TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE – 20 JULY 2021

TREASURY MANAGEMENT - 2020/21 ANNUAL REPORT AND 2021/22 UPDATE

REPORT OF THE DIRECTOR: FINANCE & HR (CHIEF FINANCIAL OFFICER)

PART A) – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

This report updates members on the outcome of Treasury Management activities for 2020/21 and details the position for 2021/22 to 31st May 2021

1.1 2020/21 Treasury Outturn

The treasury portfolio ended the year with net indebtedness of £260.4m (excluding NuPlace Share capital) which was an increase of £14.7m over the year. The coronavirus pandemic dominated 2020/21. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England cut the Bank Rate to 0.1% in March 2020 and the UK government provided a range of fiscal stimulus measures throughout 2020/21. The Bank of England held the Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting. In its March 2021 interest rate announcement, the Bank of England noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year.

The borrowing strategy for 2020/21 was to borrow temporarily to take advantage of low interest rates where possible and review opportunities for new longer term borrowing as appropriate. Maintaining high levels of very cheap temporary borrowing has contributed to surplus treasury management returns of more than £26m since 2015/16 which has reduced the impact of Government cuts and therefore helped to protect frontline services.

Borrowing (excluding PFI) was £4.9m higher at 31 March 2021 compared to 31 March 2020. Short term borrowing was used during the year at favourable interest rates generating a significant benefit for the Council's budget.

The investment strategy for 2020/21 was to gain maximum benefit with security of capital being the key consideration. The average return on investments for the year was in line with the bench mark of 0.0%. Temporary investments (excluding NuPlace share capital) reduced by £9.8m between 31 March 2020 and 31st March 2021.

The Council faced extreme financial pressure in 2020/21 as a result of the coronavirus pandemic. These pressures include increased costs, particularly relating to the provision of Social Care and safeguarding the most vulnerable in our community and income shortfalls relating to closed facilities and services and Council Tax and Non Domestic Rates which are key funding streams. As a result, more focus was placed on monitoring cash flow to ensure that sufficient funds were available to meet financial obligations. The provision of emergency government funding assisted and short-term funding, through temporary loans, was available to cover cash flow requirements.

Overall, treasury delivered a net over-achievement of £5.692m against budget during 2020/21, including a dividend payment of £0.156m from NuPlace. The majority of the saving relates to the benefit of low interest rates on the levels of temporary borrowing we held during the year and the active approach of maintaining short-term funding rather than locking into longer-term funding options at higher interest rates.

1.2 **<u>2021/22 Update</u>**

The strategy for 2021/22 remains consistent with that outlined in the 2021/22 Treasury Strategy, which was agreed for approval at Full Council on 4th March 2021 and by this committee on 28th January 2021. The Strategy is also in-line with that of the previous year.

Investment opportunities will be reviewed as they arise and we will seek to gain maximum benefit within the agreed risk parameters. The Council does not currently hold any long term investments, which reduces counter-party risk and also reduces net interest costs as longer-term borrowing costs tend to be greater than we are able to earn on new investments.

Arlingclose, the Council's treasury advisors, are providing regular investment and borrowing updates during this unprecedented period, including updated counterparty advice, which is being followed.

New borrowing will be required during the year, in line with the approved capital programme. Consideration will be given to the maturity profile of current debt, interest rates and refinancing risks as well as the source, which is expected to be a mix of temporary loans and long term loans obtained from the Public Works Loans Board.

Total borrowing (excluding PFI) at the 31st March 2021 was £281.1m and has reduced to £256.9m as at 31st May 2021. Investments (excluding NuPlace share capital) were £32.4m at 31st May 2021.

2. **<u>RECOMMENDATIONS</u>**

Audit Committee Members are asked to:-

2.1 note the contents of the report

2.2 note the performance against Prudential Indicators.

3.

SUMMARY IMPACT ASSESSMENT	
COMMUNITY IMPACT	Do these proposals contribute to specific priority plan objectives? Yes/~~No~~ Efficient Community Focussed Council Will the proposals impact on specific groups of people? ~~Yes~~/No
TARGET COMPLETION / DELIVERY DATE	Part of ongoing Treasury Management Activities within the Treasury Management Strategy and Policy approved by Council.
FINANCIAL/VALUE FOR MONEY IMPACT	Yes/~~No~~ Where appropriate these are detailed in the body of the report**.**
LEGAL ISSUES	Yes/~~No~~ The Director: Finance & HR (Section 151 Officer), has responsibility for the administration of the financial affairs of the Council. In providing this report the Section 151 Officer is meeting one of the responsibilities of the post contained within the Council's Constitution at Part 2, Officers, Functions of the Chief Financial Officer, para. 8 which states "The Chief Financial Officer will contribute to the promotion and maintenance of high standards of governance, audit, probity and propriety, risk management and the approval of the statement of accounts through provision of support to the Audit Committee**.**" AL 13/7/2021
OTHER IMPACTS, RISKS AND OPPORTUNITIES	Yes/~~No~~ The key opportunities and risks associated with treasury management activities are set out in the body of the report and in the Treasury Management Strategy and Policy approved by Council and will be regularly monitored throughout the year.
IMPACT ON SPECIFIC WARDS	~~Yes~~/No

4. **<u>PREVIOUS MINUTES</u>**

Council - 4th March 2021
Audit Committee – 28th January 2021
Audit Committee – 14th July 2020
Council – 5th March 2020

PART B) – ADDITIONAL INFORMATION

5. BACKGROUND

5.1 Treasury Management in local government is regulated by the CIPFA Treasury Management in Public Services: Code of Practice (the Code). This Council has adopted the Code and fully complies with its requirements. The primary requirement of the Code is the formulation and agreement by full Council of a Treasury Policy Statement, which states the policies and objectives of its treasury management activities. The Authority's treasury management strategy for 2020/21 was approved at Full Council on 5th March 2020 and the Strategy for 2021/22 at Full Council on 4th March 2021

5.2 A requirement of the Council's Treasury Management Practices is the reporting to the Council of both the expected treasury activity for the forthcoming financial year (the annual treasury strategy statement) and subsequently the results of the Council's treasury management activities in that year (this annual treasury report). A mid-year update is also presented to Audit Committee during January each year.

5.3 The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

6. 2020/21

6.1 The annual report is covered in paragraphs 6-15 and deals with: -

- 2020/21 Portfolio position;
- the current economic climate;
- the borrowing strategy for 2020/21;
- the borrowing outturn for 2020/21;
- investments strategy for 2020/21;
- investments outturn for 2020/21;
- Shropshire Council debt;
- overall outturn position;
- leasing; and
- compliance with treasury limits

7. 2020/21 PORTFOLIO POSITION

7.1 The Council's treasury management position at the beginning and the end of the year was as follows: -

	31 March 2021		31 March 2020	
	Principal £m	**Rate %**	**Principal £m**	**Rate %**
Borrowing	281.085	2.52	276.185	2.46
Investments (excluding NuPlace share capital)	20.652	0.00	30.455	0.57
Net Indebtedness (ex NuPlace)	**(260.433)**		**(245.730)**	
Investment in NuPlace	16.300		13.300	
Net Indebtedness	**(244.133)**		**(232.430)**	

There was continued use of temporary loans through 2020/21. Temporary borrowing at 31st March 2021 was £79.2m (including £7.1m PWLB due to mature in 2021/22). £7.6m of PWLB loans were repaid in 2020/21. No new PWLB loans were raised during the year. The capital programme was funded from a combination of borrowing, capital receipts, grants and other external contributions. The use of borrowing to fund the capital programme would normally result in a larger increase to net indebtedness during the year, however the government upfront funding received in support of the Coronavirus pandemic has allowed the Council to manage it's cash flow effectively.

Prudential borrowing increased in 2020/21 as a result of planned capital expenditure, funded from borrowing, approved as part of the capital programme.

Investments at 31st March 2021 included £16.3m share capital in NuPlace.

The Adopted Treasury Strategy was to:-

- Monitor borrowing opportunities determined by the prevailing markets.
- Only investing short term in line with cashflow requirements.
- Reduce the volatility of investment returns while maintaining adequate flexibility in arrangements.
- To achieve optimum return on investments commensurate with proper levels of security and liquidity.

8. COUNCILS RESPONSE TO ECONOMIC CLIMATE

8.1 **Economic background:** The coronavirus pandemic dominated 2020/21, leading to some form of lockdown globally during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England (BoE) cut Bank Rate to 0.1% and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime.

Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31st March.

A Brexit trade deal was agreed with only days to spare before the 11pm 31st December 2020 deadline having been agreed with the European Union on Christmas Eve.

The BoE held Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting. In its March 2021 interest rate announcement, the BoE noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the furlough scheme is eventually withdrawn.

Government initiatives supported the economy and the Chancellor announced in the 2021 Budget a further extension to the furlough (Coronavirus Job Retention) scheme until September 2021. Access to support grants was also widened, enabling more self-employed people to be eligible for government help. Since March 2020, the government schemes have help protect more than 11 million jobs.

Despite the furlough scheme, unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9% recorded for the same period 12 months ago. Wages rose 4.8% for total pay in nominal terms (4.2% for regular pay) and was up 3.9% in real terms (3.4% for regular pay). Unemployment is still expected to increase once the various government job support schemes come to an end.

Inflation has remained low over the 12 month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England’s 2% target. The ONS’ preferred measure of CPIH which includes owner-occupied housing was 0.7% year/year (1.0% expected).

After contracting sharply in Q2 (Apr-Jun) 2020 by 19.8% q/q, growth in Q3 and Q4 bounced back by 15.5% and 1.3% respectively. The easing of some lockdown measures in the last quarter of the calendar year enabled construction output to continue, albeit at a much slower pace than the 41.7% rise in the prior quarter. When released, figures for Q1 (Jan-Mar) 2021 are expected to show a decline given the national lockdown.

After collapsing at an annualised rate of 31.4% in Q2, the US economy rebounded by 33.4% in Q3 and then a further 4.1% in Q4. The US recovery has been fuelled by three major pandemic relief stimulus packages totalling over $5 trillion. The Federal Reserve cut its main interest rate to between 0% and 0.25% in March 2020 in response to the pandemic and it has remained at the same level since. Joe Biden became the 46th US president after defeating Donald Trump.

The European Central Bank maintained its base rate at 0% and deposit rate at -0.5% but in December 2020 increased the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

Financial markets: Monetary and fiscal stimulus helped provide support for equity markets which rose over the period, with the Dow Jones beating its pre-crisis peak on the back of outperformance by a small number of technology stocks. The FTSE indices performed reasonably well during the period April to November, before being buoyed in December by both the vaccine approval and Brexit deal, which helped give a boost to both the more internationally focused FTSE 100 and the more UK-focused FTSE 250, however at the end of March 2021 they remained lower than their pre-pandemic levels.

Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.

The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.

1-month, 3-month and 12-month SONIA bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.

The yield on 2-year US treasuries was 0.16% at the end of the period, up from 0.12% at the beginning of January but down from 0.21% at the start of the financial year. For 10-year treasuries the end of period yield was 1.75%, up from both the beginning of 2021 (0.91%) and the start of the financial year (0.58%).

German bund yields continue to remain negative across most maturities.

Credit review: After spiking in March 2020, credit default swap spreads declined over the remaining period of the year to broadly pre-pandemic levels. The gap in spreads between UK ringfenced and non-ringfenced entities remained, albeit Santander UK is still an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 57bps and Standard Chartered the lowest at 32bps. The other ringfenced banks were trading around 33 and 34bps while Nationwide Building Society was 43bps.

Credit rating actions to the period ending September 2020 have been covered in previous outturn reports. Subsequent credit developments include Moody's downgrading the UK sovereign rating to Aa3 with a stable outlook which then impacted a number of other UK institutions, banks and local government. In the last quarter of the financial year S&P upgraded Clydesdale Bank to A- and revised Barclay's outlook to stable (from negative) while Moody's downgraded HSBC's Baseline Credit Assessment to baa3 whilst affirming the long-term rating at A1.

The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

9. BORROWING 2020/21

9.1 Original Economic Projections

When the budget was set for 2020/21 it was anticipated that the Base Rate would remain at 0.75% for the foreseeable future. Substantial risks to the forecast remained, primarily from government's policy around Brexit and the transitionary period.

9.2 Outturn 2020/21

In response to the COVID-19 pandemic, the Bank of England moved in March 2020 to cut rates from 0.75%, which had held policy rates steady through most of 2019/20, to 0.25% and then swiftly thereafter bringing them down further to the record low of 0.1%. The rate remained at 0.1% for the entire financial year. The UK government has introduced a number of measures throughout 2020/21 to help businesses and households impacted by a series of ever-tightening social restrictions, and lockdowns which have impacted the entirety of the UK.

A HM Treasury consultation on lowering PWLB rates concluded in July 2020, new PWLB lending terms were issued in November 2020. These terms confirmed a reduction of 1% in all Standard Rate and Certainty Rate PWLB loans but with a condition of accessing PWLB being that local authorities will be asked to confirm that they have no intention to buy investment assets primarily for yield in the current or the following two financial years.

Borrowing and Investment Rates in 2020/21

The overnight investment rate has ranged between -0.10% and 0.06%.

Treasury Borrowing

The borrowing strategy for the current year was to borrow temporarily to take advantage of low interest rates where possible and review opportunities for new longer term borrowing as appropriate.

During the year no new PWLB loans were raised, and we had maturities totalling £7.6m.

PWLB Repayments

No loans were repaid early or rescheduled during the year.

An analysis of the maturity structure of our debt is shown below. The maturing in less than 1 year includes £7.1m of PWLB loans.

Lenders Option Borrowers Option Redemption

The Authority has £25m of Lenders Option Borrowers Option loans, as at 31st March 2021, where the lender has the option to propose an increase in the interest rate as at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the year and current expectations are that calls in the foreseeable future are unlikely.

Analysis of Debt Maturity as at 31st March

	2021 £000	%	**2020 £000**	%
Maturing in less than 1 year	79,177	28.2	67,149	24.3
Maturing in 1-2 years	7,155	2.5	7,128	2.6
Maturing in 2-5 years	21,634	7.7	21,549	7.8
Maturing in 5-10 years	27,402	9.7	29,751	10.8
Maturing in more than 10 years*	145,717	51.9	150,608	54.5
	281,085	100.0	**276,185**	100.0

* this includes £25m LOBO (Lenders Option Borrowers Option) loans that are potentially callable at certain points before the maturity date.

Debt Performance

As highlighted in section 7 the average interest rate for borrowing has risen over the course of the year from 2.46% to 2.52%.

10. <u>INVESTMENTS 2020/21</u>

10.1 Strategy

The authority currently manages the majority of its investments in-house and invests within the institutions complying with its counterparty limits and credit rating requirements. All investments are short term allowing the Council to manage cash flows in order to minimise counterparty risk and to minimise overall treasury management costs. Investments include £4.980m in Money Market Funds (MMFs) which provide greater diversification of credit risk and achieve a slightly higher return than our call accounts.

Investment Strategy - The agreed short term investment strategy for 2020/21 was to achieve optimum return on investments commensurate with proper levels of security and liquidity.

The Council has continued to maintain short duration investments during 2020/21. The ability to maintain relatively low level of investments has been impacted by the government's response to the Coronavirus Pandemic with large grant allocations being received often with little or no notification. This has increase the level of investments compared to previous years, which automatically increase investment risk exposure. However, the Council has closely followed investment guidance issued by our Treasury Advisors in relation to credit ratings, financial standing and duration and take advice on investment strategies and options.

10.2 **Outturn 2020/21**

Detailed below are the results of the investment strategy undertaken by the Council, based on the average investment during the year.

	Average Investment	**Rate of Return (gross of fees)**	**Rate of Return (net of fees)**	**Benchmark Return ***
Investments	£29.861m	0.00	0.00	0.00

*DMO Overnight rate

No institutions in which investments were made showed any difficulty in repaying investments and interest in full during the year.

11. SHROPSHIRE COUNCIL DEBT

11.1 The Council makes an annual contribution (£1.232m in 2020/21) towards Shropshire Council costs on pre disaggregation debt (i.e. pre unitary inception) - interest paid averaged 5.1% last year. The rate of interest paid on this is managed by Shropshire and is considerably higher than the rate payable by Telford & Wrekin Council on its borrowing.

12. OVERALL OUTTURN FOR 2020/21

12.1 Overall a net benefit of £5.692m was made against budget for the year. The sound overall position has resulted from a mix of cash flow benefits plus pro-active treasury management activities. The budget reflected the position when the budget was set, the underspend has been achieved through active management of borrowing and the low interest rates prevailing for the year.

13. LEASING

13.1 Each year the Council arranges operating leases for assets such as vehicles, computers and equipment. This helps spread the cost over a number of years in line with the anticipated life of the equipment.

Three leasing drawdowns were completed for 2020/21, all in January 2021. These consisted of –

- two finance leases from JCB totalling £0.569m which funded the acquisition of buses for Fleet Services, gym equipment, ice rink equipment, agriculture equipment for the Town Park and Horsehay golf course and a mini bus, and
- one operating lease from RCB totalling £0.031m which funded the purchase of an adapted mini bus

14. COMPLIANCE WITH TREASURY LIMITS

14.1 During the financial year the Council operated within both the Treasury Limits and Prudential Indicators set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement.

15. OTHER

15.1 **CIPFA consultations**: In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These follow the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. These are principles-based consultations and will be followed by more specific proposals later in the year.

In the Prudential Code the key area being addressed is the statement that "local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed". Other proposed changes include the sustainability of capital expenditure in accordance with an authority's corporate objectives, i.e. recognising climate, diversity and innovation, commercial investment being proportionate to budgets, expanding the capital strategy section on commercial activities, replacing the "gross debt and the CFR" with the liability benchmark as a graphical prudential indicator.

Proposed changes to the Treasury Management Code include requiring job specifications and "knowledge and skills" schedules for treasury management roles to be included in the Treasury Management Practices (TMP) document and formally reviewed, a specific treasury management committee for MiFID II professional clients and a new TMP 13 on Environmental, Social and Governance Risk Management.

15.2 **IFRS 16**: The implementation of the new IFRS 16 Leases accounting standard has been delayed for a further year until 2022/23.

16. 2021/22 UPDATE

The remainder of this report deals with the current financial year based largely on information to 31 May 2021.

16.1 **Strategy**
The strategy for 2021/22 was approved by Full Council 4th March 2021. The strategy is to continue to keep investments as short term, where possible, to reduce the need to borrow thus reducing investment exposure and maximising overall returns to the revenue account. We will

review investment opportunities if they arise and also review borrowing opportunities as we progress through the year and look to take advantage of advantageous interest rates where appropriate. 2021/22 and 2022/23 will see the Council continue to invest in significant regeneration projects including highways and building homes and commercial property for rent as part of the approved Housing Investment Programme. In order to comply with MiFID II the Council will maintain a minimum investment balance of £10m.

16.2 **Interest Rates**

Base rate has remained at 0.1% since the beginning of the financial year. It is anticipated that the Bank Rate will remain at its current level of 0.10% level. The risk of movement in the short term is low. However, the damage from the pandemic will have long lasting effects and there is a risk of further virus mutations due to the uneven global rollout of vaccines and the potential future vaccine shortages as the global demand for vaccines increases both of which could negatively affect this assumptions.

16.3 **Prudential Regime**

This Council agreed its required indicators at Council on 4th March 2021.

The Council has operated within the Treasury Limits and Prudential Indicators set, with the exception of the counterparty limit being exceeded on one day which was due to a failure by the Council bankers and prevented 2 payments being made from our account on 9th June 2021. Although the bank’s contingency plan was actioned by officers, these were also affected by the failure. This issue was outside the Council’s control and therefore unavoidable; however it did result in the balance in the Council’s account being higher than the £15m counterparty limit on one day. This was separately reported to the Chair and Vice Chair of the Audit Committee at the time.

The Council set itself an Operational Limit for external debt of £490m for 2021/22 and an Authorised limit of £514m. Our total borrowing outstanding as at 31st May 2021 (including PFI) is £307.3m which is within both limits.

16.4 **Borrowing**

We have taken no new PWLB loans so for during in 2021/22. In total we have £7.1m of PWLB Loans maturing during the year. Due to the residual pressures from COVID-19 including income shortfalls in relation to restricted opening at facilities in the early part of the year and potential impacts on business rates collection, which is a key funding stream for the Council a high level of focus will remain in place on monitoring cash flow to ensure sufficient funds are available to meet financial obligations, although we do not currently foresee any issues.

16.5 **Investments**

The strategy for the year is to gain maximum benefit at minimum risk whilst achieving as a minimum, the overnight deposit rate. For the period to 31st May 2021 some £1,720m worth of investments have been made with the Debt Management Office (DMO). Rates have ranged from 0.01% to 0.02%.

Potentially the Council can place up to £15.0m with any Counterparty, with the exception of Treasury's DMO facility which is Government backed and therefore considered to be very secure so no limit is placed on investments with the DMO. At the end of May the greatest exposure with a single counterparty was £24.7m (76.2% of the portfolio) with the DMO. A detailed breakdown of the investment portfolio is shown in Appendix 2.

The Council holds investments in money market funds which gives increased diversification of counter-party risk and slightly higher yield whilst retaining a high degree of liquidity. These investment are held in one diversified fund.

As at 31st May 2021 internal investments stood at £32.4m including Money Market Funds of £4.98m.

16.6 **Projected Performance 2021/22**

Senior Finance Officers are closely monitoring the Treasury position, particularly in light of the continuing COVID-19 financial pressures. Updates will be provided in future financial monitoring reports taken to Cabinet.

17. BACKGROUND PAPERS

17.1 CIPFA Code of Practice for Treasury Management in Local Authorities; Fund Manager Valuations; Temporary Borrowing records; PWLB records; Investment records.

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PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2019/20 Actual Outturn	2020/21 Original Estimate	2020/21 Actual Outturn
(1). EXTRACT FROM BUDGET SETTING REPORT	**£m**	**£m**	**£m**
Capital Expenditure			
TOTAL	41.8	83.9	57.7
Ratio of financing costs to net revenue stream			
General fund	5.3%	7.44%	4.35%
Net borrowing requirement			
brought forward 1 April	266.9	298.9	276.2
carried forward 31 March	276.2	328.5	281.1
in year borrowing requirement	+9.3	+29.6	+4.9
Capital Financing Requirement as at 31 March			
TOTAL	460.1	496.7	480.7
Annual change in Cap. Financing Requirement			
TOTAL	+15.1	+27.5	+20.6

PRUDENTIAL INDICATOR	2019/20 final	2020/21 original	2020/21 final
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	**£m**	**£m**	**£m**
Authorised limit for external debt -			
Borrowing	440	450	450
other long term liabilities	64	64	64
TOTAL	**504**	**514**	**514**
Operational boundary for external debt -			
Borrowing	420	430	430
other long term liabilities	60	60	60
TOTAL	**480**	**490**	**490**
Upper limit for fixed interest rate exposure			
Net principal re fixed rate borrowing / investments	100	100	100
Upper limit for variable rate exposure			
Net principal re variable rate borrowing / investments:-	30%	30%	30%
Upper limit for total principal sums invested for over 364 days			
(per maturity date)	95%	95%	95%

Maturity structure of fixed rate borrowing during 2020/21	lower limit	upper limit
under 12 months	0%	70%
12 months and within 24 months	0%	30%
24 months and within 5 years	0%	50%
5 years and within 10 years	0%	75%
10 years and above	25%	100%

Summary of Investments at 31 May 2021

	Sovereign Credit Rating	Individual credit Rating	Total £m	%
Call Accounts				
Lloyds	UK AA	F1 A+ support 5	2.672	8.2
Debt Management Office (DMO)	Government		24.700	76.3
Other Investments				
Money Market Funds	N/A	AAA	4.980	15.4
Total			**32.352**	**100.0**

Call Accounts Non UK holding £0.0m (Limit £15m)
Please note - part of the Money Market Funds are invested in non UK sovereigns, at 31st May 2021 this amounted to 91.4% of the funds.