

CITY OF WOLVERHAMPTON COUNCIL	Cabinet 7 July 2021
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Report title	Treasury Management – Annual Report 2020-2021 and Activity Monitoring Quarter One 2021-2022	
Decision designation	RED	
Cabinet member with lead responsibility	Councillor Ian Brookfield Leader of the Council	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable Director	Tim Johnson, Chief Executive	
Originating service	Strategic Finance	
Accountable employee	Claire Nye Tel Email	Director of Finance 01902 550478 Claire.Nye@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board Council Our Council Scrutiny Panel	23 June 2021 21 July 2021 29 September 2021

Recommendations for decision:

That Cabinet recommend that Council is asked to note:

1. The Council operated within the overall approved Prudential and Treasury Management Indicators, and also within the requirements set out in the Council's approved Treasury Management Policy Statement during 2020-2021, however due to the reprofiling of some capital programmes the operational boundary for commercial activities was slightly in excess of the best estimate included in the Treasury Management Strategy presented to Council on 3 March 2021.
2. That revenue underspends of £2.3 million for the General Revenue Account and £805,000 for the Housing Revenue Account (HRA) were generated from treasury management activities in 2020-2021.
3. That revenue underspends of £1.4 million for the General Revenue Account and £11,000 for the HRA are forecast from treasury management activities in 2021-2022.

Recommendations for noting:

The Cabinet is asked to note:

1. That two of the three credit rating agencies have downgraded the UK's credit rating. If the remaining credit rating agency follows suit the Director of Finance will lower the minimum sovereign rating in the Annual Investment Strategy in line with the delegated authority approved by Council on 17 July 2020.
2. The financial information included in this report is based on the 'Capital Budget Outturn 2020-2021 including Quarter One Capital Monitoring 2021-2022' report also on the agenda for this meeting. The capital report is subject to a report being separately approved by Cabinet also at this meeting. Therefore, if this approval is not obtained, a revised version of this report will be presented to Council on 21 July 2021.
3. The Council's external borrowing decreased during 2020-2021 due to repayment of a loan and no new loans were taken out during the financial year.

1.0 Purpose

- 1.1 This report sets out the results of treasury management activities carried out in 2020-2021, together with performance against the Prudential Indicators previously approved by Council. It also provides a monitoring and progress report on treasury management activity for the first quarter of 2021-2022, in line with the Prudential Indicators approved by Council in March 2021.

2.0 Background

- 2.1 The treasury management activities of the Council are underpinned by The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management. For further information on the requirements of the Code please refer to the Treasury Management Strategy 2021-2022 report which can be accessed online on the Council's website by following the link:

<https://wolverhampton.moderngov.co.uk/ieListDocuments.aspx?CId=130&MId=14445&Ver=4>

- 2.2 Treasury management is defined as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

- 2.3 The system of controls on local authority capital investment is based largely on self-regulation by local authorities themselves. At its heart is CIPFA's Prudential Code for Capital Finance.
- 2.4 Cabinet / Cabinet (Resources) Panel received quarterly reports during 2020-2021 to monitor performance against the strategy and Prudential Indicators previously approved by Council.
- 2.5 The Council continued to use Link Group as treasury management advisors throughout 2020-2021 and 2021-2022 to date. Link provides market data and intelligence on which the Council can make decisions regarding all aspects of treasury management activities and, in particular, managing the risks associated with investing surplus cash.
- 2.6 On 1 February 2021 CIPFA announced two consultations on proposed changes to the Treasury Management Code and the Prudential Code. This is to reflect the changing environment in treasury management and following recommendations from the Public Accounts Committee. Both consultations closed on 12 April 2021 and the results are expected to be published towards the end of 2021-2022 and full adoption expected from 2022-2023.

- 2.7 The Treasury Management Code consultation proposes changes relating to Training and Qualifications, Corporate Governance and a new area covering Environmental, Social and Governance Management.
- 2.8 For the Prudential Code, the focus is on addressing the risks associated with commercial property acquisitions called debt for yield. The key areas are; consultation issues and questions, objectives of the Code, scope and status of the Prudential Code, capital strategy and Prudential Indicators.
- 2.9 An update on the outcome of the consultations will be reported to Councillors in future Treasury Management reports.

3.0 The strategy and outturn for 2020-2021

- 3.1 The strategy for 2020-2021 was to maintain cash balances at a reduced level, therefore, keeping to a minimum the credit risk incurred by holding investments and to avoid the higher costs of external borrowing compared to interest foregone on cash balances, thereby generating revenue savings.
- 3.2 During 2020-2021, the Council followed the recommendations as set out in the Treasury Management Strategy 2020-2021.
- 3.3 The Treasury Management outturn for 2020-2021 compared to budget is shown in Table 1.

Table 1 – Treasury management budget and outturn 2020-2021

	Approved Budget £000	Outturn £000	Variance £000
General Revenue Account	36,835	34,499	(2,336)
Housing Revenue Account	10,923	10,118	(805)
Total	47,758	44,617	(3,141)

- 3.4 Overall, there were revenue underspends of £2.3 million for the General Revenue Account and £805,000 for the HRA for 2020-2021. For the General Revenue Account, the main reasons are as previously reported; a reduced borrowing need in year arising as a result of re-phasing of the capital programme and lower interest rates forecast on borrowing due to the impact on the economy of Covid-19. This is offset by a reduction in treasury income receivable. These underspends were included in the report 'Budget Outturn 2020-2021' approved by Cabinet on 16 June 2021 and in part enabled the Council to mitigate the need to use capital receipt flexibility for revenue transformational activity in 2020-2021 by £5.0 million.
- 3.5 In order to ensure that the revenue implications of the capital programme do not impact adversely on the revenue budget, the Council holds a Treasury Management Equalisation Reserve (TMER). This specific reserve can be called on as and when required to support the revenue costs associated with re-phasing in the capital

programme. In accordance with the 2020-2021 budget strategy, there was a contribution of £500,000 from the TMER to the revenue account during 2020-2021. This was included in the 'Reserves, Provisions and Balances' report to Cabinet on 16 June 2021. The current balance remaining on the TMER after this approval is £1.7 million.

- 3.6 No institutions in which investments were made had any difficulty in repaying investments or interest in full during the year and no arrangements had to be made to prematurely withdraw funds from any investments as a result of a downgrade in their respective credit rating. There was also no debt rescheduled in 2020-2021.
- 3.7 Table 2 shows the average rate of interest payable and receivable in 2019-2020 and 2020-2021.

Table 2 – Average interest rate payable and receivable in 2019-2020 and 2020-2021

	2019-2020 Actual	2020-2021 Actual
Average Interest Rate Payable	3.74%	3.76%
Average Interest Rate Receivable	0.70%	0.14%

Borrowing outturn for 2020-2021

- 3.8 The average debt interest rate increased marginally from 3.74% in 2019-2020 to 3.76% in 2020-2021. The Council undertakes borrowing only when necessary to maintain sufficient cash flow balances and after monitoring the market to take advantage of the best available rates. A summary of the borrowing and repayment activities is shown below with the average interest rates; this activity has resulted in a slightly higher overall average rate for the year.

Table 3 – Summary of borrowing and repayment activities

	PWLB Loans £000	Average Rate %	Temporary Loans £000	Average Rate %	Total Loans £000
New Loans Raised	-	-	-	-	-
Repayment of Loans	(12,500)	1.65%	-	-	(12,500)
Net movement	(12,500)		-		(12,500)

- 3.9 The Council's need to borrow and the rates available continue to be monitored in order to achieve optimum results. The Council's medium term forecast is regularly updated to reflect actual borrowing that takes place along with any revisions to future anticipated borrowing.

- 3.10 The Council's Capital Financing Requirement (CFR) increased from £926.2 million to £942.1 million throughout 2020-2021. This reflects a net increase in the Council's underlying need to borrow for capital purposes. This was split between the General Revenue Account and Housing Revenue Account at a rate of 72% and 28% respectively (2019-2020: 72.0% and 28.0%). It is important to note that, whilst the CFR has increased during the financial year, the increase is substantially lower than previously forecast and approved by Council on 4 March 2020 at £1,037.6 million and 3 March 2021 £959.3 million. As previously reported, during 2020-2021, due to the Covid-19 pandemic there has been re-phasing of the capital programme which has reduced the borrowing need in year. This reflects new timescales for completing projects to take into account work starting again on sites and any social distancing measures which may be required.
- 3.11 Table 4 shows how the decrease in actual external borrowing arose during the year.

Table 4 – Decrease in actual external borrowing 2020-2021

	£000
Opening balance at 1 April 2020	732,947
Less: Repayments	
- Maturity loans from PWLB	(12,500)
Closing balance at 31 March 2021	720,447

- 3.12 Appendix 1 shows a summary of this position along with a detailed breakdown of repayments made throughout the year. It is important to note that, no new loans were taken out during 2020-2021. As stated in paragraph 3.10, due to the Covid-19 pandemic there has been re-phasing of the capital programme which has reduced the borrowing need in year. In addition, the receipt of Covid-19 one-off grants during 2020-2021 has had a positive impact on the Council's cash flow position over the short term. The Covid-19 pandemic has significantly distorted the Council's financial position, however despite all of this uncertainty and distortion the Council has managed its money well and continues to use cash balances to finance capital expenditure to keep cash balances low.

Investment outturn for 2020-2021

- 3.13 The actual interest rate earned from investments decreased from 0.70% in 2019-2020 to 0.14% in 2020-2021. This is due to the economic impact of the Covid-19 pandemic resulting in significantly decreased rates being available. This loss of income has however been offset against the savings generated by avoiding the cost of borrowing, due to re-phasing in the capital programme and lower borrowing interest rates.
- 3.14 The approach during the year was to continue to use cash balances to finance capital expenditure to keep cash balances low. This minimised counterparty risk on investments and also mitigated treasury management costs as investments rates were much lower than most new borrowing rates.
- 3.15 The Council manages its investments in-house and invests only in the institutions listed in the Council's approved lending list, which is reviewed each time a counterparty is

subject to a credit rating amendment. The Council's strategy allows for investments for a range of periods from overnight to five years, depending on the Council's cash flows, its interest rate view and interest rates on offer. However, in order to maintain sufficient liquidity whilst total investments levels are relatively low, most investments have been placed for shorter durations.

4.0 2021-2022 forecast

- 4.1 It should be noted that in order to provide a timely report, only investment activities up to and including 28 May 2021 have been included. Borrowing activities include the month of June. The forecast outturn for treasury management activities in 2021-2022 compared to budget is shown in Table 5.

Table 5 – Treasury management budget and forecast outturn 2021-2022

	Approved Budget £000	Forecast Outturn £000	Variance at Quarter one £000
General Revenue Account	37,555	36,191	(1,364)
Housing Revenue Account	10,823	10,812	(11)
Total	48,378	47,003	(1,375)

- 4.2 Overall, underspends of £1.4 million for the General Revenue Account and £11,000 for the HRA are projected for the year 2021-2022.
- 4.3 In the main, the General Revenue Account underspend is due to a reduced borrowing need in year arising as a result of re-phasing of the capital programme and due to no borrowing being undertaken in 2020-2021.
- 4.4 Due to the uncertain economic climate caused by Covid-19, it is likely that the outturn forecast will be subject to change during the financial year.
- 4.5 The forecast underspend will be considered more fully and in context of the whole General Revenue Account budget in the Performance, Revenue Budget Monitoring and Budget Update Report to Cabinet on 28 July 2021.
- 4.6 Appendix 2 shows a comparison of the latest estimates of Prudential and Treasury Management Indicators over the medium term period with the equivalent figures which were approved by Council in March 2021. It can be seen that with regards 'PI 4 – Operational boundary for external debt' that although the overall level for the indicator was under the approved limit, the actual for the year was slightly in excess of the best estimate for 2020-2021 for commercial activities as presented to Council in the Treasury Management Strategy on 3 March 2021. The operational limit is self determined and set each budget setting cycle. This has occurred mainly due to approved rephasing of commercial activity between financial years within the overall approved capital programme. The rephasing of this activity has a positive impact on the revenue budget and this approach is considered to be prudent in the opinion of the Director of Finance.

Borrowing forecast for 2021-2022

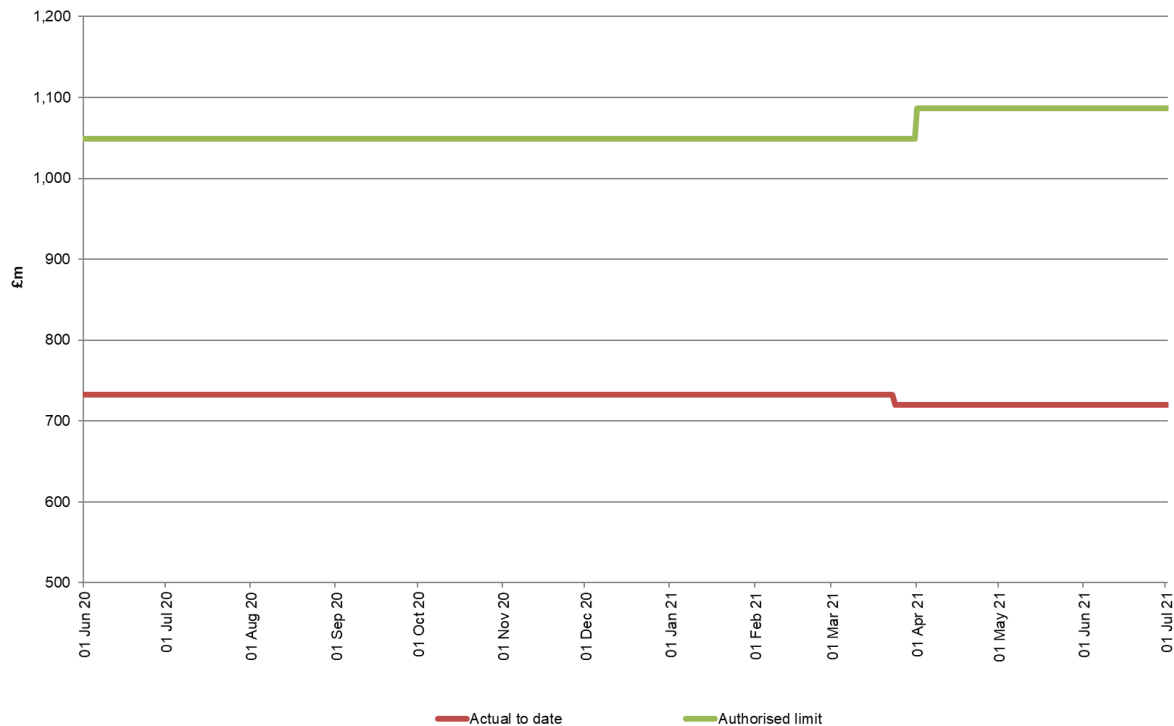
- 4.7 Table 6 shows the average rate of interest payable in 2020-2021 and forecast for 2021-2022.

Table 6 – Average interest rate payable in 2020-2021 and 2021-2022

	2020-2021 Actual	2021-2022 Forecast
Average Interest Rate Payable	3.76%	3.76%

- 4.8 Each year it is usually necessary to raise new loans to finance capital expenditure and to replace existing maturing borrowing. The Council's policy is to prioritise the use of capital receipts to finance capital expenditure. Balances which are set aside to meet credit liabilities (i.e. to repay borrowing) are used to reduce the external borrowing requirement. Decisions to take borrowing will be made by the Director of Finance when it is judged that rates are likely to be at their lowest levels, and probably about to rise according to market indications, and only when an inflow of funds is required to meet imminent cash flow commitments. This will keep overall surplus cash balances to a minimum, in line with the current strategy. Appendix 3 shows the maturity profile of external borrowing.
- 4.9 As always, the Council needs to be mindful that the opportunity to secure short term efficiencies by postponing longer term borrowing requirements takes into account the risk of long term rates increasing in the future. The Director of Finance will continue to keep actual and forecast rates under close review.
- 4.10 The Council's borrowing profile continues to operate within the overall limits previously approved by Council, as shown in Chart 1.

Chart 1 – Comparison of borrowing within approved borrowing limits over the previous 12 months



- 4.11 The level of borrowing at 30 June 2021 is £720.4 million, appendix 1 shows a summary of this position. During quarter one no new loans or repayments have occurred and no existing borrowing is due to be repaid between quarters two to four.
- 4.12 In March 2021, Council approved a net borrowing requirement for 2021-2022 of £143.8 million. The forecast net borrowing requirement for 2021-2022 is £122.5 million, as shown in appendix 4, due to rephasing in the capital programme. This appendix also shows the details for the disclosure for certainty rate, which enables the Council to access discounted borrowing at 0.20% below normal PWLB rates.

Investment forecast for 2021-2022

- 4.13 The approach during the year is to continue to use cash balances to finance capital expenditure so as to keep cash balances low.
- 4.14 Table 7 shows the total amount of surplus funds invested as at 31 March 2021 and in order to provide a timely report, 28 May 2021.

Table 7 – Total amounts invested 2021-2022

	31 March 2021 £000	28 May 2021 £000
Business Reserve Accounts	683	267
Money Markets Funds	7,910	20,900
	8,593	21,167
Average cash balance for the year to date	31,394	20,933

- 4.15 Money Market Funds and Business Reserve Accounts are the main investments used as these have high credit ratings and instant access.
- 4.16 The Council's cash flow balance for the first quarter of the current financial year has moved between a low of £5.3 million and a maximum of £42.4 million. The average cash balance for the quarter being £20.9 million.
- 4.17 Table 8 shows the budgeted average rate of interest receivable in 2021-2022 and the forecast for the year.

Table 8 – Average interest rate receivable in 2021-2022

	2021-2022 Budget	2021-2022 Forecast
Average Interest Rate Receivable	0.05%	0.01%

- 4.18 At the time the budget was set a prudent percentage was used for budgeting purposes, the Covid-19 pandemic has seen interest rates available for investments decrease significantly. With the current uncertainties it is increasingly difficult to forecast future investment rates that could be achieved, in order to be prudent, a lower rate is forecast based on the decreasing rates achieved to the 28 May 2021. The impact of this reduction will be monitored throughout the year, however, this loss of income will be offset against the savings generated by avoiding the cost of borrowing, due to re-phasing in the capital programme.
- 4.19 As reported in previous monitoring reports during 2020-2021, Fitch and Moody's (two of the three credit rating agencies) had downgraded the UK's sovereign rating from AA to AA-, or equivalent, due to the unprecedented impact of the Covid-19 pandemic on the economy. The Council's Annual Investment Strategy sets the minimum sovereign rating of AA with regard to the Council's investment lending list. As the other credit rating agency (Standard & Poors) had kept their UK sovereign rating equivalent to AA the Annual Investment Strategy did not require amendment. If they did also downgrade the UK's sovereign rating, the Council's bank account provider, National Westminster Bank

plc, would no longer have met the current approved minimum sovereign rating. Therefore, to ensure that National Westminster Bank plc remained on the lending list, in the event that the UK sovereign rating was downgraded by Moody's and Standard & Poors, delegation was sought to enable the minimum sovereign rating to be lowered by the Director of Finance in a timely manner. This delegation hasn't been utilised to the date of this report, however, if Standard & Poors do also downgrade the rating, the Director of Finance will be required to use the delegated authority to lower the minimum sovereign rating in the Annual Investment Strategy.

- 4.20 The approved Treasury Management Code of Practice sets out the criteria to be used for creating and managing approved counterparty lists and limits. As a result of any changes to credit criteria, the Director of Finance is authorised to make changes to the list of approved counterparties. In the event that any of these counterparties fall below the Council's minimum lending criteria, activity in that account will temporarily cease and any balance withdrawn immediately. Appendix 5 shows the Council's current specified investments lending list.

5.0 Evaluation of alternative options

- 5.1 As this is a monitoring report of treasury management activities undertaken in line with the approved Treasury Management Strategy for 2020-2021 and 2021-2022, there are no alternative options available.

6.0 Reasons for decision(s)

- 6.1 This report provides an update on treasury management activities undertaken in line with the approved Treasury Management Strategy for 2020-2021 and 2021-2022.

7.0 Financial implications

- 7.1 The financial implications are discussed in the body of this report.
[SH/23062021/L]

8.0 Legal implications

- 8.1 The Council's treasury management activity must be carried out in accordance with the requirements of the Local Government Act 2003. In addition, the Local Government and Housing Act 1989 sets out requirements for local authorities in respect of capital controls, borrowing and credit arrangements. The Council is also required to comply with the Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2008.
- 8.2 Treasury management relates to the management of the Council's cash flow, borrowing and cash investments. This involves seeking the best rates of interest for borrowing, earning interest on investments, whilst managing risk in making financial decisions and adopting proper accounting practice.

- 8.3 The area is heavily regulated. The Local Government and Housing Act 1989 regulates the operation of the Housing Revenue Account. The 'CIPFA Code of Practice for Treasury Management in the Public Services', contains treasury management indicators and advice on treasury management strategy. Investment strategy is regulated by 'MHCLG Guidance on Local Government Investments' issued initially in 2004 and reissued in 2010 and 2018. Part 2 of this Guidance is statutory guidance.
[SZ/25062021/P]

9.0 Equalities implications

- 9.1 There are no equalities implications arising from this report.

10.0 All other Implications

- 10.1 Due to the Covid-19 pandemic, there has been re-phasing of the capital programme which reduces the borrowing need in year. This is to reflect new timescales for completing projects to take into account work starting again on sites and any social distancing measures which may be required. In addition, the Council is monitoring its cash balances to see how the economic impact of Covid-19 is affecting the cash that it receives from local taxpayers. Any pressure in this area may have a negative impact on the Council's cash flow balances which may require borrowing to be undertaken sooner than planned to temporarily fund revenue costs.
- 10.2 As highlighted in previous monitoring reports, Covid-19 has impacted on the economy resulting in lower interest rates being available for investments and may affect the UK's sovereign rating. So far two of the three rating agencies have reduced the UK's rating, if the remaining third agency follows suit the Council's minimum sovereign rating will need to be lowered to allow the Council's bank to remain on the lending list. The impact on the treasury management budget of the reduced interest rates available for the Council's investments will be closely monitored.
- 10.3 The Council has agreed variations to loans provided to the Council's wholly owned housing company, WV Living. There is no detrimental impact on the Council's budget over the medium term, however it will impact on short term cash balances.

11.0 Schedule of background papers

- 11.1 [Treasury Management Strategy 2020-2021](#), Report to Cabinet, 19 February 2020
- 11.2 [Treasury Management – Annual Report 2019-2020 and Activity Monitoring Quarter One 2020-2021](#), Report to Cabinet, 8 July 2020
- 11.3 [Treasury Management Activity Monitoring – Mid Year Review 2020-2021](#), Report to Cabinet, 11 November 2020
- 11.4 [Treasury Management Strategy 2021-2022](#), Report to Cabinet, 17 February 2021

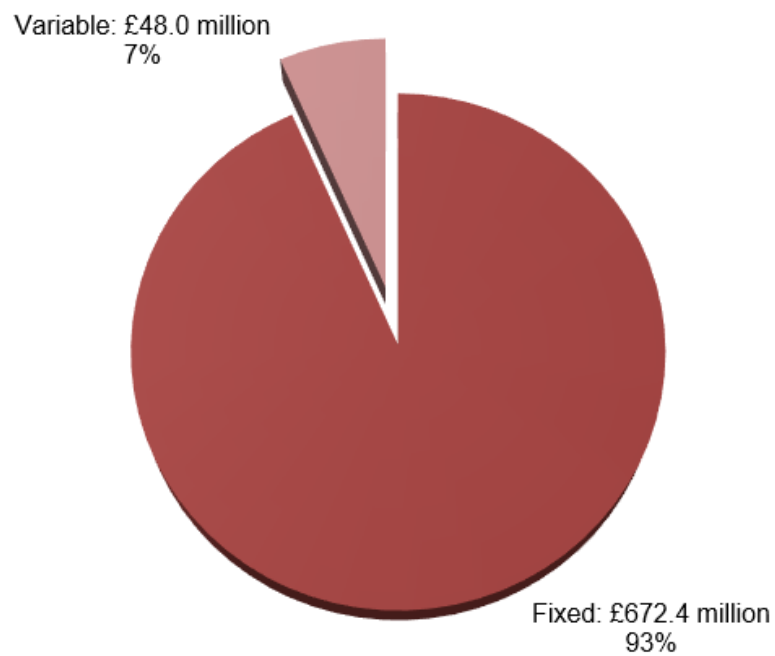
- 11.5 [Treasury Management Activity Monitoring Quarter Three 2020-2021](#), Report to Cabinet (Resources) Panel, 17 March 2021
- 11.6 Amendment to Loan to WV Living, Individual Executive Decision Notice, 19 March 2021
- 11.7 Amendment to Loan to WV Living, Individual Executive Decision Notice, 10 May 2021
- 11.8 [Budget Outturn 2020-2021](#), Report to Cabinet, 16 June 2021
- 11.9 [Reserves, Provisions and Balances 2020-2021](#), Report to Cabinet, 16 June 2021
- 12.0 Appendices**
 - 12.1 Appendix 1 – Borrowing type, borrowing and repayments
 - 12.2 Appendix 2 – Prudential and Treasury Management Indicators
 - 12.3 Appendix 3 – Borrowing maturity profile
 - 12.4 Appendix 4 – Disclosure for certainty rate
 - 12.5 Appendix 5 – Lending list

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Borrowing: Graphical Summary

Borrowing by Type

As at 31 March 2021



Borrowing and Repayments in 2020-2021

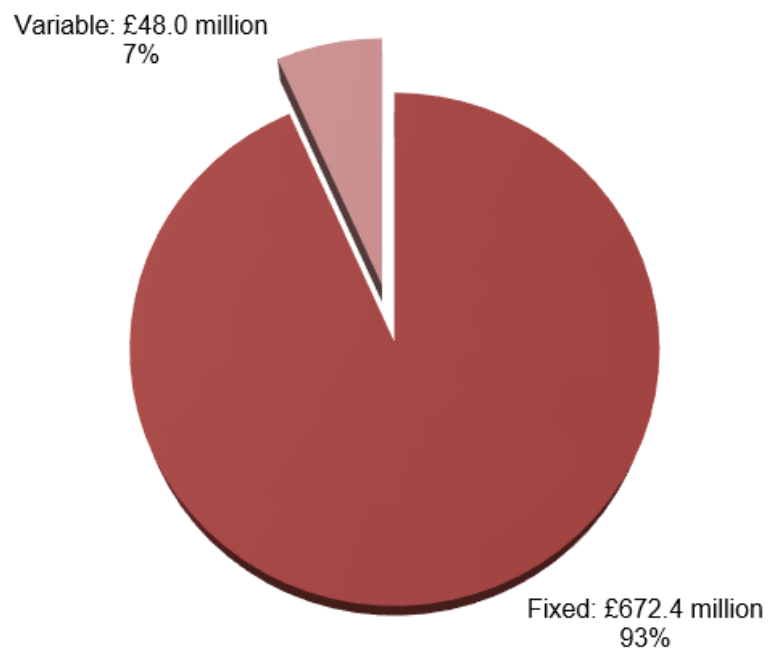
	Start Date	Maturity Date	Amount £000	Length	Interest Rate	Full Year Interest £000
2020-2021 Borrowing						
PWLB Fixed Maturity:						
No activity in 2020-2021						
Sub total for PWLB			-			-
Temporary Loans:						
No activity in 2020-2021						
Sub total for Temporary Loans			-			-
Grand total borrowing			-			-

	Start Date	Maturity Date	Amount £000	Length	Interest Rate	Full Year Interest £000
2020-2021 Repayments						
PWLB Fixed Maturity:				years		
504839	24/03/2016	24/03/2021	12,500	5	1.65%	206
Sub total for PWLB			12,500		1.65%	206
Temporary Loans:						
No activity in 2020-2021						
Sub total for Temporary Loans			-			-
Grand total repayments			12,500			206
Net movement			(12,500)			(206)

Borrowing: Graphical Summary

Borrowing by Type

As at 30 June 2021



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Prudential Indicators (PI) required by The Prudential Code

PI for Prudence - Ensuring that external debt is sustainable and compliance with good professional practice are essential features of prudence.

PI 1 - Estimates and actual capital expenditure.

Full details of capital expenditure plans and funding can be found in the outturn 2020-2021 quarter one capital budget monitoring 2021-2022 report.

	Approved by Council 3 March 2021				As at 30 June 2021			
	2020-2021 Forecast £000	2021-2022 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000	2020-2021 Actual £000	2021-2022 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000
General *	96,395	173,116	32,264	13,003	72,736	140,618	98,532	23,090
HRA	49,386	95,287	86,260	84,280	46,845	92,915	96,320	82,060
	145,781	268,403	118,524	97,283	119,581	233,533	194,852	105,150
* Commercial activities / non-financial investments included in General figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc.	17,710	23,057	10,000	10,000	20,401	23,700	10,057	10,000

PI 2 - Estimates and actual capital financing requirement General Fund and HRA.

The capital financing requirement measures the authority's underlying need to borrow for a capital purpose.

	Approved by Council 3 March 2021				As at 30 June 2021			
	2020-2021 Forecast £000	2021-2022 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000	2020-2021 Actual £000	2021-2022 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000
General *	692,048	754,006	728,584	706,460	677,761	717,378	716,072	703,092
HRA	267,213	316,385	357,387	396,495	264,322	314,505	366,607	405,837
Total capital financing requirement	959,261	1,070,391	1,085,971	1,102,955	942,083	1,031,883	1,082,679	1,108,929
* Commercial activities / non-financial investments included in General figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc.	20,138	23,789	15,744	14,816	15,479	16,170	13,108	11,936
Movement in capital financing requirement represented by:								
New borrowing for capital expenditure	65,412	145,604	60,572	60,336	49,251	124,516	90,590	66,203
Less minimum revenue provision/voluntary minimum revenue provision	(32,323)	(34,474)	(44,992)	(43,352)	(33,341)	(34,716)	(39,794)	(39,953)
Movement in capital financing requirement	33,089	111,130	15,580	16,984	15,910	89,800	50,796	26,250

PI 3 - Authorised limit for external debt.

These limits apply to the total external debt gross of investments and separately identify borrowing from other long term liabilities such as finance leases including Private Finance Initiatives (PFI). This is a self determined level reviewed and set each budget setting cycle.

	2020-2021 Limit £000	2021-2022 Limit £000	2022-2023 Limit £000	2023-2024 Limit £000
	2020-2021 Limit £000	2021-2022 Limit £000	2022-2023 Limit £000	2023-2024 Limit £000
Borrowing	1,049,311	1,086,578	1,121,741	1,182,515
Other Long Term Liabilities	87,249	79,626	81,928	78,960
Total Authorised Limit	1,136,560	1,166,204	1,203,669	1,261,475
Actual and Forecast External Debt as at 30 June 2021	802,685	922,544	1,008,340	1,069,590
Variance (Under) / Over Authorised limit	(333,875)	(243,660)	(195,329)	(191,885)
Authorised limit for commercial activities / non-financial investments included in the above figures				
Total Authorised Limit	45,893	47,014	45,874	45,874
Actual and Forecast External Debt as at 30 June 2021	44,329	45,020	43,901	42,729
Variance (Under) / Over Authorised limit	(1,564)	(1,994)	(1,973)	(3,145)

PI 4 - Operational boundary for external debt.

This is based on the same estimates as the authorised limit but directly reflects the Director of Finance's estimate of the most likely, prudent but not worst case scenario, without the additional headroom included. This is a self determined level reviewed and set each budget setting cycle.

	2020-2021 Limit £000	2021-2022 Limit £000	2022-2023 Limit £000	2023-2024 Limit £000
	2020-2021 Limit £000	2021-2022 Limit £000	2022-2023 Limit £000	2023-2024 Limit £000
Borrowing	1,018,328	1,050,255	1,107,444	1,167,501
Other Long Term Liabilities	85,247	79,626	79,928	76,960
Total Operational Boundary Limit	1,103,575	1,129,881	1,187,372	1,244,461
Actual and Forecast External Debt as at 30 June 2021	802,685	922,544	1,008,340	1,069,590
Variance (Under) / Over Operational Boundary Limit	(300,890)	(207,337)	(179,032)	(174,871)
Operational boundary for commercial activities / non-financial investments included in the above figures				
Total Operational Boundary Limit	43,867	45,874	45,874	45,874
Actual and Forecast External Debt as at 30 June 2021	44,329	45,020	43,901	42,729
Variance (Under) / Over Operational Boundary Limit	462	(854)	(1,973)	(3,145)

Prudential Indicators (PI) required by The Prudential Code

PI 5 - Gross debt and the capital financing requirement.

"In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years".

	Approved by Council 3 March 2021				As at 30 June 2021			
	2020-2021 Forecast £000	2021-2022 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000	2020-2021 Actual £000	2021-2022 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000
Forecast Capital Financing Requirement at end of Second Year	1,085,972	1,102,955	1,102,955	1,102,955	1,082,680	1,108,929	1,108,929	1,108,929
Gross Debt	863,551	1,004,740	1,044,320	1,061,304	802,685	922,544	1,008,340	1,069,590
Capital Financing Requirement Greater than Gross Debt	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

PI for Affordability - These indicators are used to ensure the total capital investment of the Council is within a sustainable limit and the impact of these decisions are considered with regard

PI 6 - Estimates and actual ratio of financing costs to net revenue stream.

This represents the cost of financing capital expenditure as a % of net revenue for both the General and HRA.

	Approved by Council 3 March 2021				As at 30 June 2021			
	2020-2021 Forecast	2021-2022 Forecast	2022-2023 Forecast	2023-2024 Forecast	2020-2021 Actual	2021-2022 Forecast	2022-2023 Forecast	2023-2024 Forecast
General *	13.9%	14.5%	18.6%	16.5%	13.9%	14.0%	16.4%	15.9%
HRA	29.4%	29.3%	29.5%	30.1%	30.6%	30.4%	32.4%	33.3%
* Commercial activities / non-financial investments included in General figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc.	1.0%	1.0%	1.0%	0.9%	1.0%	1.1%	1.1%	1.1%

Treasury Management Indicators (TMI) required by The Treasury Management Code

TMI 1 - Upper limits to the total of principal sums invested over 365 days.

This details the maximum amount which can be invested for up to 5 years (as per paragraph 1.5 of the Annual Investment Strategy). It has been determined that a maximum of 50% of total investments with a cap of £35.0 million could be prudently committed to long term investments should the Director of Finance decide it is appropriate to.

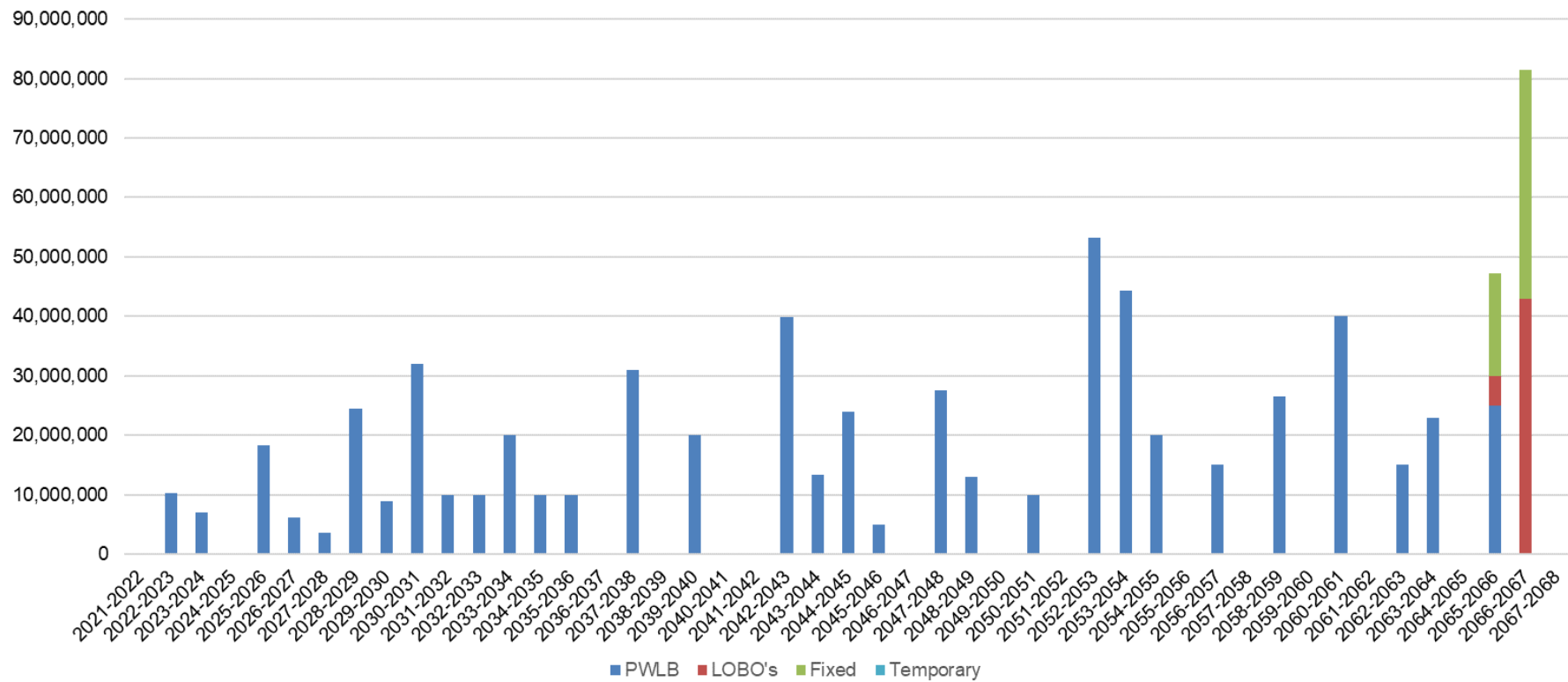
	Approved by Council 3 March 2021			
	2020-2021 Limit £000	2021-2022 Limit £000	2022-2023 Limit £000	2023-2024 Limit £000
Upper limit for more than 365 days	35,000	35,000	35,000	35,000
Actual and Forecast Invested at 30 June 2021	-	-	-	-
Variance (Under) / Over Limit	(35,000)	(35,000)	(35,000)	(35,000)

TMI 2 - Upper and lower limits to the maturity structure of its borrowing.

These limits relate to the % of fixed and variable rate debt maturing.

	Approved by Council 3 March 2021		As at 30 June 2021	
	Upper Limit	Lower Limit	2020-2021 Actual Borrowing	2022-2022 Forecast Borrowing
Under 12 months	25%	0%	-	-
12 months and within 24 months	25%	0%	7.43%	7.39%
24 months and within 5 years	40%	0%	2.93%	2.17%
5 years and within 10 years	50%	0%	8.68%	8.90%
10 years and within 20 years	50%	0%	12.85%	13.17%
20 years and within 30 years	50%	0%	25.76%	24.95%
30 years and within 40 years	50%	0%	23.04%	23.63%
40 years and within 50 years	50%	0%	19.31%	19.79%
50 years and within 60 years	50%	0%	-	-

Borrowing Maturity Profile at 30 June 2021



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Disclosure for Certainty Rate

Certainty Rate

This table details the information that is required to enable the Council to submit a return for 2021-2022.

	Approved by Council 3 March 2021				As at 30 June 2021			
	2020-2021 Forecast £000	2021-2022 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000	2020-2021 Actual £000	2021-2022 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000
Net Borrowing Requirement:								
Borrowing to finance planned capital expenditure	65,306	145,292	57,189	60,057	49,146	124,204	87,207	65,924
Existing maturity loans to be replaced during the year	23,500	30,059	88,199	57,095	(20,189)	30,059	90,199	77,095
Less:								
Minimum Revenue Provision for debt repayment	(17,101)	(18,153)	(25,546)	(21,987)	(17,101)	(18,338)	(21,388)	(20,930)
Voluntary debt repayment	(10,839)	(13,397)	(16,365)	(18,118)	(11,856)	(13,454)	(15,325)	(15,776)
	(27,940)	(31,550)	(41,911)	(40,105)	(28,957)	(31,792)	(36,713)	(36,706)
Loans replaced less debt repayment	(4,440)	(1,491)	46,288	16,990	(49,146)	(1,733)	53,486	40,389
Net Advance Requirement	60,866	143,801	103,477	77,047	0	122,471	140,693	106,313

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Lending List

2021-2022 Specified Investments as at 28 May 2021

Institution	Country (Sovereign Rating)	Limit £000	Term Limit
Bank Nederlandse Gemeenten	Netherlands (AAA)	20,000	12 mths
DBS Bank Ltd	Singapore (AAA)	10,000	6 mths
HSBC Bank plc	UK (AA-)	5,000	3 mths
Landwirtschaftliche Rentenbank	Germany (AAA)	20,000	12 mths
National Bank of Abu Dhabi	Abu Dhabi (U.A.E) (AA)	5,000	3 mths
NRW.BANK	Germany (AAA)	20,000	12 mths
Oversea Chinese Banking Corporation Ltd	Singapore (AAA)	10,000	6 mths
United Overseas Bank Ltd	Singapore (AAA)	10,000	6 mths
Nationalised Banks			
Royal Bank of Scotland Group plc			
National Westminster Bank plc	UK (AA-)	10,000	3 mths
The Royal Bank of Scotland plc	UK (AA-)	10,000	3 mths
AAA Rated and Government Backed Securities			
Debt Management Office	UK (AA-)	20,000	30 mths
Money Market Funds			
	Fund Rating		
Invesco STIC Account	Fitch AAmmf	20,000	Instant Access
Aberdeen Liquidity Fund (LUX) Class 2	Fitch AAmmf	20,000	Instant Access
Federated Short-Term Sterling Prime Fund	Fitch AAmmf	20,000	Instant Access
Black Rock Sterling Liquidity Fund	Moody's Aaa-mf	20,000	Instant Access
Scottish Widows Sterling Liquidity Fund	Moody's Aaa-mf	20,000	Instant Access

Non-rated Institutions

County Councils, London Boroughs, Metropolitan Districts and Unitary Authorities - limits £6m and 12 months.
Shire District Councils, Fire and Civil Defence Authorities, Passenger Transport Authorities and Police
Authorities - limits £3m and 12 months.

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