipal Investment (CMI). Launched on 29 June 2022 at a value of £1m and a rate of 1.75%. This is an innovative financing route which gives the Council another way to realise its ambitious 2030 zero carbon target and is a first step towards introducing new financing measures towards reducing carbon emissions.

4. WHAT ARE THE KEY IMPACTS / RISKS? HOW WILL THEY BE ADDRESSED?

4.1. The key risk connected to the investment strategy is that the Council suffers financial loss due to a borrower failing to make a repayment. The approved lending list ensures that funds are only placed with creditworthy banks.

4.2. Liquidity risk (the risk that the Council doesn't have funds available to make day-to-day payments) is another important concern. This risk is managed by the treasury team by ensuring investments mature at the right time to enable the Council to finance its day-to-day activities.

5. CONSULTATION/ENGAGEMENT

5.1. There is no consultation required.

6. LEGAL IMPLICATIONS

6.1. The Borough Solicitor has been consulted and has incorporated comments into this report.

7. RESOURCE IMPLICATIONS

7.1. The comments of the Executive Director Corporate Services have been incorporated into this report.

8. ENVIRONMENTAL IMPLICATIONS

8.1. The Community Municipal Investment is a means of funding ongoing local net zero projects via green finance. These projects include electrical vehicle charging points, healthy school streets, solar on council estate roofs and greening of Camden’s transport fleet.

9. TIMETABLE FOR IMPLEMENTATION

9.1. Changes set out in this report and approved by full Council will be adopted immediately.

10. APPENDICES

Appendix 1 Prudential and Treasury Indicators

REPORT ENDS

APPENDIX 1 – PRUDENTIAL AND TREASURY INDICATORS

The prudential indicators for both the previous financial years and the first part of the current financial year are presented below.

TABLE 1: PRUDENTIAL INDICATORS

	2021/22 Actual £m	2022/23 Estimate £m	2022/23 Actual £m	2023/24 Original Estimate £m	2023/24 Revised Estimate £m
Capital expenditure					
General Fund	81	65	89	44	52
HRA	92	238	239	217	207
Total	**173**	**303**	**328**	**261**	**259**
Capital Financing Requirement					
General Fund	94	165	117	121	123
HRA	455	573	545	618	610
Total	**549**	**738**	**662**	**739**	**733**
Gross debt					
General Fund	43	42	42	41	41
HRA	287	281	281	273	273
Total	**329**	**323**	**323**	**314**	**314**
Gross borrowing requirement					
General Fund	52	124	75	80	82
HRA	168	292	264	345	337
Total	**219**	**416**	**339**	**425**	**419**
HRA Debt Limit	**525**	**525**	**525**	**525**	**525**
Ratio of financing costs to net revenue stream					
General Fund	-0.14%	-0.66%	-0.66%	-2.22%	-0.29%
HRA	7.21%	7.35%	8.36%	12.01%	11.02%

TABLE 2: TREASURY INDICATORS

	2021/22 Actual £m	2022/23 Estimate £m	2022/23 Actual £m	2023/24 Original Estimate £m	2023/24 Revised Estimate £m
Authorised limit for external debt					
borrowing	649	793	762	839	833
other long term liabilities	147	145	145	143	143
Total	**796**	**938**	**907**	**982**	**976**
Operational boundary for external debt					
borrowing	549	693	662	739	733
other long term liabilities	47	45	45	43	43
Total	**596**	**738**	**707**	**782**	**776**
Actual external debt	**329**	**322**	**322**	**314**	**314**
Principal sums invested for over 364 days					
Limit on investments for more than 1 year*	0	-74	49	-2	-2
Upper limits on fixed rate exposure					
Borrowing	549	693	662	739	733
Investments	-231	148	-98	4	4
Net fixed rate exposure	**318**	**841**	**564**	**743**	**737**
Upper limits on variable rate exposure					
Borrowing	274	347	331	369	369
Investments	-100	-100	-100	-100	-100
Net variable rate exposure	**174**	**247**	**231**	**269**	**269**

TABLE 3: MATURITY STRUCTURE OF BORROWING

	Lower Limit	Upper Limit	2022/23 Actual	2023/24 Original Estimate	2023/24 Revised Estimate
Under 12 months	0%	20%	3%	2%	2%
12 months and within 24 months	0%	20%	6%	6%	6%
24 months and within 5 years	0%	25%	4%	4%	4%
5 years and within 10 years	0%	50%	0%	0%	0%
10 years and within 20 years	0%	50%	25%	25%	25%
20 years and within 30 years	0%	50%	15%	17%	17%
30 years and within 40 years	0%	50%	46%	45%	45%
40 years and within 50 years	0%	50%	0%	0%	0%

Market loans are all ‘Lenders Option Borrowers Option’ (LOBO) loans. LOBOs in this profile are all included with their ultimate maturity dates. However, the structure of these loans means they could be ‘called’ every 6 months and therefore could be viewed as all maturing within a year.