Annual Treasury Management Review
2023/24

Cambridgeshire Police & Crime Commissioner
June 2024

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1. Introduction

The Police & Crime Commissioner (the PCC) 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 2023/24. This report 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). The Prudential Code sets prudential and treasury indicators which are required to be reported on. The full set of indicators is provided in Appendix 1 and referred to in the report where appropriate.

During 2023/24 the minimum reporting requirements were that the PCC should receive the following reports:

- an annual treasury strategy in advance of the year
- a mid-year (minimum) treasury update report
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the PCC's previously approved policies.

The PCC confirms that he has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Business Coordination Board before they were reported to the PCC.

2. The PCC's Capital Expenditure and Financing

The PCC undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the PCC's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

£000's General Fund	*2022/23 Actual*	*2023/24 Budget*	*2023/24 Actual**
Capital expenditure	10,028	23,298	9,987
Financed in year	7,757	2,127	4,981
Unfinanced capital expenditure	2,271	21,171	5,006

* there has been a £17k correction to unfinanced capital expenditure included from draft accounts and BCB reported figures.

3. The PCC's Overall Borrowing Need

The PCC's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the PCC's indebtedness. The CFR results from the capital activity of the PCC and resources used to pay for the capital spend. It represents the 2023/24 unfinanced capital expenditure, and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the PCC's treasury activities are to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the PCC's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLB], or the money markets), or utilising temporary cash resources held by the PCC.

Reducing the CFR – the PCC's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The PCC is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The PCC's 2022/23 MRP Policy, (as required by DLUHC Guidance), was approved as part of the Treasury Management Strategy Report for 2023/24.

The PCC's CFR for the year is shown below and represents a key prudential indicator.

CFR General Fund (£000's)	*31 March 2023 Actual*	*31 March 2024 Actual*
Opening Balance	22,761	23,854
Add unfinanced capital expenditure	2,271	5,006
Less MRP/VRP	(1,178)	(1,198)
Less PFI & finance lease repayments	-	-
Closing Balance	23,854	27,662

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the PCC should ensure that gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2023/24) plus the estimates of any additional capital financing requirement for

the current (2024/25) and next two financial years. This essentially means that the PCC is not borrowing to support revenue expenditure. This indicator allowed the PCC some flexibility to borrow in advance of immediate capital needs in 2023/24. This, however, was not taken up in-year. The table below highlights the PCC's gross borrowing position against the CFR. The PCC has complied with this prudential indicator.

	31 March 2023 Actual	*31 March 2024 Actual*
Gross Borrowing Position (£m)	16.2	15.8
CFR General Fund (£m)	23.9	27.7
(Under)/over funding of CFR (£m)	(7.7)	(11.9)

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the PCC does not have the power to borrow above this level. The table below demonstrates that during 2023/24 the PCC has maintained gross borrowing within the authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the PCC during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

	2023/24
Authorised limit	£110.9m
Maximum gross borrowing position	£16.2m
Operational boundary	£96.5m
Average gross borrowing position	£15.8m
Financing costs as a proportion of net revenue stream	0.83%

4. Treasury Position as at 31 March 2024

The PCC's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. At the beginning and the end of 2023/24 the PCC's treasury position (excluding borrowing by PFI and finance leases) was as follows:

Treasury Position 2023/24 (£m'S)	*31 March 2023 Principal*	*Rate/ Return*	*Average Life yrs*	*31 March 2024 Principal*	*Rate/ Return*	*Average Life yrs*
Total debt	*16.2*	*3.30%*	*11.5*	*15.8*	*3.27%*	*10.5*
CFR	*23.9*			*27.7*		
Over / (under) borrowing	*(7.7)*			*(11.9)*		
Total investments	*9.2*	*2.14%*		*10.9*	*5.26%*	
Net debt	7.0			4.9		

All investments within the portfolio were short term and liquidity remained the primary focus throughout the year. The structure of the investment portfolio comprised:

TREASURY PORTFOLIO				
	31 March 2023		**31 March 2024**	
Treasury Investments	**£000**	**%**	**£000**	**%**
Banks (UK)	7,220	78%	10,870	100%
Banks (Rest of World)	2,000	22%	0	0%
Local Authorities	0	0%	0	0%
DMADF (H.M. Treasury)	0	0%	0	0%
Money Market Funds	0	0%	0	0%
Certificates of Deposit	0	0%	0	0%
Total Managed In-house	**9,220**	**100%**	**10,870**	**100%**
Bond Funds	0	0%	0	0%
Property Funds	0	0%	0	0%
Total Managed Externally	**0**	**0%**	**0**	**0%**
Total Treasury Investments	**9,220**	**100%**	**10,870**	**100%**
Treasury External Borrowing				
Local Authorities	0	0%	0	0%
PWLB	16,153	100%	15,805	100%
Total External Borrowing	**16,153**	**100%**	**15,805**	**100%**
Net Treasury Investments / (Borrowing)	**(6,933)**		**(4,935)**	

5. The Strategy for 2023/24

5.1 Investment strategy and control of interest rate risk

Investment returns picked up throughout the course of 2023/24 as central banks, including the Bank of England, continued to respond to inflationary pressures that were not transitory, and realised that tighter monetary policy was called for.

Starting April at 4.25%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 5.25% by August. By the end of the financial year, no further increases were anticipated. Indeed, the market is pricing in a first cut in Bank Rate in either June or August 2024.

The upward sloping yield curve that prevailed throughout 2023/24 meant that local authorities continued to be faced with the challenge of proactive investment of surplus cash, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and "laddering" deposits on a rolling basis to lock in the increase in investment rates as duration was extended, became an on-going feature of the investment landscape.

With bond markets selling off, UK equity market valuations struggled to make progress, as did property funds, although there have been some spirited, if temporary, market rallies from time to time – including in November and December 2023. However, the more traditional investment options, such as specified investments (simple to understand, and less than a year in duration), have continued to be at the forefront of most local authority investment strategies, particularly given Money Market Funds have also provided decent returns in close proximity to Bank Rate for liquidity purposes. In the latter part of 2023/24, the local authority to local authority market lacked any meaningful measure of depth, forcing short-term investment rates above 7% in the last week of March.

While the PCC has taken a prudent approach to investing surplus monies, there is also full appreciation of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the Global Financial Crisis of 2008/09. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

5.2 Borrowing strategy control of interest rate risk

During 2023/24, the PCC maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the PCC's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as although near-term investment rates were equal to, and sometimes higher than, long-term borrowing costs, the latter are expected to fall back through 2024 and 2025 as inflation concerns are dampened. The PCC has sought to minimise the taking on of long-term borrowing at elevated levels (>4%) and has focused on a policy of internal and temporary borrowing, supplemented by the readiness to take short-dated borrowing (<5 years), however, this was not required within the year.

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Director of Finance therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.

- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from the stickiness of inflation in the major developed economies, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

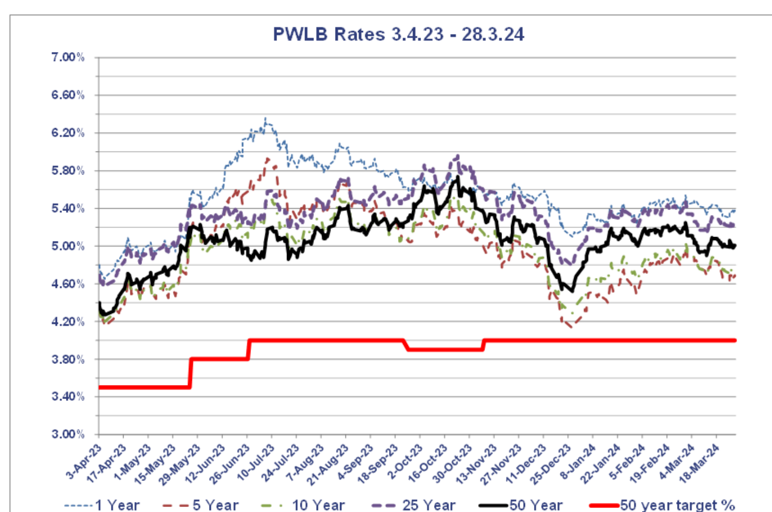
Interest rate forecasts initially suggested further gradual rises in short, medium and longer-term fixed borrowing rates during 2023/24. Bank Rate had initially been forecast to peak at 4.5% but it is now expected to have peaked at 5.25%.

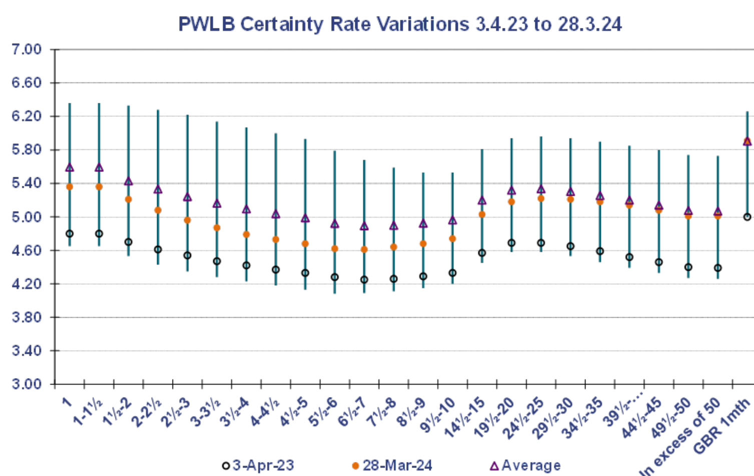
By January it had become clear that inflation was moving down significantly from its 40-year double-digit highs, and the Bank of England signalled in March 2024 that the next move in Bank Rate would be down, so long as upcoming inflation and employment data underpinned that view. At the time of finalising this report the CPI measure of inflation was reported to have fallen back to 2% Bank of England target for the first time in 3 years. Inflation is expected to stay below 2% over the summer months and to remain there in 2025 and 2026. Nonetheless, there remains significant risks to that central forecast, mainly in the form of a very tight labour market putting upward pressure on wages, and continuing geo-political inflationary risks emanating from the prevailing Middle East crisis and the Russian invasion of Ukraine.

Forecasts at the time of approval of the treasury management strategy report for 2023/24 were as follows:

	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

PWLB Rates for 2023/24 are illustrated below.





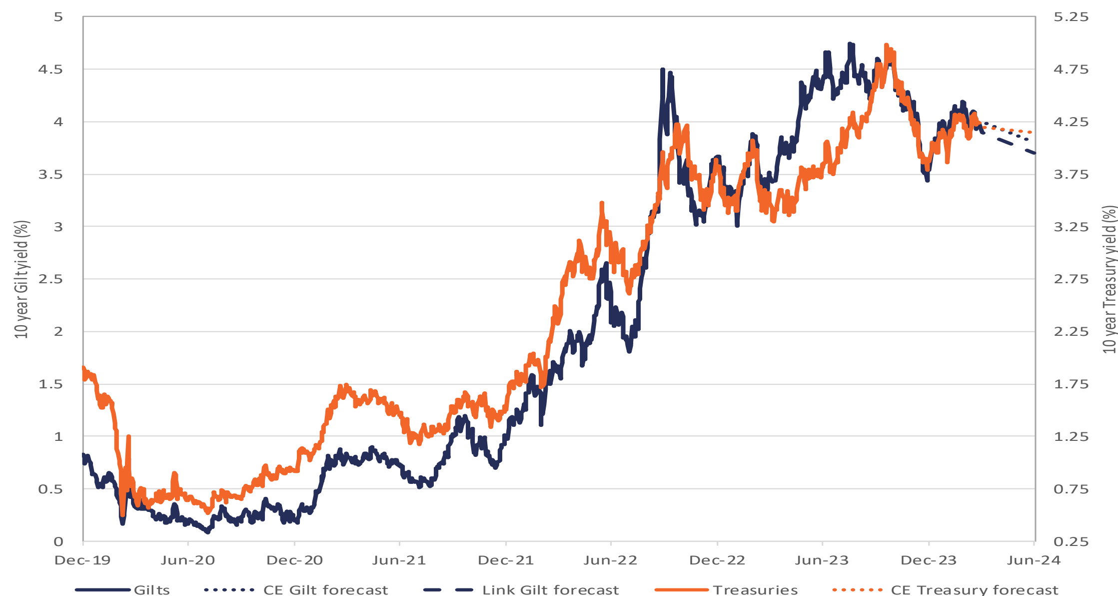
High/Low/Average PWLB Rates for 2023/24

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.54%	4.99%	4.97%	5.34%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the FOMC, ECB and Bank of England are all being challenged by persistent inflation that is exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.

Graph of UK gilt yields v. US treasury yields



Gilt yields have been on a continual rise since the start of 2021, peaking in the autumn of 2023. Currently, yields are broadly range bound between 3% and 4.25%.

At the close of the day on 28 March 2024, all gilt yields from 1 to 50 years were between 3.81% and 4.56%, with the 1 year being the highest and 6-7 years being the lowest yield.

Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows:

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate falls and inflation (on the Consumer Price Index measure) moves below the Bank of England's 2% target.

As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.

The Bank of England is also embarking on a process of Quantitative Tightening. The Bank's original £895bn stock of gilt and corporate bonds will gradually be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, and high in historic terms, is an unknown at the time of writing.

6. Borrowing Outturn

Borrowing
Due to the elevated cost of borrowing long-term, no borrowing was undertaken during the year. Current loans held by the PCC are all with the Public Works Loan Board (PWLB) and total £15.8m as at 31 March 2024.

Borrowing in advance of need
The PCC has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

Rescheduling
No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

7. Investment Outturn

Investment Policy
The PCC's investment policy is governed by Department for Levelling Up, Housing and Communities (DLUHC) guidance, which has been implemented in the annual investment strategy approved by the PCC. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the PCC had no liquidity difficulties.

Investments held by the PCC
The PCC maintained an average balance of £27.8m of internally managed funds. The internally managed funds earned £1.47m of interest, which equates to an average rate of return of 5.26%. The budget of £250,000 for interest on cash balances was exceeded.

8. Conclusion

The year has benefited from a healthy investment portfolio balance giving rise to a level of receivable interest well above budgeted expectations. It is widely accepted that the Bank of England's Monetary Policy Committee (MPC) have reached the peak in the rate cycle. The year has ended, therefore, with available investment rates declining in the medium-to-longer term horizon; placing funds out to counterparties for greater than 3 months, for example, will result in a lower yield than shorter dated term deposits. Whilst the MPC have clearly stated that they will not lower rates until they are confident that inflation is under control, the market is keen not to get caught out, resulting in lower opportunities as we proceed into the coming financial year.

Capital spend for the year was below original budget expectations and this resulted in pushing back the anticipated borrowing to support the cash flow. With the expected peak in the MPC's rate cycle the chance for obtaining more competitive rates increases as we move forward into the coming years.

9. Appendix 1: Prudential & Treasury Indicators

The following indicators are reporting requirements for Prudential and Treasury Indicators, as per the CIPFA Prudential Code for Capital Finance in Local Authorities and CIPFA Treasury Management in the Public Services Guidance Notes.

These indicators are designed for the reader to understand and evaluate the prudence and affordability of the PCC's capital expenditure plans and the borrowing and investment activities undertaken in support of this.

PRUDENTIAL INDICATORS

Capital Expenditure

This provides a summary of the PCC's capital expenditure. It reflects matters previously agreed and those proposed for the forthcoming financial periods.

Capital Expenditure		2022/23 Actual	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Total Capital Expenditure	(A)	**10,028**	**9,987**	**39,880**	**39,549**	**8,266**	**5,411**
Financed by:							
Capital receipts		(1,091)	(2)	-	-	(6,626)	(3,771)
Revenue contribution		(5,338)	(4,217)	(2,740)	(1,440)	(1,440)	(1,440)
Grants and other contributions		(1,328)	(762)	(841)	(2,100)	(200)	(200)
Finance lease and PFI liabilities		-	-	-	-	-	-
Total Financing	(B)	**(7,757)**	**(4,981)**	**(3,581)**	**(3,540)**	**(8,266)**	**(5,411)**
Net financing need for year	(A)-(B)	**2,271**	**5,006**	**36,299**	**36,009**	**-**	**-**

Capital Financing Requirement (CFR)

The CFR shows the difference between the PCC's capital expenditure and the revenue or capital resources set aside to finance that spend. The CFR will increase where capital expenditure takes place and will reduce as the PCC makes Minimum Revenue Provision ("MRP") or Voluntary Revenue Provision ("VRP") or otherwise sets aside revenue or capital resources to finance expenditure.

Capital Financing Requirement	2022/23 Actual	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Opening CFR	22,761	23,854	27,662	62,408	96,459	93,124
Capital spend	10,028	9,987	39,880	39,549	8,266	5,411
Resources used	(7,757)	(4,981)	(3,581)	(3,540)	(8,266)	(5,411)
MRP & VRP	(1,178)	(1,198)	(1,553)	(1,958)	(3,335)	(3,348)
Closing CFR	**23,854**	**27,662**	**62,408**	**96,459**	**93,124**	**89,776**

Authorised Limit

This represents a control on the maximum level of external debt the PCC can incur. The PCC has to show this aggregate amount split into the element in respect of actual external borrowing and that which relates to 'other long-term liabilities' - the latter being credit arrangements, as defined in statute and which will include the principle element of any finance lease or Private Finance Initiative obligations payable.

The Authorised Limit is a statutory limit determined under Section 3(1) of the Local Government Act 2003 for English and Welsh authorities, and for Scottish authorities under Regulation 6(1) of the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016. The PCC has no legal power to borrow in excess of the limits set. Revision of this Indicator would need to be approved by the PCC in advance of any external debt taken on in excess of the limit then in force.

The Authorised Limit reflects a level of external debt that, whilst not desired, could be afforded by the PCC in the short-term, but which is not sustainable in the longer-term. The limit for the year is set within the Treasury Management Strategy Statement (TMSS) before the year begins and will not change. However, the future year estimates shown in the table are subject to change over the reporting period as the capital programme develops.

Authorised Limit	2022/23 Actual	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Borrowing	57,326	110,731	123,545	121,821	117,602	113,367
Other Long Term Liabilities	200	200	200	200	200	200
Total Authorised Limit	**57,526**	**110,931**	**123,745**	**122,021**	**117,802**	**113,567**

The Operational Boundary

The Operational Boundary is the limit beyond which external debt is not normally expected to exceed. Again, the PCC is required to disclose an aggregate limit and separately disclose the element that relates to actual external borrowing and that which relates to other long-term liabilities. Unlike the Authorised Limit, the Operational Boundary is not an absolute limit but it reflects the PCC's expectations of the level at which external debt would not ordinarily be expected to exceed. As with the Authorised Limit (shown above), this limit is set within the TMSS for the pending year and will not change, whilst future years will be adjusted in line with developments in the capital programme.

Operational Boundary	2022/23 Actual	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Borrowing	49,923	96,362	107,504	105,986	102,318	98,635
Other Long Term Liabilities	100	100	100	100	100	100
Total Operational Boundary	**50,023**	**96,462**	**107,604**	**106,086**	**102,418**	**98,735**

External Debt

The PCC has to disclose the closing balance for actual gross borrowing in respect of the financial period just ended, together with the level of other long-term liabilities and so the actual aggregate level of external debt at the Balance Sheet date. This clarifies the overall level of external debt and allow comparison to the PCC's actual borrowing need as provided by the Gross debt and the CFR Indicator.

Actual External Debt as at 31st March	2023/24 Actual
Borrowing	15,805
Other Long Term Liabilities	1
Total External Debt	**15,806**

Gross Debt and the Capital Financing Requirement

The PCC should only borrow to support a capital purpose, and borrowing should not be undertaken for revenue or speculative purposes. The PCC should ensure that gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the three subsequent financial years. If the level of gross borrowing is below the PCC's capital borrowing need – the CFR – it demonstrates compliance with the requirement of this Indicator.

Gross Debt and the CFR	2022/23 Actual	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
CFR	23,854	27,662	62,408	96,459	93,124	89,776
Gross Borrowing	16,161	15,806	51,195	86,276	82,747	79,052
(Under)/Over Borrowing	**(7,693)**	**(11,856)**	**(11,213)**	**(10,183)**	**(10,377)**	**(10,724)**

Ratio of Financing Costs

This Indicator shows the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream – i.e. taxation and non-specific grant income. The higher the ratio, the higher the proportion of resources tied up just to service net capital costs, and which represent a potential affordability risk.

Ratio of Financing Costs		2022/23 Actual	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Interest cost on existing borrowing		553	526	498	469	438	406
Interest cost on new borrowing		-	-	-	948	2,618	2,491
Gains/losses on debt rescheduling		-	-	-	-	-	-
Interest and investment income		(50)	(250)	(750)	(750)	(550)	(400)
MRP & VRP		1,178	1,198	1,553	1,958	3,335	3,348
Total Financing Costs	(A)	**1,681**	**1,474**	**1,301**	**2,625**	**5,841**	**5,844**
Net Budget Requirement	(B)	**171,513**	**178,160**	**188,686**	**197,589**	**203,768**	**208,902**
Ratio of financing costs	(A)/(B)	**0.98%**	**0.83%**	**0.69%**	**1.33%**	**2.87%**	**2.80%**

TREASURY INDICATORS

Maturity Structure of Borrowing

The PCC is required to set gross limits on maturities for the periods shown and covers both fixed and variable rate borrowings. The reason being to try and control the PCC's exposure to large sums falling due for refinancing.

Maturity structure of borrowing:	Actual	Lower Limit	Upper Limit
Under 12 months	4%	0%	100%
12 to 24 months	4%	0%	100%
2 to 5 years	13%	0%	100%
5 to 10 years	16%	0%	100%
Over 10 years	63%	0%	100%

Limit for Principal Sums Invested for Longer Than a Year

This Indicator is seeking to support control of liquidity risk. The limits should be set with regard to the PCC's liquidity needs and reduce the potential need to have to make early exit from an investment in order to recover funds.

	Actual	Limit
Upper limit on total principal sums invested longer than a year	£ -	£ -