Northumberland County Council

COUNCIL

3 NOVEMBER 2021

Treasury Management Annual Report for the Financial Year 2020-21

Report of Jan Willis, Interim Executive Director of Finance and S151 Officer

Cabinet Member: Councillor Richard Wearmouth – Deputy Leader and Portfolio Holder for Corporate Services

---

Purpose of the Report

This report provides details of performance against the Treasury Management Strategy Statement (TMSS) 2020-21, approved by the County Council on 19 February 2020. The report provides a review of borrowing and investment performance for 2020-21, set in the context of the general economic conditions prevailing during the year. It also reviews specific Treasury Management prudential indicators defined by the (CIPFA) Treasury Management Code of Practice and CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code), and approved by the Authority in the TMSS.

Recommendations

Members receive the report and note the performance of the Treasury Management function for 2020-21.

Link to the Corporate Plan

This report supports the “We want to be efficient, open and work for everyone” priority included in the Council’s Corporate Plan 2018-21 “A Council that Works for Everyone”.

Key Issues

The Local Government Act 2003 (the Act) and supporting Regulations require the Council to produce an annual review of treasury management activities and present the actual performance against prudential and treasury indicators. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

The report provides a review of the Treasury Management activities for 2020-21; and sets out performance against the Treasury Management Strategy Statement for 2020-21.

TREASURY MANAGEMENT ANNUAL REPORT 2020-21

1. INTRODUCTION

1.1. Background

This Treasury Management Annual Report provides a review of the activities of the Treasury Management function for the period 1 April 2020 to 31 March 2021 and shows performance against the Treasury Management Strategy Statement (TMSS) for 2020-21. Its production and submission to Council is a requirement of the CIPFA Code of Practice on Treasury Management.

Treasury management is defined as:

"The management of the local authority's 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."

1.2. Statutory and Regulatory Requirements

The Local Government Act 2003 (the Act) and supporting Regulations require the Council to produce an annual review of treasury management activities and the actual performance against prudential and treasury indicators. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

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

1.3. Basis and Content of Treasury Management Annual Report for 2020-21

The report covers:

- Overview of and compliance with the Treasury Management Strategy for the financial year 2020-21;
- Economic conditions and interest rates during 2020-21;
- Overview of the treasury position at 31 March 2021;
- Borrowing activity for 2020-21;
- Investment activity for 2020-21;
- Performance against budget; and,
- Treasury management limits and prudential indicators position.

2. TREASURY MANAGEMENT STRATEGY FOR 2020-21

2.1. Overview of the 2020-21 Strategy

The 2020-21 treasury management strategy was approved prior to the coronavirus pandemic. At the time the expectation for interest rates within the treasury management strategy for 2020-21 was for UK Bank Rate (often referred to as Base Rate) to remain low at 0.75% with an increase to 1.00% around the final quarter of 2020-21. Longer term borrowing rates were also forecast to gently rise during the year, in line with increasing bond yields.

With investment returns anticipated to remain low (at least in the short term), the proposed strategy for 2020-21 was to continue to operate with an under borrowing position - i.e. use investments in lieu of external borrowing – and to meet the remaining external borrowing requirement for the year (estimated at that time at £225 million net of maturing loans) primarily from medium to longer term borrowing, but with the caveat that shorter term/temporary borrowing may also be considered, particularly if the anticipated rates increases did not materialise as quickly as projected.

2.2. Compliance

Significant levels of additional grant were received from Central Government during the year to help support the Council's response to the pandemic. It was essential that those funds remained liquid and were readily accessible at short notice. This necessitated a temporary increase in April 2020 (authorised by the Executive Director of Finance and S151 Officer), in the approved limits for Money Market Funds, in order to support the management of the increased overnight cash balances from £25 million to £35 million per Counter Party / Bank, and from £150 million to £175 million for overall Money Market Fund balances.

With the exception of the above, all other treasury activities met the Treasury indicators set out in the TMSS, and borrowing was within the borrowing limits set by the Council. Throughout the period, all treasury activities have been conducted within the parameters of the TMSS 2020-21, alongside best practice suggested by the CIPFA Treasury Management Code and Central Government.

3. ECONOMIC CONDITIONS AND INTEREST RATES DURING 2020-21

3.1. Economy

2020-21 will go down in history as being the year of the pandemic. The extraordinary impact of the outbreak and shutdown measures to contain it plunged the global economy into a severe contraction and caused an economic downturn that exceeded that of the financial crisis of 2008-09.

Both the Government and the Bank of England took rapid action in March 2020 at the height of the crisis to provide support to financial markets to ensure their proper functioning, and to support the economy and protect jobs. The Monetary Policy Committee (MPC) cut Bank Rate from 0.75% to 0.25% and then to 0.10% in March

2020 and embarked on a £200bn programme of quantitative easing (QE) (purchase of gilts to reduce borrowing costs throughout the economy by lowering gilt yields).

While Bank Rate remained unchanged for the rest of the year, financial markets were concerned that the MPC could cut Bank Rate to a negative rate. This was however firmly discounted at the February 2021 MPC meeting when it was established that commercial banks would be unable to implement negative rates for at least six months – by which time the economy was expected to be making a strong recovery and negative rates would no longer be needed.

Repeated rounds of support to businesses such as the furlough scheme, cheap loans and other measures have come at a huge cost in terms of the Government's budget deficit, ballooning the debt to gross domestic product (GDP) ratio to around 100%. As announced in The Budget on 3 March 2021, increased fiscal support to the economy and employment during 2021 and 2022 will be followed by substantial tax rises in the following three years to help to pay for the cost of the pandemic. This should help further to strengthen the economic recovery from the pandemic and to return the Government's finances to a balanced budget in 2025-26. Whilst this will stop the Debt to GDP ratio rising beyond 100%, there is concern that the Government's debt is now twice as sensitive to interest rate rises as before the pandemic due to QE operations substituting fixed long-term debt for floating rate debt. There is, therefore, an incentive for the Government to promote Bank Rate staying low e.g. by using fiscal policy in conjunction with the monetary policy action by the Bank of England to keep inflation from rising too high, and / or by amending the Bank's policy mandate to allow for a higher target for inflation.

GDP grew by 2.1% in March 2021, but remained at 5.9% below its level in February 2020, which was the last month not affected by the coronavirus pandemic.

3.2. Borrowing Rates

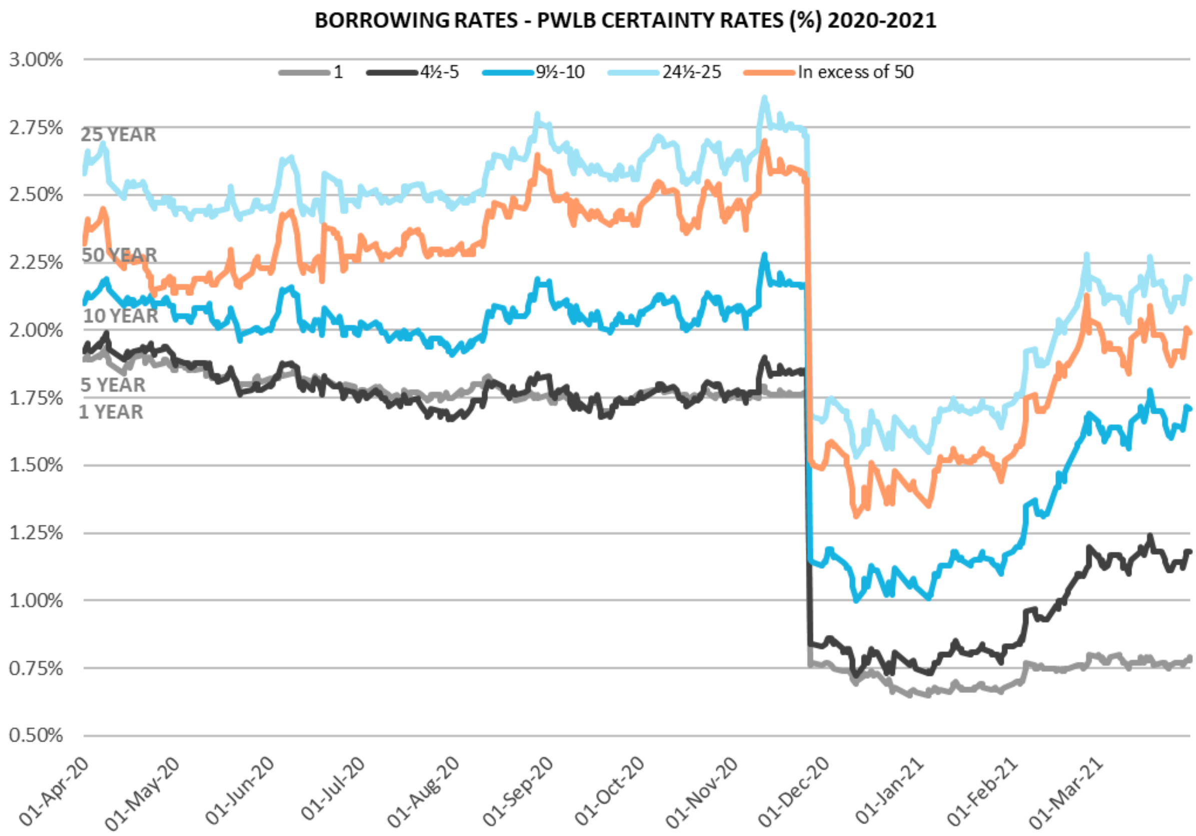
PWLB borrowing rates are driven by gilt yields (the interest rate of government debt), and in turn the inverse relationship between gilt prices and gilt yields – when prices / demand increase, yields fall. Also, demand for 'safe-haven' gilts typically strengthens when worries grow about the outlook for the economy.

Gilt yields fell sharply from the start of 2020 and then spiked up during the financial markets melt down in March when the pandemic started hitting western countries, before being rapidly countered by central banks flooding the markets with liquidity.

While US treasury yields do exert influence on UK gilt yields so that the two often move in tandem, they diverged during the first three quarters of 2020-21 but then converged in the final quarter. Expectations of economic recovery started earlier in the US than the UK but once the UK vaccination programme started making rapid progress in the new year of 2021, gilt yields and PWLB rates started rising sharply as confidence in economic recovery rebounded. At the close of the day on 31 March 2021, all gilt yields from 1 to 5 years were between 0.19 – 0.58% while the 10-year and 25-year yields were at 1.11% and 1.59%.

Following the changes imposed by HM Treasury in the margins over gilt yields for PWLB rates in 2019-20, in November 2020 the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates. This resulted in standard and certainty margins being reduced by 1%, along with a tightening in the lending criteria to prevent councils borrowing from the Public Works Loan Board where there is an intention to buy investment assets primarily for yield at any point in the next three years.

The following graph shows PWLB (borrowing) rate movements during the year, for a selection of maturity periods.

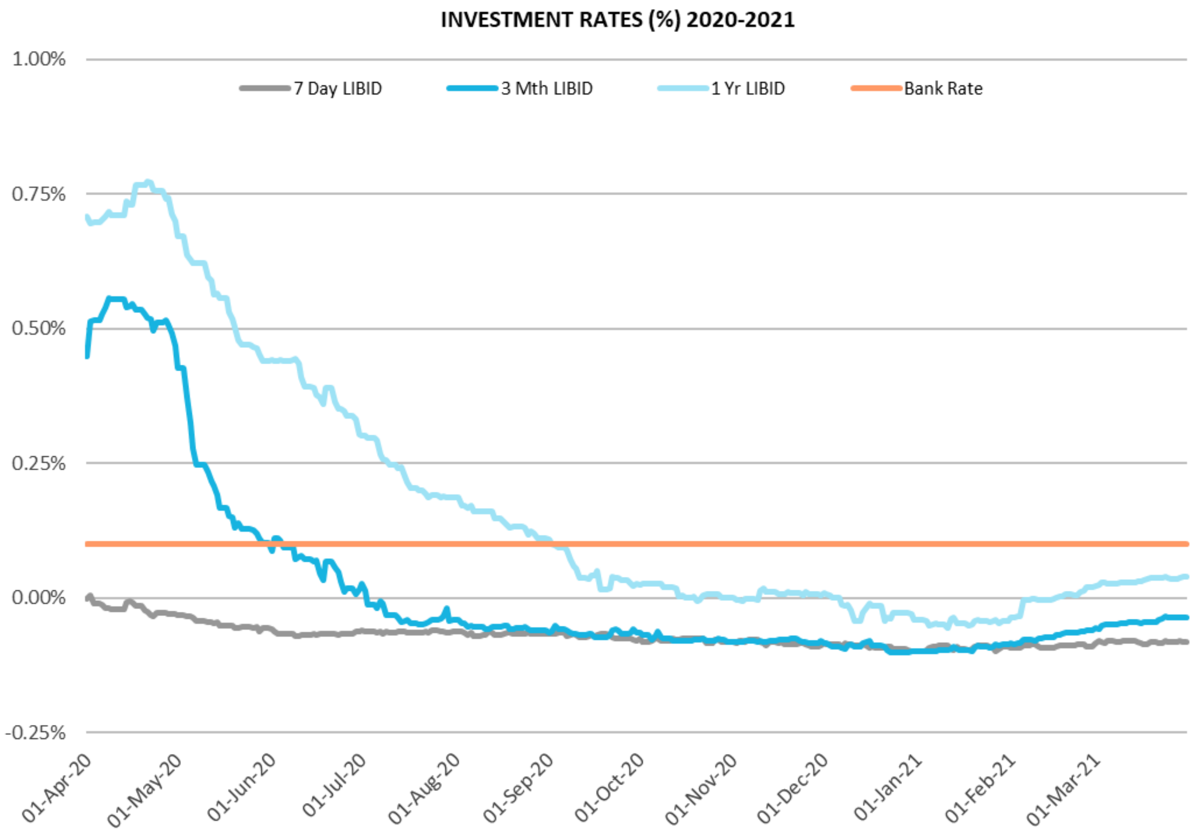


3.3. Investment Rates

The expectation for interest rates within the treasury management strategy for 2020-21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022-23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic bursting onto the scene in March 2020 which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy. Investment returns which had been low during 2019-20, plunged during 2020-21 to near zero or even into negative territory.

The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted. Most local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending.

The following graph shows a selection of investment rate movements during the year:



4. THE PORTFOLIO POSITION AT 31 MARCH 2021

4.1. Current Borrowing

The Council's debt at 1 April 2020 and 31 March 2021 is shown below:

TABLE 1: BORROWING	Total Principal 1 April 2020 £m	Weighted Average Rate %	Total Principal 31 March 2021 £m	Weighted Average Rate %
Public Works Loan Board Loans	468.344	2.65	459.814	2.65
LOBOs	176.500	3.95	176.500	3.95
Market / Local Authority (>1yr)*	170.100	2.35	144.100	2.50
Market / Local Authority (<1yr)*	10.000	1.15	32.034	0.34
Salix	0.037	-	0.024	-
TOTAL EXTERNAL BORROWING	**824.981**	**2.85**	**812.472**	**2.82**

* Note: above figures are based on the term of loans at their inception.

4.2. Current Investments

The table below summarises the investment position at 1 April 2020 and 31 March 2021:

TABLE 2: INVESTMENTS	Total Outstanding 1 April 2020 £m	Weighted Average Rate %	Total Outstanding 31 March 2021 £m	Weighted Average Rate %
Fixed Term Investments – Long Term (>1yr)*	33.250	3.24	33.250	3.24
Fixed Term Investments – Short Term (<1yr)*	72.000	0.93	91.000	0.13
Money Market Funds	85.800	0.47	82.350	0.02
TOTAL INVESTMENTS (excl. Cash)	**191.050**	**1.13**	**206.600**	**0.59**

* Note: above figures are based on the term of investments at their inception.

5. BORROWING ACTIVITY 2020-21

5.1. Introduction

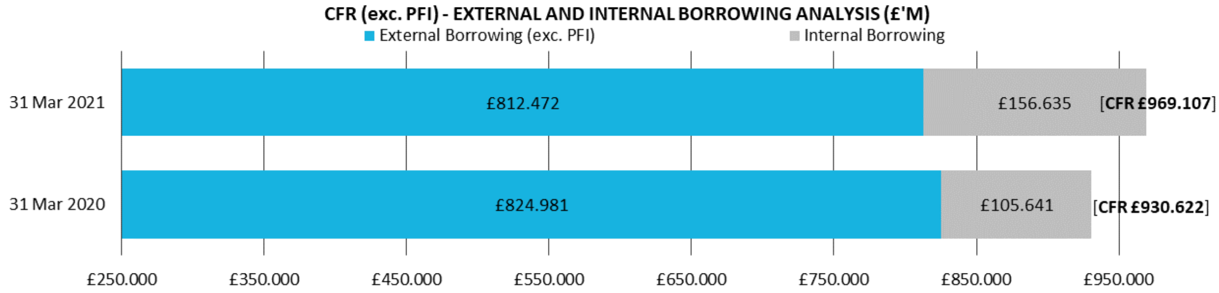
The Council borrows to fund the Capital programme, as well as to fund loans to third parties for policy reasons.

5.2. Borrowing Need – Capital Financing Requirement

The Council's long-term borrowing requirement or need to borrow is measured by the Capital Financing Requirement ("CFR"). The CFR represents total historic outstanding capital expenditure which has not yet been paid for from either revenue or cash-backed capital resources (such as grants and capital receipts). The CFR is repaid over time by an annual charge to revenue, known as the Minimum Revenue Provision (MRP). This charge, which is equivalent to depreciation, effectively spreads the cost of debt associated with capital expenditure over the useful economic life of the underlying assets.

At the same time the Council has significant levels of 'cash-backed' balances that are available for investment. Accordingly, the capital financing requirement (or borrowing requirement) need not always be met or funded externally from physical loans. At least in the short term, investment balances can be 'used' in lieu of borrowing externally; by withdrawing investments (in turn foregoing investment income) and instead using the cash to fund part of the borrowing requirement. This is often referred to as 'internal' or 'under' borrowing.

The following graph summarises the CFR (excluding PFIs) and external borrowing movements during the year:



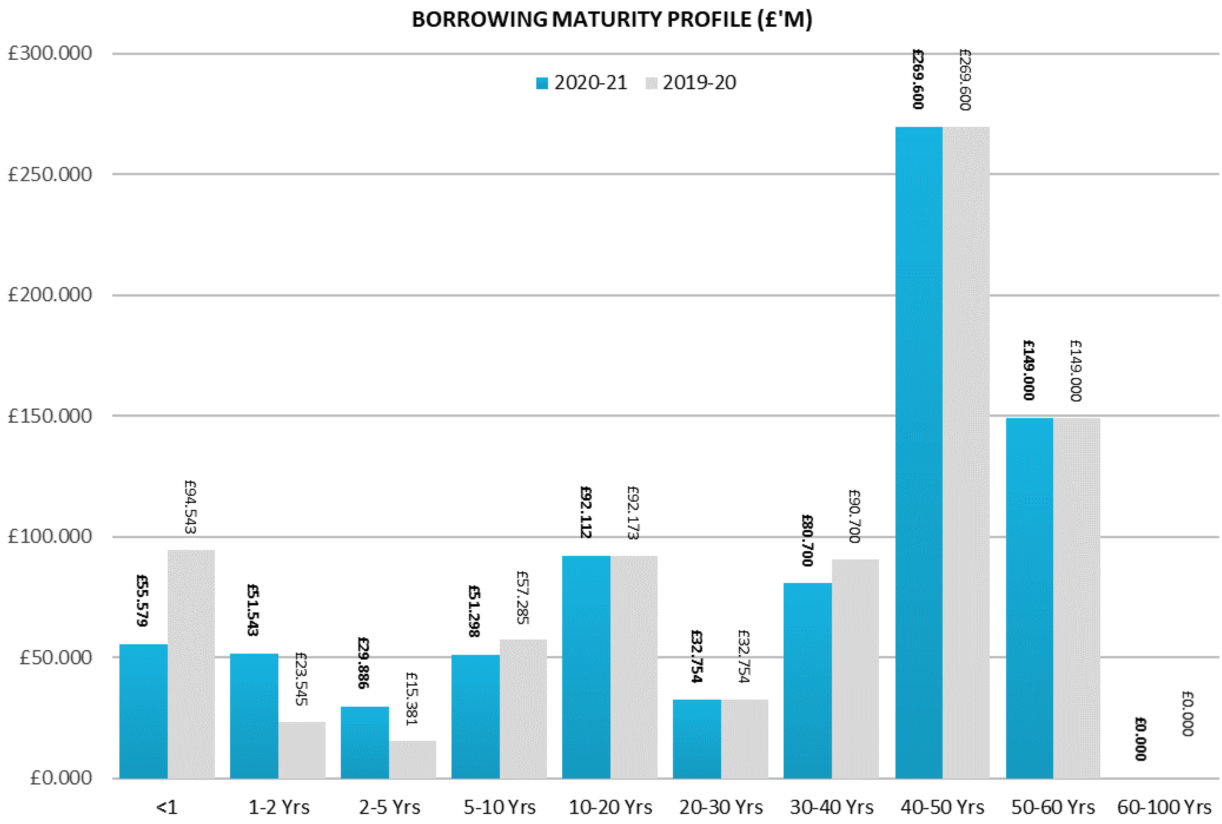
The inter-relationship (and reconciliation) between the CFR, external borrowing and investments is further analysed in the 'Balance Sheet Review' attached at Appendix 1.

The CFR (excluding PFIs) increased by £38.485 million during the year, but was lower than originally budgeted at 31 March 2021 at £969.107 million against an original budget of £1,064.646 million; due to re-profiling of the capital programme and unscheduled loan repayments from Advance Northumberland.

External borrowing was undertaken during 2020-21 to replace maturing existing loans. £94.543 million of loans matured and were repaid during the year and £82.034 million of new / replacement borrowing was taken out. As a result, total external borrowing decreased by £12.509 million, from £824.981 million at the start of year to £812.472 million at 31 March 2021. This in turn led to an increase in 'internal borrowing' (i.e. the difference between the CFR and actual external borrowing) of £50.994 million, from £105.641 million at the start of year to £156.635 million at 31 March 2021, which is shown in the graph above.

The new borrowing was made up of 6 long term loans from other local authorities totalling £50.000 million (ranging between 1.5 and 3 years), plus 4 short term loans from other local authorities totalling £32.034 million. The weighted average maturity (WAM) of all new borrowing during the year was 1.67 years. This resulted in the year-end WAM of the portfolio decreasing slightly from 31.98 to 31.65 years. The weighted average rate of all new borrowing in 2020-21 was 0.60%.

The following graph shows the maturity of the loan portfolio at 31 March 2021 by monetary value (£812.472 million in total). LOBOs are shown as held to maturity. In the current climate it is not envisaged that loans would be called for repayment within the next 12 months, as rates are so low.



5.3. Borrowing Performance / Benchmarking

The weighted average rate of interest paid on all borrowing during the year was 2.92%, and the average rate on loans at 31 March 2021 was 2.82%, a decrease of 0.03% compared to the start of the year figure of 2.85%.

The weighted average and overall borrowing levels were lower than originally budgeted, due to the re-profiling of the capital programme, and therefore the reduced need to borrow.

Interest paid on external borrowing was £2.656 million below budget at £23.002 million (original budget of £25.658 million). This was largely attributable to the reduced capital spend and the reduced need to borrow – weighted average borrowing for the year totalled £787.582 million compared to an original estimate of £848.699 million - as well as the overall average rate of interest paid over the year being lower than budgeted – at 2.92% compared to an original estimate of 3.02%.

6. INVESTMENT ACTIVITY 2020-21

6.1. Introduction

The Council has significant levels of ‘cash-backed’ balances that are available for investment; in the form of General Fund and HRA balances, and the numerous earmarked reserves and provisions.

The Council’s investment policy (as set out in the Treasury Management Strategy Statement for 2020-21) is governed by the Ministry of Housing, Communities and Local Government’s Guidance on Local Government Investments (“the Guidance”) and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by two of the main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc).

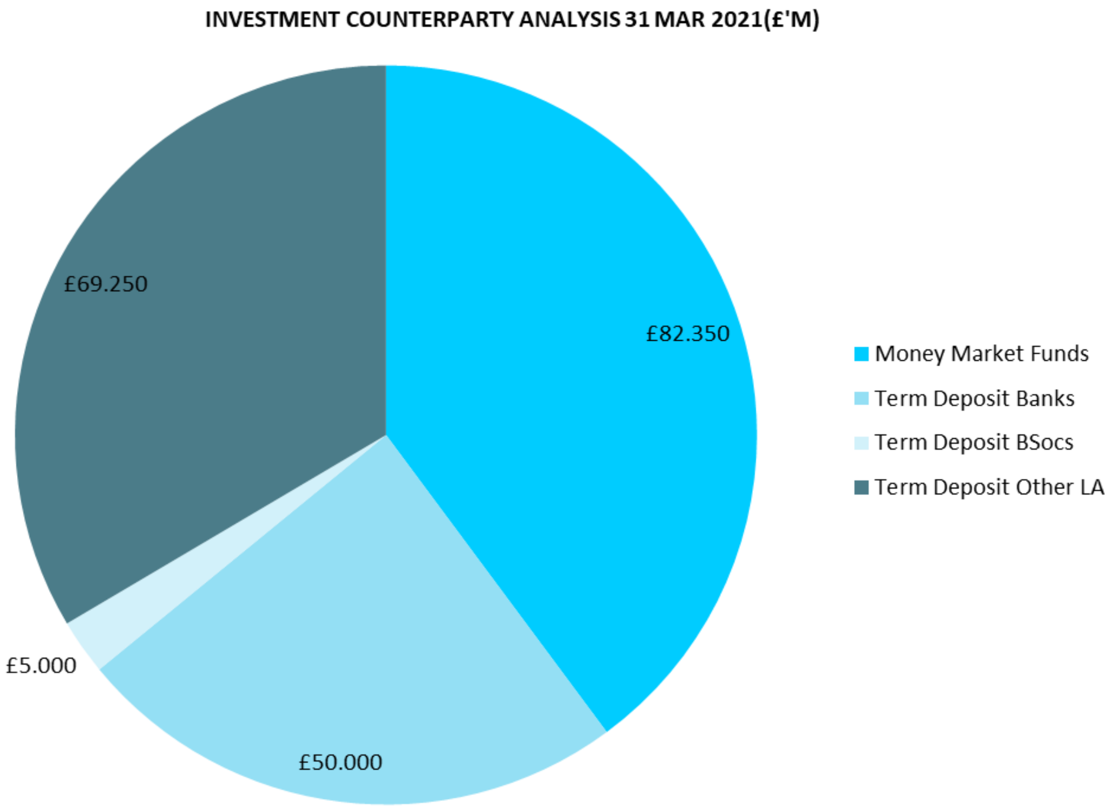
All investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

As identified in section 5 above, a significant proportion of available investment balances were used as 'internal borrowing' to support the financing of the CFR. This totalled £156.635 million at 31 March 2021 (an increase of £50.994 million compared to 31 March 2020). However, the level of balances available for investment increased during the year by £53.665 million, and the net difference between outstanding creditors and debtors (referred to as working capital) increased by £13.122 million. (See Balance Sheet Review at Appendix 1).

As a result, overall external investments (excluding cash and accrued interest) increased during the year from £191.050 million to £206.600 million, and the Council maintained an average balance of £196.871 million of internally managed funds.

The weighted average maturity (WAM) of the £206.600 million of investments held at the year-end was 0.30 years (0.46 years at 31 Match 2020). This is heavily influenced by the £33.250 million of long-term investments which in themselves have a WAM of 1.61 years.

An analysis of the year-end investment balance (excluding cash) by counterparty category is shown in the following chart:



6.2. Investment Performance / Benchmarking

As covered in section 3.3 above, investment returns plunged during 2020-21. However, the fall in rates was largely negated by an increase in the overall level of balances available for investment.

Budgeted investment returns for 2020-21 were based on a weighted average rate of return of 1.94% and an average balance of £72.541 million. Actual average investment balances were significantly higher than anticipated at £196.871 million - largely due to the additional grant support received to tackle the coronavirus pandemic. However, as these 'additional' sums were invested short term (for liquidity reasons), at the prevailing low interest rates, this in turn impacted on the overall weighted rate of return for the year, reducing it to 0.74%.

Overall, income from core treasury management investments slightly exceeded the budget for the year by £0.052 million, totalling £1.456 million against an original estimate of £1.404 million.

Whilst the overall rate of return was maximised by the longer-term investments with other Local Authorities, which were taken out a number of years earlier, the performance still compares favourably against the average London Interbank Bid Rate (LIBID) benchmark indicators of:

- 7 Day: negative 0.07%
- 3 Month: 0.14%
- 1 Year: 0.17%

Data from Link Asset Services' investment benchmarking club shows Northumberland compares very favourably. Looking at the weighted average rate on investments held at 31 March 2021, Northumberland's rate of 0.59% was higher than the average for its benchmarking group (0.24%), as well as English Unitary Authorities (0.19%) and overall Link benchmarking group population (0.21%).

Note: the above figures are exclusive of interest received on loans to third parties. These loans are made for policy reasons; and not day-to-day treasury undertakings in relation to the investment of cash flows etc.; and, as a result are not classed as core treasury management activities. Actual returns on these facilities totalled £18.989 million, which was lower than the budget by £1.405 million, largely due to the deferral of interest on the loan notes to Newcastle International Airport.

7. OVERALL TREASURY MANAGEMENT BUDGET PERFORMANCE

Overall net Treasury Management costs (including Minimum Revenue Provision, amortisation of premiums and discounts and PFI contracts etc.) were £2.001 million lower than budgeted, at £33.909 million when compared to the budget of £35.910 million. The key variances are summarised in the following table:

	Additional Cost / (Saving) £m
Interest Payable – External Borrowing	(2.6
Interest Payable – PFI	0
Interest Receivable – Treasury Management Activity	(0.0
Interest Receivable – Loans to Third Parties	1
Minimum Revenue Provision (MRP)	(1.1
Other	(0.0
TOTAL NET UNDERSPEND	**(2.0**

Notes:

- Contrary to section 6.2, the above figures DO include interest received from loans to third parties; on the basis that the underlying borrowing (and therefore interest payable) in respect of these loans is reflected in the above costs and cannot be separately identified and excluded.
- PFI interest changed following re-assessment of PFI modelling.
- MRP charges for the year were lower than budgeted due a lower than expected opening CFR at the beginning of year, plus a voluntary provision in respect of Advance Northumberland loans.
- The above figures exclude the MRP payments made in respect of other third party loans, which are funded from the principal repayments made by the borrower and therefore have a neutral impact on Council budgets.

8. PRUDENTIAL INDICATORS AND TREASURY LIMITS 2020-21

The Prudential Code has been developed by CIPFA. The Code has a central role in capital finance decision making, including borrowing for capital investment. Its key objectives are to provide a framework for local authority finance that will ensure individual authorities' capital expenditure plans are affordable; all external borrowing is within prudent and sustainable levels; and, that treasury management decisions are taken in accordance with good professional practice.

To ensure compliance with the Code, councils are required to approve a set of Prudential Indicators for the financial year and adhere to these indicators during the course of that year. Details of the Prudential Indicators and Treasury Management Limits for 2020-21 are provided in Appendix 2.

Implications

Policy	The report provides a review of the Treasury Management activities for 2020-21 and sets out performance against the Treasury Management Strategy Statement for 2020-21. It is consistent with “We want to be efficient, open and work for everyone” priority included in the Council’s Corporate Plan 2018-21.
Finance and value for money	The financial implications of the 2020-21 investment and borrowing transactions have been taken into account within the revenue budget and outturn for 2020-21. Northumberland County Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management within the context of effective risk management, and to employing suitable performance measurement techniques, for example comparison with other members of the CIPFA and Capita benchmarking clubs.
Legal	Under Section 1 of the Local Government Act 2003 (the Act) the Council may borrow money for any purpose relevant to its functions under any enactment, or for the purpose of the prudent management of its financial affairs. The Act and supporting regulations also require the Council to ‘have regard to’ the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice (which were adopted by Northumberland County Council in February 2010).
Procurement	There are no direct procurement implications for the County Council.
Human Resources	There are no direct staffing implications for the County Council.
Property	There are no direct property implications for the County Council.
Equalities (Impact Assessment attached) Yes ☐ No ☐ N/A ☐	Not applicable for the County Council.

Risk Assessment	The report highlights the principal financial risks within the Treasury Management function. The identification, monitoring and control of risk are the prime criteria by which the effectiveness of the County Council's Treasury Management activities will be measured. Accordingly, the analysis and reporting of Treasury Management activities will focus on their risk implications for the Council. The investment priority is security and liquidity rather than yield, which is a secondary aim.
Crime & Disorder	There are no Crime and Disorder implications for the County Council.
Customer Consideration	There are no Customer Considerations for the County Council.
Carbon reduction	There are no Carbon Reduction implications for the County Council.
Wards	All.

Background Papers:

Treasury Management Strategy Statement for 2020-21. Approved by Council on 19 February 2020.

CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance notes (revised 2011).

CIPFA Prudential Code for Capital Finance in Local Authorities.

Guidance on Local Government Investments; The Local Government Act 2003.

Local Authorities (Capital Finance and Accounting) Regulations 2012 (S.I.2012/265).

Report sign off:

Monitoring Officer	Neil Masson
Interim Executive Director of Finance & Section 151 Officer	Jan Willis
Relevant Executive Director	Jan Willis
Chief Executive	Daljit Lally
Portfolio Holder	Richard Wearmouth

Author and Contact Details

Alistair Bennett – Technical Accountant

(01670) 625504
Alistair.Bennett@northumberland.gov.uk

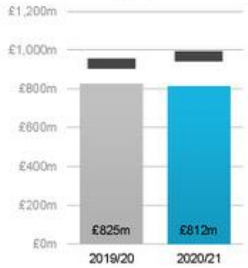
APPENDIX 1

NORTHUMBERLAND COUNTY COUNCIL
2020/21 Desktop Balance Sheet Review

CAPITAL FINANCING AND BORROWING (£'000)

	2019/20	2020/21
Capital Financing Requirement	£1,000,278	**£1,036,717**
Underlying Borrowing Requirement	£930,622	**£969,107**
External Borrowing	£824,981	**£812,472**
Under Borrowing	£105,641	**£156,635**
Net Borrowing (exc TFR debt)	£633,154	**£604,851**

External Borrowing vs Underlying Borrowing Requirement

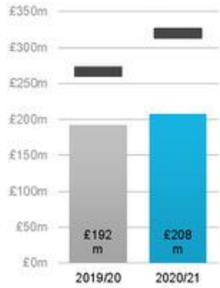


2019/20 (£'000)		2020/21 (£'000)	Change (£'000)
	Capital Financing Requirement (CFR)		
1,420,253	Property, Plant & Equipment	1,392,832	
1,798	Investment Property	2,029	
1,150	Intangible Assets	1,734	
2,214	Assets Held for Sale	2,085	
13,375	Capital Investments (non-TM)	14,067	
418,260	Capital Long-term Debtors	410,526	
(175,063)	Revaluation Reserve	(161,748)	
(672,968)	Capital Adjustment Account	(615,375)	
(8,741)	Financial Instruments Revaluation Reserve (capital)	(9,433)	
1,000,278	**CFR (as per Prudential Code)**	**1,036,717**	**36,439**
4,759	PFI Prepayment	4,650	
(74,415)	PFI Liability	(72,260)	
930,622	**Underlying Borrowing Requirement**	**969,107**	**38,485**
	External Borrowing		
(94,543)	Short-Term	(55,579)	
(730,438)	Long-Term	(756,893)	
(824,981)	**TOTAL External Borrowing (Principal)**	**(812,472)**	**12,509**
105,641	**Under Borrowing**	**156,635**	**50,994**

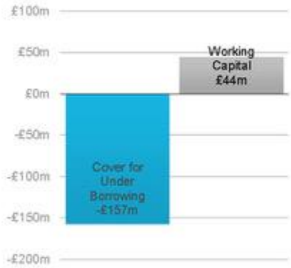
RESERVES / BALANCES AND INVESTMENTS (£'000)

	2019/20	2020/21
Balances Available for Investment	£266,180	**£319,845**
External Investments	£191,827	**£207,621**
(Internal Investments)	£74,353	**£112,224**

Investments vs Balances



Analysis of (Internal Investments)

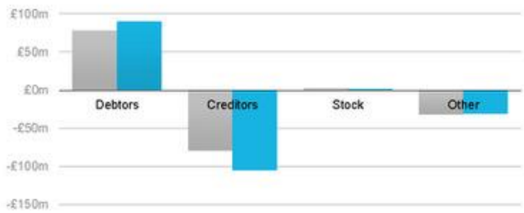


2019/20 (£'000)		2020/21 (£'000)	Change (£'000)
	Reserves / Balances		
(56,926)	General Fund Balance	(70,469)	
(31,709)	Housing Revenue Account Balance (inc MRA)	(37,497)	
(3,174)	Collection Fund Adjustment Account	21,906	
(126,833)	Earmarked reserves / other balances	(177,538)	
(3,102)	Capital Receipts Reserve	(4,025)	
(12,072)	Provisions (exc. any accumulating absences)	(8,392)	
(32,364)	Capital Grants Unapplied	(43,830)	
(266,180)	**Amount Available for Investment**	**(319,845)**	**(53,665)**
	Investments		
72,000	Short-Term	99,250	
33,249	Long-Term	25,000	
86,578	Cash & Cash Equivalents	83,371	
191,827	**TOTAL Investments**	**207,621**	**15,794**
(74,353)	**(Internal Investments)**	**(112,224)**	**(37,871)**

WORKING CAPITAL (£'000)

	2019/20	2020/21
TOTAL Working Capital (Surplus)	-£31,289	**-£44,411**

Analysis of Working Capital



2019/20 (£'000)		2020/21 (£'000)	Change (£'000)
	Working Capital		
77,653	Debtors	89,930	12,277
(79,424)	Creditors	(104,917)	(25,493)
(4,245)	Capital Grants Receipts In Advance	(21,251)	
(27,772)	Cash Overdrawn	(13,729)	
1,827	Stock / WIP	1,260	
(31,961)	**NET Working Capital (Surplus)**	**(48,707)**	**(16,746)**
	Other		
(7,522)	Balance LT Debtors	(4,200)	
(1)	Balance of LT Liabilities	(1)	
8,195	FIAA - Premiums, (Discounts) etc	8,497	
672	**Other Long-Term Working Capital**	**4,296**	**3,624**
(31,289)	**TOTAL Working Capital (Surplus)**	**(44,411)**	**(13,122)**

PERFORMANCE AGAINST CAPITAL PRUDENTIAL INDICATORS

Authorised Limit and Operational Boundary for External Debt

These are important indicators and are part of the Local Government Act 2003 requirements.

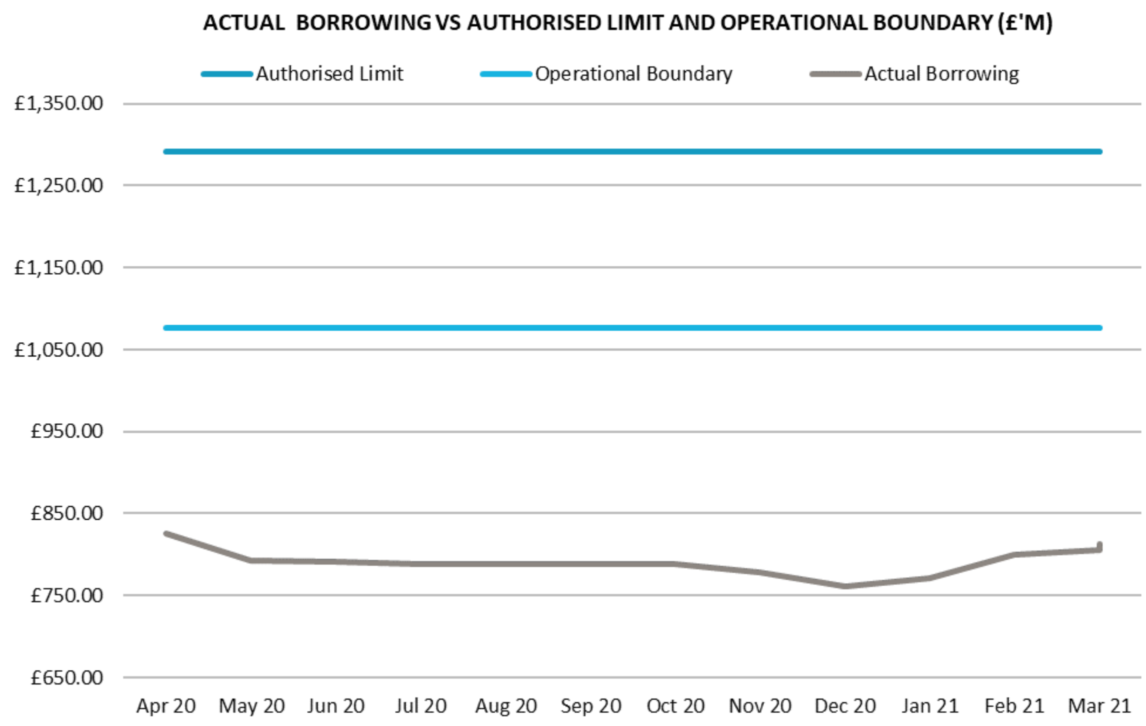
The authorised limit - is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level.

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

The table below demonstrates that during 2020-21 the Council has maintained gross borrowing within its authorised limit.

	Authorised Limit for External Debt £m	Operational Boundary £m	Actual 31 March 2021 £m
External Borrowing	1,208.524	1,007.104	812.472
Other Long Term Liabilities (PFI)	82.551	68.792	67.610
TOTAL EXTERNAL DEBT	**1,291.075**	**1,075.896**	**880.082**

The following graph shows the external borrowing limits and actual borrowing over the year:



Treasury Management Limits on Activity

The purpose of this is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates.

Lender option, borrower option loans (LOBOs) callable within 12 months are classed as variable; and if the rate is fixed for a longer period they are classed as fixed. At 31 March 2021 the total of variable rate loans was £74.000 million and is within the set limit.

	Limit for 2020-21	Actual 31 March 2021
Fixed Rate Exposure	0% - 100%	90.89%
Variable Rate Exposure	0% - 50%	9.11%

Maturity Structure of Borrowing

Measuring maturity structure of borrowing ensures a reasonable spread of maturing debt as a safety mechanism to ensure significant amounts of debt do not mature at a time when interest rates for refinancing the debt may be high.

The following graph shows maturity of loans by monetary value. LOBOs are shown as held to maturity. In the current climate it is not envisaged that loans would be called for repayment within the next 12 months as rates are low.

Investments for periods longer than 365 days

These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

	Limit 2020-21 £m	Actual Highest £m	Actual 31 March 2021 £m
Principal sums invested > 364 days	120.000	33.250	33.250