

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

15.3 Nature and Extent of Risks arising from Financial Instruments (Continued)

The Treasury Management Plan, which is set annually and is monitored throughout the year, sets out the limits on both duration and maximum levels of deposits. These counterparties are chosen using credit rating data supplied by the council's treasury advisers. This is based on data from the three main credit rating agencies, overlaid by:

- Credit watches and credit outlooks from credit rating agencies.
- Credit Default Swap spreads (i.e. insurance policies) to give early warning of likely changes in credit ratings.
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at 31 March 2024 that this was likely.

The Treasury Management Plan for 2023/24 was approved by Council on 21 February 2023 and is available on the council's website link: [Treasury Management Plan for 2023/24](#)

Amounts Arising from Expected Credit Losses

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited / credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. During 2023/24 the credit losses recognised related only to receivables (debtors) and was based on a lifetime basis.

	Amount at 31 March 2024 £'000	Historical experience of non- payment adjusted for market conditions at 31 March 2024 %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks and building societies	25,655	0%	-
Customers (other income)	45,717	2%	914

The council does not generally allow credit for customers, however, £34.778 million of the £45.717 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

	Debtors - Local Taxation £'000	Other Debtors £'000	Total £'000
Less than three months	-	2,362	2,362
Three to six months	-	1,576	1,576
Six months to one year	5,752	1,970	7,722
More than one year	20,218	2,900	23,118
	25,970	8,808	34,778

The council has provided £25.125 million against possible bad debts at 31 March 2024 (£25.428 million at 31 March 2023), providing for approximately 72% (78%) of all debt outstanding at 31 March 2024 (2023).

Liquidity Risk

The council's main source of borrowing is the Treasury's Public Works Loan Board. There is no significant risk that the council will be unable to raise finance to meet its commitments under financial instruments. The council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of possible uncertainty over interest rates. The council's policy is to ensure that not more than 15% of loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments. LOBO Loans are classified as maturing at the date of the next rate review but are unlikely to be repaid at that point.

The maturity analysis of financial liabilities, including LOBO Loans, is as follows: -

	31 March 2024 £'000	31 March 2023 £'000
Less than one year	79,337	69,205
Between one and two years	873	-
Between two and five years	22,500	13,373
Between six and ten years	92,500	67,500
More than ten years	472,768	497,768
	667,978	647,846