1. Prudential Indicators which relate to the Treasury function and compliance with limits for 202/23

1.1 The Council is required by the Prudential Code to report the actual prudential indicators after the end of each year. These indicators which relate to treasury management and are set on an annual basis and monitored, they comprise:-:

- Operational and authorised borrowing limits which includes short term borrowing (section 2 below)
- Capital Financing Requirement (section 3 below)
- Interest rate exposure (section 4 below)
- Interest rate on long term borrowing (section 5 below)
- Maturity structure of investments (section 6 below)
- Compliance with the Treasury Management Code of Practice (section 7 below)
- Interest on investments (section 8 below)

2. Operational and authorised borrowing limits.

2.1 The tables below sets out the estimate and projected Capital financing requirement and long-term borrowing in 2022/23

	Capital Financing Requirement	**2022/23 Estimate**	**2022/23 Actual**
		£m	**£m**
	Capital Financing Requirement at 1 April 2022	**364**	**350**
add	Capital Expenditure	82	77
add	Impact for IFRS 16 Leases	-	-
less	Capital Financing	(74)	(72)
less	Provision for repayment of debt (MRP)	(7)	(13)
	Capital Financing Requirement at 31 March 2023	**365**	**342**
add	Short Term Borrowing Provision	10	
	Operational Boundary	**375**	
add	Short Term Borrowing Provision	20	
	Authorised Limit	**395**	

	Actual Borrowing	**2022/23 Actual**
		£m
	Long Term Borrowing at 1 April 2022	**226.5**
less	Loan redemptions	(5.6)
add	New Borrowing	-
	Long Term Borrowing at 31 March 2023	**220.9**

2.2 The Operational Boundary was consistent with the Council's current commitments, existing plans and the proposals for Capital expenditure and financing, and with its approved treasury management policy statement and practices. It was based on the estimate of most likely, prudent but not worst case scenario. Risk analysis and risk management strategies were taken into account as were plans for Capital expenditure, estimates of the Capital financing requirement and estimates of cash flow requirements for all purposes. The Operational boundary represents a key management tool for in year monitoring and long term borrowing control.

2.3 The Authorised Limit for borrowing was based on the same estimates as the Operational Boundary but includes additional headroom for a short term borrowing to allow, for example, for unusual cash movements or late receipt of income.

2.4 The Authorised limit is the “Affordable Borrowing Limit” required by S3 of the Local Government Act 2003 and must not be breached. The Long Term borrowing at 31 March 2022 of £220.9m is under the Operational boundary and Authorised limit set for 2022/23. The Operational boundary and Authorised limit have not been exceeded during the year.

3. Capital Financing Requirement

3.1 The 2022/23 actual Capital Financing Requirement of £342m included PFI Schemes and Finance Leases totalling £70m, excluding these balances the underlying need to borrow was £272m.

3.2 The Council’s actual and forecast CFR is shown below. It includes PFI and leasing schemes on the balance sheet, which increase the Council’s borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	£m	£m	£m	£m
Total CFR*	**342**	**366**	**421**	**435**
Movement in CFR*	-	24	55	14

**CFR including appropriate balances and MRP charges for PFI Schemes and Finance Leases*.

4. Interest rate exposure and maturity structure of debt

4.1 The Council continued the practice of seeking to secure competitive fixed interest rate exposure 2022/23. There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs or improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the council’s exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

	2022/23	2023/24	2024/25
Interest rate exposure	**Upper**	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	15%	15%	15%
Maturity structure of fixed interest rate borrowing 2022/23			
	Lower	**Upper**	**Actual 2022/23**
Under 12 months	0%	25%	2%
12 months and within 24 months	0%	40%	2%
24 months and within 5 years	0%	60%	7%
5 years and within 10 years	0%	80%	15%
10 years and within 20 years	0%	80%	24%
20 years and within 30 years	0%	80%	31%
30 years and within 40 years	0%	80%	19%
40 years and above	0%	80%	0%

4.2 The Council has not exceeded the limits set in 2022/23. Not more than £20m of debt should mature in any financial year and not more than 15% to mature in any two consecutive financial years. Borrowing has been undertaken giving due consideration to the debt maturity profile, ensuring that an acceptable amount of debt is due to mature in any one financial year. This helps to minimise the authority's exposure to the risk of having to replace a large amount of debt in any one year or period when interest rates may be unfavourable. The bar chart in the attached Annex 1 shows the maturity profile.

5. Interest rate on long term borrowing

5.1 The rate of interest taken on any new long term borrowing will be defined with the assistance of Link Asset Services.

6. Maturity structure of investments

6.1 The Investment Guidance issued by the government, allowed local authorities the freedom to invest for more than for one year. All investments over one year were to be classified as Non-Specified Investments. The Council had taken advantage of this freedom and non-Specified Investments are allowed to be held within our overall portfolio of investments and in line with our prudent approach in our strategy.

7. Compliance with the Treasury Management Code of Practice

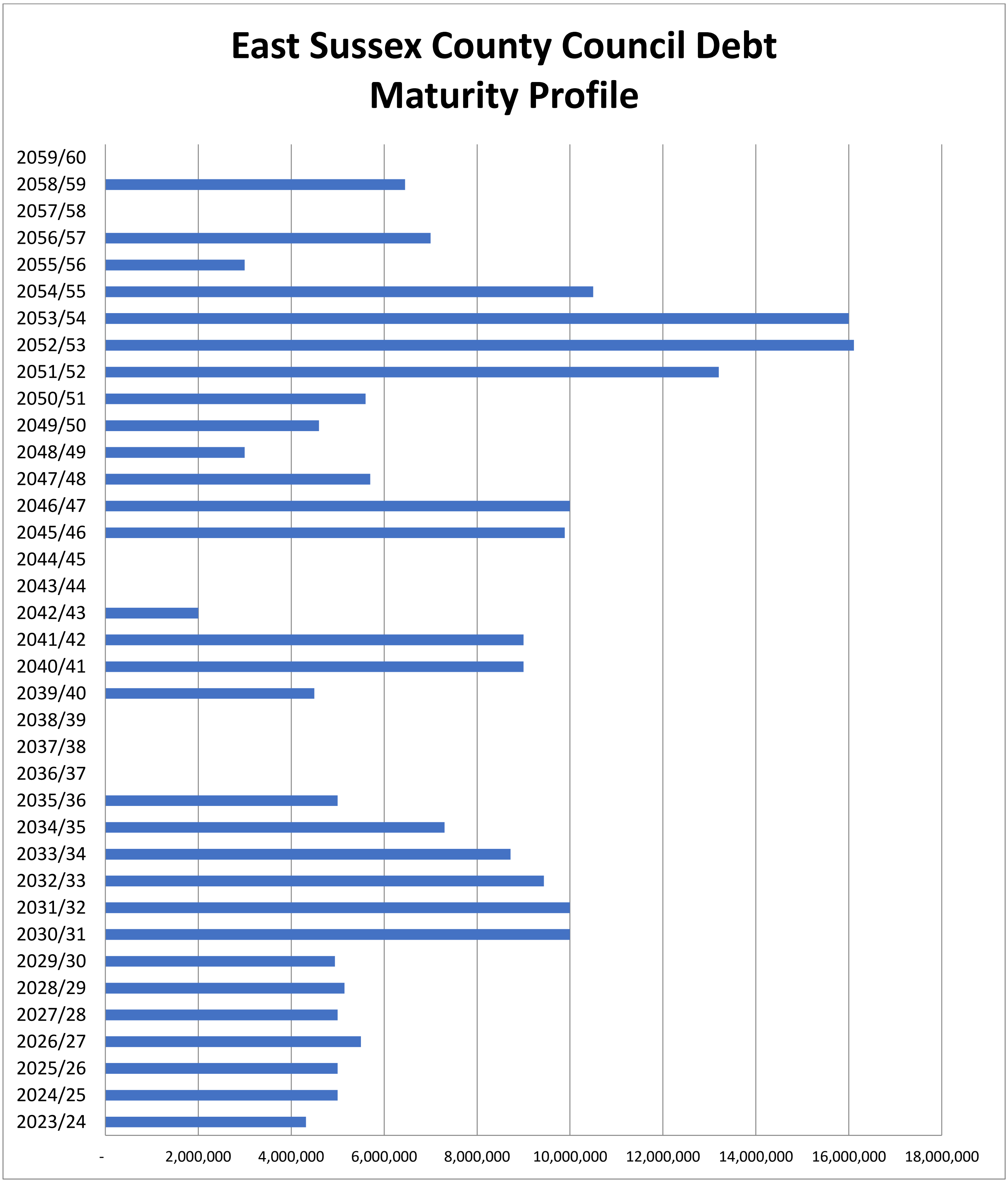
7.1 East Sussex County Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA), Code of Practice for Treasury Management in the Public Services. In December 2018, CIPFA, issued a revised Treasury Management Code and Cross Sectoral Guidance Notes, and a revised Prudential Code.
A particular focus of these revised codes was how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the Authority at a much higher level than can be attained by treasury investments. The outcome is a new Capital Strategy document which now forms part of the annual budget papers.

8. Interest on investments 2023/23

8.1 The table below sets out the average monthly rate received on our investments and compares it to the Bank of England Base rate to reflect both the interest rates available in the market and limitation in the use of counterparties.

Month	Amount £'000	Monthly rate	Average Base Rate	Margin against Base Rate
April	202	0.78%	0.75%	+0.03%
May	217	0.82%	0.97%	-0.15%
June	228	0.93%	1.13%	-0.22%
July	311	1.19%	1.25%	-0.04%
August	348	1.33%	1.70%	-0.37%
September	349	1.41%	1.90%	-0.49%
October	460	1.84%	2.25%	-0.41%
November	597	2.54%	2.95%	-0.41%
December	627	2.79%	3.27%	-0.48%
January	703	3.09%	3.50%	-0.41%
February	672	3.36%	3.98%	-0.62%
March	746	3.51%	4.07%	-0.56%
Total for 2022/23	**5,458**	**1.89%**	**2.30%**	**-0.41%**

8.2 The total amount received in short term interest for the year was £5.458m at an average rate of 1.89%. This was below the average of base rates in the same period (2.30%) but ensuring, as far as possible in the financial climate, the security of principal and the minimisation of risk. This Council has continued to follow a prudent approach with security and liquidity as the main criteria before yield.


East Sussex County Council Debt Maturity Profile
2059/60
2058/59
2057/58
2056/57
2055/56
2054/55
2053/54
2052/53
2051/52
2050/51
2049/50
2048/49
2047/48
2046/47
2045/46
2044/45
2043/44
2042/43
2041/42
2040/41
2039/40
2038/39
2037/38
2036/37
2035/36
2034/35
2033/34
2032/33
2031/32
2030/31
2029/30
2028/29
2027/28
2026/27
2025/26
2024/25
2023/24
-
2,000,000
4,000,000
6,000,000
8,000,000
10,000,000
12,000,000
14,000,000
16,000,000
18,000,000