This report will be made public on 14 September 2021

Folkestone & Hythe District Council

Report Number **C/21/27**

To:	**Cabinet**
Date:	**22 September 2021**
Status:	**Non-Key Decision**
Head of Service:	**Charlotte Spendley – Director of Corporate Services**
Cabinet Member:	**Councillor David Monk, Leader and Portfolio Holder for Finance**
SUBJECT:	**TREASURY MANAGEMENT ANNUAL REPORT 2020/21**

SUMMARY: This report reviews the Council's treasury management activities for 2020/21, including the actual treasury management indicators. The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

REASONS FOR RECOMMENDATION:
Cabinet is asked to agree the recommendations set out below because:-

a) Both CIPFA's Code of Practice on Treasury Management in the Public Services and their Prudential Code for Capital Finance in Local Authorities, together with the Council's Financial Procedure Rules, require that an annual report on treasury management is received by the Council after the close of the financial year.

RECOMMENDATION:

1. To receive and note Report C/21/27.

1. INTRODUCTION

1.1 The annual treasury report is a requirement of the Council's reporting procedures. It covers the treasury activity for 2020/21 compared to the approved strategy for the year. It also summarises the actual treasury management indicators for 2020/21 compared to those approved for the year.

1.2 The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

1.3 Cabinet approved the Treasury Management Strategy Statement for 2020-21, including treasury management indicators, on 22 January 2020 (minute 65 refers). The Capital Strategy for 2020/21 covering capital expenditure and financing, treasury management and non-treasury investments was due to be considered by Cabinet on 19 March 2020 and Council on 25 March 2020. However, the first national lockdown prevented this from happening and an officer decision to approve the Capital Strategy was taken by the Director of Corporate Services on 27 March 2020 (Decision Number 19/034 refers). Cabinet received an update on the Council's treasury management activity in 2020/21 on 20 January 2021 as part of the Treasury Management Strategy Statement 2021/22 and Treasury Management Monitoring Report 2020/21 (minute 66 refers).

1.4 The Council's formal treasury management reporting arrangements comply with the requirements of the CIPFA's Treasury Management Code and also provide the opportunity for proper scrutiny of its treasury management activities.

2. ECONOMIC COMMENTARY

(Based on commentary supplied by Arlingclose Ltd, the Council's Treasury Advisor)

2.1 Economic Background

2.1.1 The economic background has been dominated by the unprecedented impact of the Covid-19 pandemic. The key issues affecting the UK economy over the past year are:

i) **Growth** - After contracting sharply in Q2 (Apr-Jun) 2020 by 19.8% quarter on quarter, growth in Q3 and Q4 bounced back by 15.5% and 1.3% respectively. However the re-imposition of the national lockdown from late December 2020 resulted in GDP falling by 1.3% in Q1 of 2021. At the end of March 2021 GDP was 8.8% below its pre-pandemic level.

ii) **Inflation** – Inflation has remained low over the 12 month period. The annual headline rate of UK Consumer Price Inflation (CPI) rose slightly to 0.7% in March 2021, below expectations (0.8%) and still well below the Bank of England's 2% target. The ONS' preferred measure of CPIH which includes owner-occupied housing was 1.0% in March 2021 (1.0% expected).

iii) **Wages and Employment** – Labour market data showed that in the three months to March 2021 the unemployment rate was 4.8%, in contrast to the 3.9% recorded for the same period 12 months ago. Wages rose 4.0% for total pay in nominal terms (4.6% for regular pay) and was up by 3.1% in real terms (3.6% for regular pay). Unemployment is still expected to increase as the various government job support schemes for the pandemic come to an end.

iv) **Global Economy** – The US economy suffered a contraction of 31.4% in Q2 of 2020 before rebounding by 33.4% in Q3, a further 4.3% in Q4 and 6.4% in Q1 of 2021. The recovery has been fuelled by three major pandemic relief stimulus packages totaling over $5 trillion. The Federal Reserve had already cut its main interest rate to between 0% and 0.25% in March 2020 in response to the pandemic and it has remained at the same level. The European Central Bank maintained its base rate at 0% and deposit rate at -0.5% but in December 2020 increased the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

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

2.2 Financial Markets

2.2.1 Gilt yields, which regulate borrowing rates through the Public Works Loan Board (PWLB), increased over the year albeit still at historically low levels. However, there were periods of volatility due in part to the ongoing impact of the pandemic and also the negotiations to agree the Brexit trade deal which was agreed in late December 2020. The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year gilt declined slightly from 0.70% to 0.68% before increasing to 1.36%.

2.2.2 The 1-month, 3-month and 12-month SONIA money market bid rates, used as a benchmark for short term cash deposits, averaged 0.01%, 0.10% and 0.23% respectively over the year.

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

2.3 Credit Background

2.3.1 Credit Default Swap spreads (the premium banks pay to guarantee liquidity for borrowing) spiked in March 2020 due to concerns over the initial impact of the pandemic on the banking sector but declined over the year to broadly pre-pandemic levels. Arlingclose, the council's treasury management advisor, maintained their recommended duration for unsecured investments with both UK and Non-UK banks to a maximum of 35 days throughout the year. This has had no impact on the Council's investment position.

2.3.2 The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic. This has had no impact on the Council's investment position.

3. TREASURY POSITION AT 31 MARCH 2021

3.1 On 31 March 2021, the Council had net investments of £18.8m arising from its revenue and capital income and expenditure, a decrease on 2020 of £10.9m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in table 1 below.

Table 1: Balance Sheet Summary

	31.3.20 Actual £m	**2020/21 Movement £m**	**31.3.21 Actual £m**
General Fund CFR	70.0	9.5	79.5
HRA CFR	47.4	-	47.4
Total CFR	**117.4**	**9.5**	**126.9**
Less, External Borrowing	90.3	11.3	79.0
Internal Borrowing	**27.1**	**20.8**	**47.9**
Less: Usable reserves	(53.5)	(2.8)	(56.3)
Less: Working capital	(3.3)	(7.1)	(10.4)
Net Investments	**(29.7)**	**10.9**	**(18.8)**

3.2 The net increase in the Council's CFR of £9.5m was reported to Cabinet on 23 June 2021 in the General Fund Capital Programme Outturn 2020/21 report (minute 12 refers). Notably, capital expenditure in 2020/21 on the Otterpool Park Garden Town development (£5.4m), the acquisition of vehicles for the new waste contract (£2.3m) and funding to support Oportunitas Limited for its property investment programme (£2.1m) was met from prudential borrowing.

3.3 The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 31 March 2021 and the year-on-year change in show in table 2 below.

Table 2: Treasury Management Summary

	31.3.20 Balance £m	**2020/21 Movement £m**	**31.3.21 Balance £m**
Long-term borrowing	58.5	13.7	72.2
Short-term borrowing	31.8	(25.0)	6.8
Total borrowing	**90.3**	**(11.3)**	**79.0**
Long-term investments	(14.1)	(1.1)	(15.2)
Short-term investments	(3.5)	3.5	-
Cash and cash equivalents	(12.1)	8.5	(3.6)
Total investments	**(29.7)**	**10.9**	**(18.8)**
Net borrowing	**60.6**	**(0.4)**	**60.2**

Note: the figures in the table are from the balance sheet in the authority's statement of accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

3.4 Although the CFR increased during 2020/21, the Council was able to marginally reduce its net borrowing over the year by £0.4m. This was possible by increasing internal borrowing from having higher than anticipated cash reserves and balances to utilise. Moving forward it is expected some of this internal borrowing will be replaced with new external borrowing as the cash reserves and balances are applied towards their intended use.

4. BORROWING 2020/21

4.1 Borrowing Update

4.1.1 In November 2020 the Public Works Loan Board (PWLB) published its revised lending terms to local authorities and this was outlined to Cabinet on 20 January 2021 as part of the Treasury Management Strategy Statement 2021/22 and Treasury Management Monitoring Report 2020/21 (minute 66 refers). In summary, the revised lending arrangements now prevent local authorities from accessing PWLB borrowing where they plan to purchase 'investment assets primarily for yield' as part of their approved capital programme. At the same time the PWLB has reduced the cost of new loans to local authorities by 1%.

4.1.2 The Council is not planning to purchase any investment assets primarily for yield within the next three years and so is able to take advantage of the reduction in the PWLB borrowing rate.

4.2 Borrowing Activity 2020/21

4.2.1 At 31 March 2021, the Council held £79.0m of loans, a reduction of 11.3m on the previous year, as part of its strategy for funding previous and current years' capital programmes. Following the introduction of the Housing Revenue Account (HRA) Self-Financing regime in 2012 the Council operates a two pool debt approach allocating its loans between the General Fund and HRA. The year-end borrowing position and the year-on-year change is shown in table 3 below. A full list of the loans held at 31 March 2021 is shown in appendix 1 to this report

Table 3: Borrowing Position – Two Pool Debt Approach

	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m	31.3.21 Rate %
<u>General Fund</u>				
Public Works Loan Board	7.2	-	7.2	4.69%
Local Authorities	35.5	(10.0)	25.5	1.16%
Total General Fund borrowing	**42.7**	**(10.0)**	**32.7**	**2.78%**
<u>Housing Revenue Account</u>				
Public Works Loan Board	47.6	(1.3)	46.3	3.25%
Total HRA borrowing	**47.6**	**(1.3)**	**46.3**	**3.25%**
Total borrowing	**90.3**	**(11.3)**	**79.0**	**3.14%**

4.2.2 The weighted average maturity of the overall loans portfolio at 31 March 2021 is 8.4 years.

4.2.3 The Council's chief objective when borrowing has been to strike an appropriately low 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 being a secondary objective.

4.2.4 With short-term interest rates remaining much lower than long-term rates, it was considered to be more cost effective in the near term to use mainly short-term loans borrowed from other local authorities and also to continue using internal resources to meet the increase in the CFR. The movement in these loans is shown in table 3, above.

4.2.5 The Council's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short and long-term borrowing is in place to provide flexibility for future decisions.

5. INVESTMENT ACTIVITY 2020/21

5.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2020/21, the Council's investment balance ranged between £19 million and £63 million due to timing differences between income and expenditure. This range of investment balances was significantly greater than originally anticipated for the year.

5.2 As reported to Cabinet on 20 January 2021, on 1 April 2020 the Council received £28.8m in central government funding to support small and medium businesses during the pandemic through grant schemes and, largely, this explains the significant variation in investment balances held in 2020/21. Approximately £21.5m of this funding was paid out to local businesses by the end of April 2021 increasing to £25.3m by the end of September. Further smaller tranches of central government support for businesses were received and distributed during the year.

5.3 The Council had an average investment balance of £31.8m during 2020/21 generating a return, net of fees, of 2.00% for the year. The year-end investment position and the year-on-year change are shown in table 4 below. A list of the individual investments held at 31 March 2020 is shown in appendix 2 to this report.

Table 4: Investment Position

	31.3.20 Balance £m	Net Movement £m	31.3.21 Balance £m	Average Return
Banks & building societies (unsecured)	0.2	(0.2)	-	0.01%
Covered bonds (secured)	3.5	(3.5)	-	1.03%
Money Market Funds	11.9	(8.3)	3.6	0.12%
Property Pooled Fund	5.3	-	5.3	4.35%
Multi-Asset Income Funds	8.8	1.1	9.9	4.17%
Total investments	**29.7**	**(10.9)**	**18.8**	**2.00%**

5.4 The weighted average maturity of the investment portfolio at 31 March 2021 was 19 days.

5.5 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

5.6 Continued downward pressure on short-dated cash rate brought net returns on sterling low volatility net asset value money market funds (MMFs) close to zero even after some managers have temporarily lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee waivers should maintain positive net yields, but the possibility cannot be ruled out.

5.7 Deposit rates with the Debt Management Account Deposit Facility (DMADF) have continued to fall and are now largely around zero.

5.8 The net return on Money Market Funds net of fees, which had fallen after Bank Rate was cut to 0.1% in March, are now at or very close to zero; fund management companies have temporarily lowered or waived fees to avoid negative net returns

5.9 The Council met its investment objectives and strategy for 2020/21. As previously outlined in sections 3 and 4 of this report, the Council has been able to use short term liquid cash to meet its underlying borrowing need through internal borrowing, reducing its exposure to credit risk. Secondly, the return from the strategic investments in pooled funds have continued to provide cash returns in excess of inflation. The performance of these pooled funds is considered in more detail below.

5.10 **Externally Managed Pooled Funds** - The Council has £15m invested in externally managed multi-asset and property funds, representing the authority's forecast minimum level of cash reserves and balances over the medium term. These pooled funds aim to provide returns in excess of inflation and, over time, provide the opportunity for some limited capital growth. The sudden economic impact of the pandemic had a negative impact on the value of these funds at 31 March 2020. However, the position has significantly improved over the year to 31 March 2021 with the diversified income funds recovering most of their capital value.

5.11 A summary of the pooled funds value and performance for the past two financial years is shown in table 5 below.

Table 5 – Pooled Funds Summary

Fund	Value at 01/04/19	Value at 31/03/20	Value 31/03/21	Valuation change 2020/21	Dividend Return 2019/20	Dividend Return 2020/21
	£m	**£m**	**£m**	**£m**	**£'000**	**£'000**
CCLA Local Authorities Property Fund	5.52	5.32	5.28	(0.04)	238.6	231.0
CCLA Diversified Income Fund	1.97	1.80	1.94	0.14	64.8	61.8
Aegon Diversified Monthly Income Fund	3.52	2.96	3.52	0.56	173.9	149.6
Ninety-One Diversified Income Fund	3.52	3.19	3.51	0.32	145.2	132.1
UBS Multi-Asset Income Fund	0.98	0.86	0.95	0.09	45.9	46.5
Total	**15.51**	**14.13**	**15.20**	**1.07**	**668.4**	**621.0**
Return %					**4.32%**	**4.17%**

5.12 The sudden economic impact of the pandemic had a negative impact on the value of these funds at 31 March 2020 and this was reported to Cabinet on 21 October 2020 as part of the Treasury Management Outturn report for 2019/20. However, the position has significantly improved over the year to 31 March 2021 with the diversified income funds recovering most of their capital value and is largely due to the recovery in the equity markets where this class of asset typically accounts for about one third of the investment portfolio. The CCLA Local Authorities Property Fund (LAPF), which invests in a range of commercial property, has seen its value broadly stabilise during 2020/21. Encouragingly there have been further gains in the capital value of all the pooled funds held to the 30 June 2021 and these are now approximately at their pre-pandemic values.

5.13 Similar to many other property funds, dealing (i.e. buying or selling units) in the CCLA LAPF was suspended by the fund in March 2020 and lifted in September. There was also a change to redemption terms for the CCLA LAPF from September 2020 requiring investors to now give at least 90 calendar days' notice for redemptions.

5.14 The dividend yields across the pooled funds in percentage terms, based on the net asset value of the units in the funds, are marginally lower than those received last year. However, the cash value of the dividends for 2020/21 is about 7% lower in total over the year compared to 2019/20 because of the overall impact of the reduction in the net asset value of the units held over the financial year. Nevertheless, the cash returns from the pooled funds remains significantly above inflation, helping to meet the council's investment objectives.

5.15 Because the pooled funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives is regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates.

5.16 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in table 6 below.

Table 6: Investment Benchmarking – Treasury investments managed in-house only

	Credit Score	**Credit Rating**	**Bail-in Exposure**	**WAM (days)**	**Income Return**
FHDC					
31.03.2020	3.44	AA-	78%	11	0.77%
31.03.2021	**4.01**	**AA-**	**100%**	**1**	**0.01%**
Similar LAs	**4.63**	**A+**	**65%**	**40**	**0.13%**
All LAs	**4.63**	**A+**	**63%**	**14**	**0.15%**

5.17 The investment benchmarking, which is a snapshot at the end of each quarter and only covers in-house managed investments, demonstrates the council had a marginally lower risk and return profile compared to both its peer group and the wider local authority population as at 31 March 2021 (measured against other Arlingclose clients only).

6. FINANCIAL SUMMARY

6.1 The following table summarises the Council's net interest cost for its treasury management activities in 2020/21 and shows the outturn to the General Fund is lower than the approved estimate, subject to audit:

Table 7: Net Interest Cost

	2019/20 Actual	2020/21 Estimate	**2020/21 Actual**	**2020/21 Variance Estimate to Actual**
	£'000	£'000	**£'000**	**£'000**
Interest Paid	*1,960*	1,945	**2,188**	**243**
Interest Received(net of fees)	*(807)*	(635)	**(664)**	**(29)**
Net Interest	*1,153*	1,310	**1,524**	**214**
<u>Net Impact</u>				
General Fund	*(389)*	(187)	**(238)**	**(51)**
H.R.A	*1,498*	1,497	**1,535**	**38**
Capitalised Interest	*44*	-	**227**	**227**
	1,153	1,310	**1,524**	**214**

6.2 The reduction in the net borrowing cost to the General Fund of £51k is mainly due to higher than anticipated investment income received (£29k) and an increase in the net interest cost required to be charged to the Housing Revenue Account under statutory provisions (£38k).

6.3 The increase in interest paid of £243k is due to new loans taken up during the year to help meet capital expenditure incurred being met from prudential borrowing. The Council changed its Accounting Policy from 2019/20 to allow it to capitalise interest incurred on qualifying capital projects that are expected to take a number of years to be delivered. This has enabled the capitalisation of interest on borrowing to purchase the property from Cozumel Estates and other property for the Otterpool Park development acquired since 1 April 2019.

7. OTHER NON-TREASURY HOLDINGS AND ACTIVITY

7.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which it holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return. The assets are summarised in the table below:

Table 8: Non-Treasury Holdings and Returns

Investment Type	Value 31/03/20	Value 31/03/21	Net Income 2020/21	Rate of Return
	£m	£m	£'000	%
Investment Property				
Otterpool Property	55.9	64.9	(101)	0.16
Offices	17.0	17.4	(419)	2.41
Commercial Land	0.8	0.7	-	-
Commercial Units	1.6	1.8	(131)	5.15
Retail	-	2.2	134	-
Assets Under Construction	0.6	0.2	-	-
Total Investment Property	**75.9**	**87.2**	**(517)**	**0.59**
Subsidiary Companies				
Oportunitas loan	4.3	4.3	(209)	4.88
Oportunitas equity	1.3	3.5	(21)	0.61
Oportunitas - Total	5.6	7.8	(230)	2.97
Otterpool Park LLP equity	-	1.2	-	-
Total Subsidiaries	**5.6**	**9.0**	**(230)**	**2.97**
Total	**81.5**	**96.2**	**(747)**	**0.78**

7.2 The net income and rate of return excludes the impact of any unrealised property valuation gains or losses. Ordinarily the rate of return on non-treasury investment assets would be expected to be higher than that earned on treasury investments reflecting the additional risks to the council of holding such investments. This is demonstrated with the return on the commercial units and Oportunitas. However the return on the investment property portfolio for 2020/21 is significantly distorted because of the land acquisitions taking place for the Otterpool Park project in particular. The Council is receiving rental streams from some of the property being acquired in the short to medium term.

8. COMPLIANCE WITH INVESTMENT LIMITS AND TREASURY INDICATORS

8.1 The Director of Corporate Services reports that the treasury management activities undertaken during 2020/21, with one exception, complied with the CIPFA Code of Practice and the council's approved Treasury Management Strategy. The Liquidity Indicator, which measures liquidity risk in the form of cash available to meet unexpected payments within a three month rolling period, was at £3.6m on 31 March 2021, below the target of £5m. This was due to a significant cash outflow in the late March and the position was rectified from 1 April 2021. Further information regarding compliance with the specific investment and Treasury indicators is demonstrated in appendix 3 to this report.

9. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

9.1 Legal Officer's Comments (NM)

There are no significant legal implications as a result of the recommendations in this report which are not covered in the body of the report. Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities issued under the Local Government Act 2003 provides assurance that the council's investments are, and will continue to be, within its legal powers.

9.2 Finance Officer's Comments (LW)

This report has been prepared by the Finance Specialist Team and relevant financial implications are included within it.

9.3 Diversities and Equalities Implications

The report does not cover a new service or policy or a revision of either and therefore does not require an Equality Impact Assessment.

10. CONTACT OFFICER AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

Lee Walker, Capital and Treasury Senior Specialist
Telephone: 01303 853593 Email: lee.walker@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report:

Arlingclose Ltd – Model Treasury Management Annual Report Template

Appendices:
Appendix 1 – Borrowing, loans held at 31 March 2021
Appendix 2 – Investments held at 31 March 2021
Appendix 3 – Compliance with specific investment and borrowing limits and Treasury Indicators

APPENDIX 1 – BORROWING, LOANS HELD AT 31 MARCH 2021

Lender	Loan No	Loan Type	Start Date	Maturity Date	Principal Outstanding 31/03/2021	Interest Rate
					£	%
Public Works Loan Board	430141	Annuity	09/11/1973	01/11/2033	3,776.27	11.38
Public Works Loan Board	480111	Fixed	14/10/1997	31/03/2023	1,000,000.00	6.63
Public Works Loan Board	488942	Fixed	12/08/2004	07/08/2034	2,000,000.00	4.80
Public Works Loan Board	492233	Fixed	28/09/2006	15/03/2054	2,000,000.00	4.05
Public Works Loan Board	493698	Fixed	10/08/2007	07/08/2055	2,500,000.00	4.55
Public Works Loan Board	493914	Fixed	10/09/2007	07/02/2053	2,500,000.00	4.55
Public Works Loan Board	494027	Fixed	31/10/2007	15/03/2044	2,000,000.00	4.65
Public Works Loan Board	494028	Fixed	31/10/2007	15/03/2045	2,000,000.00	4.65
Public Works Loan Board	494029	Fixed	31/10/2007	15/03/2046	2,141,190.00	4.65
Public Works Loan Board	500536	Fixed	28/03/2012	28/03/2023	4,000,000.00	2.56
Public Works Loan Board	500537	Fixed	28/03/2012	28/03/2031	4,010,000.00	3.26
Public Works Loan Board	500538	Fixed	28/03/2012	28/03/2028	4,000,000.00	3.08
Public Works Loan Board	500540	Fixed	28/03/2012	28/03/2025	4,000,000.00	2.82
Public Works Loan Board	500541	Fixed	28/03/2012	28/03/2029	4,000,000.00	3.15
Public Works Loan Board	500542	Fixed	28/03/2012	28/03/2030	4,000,000.00	3.21
Public Works Loan Board	500543	Fixed	28/03/2012	28/03/2027	4,000,000.00	3.01
Public Works Loan Board	500545	Fixed	28/03/2012	28/03/2022	1,300,000.00	2.40
Public Works Loan Board	500546	Fixed	28/03/2012	28/03/2024	4,000,000.00	2.70
Public Works Loan Board	500548	Fixed	28/03/2012	28/03/2026	4,000,000.00	2.92
Total - Public Works Loan Board					**53,454,966.27**	
London Borough of Barking and Dagenham	n/a	Fixed	31/01/2020	31/01/2022	5,000,000.00	1.60
London Borough of Wandsworth	n/a	Fixed	29/01/2021	31/01/2023	10,000,000.00	0.60
Durham County Council	n/a	Fixed	01/02/2021	03/10/2022	5,000,000.00	0.55
Leicester City Council	n/a	Fixed	01/03/2021	01/03/2023	5,000,000.00	0.65
Folkestone Town Council	n/a	Variable - 2 day call notice	Various May 2018	02/04/2021	500,000.00	0.00
Total - Borrowing at 31/03/2021					**78,954,966.27**	

APPENDIX 2 – INVESTMENTS HELD AT 31 MARCH 2020

Category and Counterparty	Amount or Value £	Terms	Indicative Interest Rate or Yield %
Banks & Building Societies (unsecured)			
NatWest - Business Reserve	0	No notice instant access	0.01
Money Market Funds			
Aberdeen Standard MMF	3,620,000	No notice instant access	0.01
Other Pooled Funds			
Commercial Property Funds			
CCLA Property Fund	5,282,587		4.91
Multi-Asset Income Funds			
CCLA Diversified Income Fund	1,946,036		2.35
UBS Multi-Asset Income Fund	949,602		3.61
Aegon Asset Management Diversified Monthly Income Fund	3,519,652		4.67
Ninety-One Diversified Income Fund	3,506,271		2.86
Total Investments	**18,824,148**		3.21

* Net of Fees

APPENDIX 3 – COMPLIANCE WITH SPECIFIC INVESTMENT AND TREASURY INDICATORS

Compliance with specific investment limits is demonstrated in table 1 below.

Table 1: Specific Investment Limits

	Maximum to 31.3.21	31.3.21 Actual	2020/21 Limit	Complied
Any single organisation, except UK Government	£5m	nil	£5m each	✓
UK Central Government	£ 22.7m	nil	Unlimited	✓
Any group of funds under the same management	nil	nil	£5m per group	✓
Negotiable instruments held in a broker's nominee account	£3.5m	nil	£10m per broker	✓
Foreign countries	nil	nil	£5m per country	✓
Registered Providers	nil	nil	£10m in total	✓
Unsecured investments with Building Societies	nil	nil	£5m in total	✓
Loans to unrated corporates	nil	nil	£5m in total	✓
Money Market Funds	£20.0m	£3.6m	£25m in total	✓
Any group of pooled funds under the same management	£7.5m	£7.2m	£10m per manager	✓
Real estate investment trusts	nil	nil	£10m in total	✓

<u>Treasury Management Indicators</u>

The council measures and manages its exposures to treasury management risks using the following indicators.

Security: The council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	31.3.21 Actual	2020/21 Target	Complied
Portfolio average credit rating	AA-	A	✓

Liquidity: The council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing
.

	31.3.21 Actual	2020/21 Target	Complied
Total cash available within 3 months	£3.6m	£5m	×

The Council had a significant cash outflow in the last week of the financial year resulting in this indicator being below the target at 31 March 2021. However, the position was very short term with the target being met again from 1 April 2021.

Interest Rate Exposures: This indicator is set to control the council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed is shown in table 3 below:

Table 3: Interest Rate Exposures

	31.3.21 Actual	2020/21 Limit	Complied
Upper limit on one-year revenue impact of a 1% **rise** in interest rates	£208,255	£290,000	✓
Upper limit on one-year revenue impact of a 1% **fall** in interest rates	£289,625	£310,000	✓

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

Maturity Structure of Borrowing: This indicator is set to control the council's exposure to refinancing risk. Compliance with the upper and lower limits on the maturity structure of fixed rate borrowing is shown in table 4 below:

Table 4: Maturity Structure of Borrowing

	31.3.21 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	8.6%	30%	0%	✓
12 months and within 24 months	31.7%	40%	0%	✓
24 months and within 5 years	15.2%	50%	0%	✓
5 years and within 10 years	25.3%	80%	0%	✓
10 years and above	19.2%	100%	0%	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the council's exposure to the risk of incurring losses by seeking early repayment of its investments. Compliance with the limits on the long-term principal sum invested to final maturities beyond the period end is shown in table 5 below:

Table 5: Principal Sums Invested for Periods Longer than 364 days

At 31.3.21	**2020/21**	**2021/22**	**2022/23**
Actual principal invested for longer than 364 days	-	-	-
Limit on principal invested beyond 364 days	£15m	£5m	£5m
Complied	✓	✓	✓

Although the council's investments in the pooled funds of £15.2m are accounted for as non-current (long term) assets, based on the intention to continue to hold them for longer than 12 months, they do not have a fixed maturity date and can be redeemed within a short notice period if required so do not feature in this indicator.