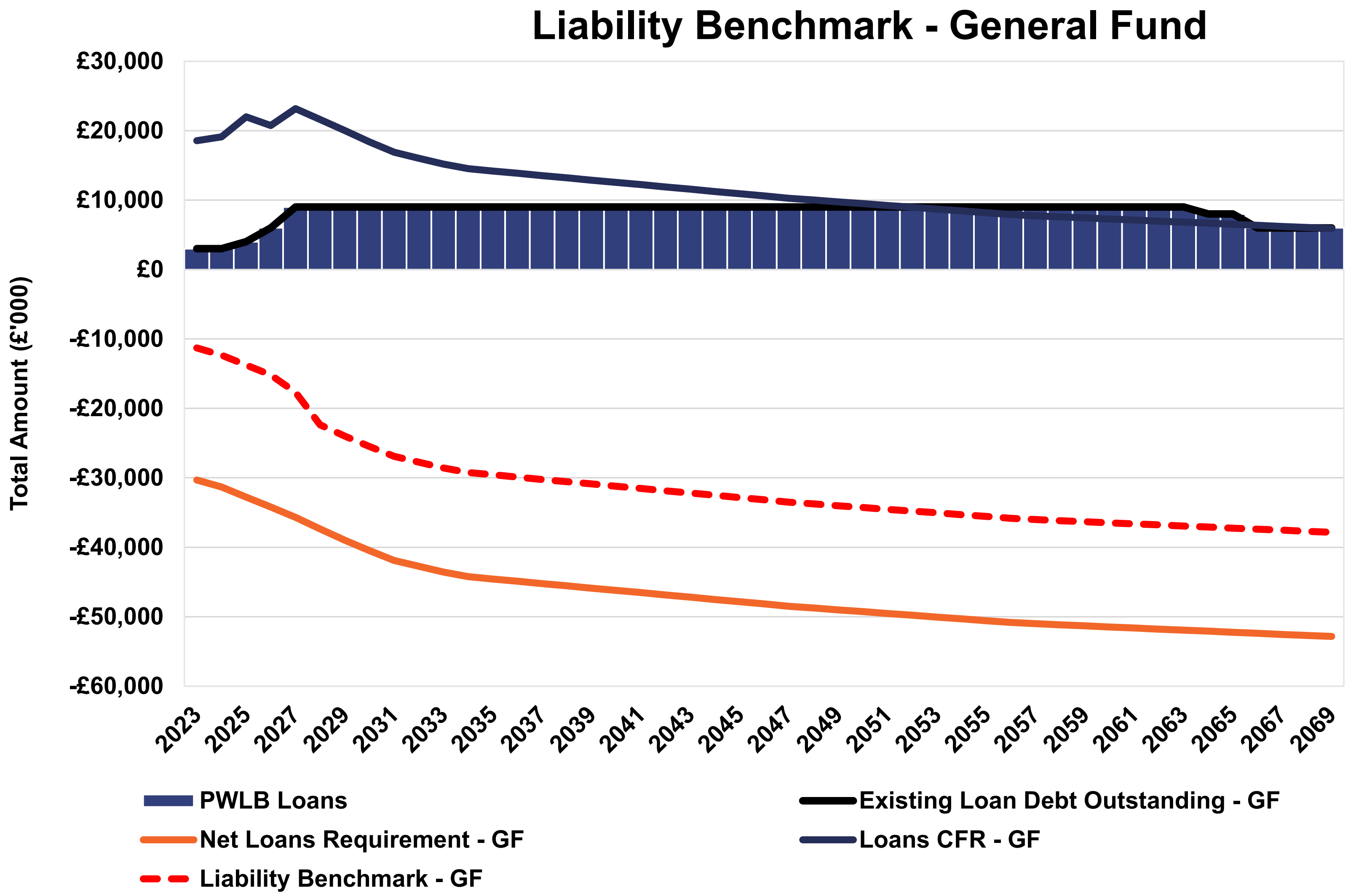
LIABILITY BENCHMARK

CIPFA have adopted the liability benchmark as a prudential indicator. A liability benchmark advocates a net book management approach to treasury management, where borrowing and investments are netted down while maintaining appropriate investments for liquidity purposes. CIPFA views this as reducing the treasury risks associated with running debt and investment portfolios at the same time. CIPFA believes that refinancing risk, interest rate risk and credit risk can be minimised or reduced by ensuring that the existing loans portfolio shows a profile close to the liability benchmark.

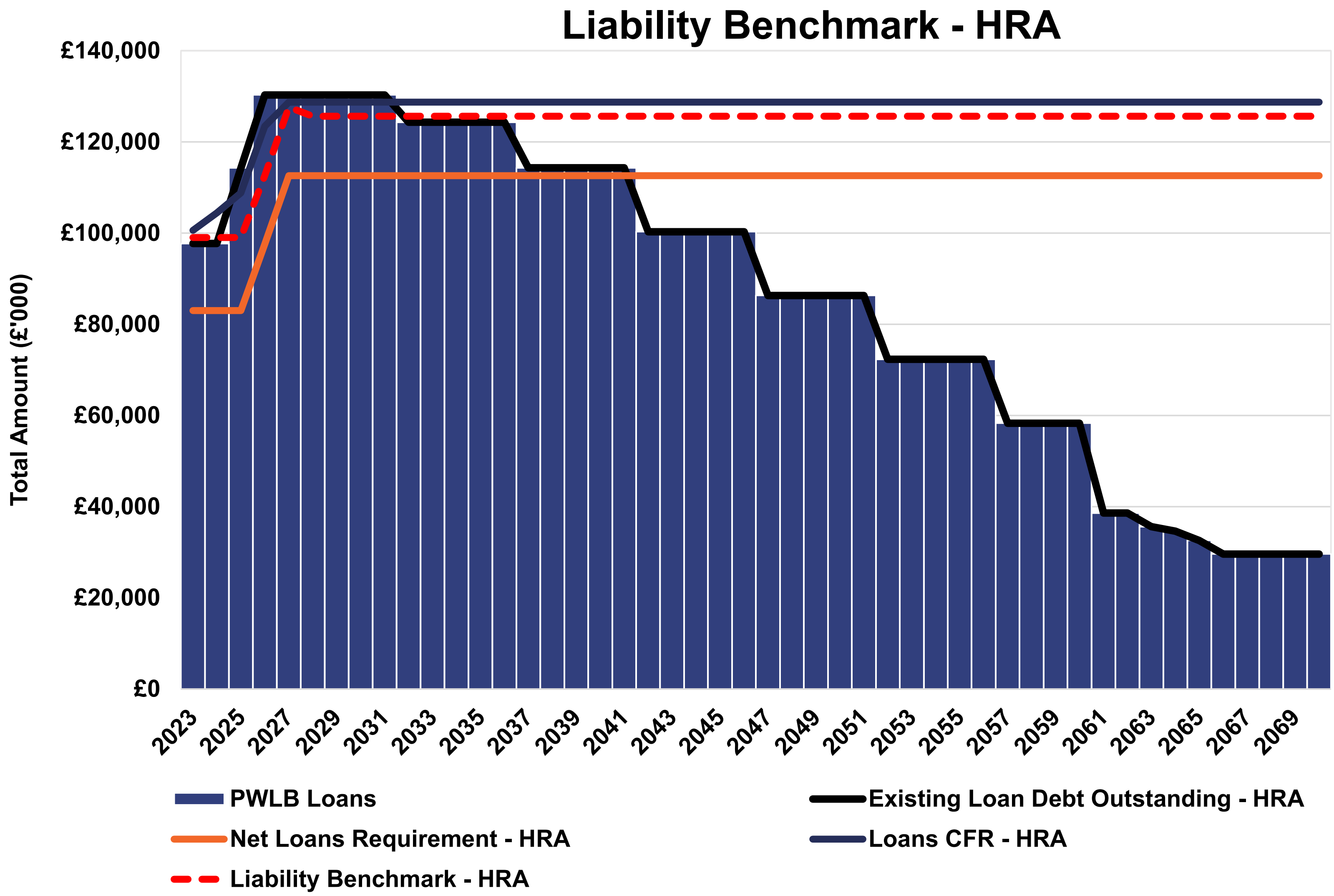
As the Council has a General Fund and a Housing Revenue Account and the accounting regulations are different for each of them it is more informative to show the liability benchmark seaparately for each.

Ideally, the General Fund would be fully internally borrowed as shown in the chart below.

The HRA liability benchmark shows that there is some scope for further internal borrowing, but the fact that there is no requirement to set aside MRP for the repayment of debt means that at a certain point in the future more borrowing would be required when actual borrowing falls below the liability benchmark.



Liability Benchmark - General Fund
£30,000
£20,000
£10,000
£0
-£10,000
-£20,000
-£30,000
-£40,000
-£50,000
-£60,000
Total Amount (£'000)
2023
2025
2027
2029
2031
2033
2035
2037
2039
2041
2043
2045
2047
2049
2051
2053
2055
2057
2059
2061
2063
2065
2067
2069
PWLB Loans
Existing Loan Debt Outstanding - GF
Net Loans Requirement - GF
Loans CFR - GF
Liability Benchmark - GF



Liability Benchmark - HRA
£140,000
£120,000
£100,000
£80,000
£60,000
£40,000
£20,000
£0
Total Amount (£'000)
2023
2025
2027
2029
2031
2033
2035
2037
2039
2041
2043
2045
2047
2049
2051
2053
2055
2057
2059
2061
2063
2065
2067
2069
PWLB Loans
Existing Loan Debt Outstanding - HRA
Net Loans Requirement - HRA
Loans CFR - HRA
Liability Benchmark - HRA