Classification: Public
Key Decision: No

Gravesham Borough Council

Report to:	Finance and Audit Committee
Date:	20 July 2021
Reporting officer:	Director (Corporate Services)
Subject:	Treasury Management Annual Review 2020-21

Purpose and summary of report:

To report on treasury management acitivity during 2020-21 in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA's) revised code on Treasury Management.

Recommendations:

1. The Finance and Audit Committee note the contents of this report.
2. Delegated authority be given to the Director (Corporate Services), in consultation with the Chair of the Finance and Audit Committee, to amend the figures in this report, as necessary following successful completion of the final accounts process.

1. INTRODUCTION

1.1 The 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 2020-21. 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).

1.2 In accordance with reporting requirements for each financial year, Full Council received the following reports for 2020-21:

- an annual treasury strategy in advance of the year (Council 25 February 2020)
- a mid-year (minimum) treasury update report (Council 11 November 2020)
- an annual review following the end of the year describing the activity compared to the strategy (this report, which will be received by Council on 5 October 2021 through consideration of the Minutes of this meeting of the Finance & Audit Committee)

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

1.4 The report also provides confirmation that the Council has complied with the requirement, under the Code, to give prior scrutiny to all of the above treasury management reports by the Finance and Audit Committee before they were reported to the Full Council. Member training on treasury management issues was undertaken during the year on 2 November in order to support members' scrutiny role.

1.5 As previously reported to Finance and Audit Committee, the external audit process of reviewing and certifying the 2019/20 Statement of Accounts has yet to be concluded. The final accounts process has identified alternative treatment for the St George's transaction. Therefore the figures included within this report are subject to change once the final treatment has been agreed between the Council and Grant Thornton. For this reason, delegated authority is sought for the Director (Corporate Services) to amend the figures stated in this report, following successful completion of the final accounts process, in consultation with the Chair of the Finance and Audit Committee.

2. THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING

2.1 The Council undertakes capital expenditure on 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 need

2.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

	2019/20 Actual £m*[1]	2020/21 Revised Budget £m*[2]	2020/21 Actual £m*[3]
Capital Expenditure – GF	3.326	11.851	6.895
Capital Expenditure – Commercial	0.000	0.000	0.000
Capital Expenditure – HRA	15.160	15.709	13.158
Capital Expenditure – GF Housing	0.651	1.708	0.638
Total Capital Expenditure	19.137	29.268	20.691
Financed in Year	19.137	16.246	13.779
Unfinanced Capital Expenditure	0.000	13.022	6.912

*[1] based on the Provisional Outturn Report 2019/20 and re-categorised following changed to PWLB guidance

*2 as per TMSS 2021/22
*3 based on the Provisional Outturn Report 2020/21

3. THE COUNCIL'S OVERALL BORROWING NEED

3.1 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

3.2 **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2019/20) plus the estimates of any additional capital financing requirement for the current (2020/21) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. The table below highlights the Council's gross borrowing position (external debt plus finance lease) against the CFR. The Council has complied with this prudential indicator.

	31 March 2020 Actual £m*1	31 March 2021 Revised Budget £m*2	31 March 2021 Actual £m*3
CFR General Fund (£m)	118.474	125.640	122.340
CFR Commercial (£m)	6.437	6.300	6.300
CFR HRA (£m)	79.826	79.601	76.792
Total CFR	204.737	211.541	205.432
Gross Borrowing Position	182.526	181.894	174.673
Under / over funding of CFR	22.211	29.647	30.759

*1 based on the Provisional Outturn Report 2019/20 and clarification on commercial expenditure
*2 as per TMSS 2021/22
*3 based on the Provisional Outturn Report 2020/21

3.3 The Capital Finance Requirement (CFR) includes a Finance Lease to the value of £93.197m (as at 31 March 2021) which relates to the agreement with Council has entered into with Reef to redevelop the St George's Shopping Centre. There are 48 years remaining on the finance lease and therefore the CFR will be reduced over this period through an MRP charge (Minimum Revenue Provision charge - statutory annual minimum revenue charge to reduce the total outstanding CFR).

3.4 **The authorised limit** - 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. A revised authorised limit for 2020/21 was approved by Full Council at its meeting on 23 February 2021. The table below demonstrates that during 2020/21 the Council has maintained gross borrowing within its authorised limit.

3.5 **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. A revised operational boundary limit for 2020/21 was approved by Full Council at its meeting on 23 February 2021.

3.6 **Actual financing costs as a proportion of net revenue stream -** this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

	2020/21
Authorised Limit (as per TMSS 2021/22)	249.540
Maximum gross boundary position during the year	180.091
Operational boundary (as per TMSS 2021/22)	234.540
Average gross borrowing position	178.600
Financing costs as a proportion of net revenue stream	20.01%

4. TREASURY POSITION AS AT 31 MARCH 2021

4.1 The Council's treasury position at the beginning and the end of 2020-21 was as follows:

	31 March 2020 Principal £m	Rate/ Return	31 March 2021 Principal £m	Rate/ Return	Average Life yrs
PWLB Loans	81.081		75.663		
Stock Loans	8.000		0.000		
Market Loans	0.000		5.800		
Short Term Loans	0.013		0.014		
Total Loans	**89.094**	**3.28%**	**81.477**	**2.90%**	**4.73**
Finance Lease	93.432		93.197		
Total Debt	**182.526**		**174.674**		
Capital Financing Requirement (CFR)	204.737	-	205.432	-	-
Over/ (Under) borrowing	(22.211)	-	(30.758)	-	-
Total Investments	**43.145**	**-**	**40.542**	**-**	**-**

Net Debt (Total Debt minus Total Investments)	139.381	-	131.911	-	-

4.2 From 2018/19, this authority has operated a two loans pool, split between the General Fund and Housing Revenue Account (HRA).

4.3 The maturity structure of the debt portfolio was as follows:

	31 March 2020 Actual £m	March 2020 Actual %	2020/21 original limits %	31 March 2021 Actual £m	March 2021 Actual %
Under 12 months	13.433	15.08	50	7.198	8.83
12 to 24 months	7.184	8.06	50	7.761	9.53
24 months to 5 years	25.141	28.22	75	32.863	40.33
5 to 10 years	43.338	48.64	75	33.655	41.31
More than 10 years	0.000	0.00	100	0.000	0.00

Investment Portfolio	Actual 31 March 2020 £m	Actual 31 March 2020 %	Actual 31 March 2021 £m	Actual 31 March 2021 %
Treasury Investments				
Fixed Term Investments	11.000	25.50	8.000	19.73
Certificate of Deposits	5.000	11.59	0.000	
Notice Accounts	4.500	10.43	8.000	19.73
Money Market Funds	4.528	10.49	5.249	12.95
Total managed in house	**25.028**	**-**	**21.249**	
Property Funds	10.195	23.63	10.017	24.71
Multi Asset Funds	7.922	18.36	9.276	22.88
Total managed externally	**18.117**	**-**	**19.293**	
Total Treasury Investments	**43.145**	**100.00**	**40.542**	**100.00**

4.4 All internally managed investments were for up to one year.

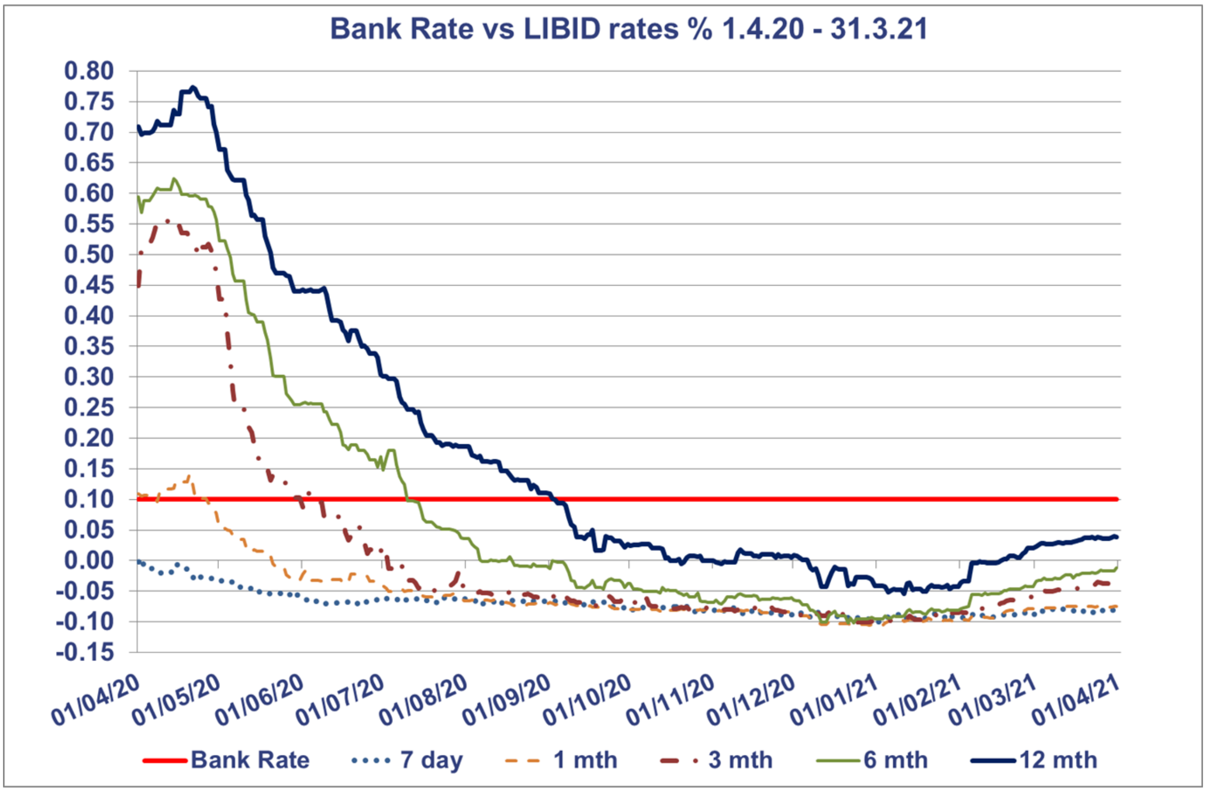
5. THE INVESTMENT STRATEGY AND CONTROL OF INTEREST RATE RISK FOR 2020/21

5.1 Investment returns which had been low during 2019/20, plunged during 2020/21 to near zero or even into negative territory. The Council avoided negative rates through the use of Money Market Fund and lending to other local authorities. 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 quickly out of date due to the Covid-19 pandemic 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. 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 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 demands to borrow, with the consequent effect that investment earnings rates plummeted.

5.2 While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

5.3 Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.

5.4 The following graph shows the London Interbank Bid Rate (LIBID - the rate at which banks borrow from one another) against the Bank of England Base Rate for 2020/21.



6. BORROWING STRATEGY AND CONTROL OF INTEREST RATE RISK RATES IN 2020-21

6.1 During 2019-20, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were very low and minimising counterparty risk on placing investments also needed to be considered.

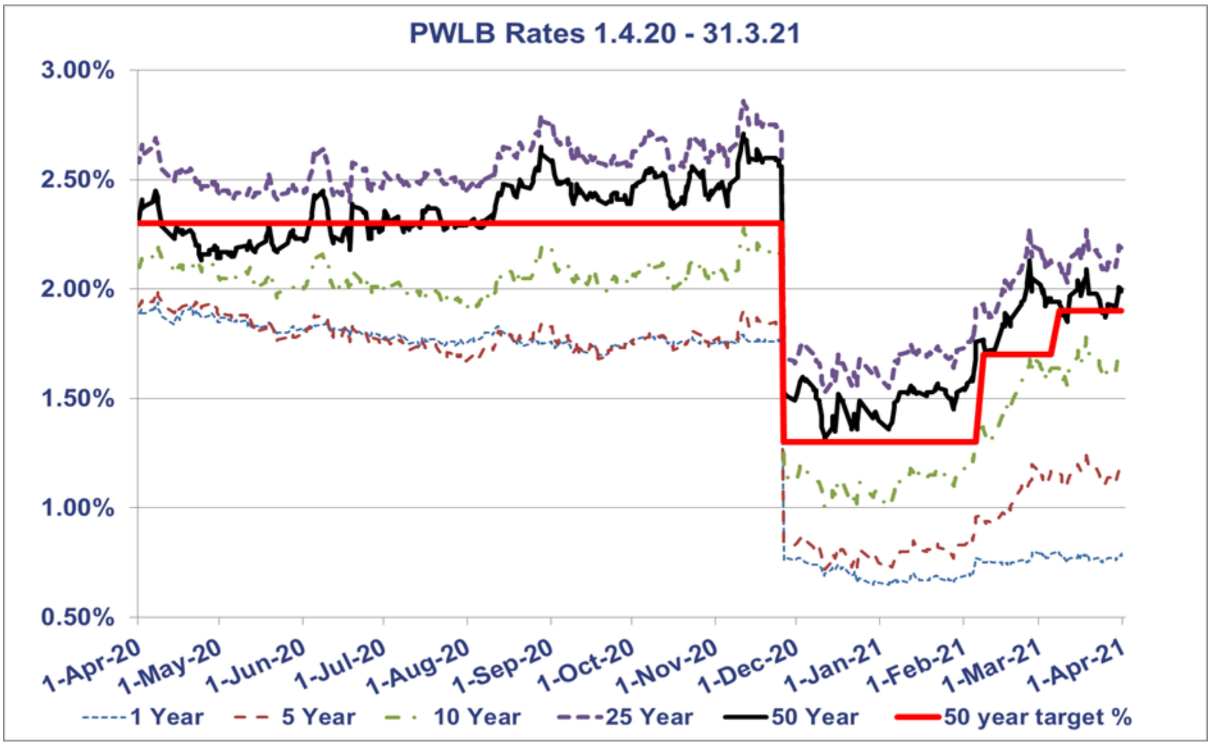
6.2 A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

6.3 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

6.4 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Director (Corporate Services) therefore monitored interest rates in financial markets and adopted a pragmatic strategy to manage interest rate risks.

6.5 Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2020/21 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

Link Group Interest Rate View	8.3.21												
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.40	1.40	1.40	1.40
10 yr PWLB	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	1.90
25 yr PWLB	2.10	2.10	2.10	2.20	2.30	2.30	2.30	2.40	2.40	2.50	2.50	2.50	2.50
50 yr PWLB	1.90	1.90	1.90	2.00	2.10	2.10	2.10	2.20	2.20	2.30	2.30	2.30	2.30



6.6 PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years.

6.7 Gilt yields fell sharply from the start of 2020 and then spiked in March at the pandemic hit; this was rapidly countered by central banks flooding the markets with liquidity. Economic recovery started in the UK once the vaccination programme started making rapid progress at the start of 2021, gilt yields and gilt yields and PWLB rates started rising sharply as confidence in economic recovery rebounded. Financial markets also expected Bank Rate to rise quicker than initial forecasts.

6.8 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%.

6.9 HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019/20 without any prior warning. The first took place on 9 October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11th March 2020, but not for mainstream non-HRA capital schemes. A consultation was then held with local authorities and on 25th November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -.

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

6.10 There is likely to be only a gentle rise in gilt yields and PWLB rates over the next three years as Bank Rate is not forecast to rise from 0.10% by March 2024 as the Bank of England has clearly stated that it will not raise rates until inflation is sustainably above its target of 2%.

7. BORROWING OUTTURN FOR 2020-21

7.1 One loan for £5.8m was drawn down on 15 March 2021. The details can be found in the table below.

<table>
<tr><th>Lender</th><th>Fund</th><th>Principal</th><th>Type</th><th>Interest Rate</th><th>Maturity</th></tr>
<tr><td rowspan="2">Oxfordshire County Council</td><td>General Fund</td><td>£3,416,266</td><td rowspan="2">Fixed Interest Rate</td><td rowspan="2">0.55%</td><td rowspan="2">15/03/24</td></tr>
<tr><td>HRA</td><td>£2,383,734</td></tr>
<tr><td>Total</td><td></td><td>£5,800,000</td><td></td><td></td><td></td></tr>
</table>

7.2 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.

7.3 No rescheduling of debts was carried out during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

7.4 On 22 May 2020 the £8m UBS Stock loan the Council had held since 1995 was finally repaid. On 28 March 2021, a further loan the Council had taken on as a result of HRA self-financing matured. Loan principal totalling £5,418,000 was repaid. The Council has made a voluntary contribution of Minimum Revenue Provision (MRP) equal to the loan principal in order to reduce the CFR accordingly.

8. INVESTMENT OUTTURN FOR 2020-21

8.1 **Investment Policy** - the Council's investment policy is governed by Ministry of Housing, Communities & Local Government (MHCLG) investment guidance, which has been implemented in the annual investment strategy approved by the Council on 25 February 2020. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

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

8.3 **Investments held by the Council** – the Council maintained an average balance of £31.234m of internally managed funds during the year. The internally managed funds earned an average rate of return of 0.36%. The 3 month London Interbank Bid Rate (LIBID) rate which is used as the most appropriate comparative performance indicator was 0.11%. Despite the continued low investment yields offered by financial markets, the average rate of return exceeded by 0.25%.

8.4 **Property Funds** – As at 31 March 2021 the Council achieved an average income rate of return on its investments and capital growth as follows:

Property Funds	31 March 2020 Average Income Return %	31 March 2020 Capital Growth/ (Loss) %*1	31 March 2021 Average Income Return %	31 March 2021 Capital Growth/ (Loss) %*1
Lothbury	4.17	2.79	3.79	1.03
Hermes	3.33	12.02	4.29	4.39
CCLA	5.04	0.17	4.90	(0.55)
Total	4.07	5.03	4.15	1.72

*1 capital growth / (loss) since 2016

8.5 The capital growth / (loss) figures above are based on movement from the original investment in 2016. Whilst there has been an overall increase in capital values since 2016, during late 2019/20 and 2020/21 there was a capital loss across all three funds as a direct result of the COVID-19 pandemic. At the start of the pandemic, due to the nature and speed of impact, Property Fund Managers were dealing with an unprecedented set of circumstances on which to base a judgement and determine the fund values. As a result less reliance could be placed on valuations as at end March 2020. During 2020/21 capital valuations have continued to fall slightly but have stabilised over recent months.

8.6 Appendix 2 to this report shows how the capital fund valuations have changed month on month since 2016 as well as the capital value of each of the Property Funds over the same period.

8.7 Initially the funds temporarily suspended trading in their funds, which essentially meant that investors could neither enter nor exit the fund for a period of time. This mechanism is used in extreme circumstances to protect the fund and current investors from significant falls as a result of needing to sell properties at a substantially reduced rate in order to meet the demand of cash flowing out of the fund. This suspension has now lifted and the funds are actively trading.

8.8 Despite the falls in capital values, dividend payments have been sustained which is a really positive and is likely to be due to the combination of both the high quality tenants and the fund managers actively engaging with their tenants regarding rental payments. Officers are closely monitoring capital values and remain in regular contact with the Property Fund Managers, to ensure they are aware of the latest developments and to understand the impact as Government support starts to unwind.

8.9 **Multi-Asset Funds** – As at 31 March 2021 the Council achieved an estimated average income rate of return on its investments and capital loss as follows:

Multi Asset Funds	31 March 2020 Average Income Return %	31 March 2020 Capital Growth/ (Loss) %*1	31 March 2021 Average Income Return %	31 March 2021 Capital Growth/ (Loss) %*1
JP Morgan	4.39	(17.12)	3.28	0.17
Jupiter	4.53	(28.10)	2.88	(18.10)
Aberdeen	5.96	(18.92)	4.46	(9.48)
Total	4.75	(20.78)	3.40	(7.24)

*1 capital growth / (loss) since 2018

8.10 Covid-19 had a significant impact on the capital values of the Multi Asset Funds back in early 2020. Since the initial shock, fund values have started to rise. There was a little volatility in September/October as the second wave of the pandemic start but all three funds have ended the financial year with a higher capital value than March 2020.

8.11 Appendix 3 to this report shows how the capital fund valuations have changed month on month since 2018.

8.12 Whilst the impact of the pandemic was obvious on the capital value it was less clear how it would affect dividend payments. As can be seen in the table above, the dividend payments have fallen during 2020/21 to 3.40% compared to 4.75% in 2019/20. Dividend payments were higher than expected in 2019/20 than originally forecast, so it remains to be seen whether the dividend received in 2020/21 is more realistic going forward given the Bank of England base rate remains at an all-time low of 0.10%

8.13 As with the Property Funds, Officers are closely monitoring capital values and remain in regular contact with Fund Managers, to ensure they are aware of the latest developments.

8.14 **Property Acquisitions** – The purchase of commercial properties and land acquisition is not deemed a Treasury Management investment but a Service Investment. However there is a direct impact upon Treasury Management on the basis that any such purchase reduces the level of investable cash balances. Treasury officers will continue to liaise closely with Legal and Property to ensure that cash is available at the appropriate time to facilitate the further purchase of commercial properties and land as set out in the 2021/22 Capital Programme.

8.15 **MiFID II –** On 3 January 2018 new EU legislation came into force that impacted upon the Council's treasury management activity. MiFID II (Markets in Financial Instruments Directive) was aimed at increasing investor protection by creating a more efficient, risk-aware and transparent market for investment services and activities. This legislation required the FCA to treat all local authorities as Retail Clients but did allow local authorities to opt up to an Elective Professional Client status if they met certain pre-determined criteria. The Council was not obliged to opt up but by not doing so could have precluded the Council from dealing with certain institutions or funds. The Council opted up to Elective Professional Client status with all the institutions that required it to do so and has ensured that during 2019/20 it has continued to comply with the requirements of the institutions to maintain Elective Professional Client status.

9. UK SOVERIGNTY

9.1 In March 2020, Fitch, one of the three ratings agencies took the decision to downgrade the UK's long term sovereign rating to AA-, in response to the Covid-19 pandemic.

9.2 As a result the Treasury Management Strategy Statement (TMSS) was amended to reduce the requirement of the UK sovereign rating by one level so that Officers could continue to place investments with counterparties within the UK provided that the sovereign rating remains above A+. This amendment was subsequently approved by Full Council.

9.3 In October 2020 Moody's followed suit and reduced the UK's sovereign rating in line with Fitch's rating. Standard and Poor's rating has remained at AA. All three ratings agencies have assessed the outlook of the UK to be stable as the indicators show the UK economy and public finances to be more resilient to the impact of the pandemic than first expected.

9.4 No further action is necessary at this stage but Officers will continue to monitor the situation closely.

10. BACKGROUND PAPERS

There are no background papers to this report.

# Prudential and treasury indicators		Appendix A

1. PRUDENTIAL INDICATORS	2019-20	2020-21	2020-21
	Actual	Revised	Actual
	£m	£m	£m
Capital Expenditure			
Non - HRA	£3.977	£13.559	£7.533
Commercial	£0.000	£0.000	£0.000
HRA	£15.160	£15.709	£13.158
TOTAL	£19.137	£29.268	£20.691
Ratio of financing costs to net revenue stream (This is the proportion of annual debt financing costs as a percentage of the council's annual budget requirement)			
Non - HRA	3.62%	-	-0.33%
Commercial	35.23%	-	27.79%
HRA	27.45%	-	29.54%
Gross borrowing requirement (inc finance lease)			
brought forward 1 April	£187.538	£182.526	£182.526
carried forward 31 March	£182.526	£181.893	£174.673
in year borrowing requirement	(£5.012)	£0.633	(£7.853)
Capital Financing Requirement (CFR) as at 31 March (This is the amount of capital spending that has not been financed by capital receipts, capital grants of contributions from revenue)			
Non – HRA	£118.474	£125.640	£122.340
Commercial	£6.437	£6.300	£6.300
HRA	£79.826	£79.601	£76.792
TOTAL	£204.737	£211.541	£205.432
Annual change in Cap. Financing Requirement			
Non – HRA	(£0.760)	£7.166	£3.866
Commercial	(£0.136)	(£0.137)	(£0.136)
HRA	(£4.738)	(£0.225)	(£3.034)
TOTAL	(£5.635)	£6.804	£0.695
Incremental impact of capital investment decisions	**£ p**		**£ p**
Increase in council tax (band D) per annum *	£16.95		£14.36
Increase in average housing rent per week	N/A		N/A

2. TREASURY MANAGEMENT INDICATORS	2018/19	2019/20	2019/20
	Actual	Revised	Actual
	£'000	£'000	£'000
Authorised Limit for external debt (This is the maximum amount of borrowing which the council is permitted to undertake on a temporary basis to manage cash flow demands)			
borrowing	£117.700	£105.400	£105.400
borrowing (commercial)	£98.000	£35.000	£35.000
other long term liabilities	£20.000	£103.430	£103.430
TOTAL	£235.700	£243.830	£243.830
Operational Boundary for external debt (This is the maximum amount of borrowing which the council is permitted to undertake on a day to day basis and must not be breached other than for temporary cash flow demand purposes)			
borrowing	£117.700	£100400	£100400
Borrowing (commercial)	£96.500	£30.000	£30.000
other long term liabilities	£20.000	£98.430	£98.430
TOTAL		£228.830	£228.830
Actual external debt	£93.912	£93.831	£89.094
Upper limit for fixed interest rate exposure			
Net interest re fixed rate borrowing / investments	100 %	100 %	100 %
Upper limit for variable rate exposure			
Net interest re variable rate borrowing / investments	25 %	25 %	25 %
Upper limit for total principal sums invested for over 365 days	£20,000	£20,000	£20,000

Maturity structure of fixed rate borrowing during 2019/20	Lower limit	Upper limit
under 12 months	0%	50%
12 months and within 24 months	0%	50%
24 months and within 5 years	0%	75%
5 years and within 10 years	0%	75%
10 years and within 15 years	0%	100%
15 years and within 20 years	0%	100%
Greater than 20 years	0%	100%

Note: The figures shown in the tables above reflect the position as at the date of reporting. They are subject to change during the final accounts process.

IMPLICATIONS	**APPENDIX 1**
Legal	As per Section 1.13B.67 of the Council's Constitution, the Chief Finance Officer has delegated responsibility from Cabinet. "in respect of borrowing and investments to arrange such loans as are legally permitted to meet the Council's borrowing requirements"
Finance and Value for Money	A summary of the perceived risks associated with Treasury Management were identified in the Treasury Management Strategy approved by Council on 25 February 2020. Officers continue to monitor the risks on a day to day basis and identfiy mitigating action to minimise risks. In order to achieve a balanced budget, the authority relies upon generating maximum interest from its investments whilst minimising the exposure to risk. In order to achieve this, investments are only placed with institutions which meet the criteria set out within this report. Investment durations do no exceed those as advised by Link Asset Services credit ratings which are associated with the specific institutions. Where the authority is required to borrow to meet the needs of the authority, Officers will seek advice from Link Asset Services on timings and options in order to ensure the best deal for the authority.
Risk Assessment	The risks associated with Treasury Management and capital expenditure are detailed within this report
Data Protection Impact Assessment	*A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.*
	a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data? A definition of each type of data can be found on the Information Commissioner's Office website via the above links.
	b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? N/A
	c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk. N/A
Equality Impact Assessment	a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer. No
	b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer. N/A
	In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above

Corporate Plan	Strategic Objective #3 Progress; Sound Financial Management & Successfully Managing Key Business Risks.
Climate Change	N/A
Crime and Disorder	Treasury Management activities are carried out in accordance with the Treasury Management Strategy and Annual Investment strategy which minimises the risk of criminal activities. The arrangements to ensure appropriate governance around capital expenditure are set out in the Capital Strategy.
Digital and website implications	N/A
Safeguarding children and vulnerable adults	N/A