

Committee Name and Date of Committee Meeting

Audit Committee – 30 November 2021

Report Title

Mid-Year Treasury Management and Prudential Indicators Monitoring Report – 2021/22

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

Rob Mahon, Head of Corporate Finance
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Ward(s) Affected

Borough-Wide

Report Summary

Mid-Year Treasury Review

The regulatory framework of treasury management requires that the Council produces a mid-year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report.

This report is the mid-year review for 2021/22. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs).

It is also a requirement that any proposed changes to the 2021/22 prudential indicators are approved by Council.

The monitoring as set out in the Appendix to the report is structured to highlight the key changes to the Council's capital activity (the PIs) and the actual and proposed treasury management activity (borrowing and investment).

The key messages for Members are:

- a. Investments - the primary governing principle remains security over return and the criteria for selecting counterparties continues to reflect this.

- b. Borrowing - The Council will maintain its strategy of being under-borrowed against the capital financing requirement. Whilst the Council will continue to utilise the short term borrowing strategy, to maximise savings within Treasury Management, the opportunity arose during the first half of 2021/22 to access some long term (50 year) PWLB borrowing due a number of significant drops in the PWLB rates. During July and August of 2021 £120m of Long term PWLB borrowing was taken (£100m General fund at 1.54%, £10m HRA at 1.81%, £10m HRA at 1.86%). This was to take advantage of the low PWLB borrowing rates available at the time and will be used to replace short term borrowing as it matures. The borrowing position will remain under review and an update of the strategy will be presented to Members within the Budget and Council Tax 2022/23 report to Council in March 2022.
- c. Governance - strategies and monitoring are undertaken by Audit Committee.

Recommendations

1. Audit Committee is asked to note the contents of the report.

List of Appendices Included

Appendix – Mid-Year Treasury Management and Prudential Indicators Monitoring Report – 2021/22.

Background Papers

Budget and Council Tax Setting Report 2021/22 to Council on 3rd March 2021, Including the Treasury Management Strategy 2021/22

Consideration by any other Council Committee, Scrutiny or Advisory Panel
No.

Council Approval Required
No

Exempt from the Press and Public
No.

1.	Background
1.1	Mid-Year Treasury Review – The CIPFA Treasury Management Code of Practice includes a requirement that Members receive a mid-year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report required previously.
1.2	This review as fully set out in the Appendix meets these requirements. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council’s prudential indicators (PIs). The Treasury Management Strategy and PIs were previously reported to Cabinet on 15 th February 2021 and approved by Council on 3rd March 2021.
2.	Key Issues
2.1	Mid-Year Treasury Review – The review as set out in the Appendix provides Members with details of mid-year performance against the plan.
2.2	The key messages for Members are: <ul style="list-style-type: none"> A. Investments - the primary governing principle remains security over return and the criteria for selecting counterparties continues to reflect this. B. Borrowing - The Council will maintain its strategy of being under-borrowed against the capital financing requirement. Whilst the Council will continue to utilise the short term borrowing strategy, to maximise savings within Treasury Management, the opportunity arose during the first half of 2021/22 to access some long term (50 year) PWLB borrowing due a number of significant drops in the PWLB rates. During July and August of 2021 £120m of Long term PWLB borrowing was taken (£100m General fund at 1.54%, £10m HRA at 1.81%, £10m HRA at 1.86%). This was to take advantage of the low PWLB borrowing rates available at the time and will be used to replace short term borrowing as it matures. The borrowing position will remain under review and an update of the strategy will be presented to Members within the Budget and Council Tax 2022/23 report to Council in March 2022. C. Governance - strategies and monitoring are undertaken by Audit Committee.
3.	Options considered and recommended proposal
3.1	Mid-Year Treasury Review – The review as set out in the Appendix indicates performance is in line with the plan and no proposals to vary the approach for the remainder of the year are proposed.
4.	Consultation on proposal
4.1	The continuing approach to treasury management has been discussed with the Council’s external Treasury Management Advisers, Link Asset Services, who have confirmed this is a prudent approach given current market conditions. Link

	Asset Services were supporting of the decision to utilise PWLB to access some long term borrowing given the significantly reduced borrowing rates, as it mitigates the interest rate risk within the temporary borrowing strategy.
5.	Timetable and Accountability for Implementing this Decision
5.1	The report is for Audit Committee information and noting.
6.	Financial and Procurement Advice and Implications
6.1	Treasury Management forms an integral part of the Council's overall financial arrangements.
6.2	The assumptions supporting the capital financing budget for 2021/22 and for future years covered by the Council's MTFS were reviewed in light of economic and financial conditions and the capital programme.
6.3	During 2020/21 PWLB borrowing rates fell significantly and presented the Council with the opportunity to take some long term loans at significantly low rates. This occurred in July and August of 2021 when £120m of borrowing was taken to benefit from a dip in long term borrowing rates. It is now anticipated that the Council will continue to seek opportunities to convert its short term borrowing into long term when PWLB rates allow. However, this remains under review given the market conditions can fluctuate significantly, a further update will be provided as part of the Council's Treasury Management Strategy for 2022/23.
7.	Legal Advice and Implications
7.1	It is a requirement that changes to the Council's prudential indicators are approved by Council
8.	Human Resources Advice and Implications
8.1	There are no Human Resource implications arising from the report.
9.	Implications for Children and Young People and Vulnerable Adults
9.1	The report does not impact the Children's and Adult Social care budgets.
10.	Equalities and Human Rights Advice and Implications
10.1	There are no implications arising from this report to Equalities and Human Rights.
11.	Implications for CO2 Emissions and Climate Change
11.1	No direct implications.
12.	Implications for Partners

12.1	There are no implications arising from this report to Partners or other directorates.
13.	Risks and Mitigation
13.1	Regular monitoring of treasury activity ensures that risks and uncertainties are addressed at an early stage and hence kept to a minimum.
14.	Accountable Officers
	Graham Saxton, Assistant Director – Financial Services
	Rob Mahon, Head of Corporate Finance

Approvals obtained on behalf of Statutory Officers:-

	Named Officer	Date
Chief Executive	Sharon Kemp	Click here to enter a date.
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	Click here to enter a date.
Head of Legal Services (Monitoring Officer)	Bal Nahal	Click here to enter a date.

Report Author: Rob Mahon, Head of Corporate Finance

This report is published on the Council's [website](#).

Mid-Year Prudential Indicators and Treasury Management Monitoring

1. Introduction and Background

- 1.1 The CIPFA Treasury Management Code of Practice includes a requirement that the Council receives a mid-year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report required previously.
- 1.2 This report meets that requirement. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs). The Treasury Management Strategy and PIs for 2021/22 were previously reported to Cabinet on 15th February 2021 and approved by Council on 3rd March 2021.
- 1.3 The Council's revised capital expenditure plans and the impact of these revised plans on its financing are set out below in Sections 2.2 and 2.3 respectively. The Council's capital spending plans provide a framework for the subsequent treasury management activity. Section 3 onwards sets out the impact of the revised plans on the Council's treasury management indicators.
- 1.4 The underlying purpose of the report supports the objective in the CIPFA Code of Practice on Treasury Management and the Communities & Local Government Investment Guidance. This states that Members receive and adequately scrutinise information on the treasury management service.
- 1.5 The underlying economic and financial environment remains difficult for the Council, foremost being the improving, but still challenging, concerns over investment counterparty risk. This background encourages the Council to continue maintaining investments short term and with low risk counterparties. The downside of such a policy is that investment returns remain low. This situation has been further exacerbated by the economic impact of the Covid-19 pandemic, that has seen the Bank of England base rate fall to 0.1%.
- 1.6 The Council's use of long term PWLB borrowing will result in the level of short term borrowing gradually falling as short term borrowing matures. With long term borrowing rates forecast to rise over the next 3 years this strategy has taken advantage of historically low long term borrowing rates. This provides certainty of borrowing costs and mitigates the risk of borrowing having to be taken in the future at potentially higher rates. In the short term, the cost of borrowing will increase as the long term borrowing is at a higher rate than the short term borrowing it is replacing, though this impact is factored into the Council's financial monitoring position.
- 1.7 PWLB rates fluctuate, during 2021/22 to date the rates have seen highs of 2.3% for a 50 year PWLB loan and lows of 1.5%. These are significantly low rates. The immediate impact of this has seen short-term borrow falling, to as little as 0.3% for 6 months, for example. This has allowed the Council to make greater short term borrowing savings than anticipated, whilst always being able to soak up the additional interest rate costs of taking long term

borrowing, at this significantly low levels, sooner than planned. The Council keeps interest rates under constant review within its borrowing strategies and decisions on the mix of long-term and short-term borrowing.

- 1.8 The Strategic Director for Finance & Customer Services can report that the basis of the Treasury Management Strategy, the Investment Strategy and the PIs have not changed from that set out in the approved Treasury Management Strategy (Council - March 2021).

2. **Key Prudential Indicators**

2.1. This part of the report is structured to update:

- The Council's latest capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the PIs and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

2.2 **Capital Expenditure (PI)**

2.2.1 This table shows the current forecast estimates for capital expenditure. This position reflects slippage on the capital programme from 2020/21 which was rolled into 2021/22, as reported in the financial outturn report to Cabinet in July 2021, and new scheme approvals during the year.

Capital Expenditure by Service	2021/22 Original Estimate £m	2021/22 Revised Estimate £m
Children and Young People's Services	13.842	12.937
Assistant Chief Executive	0.210	0.391
Adult Care & Housing	7.411	6.849
Finance and Customer Services	5.648	7.125
Regeneration and Environment	71.270	94.777
Capitalisation Direction	2.000	2.000
Total Non-HRA	100.381	124.079
Adult Care & Housing – HRA	62.324	69.479
Total HRA	62.324	69.479
Total	162.705	193.558

2.3 Impact of Capital Expenditure Plans

2.3.1 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the expected financing arrangements of this capital expenditure.

Capital Expenditure	2021/22 Original Estimate £m	2021/22 Revised Estimate £m
Total spend	162.705	193.558
Financed by:		
Capital receipts	16.253	12.728
Capital grants, capital contributions & other sources of capital funding	95.174	113.830
Borrowing Need	51.278	67.000
Total Financing	162.705	193.558
Unsupported Borrowing	51.278	67.000
Borrowing Need	51.278	67.000

The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision (MRP)). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

2.3.2 The increase in borrowing need for 2021/22 (£15.722m) reflects the re-profiling of capital expenditure & financing from 2020/21.

2.3.3 Changes to the Capital Financing Requirement (PI), External Debt and the Operational Boundary (PI)

The table below shows the CFR, which is the underlying external need to borrow for a capital purpose. It also shows the expected debt position over the period. This expected debt position has previously been used as the basis for the Operational Boundary PI. This was set at the beginning of the financial year at £916.384m. There may be periods where the actual position rises above the Operational Boundary, but this is acceptable practice. It is the Authorised Limit which the Council must not breach. However even with the £120m of long term borrowing taken out in 2021/22, it is not expected that the Operational Boundary will be breached. The council will continue to use a combination of long and short term borrowing and remain under-borrowed against the CFR.

2.3.4 In addition to showing the underlying need to borrow, the Council's CFR includes other long term liabilities which have been brought on balance sheet, for example, PFI schemes and finance lease assets. No borrowing is actually required against these schemes as a borrowing facility is already included in the contract and there has been no change in the borrowing need resulting from these requirements.

2.3.5 The current CFR estimate for 2021/22 is £909.273m and this figure represents an increase of £59.605m when compared to the 2020/21 year-end position of £849.668m. This reflects the resetting of the capital programme following the 2020/21 year end and the factoring in of capital programme reprofiles as part of this, a further adjustment is made to reflect the repayments of borrowing within PFI schemes. These two adjustments are detailed below;

- The estimated borrowing need for the year £67.000m net of the Minimum Revenue Provision charge for the year (£4.408m)
- The repayments of borrowing contained within PFI and similar schemes (£2.987m).

Prudential Indicator – Capital Financing Requirement	2021/22 Original Estimate £m	2021/22 Revised Estimate £m
CFR – Non Housing	482.703	482.900
CFR – Housing	310.604	305.870
Total CFR excluding PFI, finance leases and similar arrangements	793.307	788.770
Net movement in CFR excluding PFI, finance leases and similar arrangements	67.129	62.592
Cumulative adjustment for PFI, finance leases and similar arrangements	120.503	120.503
Net movement in CFR	-2.987	-2.987
Total CFR including PFI, finance leases and similar arrangements	913.810	909.273
Net movement in overall CFR	64.142	59.605
Prudential Indicator – Operational Boundary	Original Estimate	Current Position
Borrowing	795.881	789.889
Other long term liabilities*	120.503	120.503
Total Debt 31 March	916.384	910.392

* Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

3. Limits to Borrowing Activity

- 3.1 The first key control over the treasury activity is a PI to ensure that over the medium term, gross and net borrowing will only be for a capital purpose. Gross and net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which would only be undertaken if this proves prudent to do so.

RMBC	2021/22 Original Estimate £m	2021/22 Revised Estimate £m
Gross Borrowing	765.881	759.889
Plus Other Long Term liabilities*	120.503	120.503
Total Gross Borrowing	886.384	880.392
CFR*	913.810	909.273
Total Gross Borrowing	886.384	880.392
Less Investments	50.000	50.000
Net Borrowing	836.384	830.392
CFR*	913.810	909.273

ce sheet PFI schemes, finance leases and similar arrangements, etc.

- 3.2 The Strategic Director for Finance & Customer Services reports that no difficulties are envisaged for the current or future years in complying with this PI.
- 3.3 A further PI controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt (RMBC)	2021/22 Original Indicator £m	2021/22 Revised Indicator £m
Borrowing	813.307	808.770
Other long term liabilities*	122.913	122.913
Total	936.220	931.683

* Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

4. Treasury Strategy 2021/22

4.1 Debt Activity during 2021/22

4.1.1 The expected borrowing need is set out below:

RMBC	2021/22 Original Estimate £m	2021/22 Revised Estimate £m
CFR	913.810	909.273
Less Other Long Term Liabilities*	120.503	120.503
Net Adjusted CFR (y/e position)	793.307	788.770
Borrowed at 30/09/21	740.242	755.423
Invested at 30/09/21	-50.000	-185.900
Under borrowing at 30/09/21	103.065	219.247
Borrowed at 30/09/21	740.242	755.423
Estimated additional borrowing to be taken October to March 2022	0.000	0.000
Total Borrowing	740.242	755.423
Under borrowing at 31/03/22	53.065	33.347
Level of short term borrowing as 31/3/22		193.500

* Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

4.1.2 The Council is currently significantly under-borrowed. The delay in borrowing long-term reduces the cost of carrying borrowed monies when yields on investments are low relative to the borrowing rates. Based on current borrowing rates and investment returns the differential is around 1.8% and if the Council was fully borrowed the additional cost per year would amount to over £4m (Under borrowing and short term borrowing multiplied by 1.8%). The delay in taking out new long-term borrowing does give rise to an element of interest rate risk as longer term borrowing rates may rise. The Council borrowed £120m from the PWLB during July and August of 2021 to mitigate some of this risk. Given that the bank base rate is likely to increase over the next year this position is being closely monitored and the overall position carefully managed.

4.1.3 During the six months to 30 September 2021 the Council has taken out the following amounts of borrowing shown in the table below. The level of short term borrowing is lower than in the previous year due to long term borrowing being taken out to replace some of the short term borrowing. The following

loans were required for a combination of debt refinancing, pension fund payments profile and cashflow management.

Borrowing taken in the 6 months to 30 September 2021

Lender	Principal	Type	Term	Interest Rate %
PWLB - HRA Programme	£10,000,000	Long Term	50 year	1.66
PWLB - GF Programme	£100,000,000	Long Term	50 year	1.54
PWLB - HRA Programme	£10,000,000	Long Term	50 year	1.81
Local Authority	£5,000,000	Temp	24 Months	0.40
Local Authority	£5,000,000	Temp	36 Months	0.48
Local Authority	£5,000,000	Temp	36 Months	0.55
Local Authority	£15,000,000	Temp	23 Months	0.45
Local Authority	£5,000,000	Temp	24 Months	0.45
Local Authority	£5,000,000	Temp	12 Months	0.30
Local Authority	£5,000,000	Temp	23 Months	0.45
Local Authority	£5,000,000	Temp	12 Months	0.30
Local Authority	£8,000,000	Temp	11 Months	0.25
Local Authority	£8,000,000	Temp	11 Months	0.25
Local Authority	£10,000,000	Temp	11 Months	0.25
Local Authority	£10,000,000	Temp	11 Months	0.25
Local Authority	£10,000,000	Temp	11 Months	0.25
Local Authority	£5,000,000	Temp	11 Months	0.20
Local Authority	£10,000,000	Temp	11 Months	0.25
Local Authority	£5,000,000	Temp	11 Months	0.20
Local Authority	£10,000,000	Temp	9 Months	0.10
Local Authority	£5,000,000	Temp	36 Months	0.48

4.1.4 During the six months to 30 September 2021, the Council has repaid principal on long term Equal Instalment of Principal (EIP) and annuity loans from the PWLB, and short-term loans from the Local Authority lending market. The principal repaid, and interest rates are detailed in the table below.

The PWLB EIP loan of £1.3m is being repaid in equal half yearly instalments of £65,000 over its 10 year term. There are 5 Annuity loans on which variable amounts of principal are repaid each six months.

Borrowing repaid in the 6 months to 30 September 2021

Lender	Principal	Type	Interest Rate %
PWLB (5 year loan)	£10,000,000	Fixed Rate (Maturity)	1.05
PWLB	£65,000	Fixed rate (EIP)	1.89
PWLB	£97,953	Fixed rate (Annuity)	Various
Local Authority	£15,000,000	Temp	1.00
Local Authority	£5,000,000	Temp	1.00
Local Authority	£10,000,000	Temp	0.75
Local Authority	£5,000,000	Temp	0.41
Local Authority	£10,000,000	Temp	0.40
Local Authority	£5,000,000	Temp	1.00
Local Authority	£5,000,000	Temp	1.00
Local Authority	£10,000,000	Temp	1.00
Local Authority	£5,000,000	Temp	0.50
Local Authority	£10,000,000	Temp	0.95
Local Authority	£5,000,000	Temp	0.95
Local Authority	£5,000,000	Temp	0.45
Local Authority	£5,000,000	Temp	0.45
Local Authority	£10,000,000	Temp	0.80
Local Authority	£5,000,000	Temp	0.55
Local Authority	£5,000,000	Temp	0.55
Local Authority	£10,000,000	Temp	0.50

5. Investment Strategy 2021/22

5.1 Key Objectives

The primary objective of the Council's Investment Strategy is safeguarding the repayment of the principal and interest of its investments on time – the investment return being a secondary objective. The current difficult economic and financial climate has heightened the Council's over-riding risk consideration with regard to "Counterparty Risk". As a result of these underlying market concerns, officers continue to implement an operational investment strategy which maintains the tight controls already in place in the approved Investment Strategy.

- 5.1.1 The Council has previously been operating a strategy, whereby it has utilised the low rates available in the short term inter-local authority lending market to hold a position of being under borrowed, with the vision of not entering into any long term borrowing until required. To mitigate the risk of interest rates

rising and to take advantage of low long term PWLB interest rates £120m of PWLB borrowing was taken in July and August of 2021. This has resulted in the Council having a larger cash balance than usual. This cash balance will reduce as temporary borrowing becomes due for repayment.

5.1.2 The Council has been managing any cash surpluses into one of the following investment options, Debt Management Office (DMO currently at 0.01%), or Bank Deposits (e.g. Handelsbanken currently at 0.01%). The Council has continued to use Money Market Funds (MMF's), which currently have comparable interest rates of between 0% and 0.01%. The process for using MMF's is very efficient and effective, with the added benefit that the funds the Council can access are all AAA rated. The Council is also looking to place funds with other banks/building societies and other local authorities in order to gain more interest and reduce the cost of carry of the funds that have been borrowed.

5.2 Current Investment Position

The Council held £185.900m of investments at 30 September 2021, and the constituent parts of the investment position are:

Sector	Country	Up to 1 year £m	1 - 2 years £m	2 – 3 years £m
Banks	UK	10.000	0	0
DMO	UK	138.000	0	0
MMF's	UK	37.900	0	0
Total		185.900	0	0

5.3 Risk Benchmarking

A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are requirements to Member reporting and the following reports the current position against the benchmarks:

5.3.1 **Security** – The Council monitors its investments against historic levels of default by continually assessing these against the minimum criteria used in the Investment Strategy. The Council's approach to risk, the choice of counterparty criteria and length of investment ensures any risk of default is minimal when viewed against these historic default levels.

5.3.2 **Liquidity** – In respect of this area the Council set liquidity facilities/benchmarks to maintain:

- Bank overdraft – on a day-to-day basis the Council works to an agreed overdraft limit of £100,000 with the Council's bankers. Whilst a short-term increase could be negotiated less expensive short-term borrowing is accessed through the financial markets to remain within the agreed overdraft.
- Liquid short-term deposits of at least £3m available within a week's notice.

The Strategic Director for Finance & Customer Services can report that liquidity arrangements were adequate during the year to date.

- 5.3.3 **Yield** – a local measure for investment yield benchmark is internal returns above the 7 day London Interbank Bid Rate (LIBID).

The Strategic Director for Finance & Customer Services can report that the return to date averages 0.01%, against a 7 day LIBID to the end of September 2020 of -0.08%. This is reflective of the Council's current approach utilising Money Market Funds to generate additional investment returns.

Based on the Council's current average cash investments of £135m, the additional return achieved compared to benchmark would be £61k.

6. **Revisions to the Investment Strategy**

- 6.1 The counterparty criteria are continually under regular review but in the light of the current market conditions no recommendations are being put to Members to revise the Investment Strategy. However, as part of the Council's Treasury Management Strategy for 2022/23 the Council may look to increase the level of investments that can be held with banks and Money Market Funds in order to support the additional cash that may be held as the Council looks to gradually convert its short term borrowing into long term loans.

7. **Treasury Management Prudential Indicators**

- 7.1 **Actual and estimates of the ratio of financing costs to net revenue stream**

This indicator identifies the trend in the cost of capital (financing costs net of interest and investment income) against the net revenue stream.

	2021/22 Original Indicator %	2021/22 Current Position %
Non-HRA	5.31	6.20
HRA	16.80	16.78

- 7.2 The current position reflects in-year changes to the capital programme and minor fluctuations in interest rates.

7.3 **Prudential indicator limits based on debt net of investments**

- **Upper Limits On Fixed Rate Exposure** – This indicator covers a maximum limit on fixed interest rates.
- **Upper Limits On Variable Rate Exposure** – Similar to the previous indicator this identifies a maximum limit for variable interest rates based upon the debt position net of investments.

RMBC	2021/22 Original Indicator	Current Position
Limits on fixed interest rates based on net debt	100%	82.66%
Limits on variable interest rates based on net debt	50%	17.34%

7.4 **Maturity Structures Of Borrowing**

These gross limits are set to reduce the Council's exposure to large fixed rate loans (those instruments which carry a fixed interest rate for the duration of the instrument) falling due for refinancing.

The current position shown below reflects the next call dates on those Council's LOBO loans that are not callable in 2021/22 and thus are regarded as fixed rate. The actual maturity date for most of these LOBO loans is greater than 50 years. This approach gives a better indication of risk and whilst there is a possibility that a loan is called with an increase in interest payable the likelihood of any LOBO loans being called in the current climate is assessed as zero for the next three years.

RMBC	2021/22 Original Indicator		Current Position	
	Lower	Upper	%	£m
Under 12 months	0%	60%	19.98%	150.930
12 months to 2 years	0%	35%	17.67%	133.500
2 years to 5 years	0%	45%	3.31%	25.000
5 years to 10 years	0%	45%	0.66%	5.000
10 years to 20 years	0%	45%	4.98%	37.657
20 years to 30 years	0%	50%	1.36%	10.271
30 years to 40 years	0%	50%	13.38%	101.065
40 years to 50 years	0%	55%	25.42%	192.000
50 years and above	0%	60%	13.24%	100.000

7.5 **Total Principal Funds Invested**

These limits are set to reduce the need for the early sale of an investment, and show limits to be placed on investments with final maturities beyond each year-end.

The Council currently has no sums invested for periods exceeding 364 days due to market conditions. To allow for any changes in those conditions the indicator has been left unchanged.

RMBC	2021/22 Original Indicator £m	Current Position £m
Maximum principal sums invested > 364 days	10	0
Cash deposits	10	0

7.6 Treasury Management Advisers

Following a three year contract with Link Asset Services Treasury Solutions (LAS) for the provision of treasury management and asset finance services, the Council has extended the contract for a further year to January 2022. A procurement process is currently underway to replace the contract from January 2022.