Agenda item: 9

Cabinet – 14 December 2022

Treasury Management Mid Year Position Statement 2022/23

Portfolio: Councillor Bird, Leader of the Council

Related portfolios: N/A

Service: Finance

Wards: All

Key decision: No

Forward plan: Yes

1. Aim

1.1 The council is required through regulations issued under the Local Government Act 2003 to produce a mid year position statement reviewing treasury management activities and prudential and treasury indicator performance. The Treasury Management mid year position statement at Appendix A provides Cabinet with these details, and meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

2. Summary

2.1. This report sets out the council's 2022/23 mid year position statement for treasury management activities (Appendix A) and a summary of performance against set targets (Appendix B).

2.2. Despite difficult market conditions the net position for capital financing is expected to be underspent against the 2022/23 budget by at least £3.087m. There are currently assumptions that pressures for investment income, interest rate risks and increased costs of borrowing requirements for the capital programme are funded by reserves earmarked held for that purpose.

3. Recommendations

3.1 That Cabinet notes and forward to Council, for consideration and noting (and in line with the requirements of the Treasury Management Code of Practice (2017)), the mid-year position statement for treasury management activities 2022/23 including prudential and local indicators (Appendix A).

3.2 That Cabinet note that all Members should undertake training that is available from the Council's external Treasury Management advisors to enable Members to better understand and challenge the long-term financial implications of matters reported within the Treasury Management Strategy.

4. Report detail - know

Context

4.1 The councils Treasury Management service is responsible for maintaining the council's cash flow and banking arrangements, alongside management of its borrowing and investment requirements.

4.2 In terms of cash flow, the council is required to set a balanced budget each year, which broadly means cash raised during the year will be in line with its budgeted expenditure. As such the role of the treasury management service within that is to ensure this cash flow is adequately planned, and that cash is available to meet expenditure as required.

4.3 Effective cash flow planning allows the authority to understand how long it will have surplus balances available to it, and to undertake investments (in line with the Treasury Management Policy Statement – approved by Council in February 2022) in the interim period which can generate income for the authority.

4.4 In relation to any borrowing requirements, these are linked to the council's approved capital programme, with the treasury management service identifying the associated borrowing requirement and the most effective method to fund that - which may involve arranging long or short term loans, or using longer term cash flow surpluses (known as internal borrowing).

4.5 In line with the Treasury Management Code of Practice (2017) there are a number of reports relating to the performance of the treasury management service that are required to be produced and reported publicly each year. One of these is a requirement to publish a Treasury Management Mid Year Position statement, and this is provided within the report attached at Appendix A – with the following points summarising key areas of performance within that:

- The mid year position statement meets the requirement of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

- The banking environment has improved during 2022/23 with interest rates offered on investments continuing to increase without any corresponding increase in counter party risk. From 1 January 2022 to 30 September 2022 there have been 6 Bank of England base rate increases, taking the bank rate at that point to 2.25% with forecasts at that time expecting rates to peak around 5% in March 2023.

- The authority has continued to identify appropriate new areas of investment opportunity which, together with investment income rates being higher than budgeted (as a result of the successive changes in the base rate), has led to a significant over overachievement on average cash investment performance, which is forecast to deliver a positive return of £0.718m above the budget set for the year. The average investment income rate on all cash investments as at 30 September 2022 was 1.35%, compared to the average for 2021/22 of 0.74% and a budgeted rate of 0.91%.

- Savings are forecast to be made on interest payable costs with £5.045m expected to be transferred to reserves at 30 September 2022 to support future cost pressures and risks.

These savings are as a result of the council choosing to utilise its cash balances to fund capital expenditure rather than borrowing externally as originally budgeted for.

- In line with the treasury management strategic objective of seeking beneficial debt rescheduling or debt repayment opportunities, following a detailed financial appraisal the council also entered in to an early repayment of £20m of long term borrowing with Barclay's bank on 25 August 2022. The premium cost of the repayment totalled £8.132m (including accrued interest) and was financed from an earmarked reserve held for this purpose. This early repayment will provide the council with ongoing annual revenue savings on interest payment costs of £0.898m per year.

5. Council Corporate Plan priorities

5.1 Sound financial management of the council's cash balances supports the delivery of council priorities within the council's available resources.

6. Risk management

6.1 Treasury management activity takes place within a robust risk management environment, which enables the council to effectively maximise investment income and minimise interest payments without undue or inappropriate exposure to financial risk. It is recognised that the management of risk is as important as maximisation of performance and it is essential that the council has the right balance of risk and reward when making investment decisions. This is supported by treasury management policies which seek to manage the risk of adverse fluctuations in interest rates and safeguard the financial interests of the council.

6.2 Uncertainty for interest rates and within the financial markets continues to create risk, with a period of high inflation and increasing interest rates expected to continue for the foreseeable future. The Council has responded to this risk by reviewing the counterparties that it utilises for investments to minimise the risk to any one counter party or class of counter party, and by utilising cash balances as a first call rather than taking out new borrowing to fund capital expenditure.

7. Financial implications

7.1 Treasury management activity forms part of the council's financial framework and supports delivery of the medium term financial strategy. Treasury management performance and activity is reviewed through both the treasury management annual report and the mid-year performance review report.

7.2 The financial position set out at the mid year point, as at 30 September 2022, shows a forecast positive variance for the service against the budget available for the year of £3.087m, with details of the reasons for that set out within the 'Treasury Management Mid Year Review' report attached at Appendix A.

8. Legal implications

8.1 The council is required to have regard to the Prudential Code under the duties outlined by the Local Government Act 2003. One requirement of the Prudential Code is that the council should comply with the CIPFA Code of Practice for Treasury Management. The council adopted the original treasury management code in 1992 alongside further revisions to the Code in 2002, 2010 and 2017.

9. Procurement Implications / Social Value

9.1 None directly relating to this report.

10. Property implications

10.1 None directly relating to this report.

11. Health and wellbeing implications

11.1 None directly relating to this report.

12. Staffing implications

12.1 None directly relating to this report.

13. Reducing Inequalities

13.1 No issues directly relating to this report.

14. Climate Change

14.1 No issues directly relating to this report.

15. Consultation

15.1 The report has been approved by the finance treasury management panel, an internal governance arrangement comprising the S151 Officer, Director - Finance Corporate Performance & Corp Landlord and relevant Heads of Finance.

16. Decide

16.1 In line with the Treasury Management Code of Practice (2017) there are a number of reports that are required to be produced and reported publicly each year. The Treasury Management Mid Year Position statement forms one of these requirements and as such is being reported to Cabinet for noting and forwarding on to Council for consideration.

17. Respond

17.1 This report is not seeking approval of a decision, in line with the Treasury Management Code of Practice (2017) it is required to be reported for noting and forwarding to Council for consideration.

18. Review

18.1 In line with Treasury Management Code of Practice (2017) this is a backward looking document looking at performance over the first six months of the current financial year and a further report on performance will be provided each year in line with the requirements of the Code.

Background papers

Various financial working papers

Corporate Budget Plan 2022/23 to 2025/26, incorporating the Capital Strategy, and the Treasury Management and Investment Strategy 2022/23 – Council 24/02/22

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Signed	Signed
Deborah Hindson **Interim Executive Director –** **Resources & Transformation / S151 Officer**	**Councillor Bird** **Leader of the Council**
14 December 2022	14 December 2022

Appendix A

Treasury Management Mid Year Review

Summary

In line with the Treasury Management Code of Practice (2017) requirements, this report provides an overview of treasury management performance between 31 March 2022 and 30 September 2022, including an overview of the borrowing and investment position for the authority, the budgetary position of the treasury management service, an economic update and a summary of delivery against performance targets approved for the year.

Borrowing and Investments

Table 1 shows borrowing and investments held at 31 March 2022 and 30 September 2022. The table shows that net borrowing during this period has remained broadly static.

The forecast borrowing position for the year end shows that total borrowing remains largely unchanged, however since 31 March 2022 borrowing levels have reduced by approximately £48m, predominantly due to an early repayment of £20m of long term borrowing with Barclay's bank on 25 August 2022, and other maturities for loans taken out to meet the cash flow requirements related to the upfront pension payment made in April 2020.

The investment balance for the period to 30 September 2022 has decreased by approximately £53m, of which approximately £28m is as a result of the early repayment of debt and the associated premium and accrued interest costs. The remaining £25m reduction is in line with the budgeted assumptions for the year which included a plan to ensure that cash balances were maintained at an appropriate and robust level in line with expected cashflows projected for the year. This is also linked to the cashflow profile for local authorities where a large proportion of income is normally received at the start of the year (with upfront funding provided to the authority in relation to a number of grants, and with a large number of individuals and businesses choosing to make early payments of council tax and business rates invoices etc), with corresponding expenditure normally being spread across the year.

The forecast investment position for the year end shows that investment balances are expected to decrease as we approach 31 March 2023 as payments on capital schemes are made and less income is profiled to be raised (and therefore collected) during the period, however these balances are sufficient and in line with budgeted expectations.

Table 1

Borrowing	31-Mar-22	30-Sep-22	Change in year	Forecast Position 31-Mar-23	Forecast Change 31-Mar-22 to 31-Mar-23
	£m	£m	£m	£m	£m
PWLB	195.658	188.118	(7.540)	188.118	(7.540)
Private Loans	95.000	75.000	(20.000)	75.000	(20.000)
Other Loans	38.313	17.811	(20.502)	16.226	(22.087)
Total Borrowing	**328.971**	**280.929**	**(48.042)**	**279.344**	**(49.627)**

Investments	31-Mar-22	30-Sep-22	Change in year	Forecast Position 31-Mar-23	Forecast Change 31-Mar-22 to 31-Mar-23
	£m	£m	£m	£m	£m
At-call	47.925	41.045	(6.880)	25.000	(22.925)
Short term	174.000	128.000	(46.000)	90.000	(84.000)
Long term	5.000	5.000	0.000	5.000	0.000
Property funds	30.000	30.000	0.000	30.000	0.000
Total Investments	**256.925**	**204.045**	**(52.880)**	**150.000**	**(106.925)**
Net Position (Borrowing less Investment)	**72.046**	**76.884**	**4.838**	**129.344**	**57.298**

Capital Financing Budget Update

Table 2 below shows the mid year revenue outturn forecast for treasury management capital financing. There is a forecast underspend of £5.045m in relation to a decision to delay borrowing and utilise cash balances. Borrowing to be taken out to cover the capital programme expenditure for the period 2018/19 to 2021/22 was initially expected to take place in this financial year, but will no longer be taken out as it is more prudent to utilise cash balances and reduce the cost of carry as well as reducing counterparty risk. As at 30 September 2022 a net transfer to reserves of £3.087m is forecast to be made to fund future cost pressures for borrowing and interest rate risks.

The Minimum Revenue Provision (MRP) charge for the year is forecast to be £0.585m over budget, however this was expected and a transfer from reserves equal to the forecast overspend is therefore planned to manage that. This transfer from reserves is a continuation of the release of the c.£24m savings identified as a result of the MRP review in 2015/16 and c.£21m savings identified as a result of the MRP review in 2020/21.

Table 2

Service Description	Full Year Forecast	Annual Budget	Forecast Variance	Transfer (from) / to reserves	Net Forecast Variance
	£m	£m	£m	£m	£m
Interest Payable	18.962	18.900	0.062	(5.107)	(5.045)
Investment Returns	(3.106)	(5.064)	1.958	0.000	1.958
Allocation of interest on internal balances	0.001	0.001	0.000	0.000	0.000
Other Local Authority Debt	2.221	2.221	0.000	0.000	0.000
Treasury Management costs	0.020	0.020	0.000	0.000	0.000
Bank charges	0.086	0.086	0.000	0.000	0.000
Minimum Revenue Provision	9.353	8.768	0.585	(0.585)	(0.000)
Total	**27.537**	**24.932**	**2.605**	**(5.692)**	**(3.087)**

Economic update provided by the Council's external Treasury Management Partner as at September 2022

- The second quarter of 2022/23 saw:
  - Gross domestic product (GDP) (the most commonly used measure for the size of an economy) revised upwards in quarter 1 2022/23 to +0.2% quarter/quarter from -0.1%, which means the UK economy avoided recession during this qurter;
  - Signs of economic activity losing momentum as production fell due to rising energy prices;
  - Consumer Price Index (CPI) inflation rose to 9.9% year/year in August, having been 9.0% in April, with domestic price pressures showing little sign of abating in the near-term;
  - The unemployment rate for the quarter fell to a 48-year low of 3.6% due to a large shortfall in labour supply;
  - The Bank Rate rose by 100 basis points over the quarter, taking the Bank Rate to 2.25% with further rises expected;
  - Gilt yields surged and sterling fell following the "fiscal event" of the new Prime Minister and Chancellor on 23rd September.
- The UK economy grew by 0.2% quarter/quarter in quarter 1 2022/23, though revisions to historic data left it below pre-pandemic levels.
- There were signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% month/month) and construction output (-0.8% month/month) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g. chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.
- The fall in the composite Purchasing Manager Index (PMI) (index of the prevailing direction of economic trends in the manufacturing and service sectors) from 49.6 in August to a 20-month low preliminary reading of 48.4 in September points to a fall in GDP of around 0.2% quarter/quarter in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% month/month in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3% below their level at the start of the year. There were also signs that households were spending their excess savings in response to high prices. Indeed, cash in households' bank accounts rose by £3.2 billion in August, which was below the £3.9 billion rise in July and much smaller than the 2019 average monthly rate of £4.6 billion.
- The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there were 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies did start to level off from recent record highs but there were some signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3 month year/year rate of average earnings growth rose from 5.2% in June to 5.5%.

- CPI inflation eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. And with the oil price now just below $90 per barrel, fuel prices were expected to fall further in the coming months.
- However, utility price inflation is expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). But the impact of the government freeze on utility prices will see energy price inflation fall sharply after October and have a big downward influence on CPI inflation.
- Nonetheless, the rise in services CPI inflation from 5.7% year/year in July to a 30-year high of 5.9% year/year in August suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation has not yet peaked, and with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong in to next year.
- During the first half of 2022, there has been a change of both Prime Minister and Chancellor. The new team of Liz Truss and Kwasi Kwarteng sought to make a step change in government policy with a round of huge fiscal loosening from its proposed significant tax cuts adding to existing domestic inflationary pressures and impacting on interest rates and public debt. Whilst the government's utility price freeze will reduce peak inflation, the long list of tax measures announced at the "fiscal event" on 23 September added up to a loosening in fiscal policy relative to the previous government's plans. These included the reversal of April's national insurance tax on 6 November, the cut in the basic rate of income tax from 20p to 19p in April 2023, the cancellation of planned corporation tax rises, a cut to stamp duty and the removal of the 45p tax rate.
- Fears that the government had no fiscal anchor on the back of these announcements meant that the pound weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low of $1.035 on the Monday following the government's "fiscal event", it subsequently recovered to around $1.12 due to expectations that the Bank of England would deliver a very big rise in interest rates at the policy meeting on 3 November and the government will lay out a credible medium-term plan in the near term. This was originally expected as part of the fiscal statement on 23 November but was subsequently moved forward. Nevertheless, with concerns over a global recession growing, there are downside risks to the pound.
- The MPC has at October increased interest rates seven times in as many meetings in 2022 and had raised rates at that point to their highest level since the Global Financial Crisis. Even so, coming after the Fed and ECB rate rises, the Bank of England's decisions still look relatively dovish. However, the UK's status as a large importer of commodities, which have jumped in price, means that households in the UK will face a much larger squeeze on their real incomes.
- Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21 June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptional at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the government's extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the "fiscal event", which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things. First, it postponed its plans to start selling some of its Quantitative Easing (QE) gilt holdings until 31 October. Second, it committed to buy up to £65 billion of long-term gilts to "restore orderly market conditions"

until 14 October. In other words, the Bank was restarting QE, although for financial stability reasons rather than monetary policy reasons.

- Since the Bank's announcement on 28 September, gilt rates have fallen back.
- After a shaky start to the year, the Standard & Poor's 500 (S&P 500) and Financial Times Stock Exchange 100 (FTSE 100) climbed in the first half of quarter 2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 was 7.2% below its level at the start of the quarter, whilst the FTSE 100 was 5.2% below it as the fall in the pound in the period boosted the value of overseas earnings in the index. The decline was, in part, driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

Performance

The prudential and local indicators as at 30 September 2022 are shown in **Appendix B.** All indicators are currently being met with the exception of the following:

L5 & L6 – Average interest rates on borrowing show a slightly adverse variance. This is mainly due to the repayment of borrowing maturities in April 2022 which were placed at a lower interest rate resulting in the average borrowing rate increasing. Also borrowing had been budgeted to taken out this financial year at lower interest rates than the average in the portfolio resulting in the target rate of 3.62% being lower than the actual interest rate of external debt of 3.77% (Including WMCC Debt).

L8. Average Interest Received on STI vs At Call rate. The average interest rate received for Short Term investments is currently 1.09%, being 17.20% higher than the at-call rate of 0.93%. However, the target rate for STI vs Call Rate shows at 807.00%. At the time these targets were set short term interest rates was significantly higher than the call rate. Also as the call rate is increasing there are still active short-term investments which have been placed over the past 12 months which are providing a much lower yield in comparison to current Short Term yields. Once these investments have matured (and potentially been re-invested), there is likely to be a significant increase in short term interest rate that is achieved.

The targets that these prudential indicators are monitored against have been taken from the Treasury Management and Investment Strategy for 2022/23 Onwards, which was approved by Council in February 2022.

Appendix B

Prudential Indicator		Actual 2021/22 £m	Target 2022/23 £m	Actual Position at 30-September-22 £m	Variance to target Numerical Variance	 % Variance
Prl 1	**Capital Expenditure**	78.385	231.13	**138.49**	-92.640	-40%
This indicator is required to inform the council of capital spending plans, it is the duty of a local authority to determine and keep under review the amount that it can afford to allocate to capital expenditure. Capital expenditure may be funded by grant, capital receipts and borrowing.						
Prl 2	**Ratio of financing costs to net revenue stream**	**7.23%**	9.76%	**6.86%**	-2.90%	-30%
Financing costs - Divided by (Interest charged on loans Less Interest earned on investments)		**Budget requirement** (Revenue Support Grant + NNDR +Council Tax)		**The ratio of financing costs to net revenue stream (General Fund)** as a %		
Prl 3	**Estimates of the incremental impact of new capital investment decisions on Council Tax**	**£52.43**	£43.02	**£43.02**	0.00	0%
This is a notional amount indicating the amount of council tax band D that is affected by the capital programme in the budget report compared to existing approved commitments and current plans.						
Prl 4	**Capital Financing Requirement**	**417.360**	411.850	**374.499**	-37.351	-9%
This represents the underlying level of borrowing needed to finance historic and future capital expenditure. It is updated at end of the financial year.						
Prl 5	**Authorised Limit for external debt**	**498.300**	474.380	**474.380**	0.00	0%
The council may not breach the limit it sets, so it is important to allow prudent room for uncertain cash flow movements and borrowing in advance of future need.						
Prl 6	**Operational Limit for external debt**	**453.00**	431.25	**431.25**	0.00	0%
This has been set at the level of the capital financing requirement less the CFR items relating PFI and finance leases.						
Prl 7	**Gross Borrowing exceeds capital financing requirement**	**No**	**No**	**No**		
The CFR represents the underlying level of borrowing needed to finance historic capital expenditure. Actual net borrowing should be lower than this because of strong positive cash flow and balances. It would be a cause for concern if net borrowing exceeded CFR.						
Prl 8	**Authority has adopted CIPFA Code of Practice for Treasury Management**	**Yes**	**Yes**	**Yes**		

To ensure that treasury management activity is carried out within best professional practice.					
PrI 9	**Total principle sums invested for longer than 364 days must not exceed**	**5.0**	**25.0**	**5.0**	
The council is at risk when lending temporarily surplus cash. The risk is limited by investing surplus cash in specified investments and by applying lending limits and high credit worthiness. These are kept under constant review.					

Prudential Indicator continued		Upper Limit	Lower Limit	Actual 2021/22	Actual Position at 30-September -22
PrI 10	Fixed Interest Rate Exposure	95.00%	40.00%	**89.47%**	**94.72%**
PrI 11	Variable Interest Rate Exposure	45.00%	0.00%	**10.53%**	**5.28%**
PrI 12	***Maturity Structure of Borrowing***				
	Under 12 months	25.00%	0.00%	**22.94%**	**15.19%**
	12 months and within 24 months	25.00%	0.00%	**10.53%**	**7.03%**
	24 months and within 5 years	40.00%	0.00%	**14.32%**	**26.20%**
	5 years and within 10 years	50.00%	5.00%	**2.07%**	**0.00%**
	10 years and above	85.00%	30.00%	**50.14%**	**51.58%**

Local Indicators as at 30th September 2022

Local Indicators	Actual	Target	Actual Position as at	Variance to target	Met

		2021/22	2022/23	30-September-22	Numerical Variance	% Variance	
L1	**Full compliance with prudential code**	**Yes**	Yes	**Yes**	-	-	**Y**
L2	**Average length of debt**	**16.44**	Lower Limit 15 years, Upper limit 25 years	**16.76**	-	-	**Y**
This is a maturity measure and ideally should relate to the average lifespan of assets.							
L3a	**Financing costs as a % of council tax requirement**	**7.15%**	20.00%	**5.48%**	-14.52%	-72.58%	**Y**
L3b	**Financing costs as a % of tax revenues**	**4.60%**	12.50%	**3.72%**	-8.78%	-70.25%	**Y**
These are a variation to PrI 3 excluding investment income and including MRP (amount set aside to repay debt costs). The target figure of 12.5% represents an upper limit of affordable net borrowing costs as a percentage of tax revenues for the authority. The actual level of net borrowing costs is currently less than the upper limit, which in the main is linked to the work undertaken by the service to seek to secure favorable rates on investments and reduced costs on borrowing, thus reducing the overall net borrowing costs.							
L4	**Net actual debt vs. operational debt**	**72.62%**	85.00%	**69.90%**	-15.10%	-17.77%	**Y**
This assists the monitoring of the authority's debt position.							
L5	**Average interest rate of external debt outstanding excluding OLA**	**3.59%**	3.52%	**3.69%**	0.17%	4.93%	**N**
L6	**Average interest rate of external debt outstanding including OLA**	**3.65%**	3.62%	**3.77%**	0.15%	4.04%	**N**
The measure should be as low as possible. Other Local Authority debt (OLA) is managed on our behalf by Dudley council.							
L7	**Gearing effect of 1% increase in interest rate**	**3.69%**	5.00%	**3.81%**	**0.04%** **This would increase the average interest rate payable from 3.81% shown in L6 to 3.85%**		**Y**

This relates risk management principles to the monitoring of the TM strategy. It measures the effect of a change in interest rates and the effect it may have on the capital financing costs.							
L8	**Average interest rate received on STI vs. At Call rate**	**280.00%**	807.00%	**17.20%**	-789.80%	-97.87%	N
L9a	**AT call investments**	**0.10%**	0.10%	**0.93%**	0.83%	830.00%	Y
L9b	**Short Term Investments**	**0.38%**	0.50%	**1.09%**	0.59%	118.00%	Y
L9c	**Long Term Investments**	**1.11%**	0.80%	**0.91%**	0.11%	13.75 %	Y
L9d	**Property Fund Investments**	**3.45%**	3.34%	**3.56%**	0.22%	6.45%	Y
L10	**Average interest rate on all ST investments (ST and AT call)**	**0.29%**	0.45%	**1.04%**	0.59%	131.11%	Y
L11a	**Average rate on all investments (ex. Property fund)**	**0.38%**	0.48%	**1.03%**	0.55%	116.41%	Y
L11b	**Average rate on all investments (inc. property fund)**	**0.74%**	0.91%	**1.35%**	0.44%	48.17%	Y
L12	**% daily bank balances within target range**	**100%**	99%	**99%**	0%	0%	Y
This measures how good our daily cash flow prediction is. A figure of 98% and above indicates a high level of accuracy.							