

Appendix Three

Treasury Limits and Indicators

1. Introduction

1.1 This appendix details the expected indicators and limits arising from the treasury management function.

2. Proposed Indicators of Affordability

2.1 The ratio of financing costs to net revenue budget:

21/22	4.16%
22/23	3.44%
23/24	2.49%

2.2 In line with our strategy of financing capital expenditure from revenue, these ratios are reducing.

2.3 The estimated incremental impact on council tax of capital investment decisions proposed in the budget, over and above capital investment decisions that have previously been taken by the authority is nil, because no new borrowing is proposed.

2.4 Estimated debt at the end of future years is:-

End of:	<u>Debt</u> <u>£000</u>	<u>Leases</u> <u>£000</u>	<u>Total</u> <u>£000</u>
21/22	12,137	347	12,484
22/23	11,137	118	11,255
23/24	11,137	74	11,211

3. Treasury Limits for 2021/22

3.1 The proposed limits on borrowing and leasing for 2021/22 are:-

	<u>£000</u>
Authorised Limit	14,484
Operational Boundary	12,484

- 3.2 The authorised limit is a legal maximum which cannot be exceeded. The operational boundary is a day to day ceiling which ordinarily would not be exceeded, and must be reported if it is.
- 3.3 Recommended upper limits on fixed and variable rate debt exposures are shown in the table below. The figures shown are the principal sums outstanding on borrowing but not leasing (in practice these are only relevant in the event of debt repayment or rescheduling):-

	£%
Fixed interest rate	100%
Variable interest rate	60%

- 3.4 The Authority has also to set upper and lower limits for the remaining length of outstanding loans that are fixed rate as a percentage of the total of all loans. This table also excludes leasing. Again, these limits are only relevant in the event of debt rescheduling. Recommended limits are:-

Upper Limit

	%
Under 12 months	30
12 months and within 24 months	40
24 months and within 5 years	60
5 years and within 10 years	60
10 years and within 25 years	100
25 years and over	100

Lower Limit

	%
Less than 5 years	0
Over 5 years	60

- 3.5 Other than money retained in the bank for day to day purposes, all investments are made with the City Council. Balances on this account will not exceed £0.85m, except when there is no reasonable operational alternative.