



Reigate & Banstead
BOROUGH COUNCIL
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SIGNED OFF BY	Interim Head of Finance
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TO	Executive Overview & Scrutiny Council
DATE	Thursday, 19 November 2020 Wednesday, 9 December 2020 Thursday, 10 December 2020
EXECUTIVE MEMBER	Portfolio holder for Finance

KEY DECISION REQUIRED	No
WARDS AFFECTED	(All Wards);

SUBJECT	Treasury Management Half Year Report 2020/21
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RECOMMENDATIONS
RECOMMENDATIONS: Note the Treasury Management Performance for the year to date and note the updated prudential indicators.
REASONS FOR RECOMMENDATIONS
<p>This report confirms compliance with the requirements of the regulatory framework for treasury management.</p> <p>The Council is required to receive and approve, as a minimum, three treasury reports each year, which incorporate relevant policies, estimates and actuals:</p> <p>(i) Prudential and Treasury Indicators and Treasury Strategy – sets the framework for treasury management activities in the following financial year. The Treasury Management Strategy and Performance Indicators for 2020/21 were previously approved by the Chief Executive under Section 4 of the Constitution, as approved by the Mayor who authorised this under Section 4.5 of the Constitution (Urgent Decision-Making) due to the COVID-19 restrictions.</p>

- (ii) **Half-Year Treasury Management Report** – updates Members on the current borrowing and investment position, whilst amending prudential indicators and revising policies where necessary.
This report.
- (iii) **Annual Treasury Management Outturn Report** – a backward-looking review focussing on the previous year's performance.
The outturn report for 2019/20 was reported to Executive on 28 July 2020 and approved by Council on 24 September 2020 however several of the figures were at a draft stage at that time so Appendix 2 contains an updated outturn report with figures consistent with the draft accounts.

EXECUTIVE SUMMARY

This report sets out treasury management performance for 2020/21 including performance against the Prudential and Treasury Management Indicators.

It will be presented to the 19 November 2020 Executive and full Council on 10 December will be asked to approve the recommendations. It will also be considered by Overview & Scrutiny Committee on 9 December. [Committee reporting timescales have been amended for this cycle in response to the COVID-19 pandemic].

2020/21 has been an exceptionally challenging year for treasury management due to uncertainty in the financial markets caused by COVID-19 and the Brexit negotiations. The Council has been holding funds at a higher level than expected due to the vital role it has played in passing on grants to support businesses during the pandemic, and to provide additional business rates reliefs. It has, however, ensured that these funds were passed on as soon as possible to those in need and will continue to do so in the next lockdown.

Overall performance is currently forecast to be better than budget. This is primarily as a result of the borrowing facility not being utilised due to slippage in the 2019/20 capital programme. An additional loan to a related company was made just after the 2020/21 forecasts were prepared, which will bring in significant additional interest. This offsets generally lower than historic performance on investments, which are however outperforming many LIBID benchmarks.

At the half year, the position is that:

- Borrowing remains at £14M, unchanged from the closing position for 2019/20
- Investments in Money Market Funds now stand at £25.545M, up from £15M at the end of 2019/20
- Investment property has risen due to the investment in Reading Arch Road which cost £0.986M
- Fixed term investments and long-term investments in companies have been unchanged in the period since year-end and remain at £31.847M

The forecast yearend position is for:

- Borrowing to rise to £68,879M, depending on the requirements of the capital and commercial investment programme. We anticipate this borrowing occurring no earlier than January 2021
- Investments in both fixed term and long-term company investments to remain stable at £31.847M, subject to commercial opportunities arising
- Additional Money Market Funds to be opened and then others to mature and close, to provide funding for the capital programme
- The government's Debt Management Office (DMO) facility to continue to be used as a very low risk very low return option for cash balances which exceed immediate need but are required for COVID-19 responses.

STATUTORY POWERS

1. The Council operates its Treasury Management activity as an integral part of its statutory obligation to effectively manage the Council's finances under the Local Government Act 2003 and associated regulations.
2. Treasury Management activities are undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Treasury Management, the CIPFA Prudential Code for Capital Finance in Local Authorities and the Government's Investment Regulations.
3. This report meets these statutory requirements and incorporates the needs of the Prudential Code to ensure adequate monitoring of Capital Expenditure Plans and the Council's Prudential Indicators

BACKGROUND

4. Regulations issued under the Local Government Act 2003 require local authorities to produce an annual review of its treasury management activities for the previous year, including performance against the Prudential and Treasury Management Indicators.
5. The Treasury Management Strategy and Performance Indicators for 2020/21 were previously approved by the Chief Executive under Section 4 of the Constitution, as approved by the Mayor who authorised this under Section 4.5 of the Constitution (Urgent Decision-Making) due to the COVID-19 restrictions.

FORWARD VIEW

6. The first half of the year has been necessarily a response to the COVID-19 situation, but it will be important to make time to reflect on the strategic implications of the experience in the upcoming Treasury Management Strategy 2021/22.
7. As Councillors have already noted, it will be important to revisit the investment targets and risk envelope for investments in light of the changed economic environment. Going forward, given the scale of the Council's capital investment plans, this section of the Strategy will be subject to ongoing review to ensure that it reflects the costs of actual borrowing plus a margin for the required level of return on this type of investment
8. The Council regularly consults with its Treasury management analysts and monitors their daily briefings from on any changes in the risk profile of individual MMFs, as well as tracking communications from the MMF institutions themselves.
9. Our Treasury advisors have recently reported that, so far, the current COVID-19 crisis has not led to an increase in redemption activity for MMFs. Should this occur the MMF regulations require MMFs to follow specified processes which are designed to mitigate against the impacts of this activity.
10. We will continue to monitor our approach to MRP and estimated loss allowances in relation to investments in trading companies to ensure that we remain prudent in our ability to protect the General Fund from any unforeseen losses arising.
11. We will also use the upcoming Treasury Management Strategy as an opportunity to ensure investing activity is consistent with our local Carbon Reduction targets and mindful of the risks of investing in potentially obsolete technologies.
12. The Treasury Management Strategy (TMS) for 2021/22 will be set after approval of the 2021/22 to 2025/26 capital programme and its financing are approved as part of budget setting in January. The Strategy will be taken in draft to Overview and Scrutiny in February, and then in its final format to Executive in March for consideration and approval by Council in April.
13. The Treasury Management Strategy 2021/22 will take account of residual ongoing COVID-19 risks such as the returns available in the market for investment, and the impact on the timing of expected capital receipts.

KEY INFORMATION

Issues

14. Performance during 2020/21 is reported at Appendix 1.
15. COVID-19 Pandemic - Extraordinary Circumstances
One of the most significant challenges from a treasury management perspective was the revised timescales for receipt of planned and emergency Government funding. This encompassed both grants for the Council and grants to be passported on to support businesses.

16. The treasury and investment impacts of the COVID-19 pandemic which started in late 2019/20 include:
- Less predictable cashflows due to receipt of planned and additional Government funding at short notice and taking on new responsibilities for paying grant funding to businesses on behalf of Government;
 - Incurring unplanned expenses as the authority's emergency response plan was implemented;
 - A reduction in income receipts across all services and the Collection Fund
 - A dramatic reduction in market return on all investments particularly those with lower risks, which were needed during unprecedented financial certainty
17. The revised timescales for receipt of planned and emergency funding created a significant challenge from a treasury management perspective. They made cashflow forecasting less certain, which meant that large cash balances could not be avoided. At the same time with staff working remotely and banks having no immediate answer which avoided the need for 'wet' signatures on documentation, new investments and call accounts could not be easily setup to take the excess funding.
18. We estimate that in quarter one the net inflow due to COVID-19 funding was £4.261M, and quarter two delivered a further £4.565M, totalling £8.826M. This is due to the government's cash support being received early in the financial year: the benefit of this will unwind during the year to leave a worse off financial position by yearend.

Investments

19. The underlying economic environment continues to remain challenging for the Council due to market uncertainties driven by Brexit and tariff tensions between USA and China. The approach of maintaining short-term investments with high quality counterparties has continued, which allows the Council to be responsive when allocating funding to approved projects.
20. To manage the associated risks, investments are limited to a small group of banks and some building societies where they meet the Council's Treasury Management Strategy. The returns on investment continue to be low, albeit with a marginal improvement.
21. The Council is seeking to reduce its investment counterparty risk (i.e. those institutions it is 'safe' to invest with) by further diversifying its investment portfolio.
22. Borrowing options are currently being considered in preparation for meeting the forecast cash funding requirements of the Capital Programme. The chief objective when borrowing is to strike an appropriate risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the authority's long-term plans change.

Treasury Management Strategy

23. The Treasury Management Strategy Statement, (TMSS), for 2020/21 was approved before the start of the year. There are no policy changes to the TMSS in this report, which focusses on updating the in-year position in the light of the updated economic position and budgetary allocations previously approved.

The Council's Capital Position (Prudential Indicators)

24. This part of the report is structured to update:
- The Council's capital expenditure plans
 - How these plans are being financed
 - The impact of changes in capital expenditure plans on the prudential indicators and the underlying need to borrow; and
 - Compliance with the limits in place for borrowing activity.

Prudential Indicators for Capital Expenditure

25. Table 1 sets out the latest estimates for capital expenditure and any changes since the Capital Programme original budget was approved earlier this year.
26. The Capital Programme forecast has been updated to take account of 2019/20 carry-forwards, re-profiling of projects and new project approvals.

Table 1: CAPITAL EXPENDITURE AND FINANCING	2019/20	2020/21			
	Actual at 31 Mar 20 £'000	Budget at 1 Apr 20 £'000	Budget including approved growth at 30 Sep 20 £'000	Actual Cap Ex to date 30 Sep 20 £'000	Forecast including approved growth 31 Mar 21 £'000
Capital expenditure	17,956	96,100	125,455	10,283	78,230
Financed by:					
Capital Grants	2,513	1,843	2,651	1,268	3,693
Capital Receipts	863	8,805	8,805	4,003	4,408
Funding equivalent to historic New Homes Bonus allocation		10,000	10,000		250
Revenue contribution	304				
Capital Reserves	1,236				
Prudential Borrowing	13,040	75,452	103,999	5,012	69,879
TOTAL CAPITAL FUNDING	17,956	96,100	125,455	10,283	78,230

27. The borrowing element of the table increases underlying indebtedness by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue budget charges for the repayment of debt (the Minimum Revenue Provision - MRP).

Prudential Indicator: Capital Financing Requirement (CFR)

28. Table 2 sets out the Capital Financing Requirement (CFR), which is the underlying external need to incur borrowing for a capital purpose.

Table 2: PRUDENTIAL INDICATOR – CFR	2019/20	2020/21		
	Actual at 31 Mar 20 £'000	Budget at 1 Apr 20 £'000	Budget including approved growth at 30 Sep 20 £'000	Forecast including approved growth 31 Mar 21 £'000
Opening balance - CFR	18,826	58,695	31,699	31,699
Add prudential borrowing (table 1)	13,040	75,452	103,999	69,879
Less MRP	(167)	(528)	(528)	(203)
Less PFI and Finance Lease repayments	-	-	-	-
Net movement in CFR	12,873	74,924	103,471	69,676
Closing balance CFR	31,699	133,619	135,170	101,375

29. The borrowing need in 2019/20 resulted in a closing Capital Financing Requirement (CFR) of £31.699m, comprising £14m of short-term external borrowing, and £17.699m of internal borrowing.
30. Internal borrowing is a ‘...*treasury management practice whereby an authority delays the need to borrow externally by temporarily using cash held for other purposes, such as insurance funds held in earmarked reserves...*’ (source: National Audit Office) This borrowing will be repaid over time by way of the Minimum Revenue Provision.
31. The minimum revenue provision (MRP) charge is the means by which capital expenditure, which is financed by borrowing (internal & external) or credit arrangements, is paid for by council taxpayers. Local authorities are required each year to set aside some of their revenue budget as provision for this debt. There will be a requirement to make a minimum revenue provision (MRP) toward the repayment of borrowing in 2020/21 of £203k. The Council is not required to make a minimum revenue provision for loans to companies or investment properties as an estimated loss allowance is made instead under IFRS9.
32. Table 3 sets out the performance to date against the limits set out in the Treasury Management Strategy and the likely position to yearend.

Table 3: COMPARISON OF BORROWING PARAMETERS TO ACTUAL EXTERNAL BORROWING	2019/20 Actual	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£000	£000	£000	£000	£000
Opening CFR	18,826	31,699	101,375	108,651	110,037
In Year addition to CFR	12,873	69,676	7,276	1,386	2,576
Closing CFR	31,699	101,375	108,651	110,037	112,613
External Borrowing	14,000	54,879	7,276	1,386	2,576
Authorised Limit	80,000	161,500	161,500	161,500	161,500
Operational Boundary	70,000	151,500	151,500	151,500	151,500

Prudential Indicator: Limits to Borrowing Activity

33. The Operational Boundary is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.
34. A key prudential indicator is to ensure that over the medium term, net borrowing, (borrowing less investments) will only be for a capital purpose. Gross external borrowing should therefore not, except in the short term, exceed the total of the CFR in the preceding year plus the estimate of any additional CFR for 2019/20 and next two financial years. This allows some flexibility for limited early borrowing for future years. Table 3 sets out gross borrowing not exceeding the total of the CFR over the 5-year period. The Council complies with this requirement, as shown in Table 3.

Prudential Indicator- Authorised Limit

35. The Council sets limits on borrowing activity. The Authorised Limit represents the limit beyond which borrowing is prohibited, unless further approval is obtained from Council. The Authorised Limit is unchanged and is set out in table 3 above.

Investment Portfolio 2020/21

36. A detailed commentary on the economy and interest rates, as provided by the Council's treasury advisor, Link Asset Services, can be found in section 2, Appendix 1 to this report.

37. In summary, the investment market remains difficult in comparatively low interest rates and the continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its consequent impact on banks, prompts a low risk and short-term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low. Table 4 sets out the net treasury investment position as at 30 September 2020 and the projected position at 31 March 2021.

Table 4: INVESTMENT PORTFOLIO – TREASURY INVESTMENTS	Actual 31 Mar 2020		Actual 30 Sep 2020		Forecast 31 Mar 2021	
	£'000	%	£'000	%	£'000	%
Banks	5,000	10	-	-		
Building Societies	18,000	38	13,000	35		
Aberdeen Liquidity Fund	10,022	21	5,000	13	5,000	33.3
Black Rock			5,000	13	5,000	33.3
Federated MMF	5,000	10	5,000	13		
Goldman Sachs International	10,000	21	-	-		
GS Sterling Liquid Reserve			5,000	13	5,000	33.3
LGIM Sterling Liquidity 4			5,000	13		
TOTAL TREASURY INVESTMENTS	48,022	100	38,000	100	15,000	100

38. Following investment in the capital programme, treasury investments were £38 million at 30th Sept 2020. Cash requirements will be closely monitored to assess any borrowing necessary by the end of the financial year to meet the requirements of the capital programme.
39. Table 5 sets out total investments, including non-treasury investments such as investment in property and council-owned companies.

Table 5: INVESTMENT PORTFOLIO – NON-TREASURY INVESTMENTS	Actual 31 Mar 2020		Actual 30 Sep 2020		Forecast 31 Mar 2021	
	£'000	%	£'000	%	£'000	%
Third Party Loans						
Subsidiaries – Greensand Property Holdings Ltd	13,595	20	13,595	20	13,595	20
Companies - Horley Business Park Development LLP	602	1	602	1	602	1
Associate – Pathway for Care Ltd	1,100	2	1,100	2	1,100	2
Investment Property	52,906	77	53,892	77	53,892	77
TOTAL NON-TREASURY INVESTMENTS	68,203	100	68,203	100	69,189	100

40. The figures above are shown gross of any impairment for credit loss but without any rolled-up interest.
41. The treasury investment portfolio yield for the first 6 months of the year was 1.48% which compares favourably to the benchmark of the London Interbank Bid Rate (LIBID) of 0.35%.
42. The budgeted investment return for 2020/21 is £0.629 million, and performance to date and forecasts to yearend are consistent with achieving that budget. The details will be presented in the quarter two monitoring.

Table 6: Investment Performance at 30 September 2020.

Benchmark	Benchmark Return	Investment Performance
12-month LIBID	0.25%	1.48%

Approval Limits

43. The Treasury Management Strategy specifies the maximum sums that can be invested with any one organisation. There was a period when the Council breached its limit on the maximum sum to be invested in a single institution, as specified in the 2020/21 Treasury Management Strategy, by retaining funds for COVID-19 in the operational bank accounts. This was due to the receipt of significant emergency funding at short notice from the Government. The breach has subsequently been addressed by opening additional investment accounts with new institutions, after agreeing new processes for doing so which allowed for remote working and social distancing

Table 7: Breaches of maximum limits with a single institution

Quarter	Days in period	Days above limit	Average above limit
One	65	53	£7,535,745
Two	66	61	£6,985,146

Borrowing Strategy

44. The Borrowing Strategy has been updated to reflect the Capital Financing Requirement as set out in Table 3 above. It is anticipated that borrowing of up to £55 million will be undertaken during second half of 2020/21 to deliver the Capital Programme.

OPTIONS

Executive has three options:

Option 1 – note the report and recommend its approval by Council.

Option 2 – note the report but ask officers to provide more detail on specific issues contained in the report before it can be submitted to Council for approval.

Option 3 – reject the report. This would result in non-compliance with the Treasury Management Code of practice and associated regulations.

Executive is asked to approve Option 1.

LEGAL IMPLICATIONS

45. There are no direct legal implications arising from this report

FINANCIAL IMPLICATIONS

46. The financial implications of the Treasury Outturn 2019/20 were reflected in the budget section of the Quarter 4 Performance Report to Executive on 24 June 2020. There are no additional direct financial implications that arise from this report. The financial impacts of this report will be reflected in the 2021/22 budget proposals and 2020/21 forecast outturn.

EQUALITIES IMPLICATIONS

47. There are no equalities implications arising from this report.

COMMUNICATION IMPLICATIONS

48. There are no communications implications arising from this report.

RISK MANAGEMENT CONSIDERATIONS

49. Key risks are managed in accordance with Prudential Code indicators, including ensuring Security, Liquidity and Yield for investments. Further details are provided at Appendix 1.

OTHER IMPLICATIONS

50. There are no other implications relating to this report.

CONSULTATION

51. Executive will consider this report at its meeting on 19 November 2020. It will also be presented to the Overview & Scrutiny Committee on 30 November 2020.

POLICY FRAMEWORK

52. This report is submitted in accordance with the Council's Treasury Management Policy.

BACKGROUND PAPERS

- Executive 19 March 2020 – *Treasury Management Strategy 2020/21*
- Executive 28 July 2020 – *Treasury Management Outturn Report for 2019/20*

TREASURY MANAGEMENT HALF YEAR REPORT 2020/21

1. Economic and Interest Rates
2. Capital Expenditure and Financing and Capital Financing Requirement (CFR)
3. Approved countries for investments at 30 September 2020

1. Economic and interest rates (provided by LINK Asset Services)

1.1 Economics Update

“UK: As expected, the Bank of England’s Monetary Policy Committee kept Bank Rate unchanged on 6th August. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:

- The fall in **GDP** in the first half of 2020 was revised from 28% to 23% (subsequently revised to -21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.*
- The peak in the **unemployment rate** was revised down from 9% in Q2 to 7½% by Q4 2020.*
- It forecast that there would be excess demand in the economy by Q3 2022 causing CPI **inflation** to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.*

*It also squashed any idea of using **negative interest rates**, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be “less effective as a tool to stimulate the economy” at this time when banks are worried about future loan losses. It also has “other instruments available”, including QE and the use of forward guidance.*

*The MPC expected the £300bn of **quantitative easing** purchases announced between its March and June meetings to continue until the “turn of the year”. This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.*

*In conclusion, this would indicate that the Bank could now just sit on its hands as the economy was recovering better than expected. However, the MPC acknowledged that the “medium-term projections were a less informative guide than usual” and the minutes had multiple references to **downside risks**, which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including Britain, to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused.*

In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down of the initial generous furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six-month package from 1st November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the

hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid-September.

Overall, **the pace of recovery** is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.

There will be some **painful longer-term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

One key addition to **the Bank's forward guidance** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate

The Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

US. The incoming sets of data during the first week of August were almost universally stronger than expected. With the number of new daily coronavirus infections beginning to abate, recovery from its contraction this year of 10.2% should continue over the coming months and employment growth should also pick up again. However, growth will be dampened by continuing outbreaks of the virus in some states leading to fresh localised restrictions. At its end of August meeting, the Fed tweaked its inflation target from 2% to maintaining an average of 2% over an unspecified time period i.e. following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time. This change is aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade so financial markets took note that higher levels of inflation are likely to be in the pipeline; long term bond yields duly rose after the meeting. The Fed also called on Congress to end its political

disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

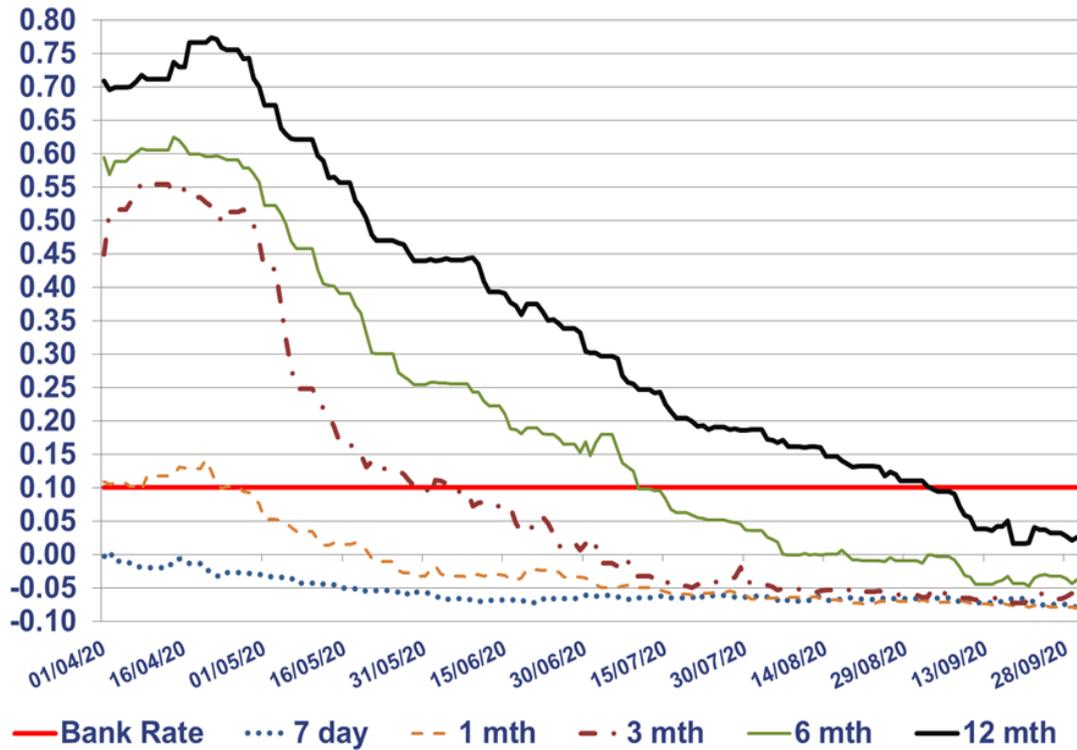
EU. *The economy was recovering well towards the end of Q2 after a sharp drop in GDP, (e.g. France 18.9%, Italy 17.6%). However, the second wave of the virus affecting some countries could cause a significant slowdown in the pace of recovery, especially in countries more dependent on tourism. The fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support and quickly enough to make an appreciable difference in weaker countries. The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support.*

China. *After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and has enabled it to recover all of the contraction in Q1. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.*

Japan. *There are some concerns that a second wave of the virus is gaining momentum and could dampen economic recovery from its contraction of 8.5% in GDP. It has been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. The resignation of Prime Minister Abe is not expected to result in any significant change in economic policy.*

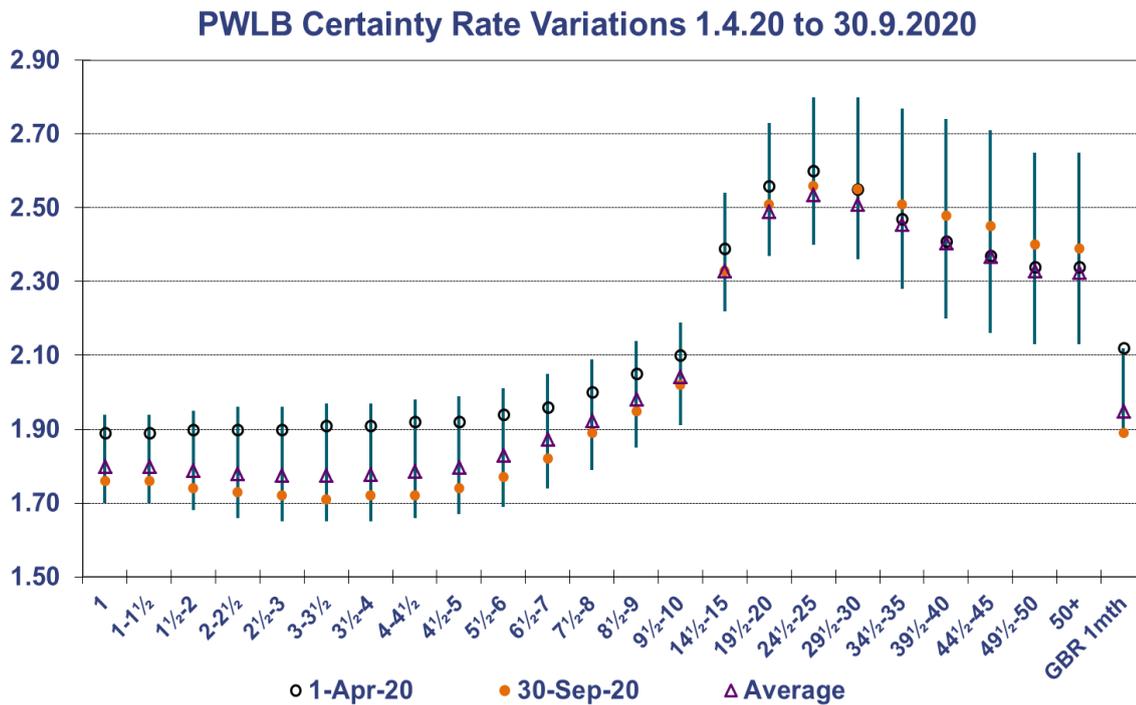
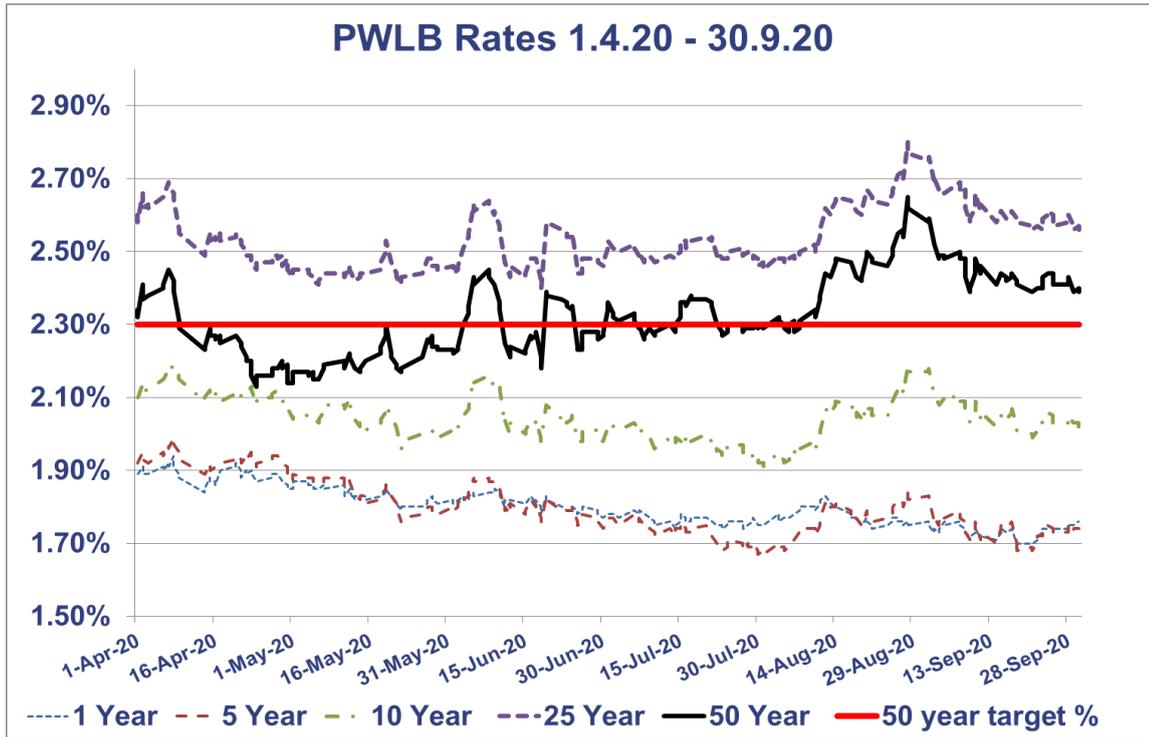
World growth. *Latin America and India are currently hotspots for virus infections. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis."*

Bank Rate vs LIBID rates % 1.4.20 - 30.9.20



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.10	0.00	0.14	0.56	0.62	0.77
High Date	01/04/2020	02/04/2020	20/04/2020	08/04/2020	14/04/2020	21/04/2020
Low	0.10	-0.07	-0.07	-0.06	-0.01	0.11
Low Date	01/04/2020	19/06/2020	21/08/2020	28/08/2020	25/08/2020	28/08/2020
Average	0.10	-0.05	-0.01	0.14	0.25	0.41
Spread	0.00	0.08	0.22	0.62	0.63	0.66

Link Group Interest Rate View 11.8.20		Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View		0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month average earnings		0.05	0.05	0.05	0.05	0.05	-	-	-	-	-
6 month average earnings		0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
12 month average earnings		0.15	0.15	0.15	0.15	0.15	-	-	-	-	-
5yr PWLB Rate		1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate		2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate		2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate		2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.70%	1.67%	1.91%	2.40%	2.13%
Date	18/09/2020	30/07/2020	31/07/2020	18/06/2020	24/04/2020
High	1.94%	1.99%	2.19%	2.80%	2.65%
Date	08/04/2020	08/04/2020	08/04/2020	28/08/2020	28/08/2020
Average	1.80%	1.80%	2.04%	2.54%	2.33%

2. Capital Expenditure and Financing and Capital Financing Requirement (CFR)

Table 1: APPROVED CAPITAL EXPENDITURE PROGRAMME	2019/20 Budget £'000	2019/20 Actual £'000	2020/21 Budget £'000	2020/21 Forecast £'000	2021/22 Projected £'000	2022/23 Projected £'000	2023/24 Projected £'000	2024/25 Projected £'000
TMSS Capital Budget 2020/21	45,927	17,956	96,100	78,230	40,855	30,099	4,725	4,549
Approved Capital Growth								
TOTAL Capital Expenditure	45,927	17,956	96,100	78,230	40,855	30,099	4,725	4,549

Table 2: APPROVED CAPITAL EXPENDITURE FINANCING	2019/20 Budget £'000	2019/20 Actual £'000	2020/21 Budget £'000	2020/21 Forecast £'000	2021/22 Projected £'000	2022/23 Projected £'000	2023/24 Projected £'000	2024/25 Projected £'000
Capital Reserves	1,017	1,236	-		-	-	-	-
Capital Receipts	362	863	8,805	4,408	24,488	26,778	-	-
Capital Grants and Contributions	3,048	2,513	1,843	3,693	1,600	1,187	1,187	1,187
Revenue Contribution		304						
Funding equivalent to historic New Homes Bonus allocation			10,000	250	7,000			
Total Financing	4,427	4,916	20,648	8,351	33,088	27,965	1,187	1,187
Borrowing Need	41,500	13,040	75,452	69,879	7,767	2,134	3,538	3,362
TOTAL Capital Expenditure	45,927	17,956	96,100	78,230	40,855	30,099	4,725	4,549

Table 3: PROJECTED CAPITAL FINANCING REQUIREMENT	2019/20 Budget £'000	2019/20 Actual £'000	2020/21 Budget £'000	2020/21 Forecast £'000	2021/22 Projected £'000	2022/23 Projected £'000	2023/24 Projected £'000	2024/25 Projected £'000
Opening Balance	15,046	18,826	31,699	31,699	106,623	113,743	115,088	117,803
Borrowing Need	41,500	13,040	75,452	69,879	7,767	2,134	3,538	3,362
Less Minimum Revenue Provision / Voluntary Revenue Provision	(188)	(167)	(528)	(203)	(647)	(789)	(823)	(859)
Total CFR	56,358	31,699	106,623	101,375	113,743	115,088	117,803	120,306

3. Approved Countries for Investments at 30 September 2020

Link Asset Services: This list is based on those countries which have sovereign ratings of AA- or higher (lowest rating from Fitch, Moody's and S&P) and also have banks operating in sterling markets which have credit ratings of 'green or above' in the Link Asset Services credit worthiness service. Based on lowest available rating

AAA

Australia

Denmark

Germany

Luxembourg

Netherlands

Norway

Singapore

Sweden

Switzerland

AA+

Canada

Finland

USA

AA

Abu Dhabi (UAE)

France

AA-

Belgium

Hong Kong

Qatar

U.K.

ANNUAL TREASURY MANAGEMENT OUTTURN REPORT (UPDATE) 2019/20

1. Purpose
2. Summary
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8. Investment Outturn 2019/20
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ANNEXES

1. Prudential and Treasury Indicators

1. Purpose

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for the previous financial year. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2019/20 the minimum reporting requirements were that full Council should receive the following reports:

- an annual Treasury Management Strategy in advance of the year (reported to Council on 11 April 2019)
- a mid-year, (minimum), Treasury Update report (reported to Council on 16 January 2020)
- an Annual Review following the end of the year (this report).

The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is important in that regard, as it provides details of the outturn position for treasury activities and highlights compliance with the policies previously approved by full Council. It will be presented to the Overview and Scrutiny Committee for any questions or comments before being reported to the Executive and full Council. [Committee reporting timescales have been amended for this cycle in response to the COVID-19 pandemic].

Member training on treasury management issues was undertaken on 15 October 2019 and 11 March 2020 in order to support Members' in this scrutiny and oversight role.

Link Asset Management continued to provide services as the Council's treasury advisors. Their latest commentary is attached at Appendix 2

2. Summary

During 2019/20, the Council complied with legislative and regulatory requirements. The key prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are set out below:

Table 1: PRUDENTIAL AND TREASURY INDICATORS	2018/19 Actual £000	2019/20 Original Budget £000	2019/20 Revised Budget £000	2019/20 Actual £000
Capital Expenditure:				
General Fund (see Table 2)	39,235	45,927	20,827	17,956
Total	39,235	45,927	20,827	17,956

Table 1: PRUDENTIAL AND TREASURY INDICATORS	2018/19 Actual £000	2019/20 Original Budget £000	2019/20 Revised Budget £000	2019/20 Actual £000
Capital Financing Requirement: In year change				
General Fund	15,046	39,869	14,769	13,040
Total	15,046	39,869	14,769	13,040
Gross Borrowing:				
Long Term credit arrangements	-	-	-	-
External Debt	12,000	40,000	14,900	14,000
Total	12,000	40,000	14,900	14,000
Investments:				
Longer than 1 year	25,000	13,000	13,000	13,000
Under 1 year	23,000	35,000	35,000	30,401
Total	48,000	48,000	48,000	48,401
Net Borrowing / (Net Investment)	(36,000)	(8,000)	(33,100)	(34,401)

The Chief Finance Officer confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limit, (the Authorised Limit), was not breached.

The challenging investment environment of previous years was amplified in 2019/20, resulting in low investment returns

COVID-19 Pandemic - Extraordinary Circumstances

The treasury and investment impacts of the COVID-19 pandemic which started in late 2019/20 include:

- Less predictable cashflows due to receipt of planned and additional Government funding at short notice and taking on new responsibilities for paying grant funding to businesses on behalf of Government;
- Incurring unplanned expenses as the authority's emergency response plan was implemented;
- A reduction in income receipts across all services and the Collection Fund.

One of the more significant challenges faced from a treasury management perspective was the revised timescales for receipt of planned and emergency Government funding. While these are generally 2020/21 considerations there were some impacts in the final couple of weeks of March 2020 when Government funding was received sooner than originally scheduled.

The Treasury Management Strategy specifies the maximum sums that can be

invested with any one organisation. There was a period of time spanning year-end when the Council breached its limit on the maximum sum to be invested in a single institution, as specified in the 2019/20 Treasury Management Strategy. This was due to the receipt of significant emergency funding at short notice from the Government. The breach was subsequently addressed by opening additional investment accounts with new institutions to spread the risk.

The extended deadline for publication of the Statement of Accounts for 2019/20 as a consequence of the COVID-19 pandemic also means that a small number of 2019/20 figures were not available at the time of preparing this report. The final position will be reported later this year.

3. Introduction and Background

This report provides a summary of the Council's treasury management position for the year with regard to borrowing and investments, including:

- Capital investment activity and the impact of this activity on the Council's underlying indebtedness (the 'Capital Financing Requirement');
- Performance against Prudential and Treasury Management indicators;

4. Capital Expenditure and Financing

The Council undertakes capital expenditure to acquire or create long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing requirement.

The table below sets out the capital expenditure during 2019/20 and how it was financed.

Table 2: CAPITAL FINANCING	2018/19 Actual £000	2019/20 Original Budget £000	2019/20 Revised Budget £000	2019/20 Actual £000
Capital Programme Expenditure	39,235	45,927	20,827	18,030
Less: amounts not defined as Capital by statute	-	-	-	(74)
Total Capital Expenditure				17,956
Financed By:				
Capital Grants	3,966	3,048	3,048	2,513

Table 2: CAPITAL FINANCING	2018/19 Actual	2019/20 Original Budget	2019/20 Revised Budget	2019/20 Actual
Capital Receipts	20,133	462	462	863
Revenue Contribution	90	-	-	304
Capital Reserves	-	2,417	2,417	1,236
Total Finance	24,189	5,927	5,927	4,916
Borrowing in Year	15,046	40,000	14,900	13,040

5. Overall Borrowing Need

The underlying need to borrow for capital expenditure is the 'Capital Financing Requirement' (CFR). The Council's CFR for the year is set out below and represents a key prudential indicator.

Table 3: CAPITAL FINANCING REQUIREMENT (CFR)	2018/19 Actual £000	2019/20 Original Budget £000	2019/20 Revised Budget £000	2019/20 Outturn £000
Opening balance	3,781	15,045	18,826	18,826
Add unfinanced capital expenditure (Table 2 above)	15,045	40,000	14,900	13,040
Less MRP/VRP	-	(131)	(131)	(167)
Less PFI & finance lease repayments	-	-	-	-
In year change in CFR	15,045	39,869	14,769	12,873
Cumulative Capital Financing Requirement (CFR)	18,826	54,914	33,595	31,699

The Council's treasury team ensures that sufficient cash is available to meet capital expenditure plans and cash flow requirements. This may be sourced through borrowing from external bodies, such as the Government's Public Works Loan Board (PWLB) or private sector lenders, or by utilising available cash balances on a temporary basis.

Reducing the CFR – the Council’s underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that the costs of borrowing to fund capital assets are charged to the revenue budget over the life of the asset. In order to achieve this the Council is required to make an annual charge to the revenue budget, the Minimum Revenue Provision (MRP) to reduce its CFR. This is effectively repayment of the associated borrowing.

The CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council’s 2019/20 MRP Policy (as required by MHCLG Guidance) was approved as part of the Treasury Management Strategy for 2019/20 on 11 April 2019.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and that borrowing is only used for a capital purpose, the Council has to ensure that its gross external borrowing does not, except in the short term, exceed the total of the CFR in the preceding year (2018/19) plus the estimates of any additional capital financing requirement for the current (2019/20) and next two financial years. This confirms that the Council is not borrowing to support revenue expenditure. The table below sets out the Council’s gross borrowing position against its CFR and confirms that the Council has complied with this prudential indicator.

Table 4: GROSS BORROWING POSITION	2018/19 Actual £000	2019/20 Original Budget £000	2019/20 Revised Budget £000	31 March 2020 (2019/20) Actual £000
Gross External Borrowing Position (Table 1)	12,000	40,000	14,900	14,000
Cumulative CFR (Table 3)	18,826	58,695	33,595	31,699
(Under) / Over Funding of CFR	(6,826)	(18,695)	(18,695)	(17,699)

The Authorised Limit - the Authorised Limit is the ‘affordable borrowing limit’ required by s3 of the Local Government Act 2003. Once this has been approved, the Council does not have authority to borrow above this level without formal adoption of a revised Limit. The table below confirms that the Council has maintained gross borrowing within its Authorised Limit during 2019/20

The Operational Boundary – 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 are acceptable subject to the

Authorised Limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator confirms the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the 'Net Revenue Stream' (the Council's revenue budget).

TABLE 5: COST of CAPITAL AGAINST NET REVENUE STREAM	2019/20
Authorised Limit	£80m
Maximum gross borrowing position during the year	£14m
Operational Boundary	£70m
Average gross borrowing position	£12.5m
Net financing costs as a proportion of Net Revenue Stream	7.87%

6. Treasury Position at 31 March 2020

The Council's debt and investment position is organised by the treasury management team in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks across all treasury management activities. Procedures and controls to achieve these objectives are well established both through officer and Member reporting and through officer activity as set out in the Council's Treasury Management Practices. At the end of 2019/20 the Council's treasury position was as follows:

Table 6: DEBT PORTFOLIO	31 March 2019 Principal £000	Rate / Return %	Average Life (years)	31 March 2020 Principal £000	Rate / Return %	Average Life (years)
Fixed rate funding:						
PWLB	-	-	-	-	-	-
Market Loans:						
Northern Ireland Housing	5,000	0.90%	3 months	-	-	-
Portsmouth City Council	7,000	1.00%	3 months	-	-	-
Portsmouth City Council	-	-	-	3,000	1.00%	1 year
Portsmouth City Council	-	-	-	5,000	1.20%	1.5 years
Lincolnshire County Council	-	-	-	6,000	1.00%	1 year
Total	12,000	0.96%		14,000	1.07%	
Variable Rate Funding:						
PWLB	-	-	-	-	-	-

Table 6: DEBT PORTFOLIO	31 March 2019 Principal £000	Rate / Return %	Average Life (years)	31 March 2020 Principal £000	Rate / Return %	Average Life (years)
Market Loans	-	-	-	-	-	-
Total Debt	12,000	0.96%	3 months	14,000	1.07%	1.2 years
CFR (Table 3)	18,827			34,684		
Over / (Under) Borrowing	(6,827)			(20,684)		

Table 7: INVESTMENT PORTFOLIO	31 March 2019 Principal £000	Rate/ Return %	Average Life (years)	31 March 2020 Principal £000	Rate/ Return %	Average Life (years)
Investments:						
- In-House	48,000	1.27%	1.6 years	35,000	0.50%	1 year
- With Brokers	0	-	-	13,000	1.56%	2.5 years
Total Investments	48,000	1.27%	1.6 years	48,000	0.90%	1.67 years

The maturity structure of the debt portfolio is set out below:

Table 8: INVESTMENT PORTFOLIO	31 March 2019 Actual	2018/19 Original Limits	31 March 2020 Actual
Under 12 months	100%	100%	64%
12 months and within 24 months	0%	100%	36%
24 months and within 5 years	0%	100%	0%
5 years and within 10 years	0%	100%	0%
10 years and within 20 years	0%	100%	0%
20 years and within 30 years	0%	100%	0%
30 years and within 40 years	0%	100%	0%
40 years and within 50 years	0%	100%	0%

The limit for maturity structure of the debt portfolio at 100% reflects the fact that the Council has little external borrowing at present.

Table 9: INVESTMENT PORTFOLIO	Actual 31 March 2019 £000	Actual 31 March 2019 %	Actual 31 March 2020 £000	Actual 31 March 2020 %
Treasury investments				
Banks	8,000	17%	5,000	10%
Building Societies - rated	40,000	83%	18,000	38%
Local authorities	0	0%	0	0%

Table 9: INVESTMENT PORTFOLIO	Actual 31 March 2019 £000	Actual 31 March 2019 %	Actual 31 March 2020 £000	Actual 31 March 2020 %
Money Market Funds	0	0%	25,000	52%
Total	48,000	-	48,000	-
Bond funds	-	-	-	-
Property funds	-	-	-	-
Total managed externally	-	-	-	-
TOTAL TREASURY INVESTMENTS	48,000	100%	23,000	100%

Table 10: INVESTMENT PORTFOLIO	Actual 31 March 2019 £000	Actual 31 March 2019 %	Actual 31 March 2020 £000	Actual 31 March 2020 %
Non-Treasury Investments				
Third party loans & share capital:	-	-	-	-
Subsidiaries – Greensand Property Holdings Ltd	2,321	2%	12,584	19%
Companies – Horley Business Park Development LLP	734	1%	604	1%
Associate – Pathway for Care Ltd ¹	912	1%	1,100	2%
Investment Property	98,445	96%	52,906	78%
TOTAL NON-TREASURY INVESTMENTS	102,412	100%	67,194	100%
Treasury investments	48,000	32%	23,379	26%
Non-Treasury investments	102,412	68%	67,194	74%
TOTAL – ALL INVESTMENTS	150,412	100%	90,573	100%

Note 1: Third party loan and share capital information includes expected credit loss.

Note 2: Values to be confirmed. The Council is in the process of reviewing asset categories during closedown of the 2019/20 financial year. This will result in some investment property assets being reclassified as assets to support initiatives for the wellbeing of the community. At the time of preparing this report the review was not complete due to the extended deadline for closedown as part of the response to the COVID-19 Pandemic. The updated tables will be reported later in the year.

The maturity structure of the investment portfolio is set out below:

Table 11: ALL TREASURY INVESTMENTS	2018/19 Actual £000	2019/20 Budget £000	2019/20 Actual £000
Investments:			
Longer than 1 year	25,000	13,000	13,000
Up to 1 year	23,000	35,000	35,000

Total	48,000	48,000	48,000
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Borrowing Outturn 2019/20

Loans were drawn during the year to fund the net unfinanced capital expenditure.

Table 12: LOANS						
Lender	Principal	Type	Interest Rate	Start date	Maturity Date	Duration
Short-term Market Loan	£6m	Fixed interest rate	1.00%	18/12/2019	18/12/2020	12 months
Short-term Market Loan	£3m	Fixed interest rate	1.00%	18/12/2019	18/12/2020	12 months
Long-term Market Loan	£5m	Fixed interest rate	1.20%	18/12/2019	18/06/2021	18 months

This compares well with the 2019/20 budget assumption that long term borrowing would be at an interest rate of 2.54%.

Borrowing in advance of need - the Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

7. Investment Outturn 2019/20

Investment Policy – the Council’s investment policy is governed by MHCLG investment guidance and was implemented in the Treasury Management Strategy approved by the Council on 11 April 2019. The Policy sets out the approach for choosing investment counterparties based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, such as rating outlooks, credit default swaps and bank share prices etc.

Investment activity during the year conformed to the approved Policy and the Council experienced no liquidity difficulties.

Resources – the Council’s cash balances comprise revenue and capital resources and cash flow monies. Core cash resources comprised usable reserves as follows:

Table 13: USABLE RESERVES	2018/19 Actual	2019/20 Actual
	£000	£000

General Fund Balance	12,547	7,939
Earmarked Reserves	25,042	33,652
Usable Capital Receipts	627	581
Capital Grants Unapplied	16,038	23,922
Total	54,254	66,094

Note 1: Values to be confirmed. At the time of preparing this report the review was not complete due to the extended deadline for closedown as part of the response to the COVID-19 Pandemic. The updated tables will be reported later in the year.

Investments - the Council maintained an average balance of £48m of investments in 2019/20 which earned an average rate of return of 0.95%. This compares with a budget assumption of £48m investment balances earning an average rate of 1.0%. The comparable external performance indicator is the average 12-month LIBID un compounded rate, which was 0.5445%. Total investment income was £1.271 million compared to a budget of £0.607 million

8. Other Treasury Management Matters

Pooled Investment Funds. The Council had no pooled investment funds during the year.

Non-treasury management investments. The Council's current approach to making property investment decisions is set out in its Capital Investment Strategy which explains how investment decisions are made, how delivery is approached and how risks are managed. In order to support investment decisions, the Council relies on the principles established in its evolving Commercial Investment Strategy and powers under the Localism Act 2011. This forms the framework for maximisation of new and existing income streams to secure financial sustainability.

PRUDENTIAL AND TREASURY INDICATORS

1.1 PRUDENTIAL INDICATORS	2018/19 Actual £000	2019/20 Original Budget £000	2019/20 Revised Budget £000	2019/20 Actual £000
Capital Expenditure				
General Fund (Table 2)	39,235	45,927	20,827	17,956
Ratio of net financing costs to net revenue stream				
General Fund	(4.98%)	(2.37%)	(2.37%)	(7.87%)
Gross Debt				
Brought forward 1 April	-	12,000	12,000	12,000
Carried forward 31 March	12,000	16,400	14,000	14,000
In year borrowing requirement	12,000	4,400	2,000	2,000
Capital Financing Requirement				
Opening CFR (Table 3)	3,781	15,046	18,826	18,826
In year CFR change (Table 3)	15,046	41,312	14,769	12,873
Closing CFR (Table 3)	18,826	54,914	33,595	31,699
Annual change in Capital Financing Requirement				
General Fund	15,046	39,868	14,769	12,873

1.2 TREASURY MANAGEMENT INDICATORS	2018/19	2019/20	2019/20	2019/20
	Actual	Original Budget	Revised Budget	Actual
	£000	£000	£000	£000
Authorised Limit for External Debt				
Borrowing	80,000	80,000	80,000	80,000
Other long-term liabilities	-	-	-	-
Total	80,000	80,000	80,000	80,000
Operational Boundary for External Debt				
Borrowing	70,000	70,000	70,000	70,000
Other long-term liabilities	-	-	-	-
Total	70,000	70,000	70,000	70,000
Actual External Debt	12,000	40,000	14,900	14,000

1.3 MATURITY STRUCTURE OF FIXED RATE BORROWING DURING 2019/20	Target upper limit	Target lower limit	Actual
Under 12 months	100%	0%	64%
12 months and within 24 months	100%	0%	36%
24 months and within 5 years	100%	0%	0%
5 years and within 10 years	100%	0%	0%
10 years and within 20 years	100%	0%	0%
20 years and within 30 years	100%	0%	0%
30 years and within 40 years	100%	0%	0%
40 years and within 50 years	100%	0%	0%
Maturity structure of Investments during 2019/20	upper limit	lower limit	
Longer than 1 year	£20m	£0m	£13m
Up to 1 year	-	-	£35m
Total	£20m	£0m	£48m