

## 3.0 ANNUAL TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS REPORT 2020/21

### OVERVIEW

3.1 This section of the report presents the results of the Treasury Management operations of the County Council for 2020/21 and the outturn position on Prudential Indicators.

### BACKGROUND

- 3.2 Treasury Management in Local Government is governed by the CIPFA Code of Practice on Treasury Management in Public Services and in this context is the management of the County Councils borrowing, cash flows, its banking and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimal performance consistent with those risks. The County Council has adopted the Code and complies with its requirements.
- 3.3 The Code recommends that Members should be informed of Treasury Management activities including as a minimum an Annual Strategy, a mid-year review and an annual report after the year end. This report ensures, therefore, that the County Council is adopting Best Practice in accordance with CIPFA's Code of Practice.
- 3.4 This report has been prepared in the context of the Annual Treasury Management Strategy for 2020/21 approved by Executive on 4 February 2020 and County Council on 19 February 2020.
- 3.5 This **Annual Treasury Management Report** for 2020/21 addresses the following:-
- the Council's overall treasury (debt and cash) position
  - performance measurement
  - Treasury Management Strategy for 2020/21
  - the Economy in 2020/21
  - borrowing and investment rates in 2020/21
  - borrowing outturn for 2020/21
  - debt rescheduling and the Premature Repayment of External Debt
  - investment outturn for 2020/21
  - revenue impact of 2020/21 Treasury Management Activity
  - compliance with Treasury limits and Prudential Indicators
  - approved lending list

3.6 The key statistics and/or performance indicators explained in this report can be summarised as follows:

- long term external debt decreased from £263.1m (at 31 March 2020) to £236.0m (at 31 March 2021) as a result of no new external borrowing taking place in 2020/21, whilst scheduled loan repayments have been made;
- the average rate of interest on this debt was 4.46% (4.39% at 31 March 2020) which is above the national average for all PWLB debt of 3.78%;
- for cash invested the average rate of interest achieved was 0.48% which outperformed the average 7-day market rate of -0.07% and the average bank rate during the year of 0.10%;
- none of the approved Treasury Management Prudential Indicators and limits were exceeded during the year

## OVERALL TREASURY (DEBT AND CASH) POSITION

3.7 The County Council's position at the beginning and end of the 2020/21 financial year was as follows:-

|                                  | As at 31 March 2020 |                         | As at 31 March 2021 |                         |
|----------------------------------|---------------------|-------------------------|---------------------|-------------------------|
|                                  | Principal           | Weighted Average Return | Principal           | Weighted Average Return |
|                                  | £m                  | %                       | £m                  | %                       |
| <b>External Debt Outstanding</b> |                     |                         |                     |                         |
| PWLB                             | 243.1               | 4.43                    | 216.0               | 4.51                    |
| Money Market LOBOs               | 20.0                | 3.95                    | 20.0                | 3.95                    |
|                                  | <b>263.1</b>        | <b>4.39</b>             | <b>236.0</b>        | <b>4.46</b>             |
| <b>Investments (NYCC only)</b>   | <b>241.2</b>        | <b>0.91</b>             | <b>276.1</b>        | <b>0.48</b>             |
| <b>Net Borrowing</b>             | <b>21.9</b>         | <b>N/A</b>              |                     | <b>N/A</b>              |

3.8 In the above table the weighted average rate for 'cash available' is expressed on an annualised average basis.

## TREASURY MANAGEMENT STRATEGY 2020/21

3.9 The expectation for interest rates incorporated within the **Annual Treasury Management Strategy for 2020/21** was based on officers' views at that time, prepared with assistance from the County Council's Treasury Management Advisor, Link Treasury Services Limited, (Link) and supported by a selection of City forecasts.

3.10 The interest rates for the UK were expected to be as follows:

**Bank Base Rate** was expected to continue at 0.75% before rising to end 2022/23 at 1.25%.

**PWLB Borrowing rates** were forecast to rise gradually throughout the next three years in all periods. Variable and short term rates were expected to be the cheaper form of borrowing over the period.

3.11 Based on the above, the Strategy adopted by the County Council for 2020/21 was as follows:

**a) Long Term Debt to Finance Capital Expenditure (borrowing strategy 2020/21)**

2020/21 was expected to continue as a year of low bank interest rates, extending the current opportunity for the County Council to continue with the current internal borrowing strategy.

Borrowing in advance of need within the constraints of the Prudential Code and approved Prudential Indicators would only be considered in exceptional circumstances.

Consideration would be given to financing capital expenditure by taking borrowing from PWLB/money markets, but the key treasury strategy was to postpone borrowing and maintain an under borrowed position to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

In considering this option however, day to day cash flow constraints and the loss of longer term interest stability would also be taken into account together with the possibility of having to replace the internal borrowing with external borrowing in a subsequent year at higher interest rates.

**b) Investment of Surplus cash (investment strategy 2020/21)**

The County Council's investment priorities are firstly the security of capital and secondly the liquidity of its investments. The highest return would then be sought provided that proper levels of security and liquidity are achieved. The investment risk appetite of the County Council is low in order to give priority to the security of investments.

## **THE ECONOMY IN 2020/21**

3.12 The Council's treasury advisors Link summarised the key points associated with economic activity in 2020/21 as follows:

### **Coronavirus**

- the first national lockdown due to the Coronavirus pandemic in late March 2020 caused an economic downturn that exceeded the one caused by the financial crisis of 2008/09;
- the shorter, second lockdown in November and third lockdown in January 2021, saw businesses and individuals more resilient, adapting to working in new ways, resulting in less damage to the economy than was caused than in the first lockdown;
- the fast programme of vaccination in both the UK and US is expected to lead to a return to something approaching normal life during the second half of 2021, and has been instrumental in speeding economic recovery and the reopening of the economy. It is therefore expected that the UK economy could recover its pre-pandemic level of economic activity during quarter 1 of 2022; and
- both the Government and the Bank of England took rapid action in March 2020 at the height of the crisis to provide support to financial markets to ensure their proper functioning, and to support the economy and to protect jobs.

**BREXIT**

- the final agreement on 24th December 2020 eliminated a significant downside risk for the UK economy. The initial agreement only covered trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. There was much disruption to trade in January as new administrative procedure were implemented. This appears to have eased, although remains acute in some areas.

**USA**

- the US economy did not suffer as much damage as the UK economy due to the pandemic; and
- the Democrats won the presidential election in November 2020 and have control of both Congress and the Senate, although power is more limited in the latter. This enabled the Democrats to pass a \$1.9trn stimulus package in March on top of the \$900bn fiscal stimulus deal passed by Congress in late December.

**EU**

- the roll out and take up of vaccines has been slower in the EU in 2021, and with some countries experiencing a sharp rise in cases, this has led to renewed severe restrictions or lockdowns during March. This will inevitably put back economic recovery; with a return to pre-pandemic levels not expected until the second half of 2022; and
- Inflation was well under 2% during 2020/21.

**BORROWING AND INVESTMENT RATES IN 2020/21**

3.13 Notwithstanding the forecasts for interest rates and prospects for the economy in 2020/21 as projected in February 2020 the actual interest position experienced during the year is described below.

3.14 The movement in relevant UK market interest rates for the year was as follows:

**a) for Bank rate**

| Period                       | %    |
|------------------------------|------|
| 1 April 2020 – 31 March 2021 | 0.10 |

**b) for PWLB rates**

| Item                           | Range during Year | Start of Year | End of Year | Average In Year |
|--------------------------------|-------------------|---------------|-------------|-----------------|
|                                | %                 | %             | %           | %               |
| <b>Fixed Interest Maturity</b> |                   |               |             |                 |
| 1 year                         | 0.85 - 2.14       | 2.09          | 0.99        | 1.63            |
| 5 years                        | 0.92 - 2.19       | 2.12          | 1.38        | 1.70            |
| 10 years                       | 1.20 - 2.48       | 2.30          | 1.91        | 2.01            |
| 25 years                       | 1.73 - 3.06       | 2.80          | 2.39        | 2.53            |
| 50 years                       | 1.52 - 2.91       | 2.54          | 2.19        | 2.34            |

The PWLB rates in the above table reflect the PWLB 0.2% discount rate.

**c) for Investment Rates**

Deposit rates continued at depressed levels throughout 2020/21.

| Item        | Range during Year | Start of Year | End of Year | Average during Year |
|-------------|-------------------|---------------|-------------|---------------------|
|             | %                 | %             | %           | %                   |
| 7 day LIBID | -0.10 – 0.00      | 0.0           | -0.08       | -0.07               |
| 1 month     | -0.11 – 0.14      | 0.10          | -0.07       | -0.05               |
| 3 month     | -0.10 – 0.56      | 0.45          | -0.04       | 0.01                |
| 6 month     | -0.10 – 0.62      | 0.59          | -0.01       | 0.07                |
| 1 year      | -0.05 – 0.77      | 0.71          | 0.04        | 0.17                |

**BORROWING OUTTURN FOR 2020/21**

3.15 The year on year movement in the external debt position is as follows:-

| Item  | £m    | £m           |
|---|-------|--------------|
| Debt outstanding at 1 April 2020                    |       |              |
| PWLB  | 243.1 |              |
| Other institutions                                  | 20.0  |              |
| New borrowing in the year                           | 263.1 | 0.0          |
| Scheduled debt repayments in year                   |       | -27.1        |
| Premature Debt Repayment in 2020/21                 |       | 0.0          |
| <b>= external debt outstanding at 31 March 2021</b> |       | <b>236.0</b> |

3.16 The reduction in external debt during 2020/21 of £27.1m (from £263.1m to £236.0m) reflects the impact of debt repayments and the total 2020/21 borrowing requirement being funded internally from cash balances.

3.17 The following analysis shows the maturity profile of the County Council's long term debt as at 31 March 2021.

| Item   | Debt         | Weighted average interest rate |
|--|--------------|--------------------------------|
|  | £m           | %                              |
| <b>PWLB</b>                                    |              |                                |
| Maturing within                                |              |                                |
| 1 year   | 14.1         | 5.99                           |
| 1-2 years                                      | 13.4         | 5.65                           |
| 2-5 years                                      | 10.0         | 4.38                           |
| 5-10 years                                     | 7.5          | 4.18                           |
| 10-25 years                                    | 17.2         | 4.35                           |
| 25-50 years                                    | 153.8        | 4.37                           |
|  | 216.0        | 4.51                           |
| <b>Money Market Loans</b>                      |              |                                |
| Commerzbank A.G.                               |              |                                |
| 50 years but fixed for 5 years (to 26/09/2025) | 5.0          | 3.78                           |
| 50 years but fixed for 5 years (to 27/09/2024) | 5.0          | 3.73                           |
| Dexia Bank                                     |              |                                |
| 70 years but fixed for 3 years (to 18/08/2021) | 10.0         | 4.15                           |
|  | 20.0         | 3.95                           |
| <b>= total as at 31 March 2021</b>             | <b>236.0</b> | <b>4.46</b>                    |
| <b>= total as at 31 March 2020</b>             | <b>263.1</b> | <b>4.39</b>                    |

3.18 As highlighted in the table above, the average debt portfolio interest rate has increased to 4.46% This is because some of the loans repaid during 2020/21 were at a lower interest rate.

3.19 Recognising the Borrowing Strategy, the economic situation in 2020/21 and the actual borrowing rates during the year, the borrowing approach taken in 2020/21 was as follows:-

a) in view of interest rate forecasts it was recognised that the internal borrowing strategy was not a significant risk throughout 2020/21. Continuing substantial cash balances ensured there was no need to borrow for cash flow purposes alone. Deferral of any potential new borrowing also supported the Council in terms of reduced credit risk on its investments;

b) it was appreciated that the overall forecast for long term borrowing rates is to increase over the next few years and, therefore, consideration was also given to weighting the short term advantage of internal borrowing against potential long term costs. A close watch will, however, continue to be kept on interest rates;

- c) continuing low investment rates throughout 2020/21 supported the continued use of cash balances, where appropriate, to maintain the internal financing (under borrowed) position of the annual borrowing requirement;
- d) the 2020/21 borrowing requirement increased the internal financing position. No additional external debt repayments were made due to early redemption penalties that would be incurred;
- e) the internal borrowing strategy achieves significant short term revenue savings and also mitigates the credit risk incurred by holding investments in the market. The strategy is not risk free, however, in terms of the loss of long term stability in interest payments, operational cash flow and ultimate refinancing of the capital borrowing requirement;
- f) looking ahead to future years, the Capital Financing requirement is forecast to continue falling as the annual Minimum Revenue Provision for debt repayment exceeds the annual capital borrowing requirement. There is, however, further significant maturing debt and both these factors will be reflected in the annual consideration of how to finance the cumulative internally financed (under borrowed) position and the borrowing requirement for each year.

3.20 The total borrowing requirement for 2020/21 and the financing of that requirement was as follows:-

| Item                                       | Total Borrowing Requirement | External Borrowing from PWLB | Financed Internally |
|--|-----------------------------|------------------------------|---------------------|
|  | £m                          | £m                           | £m                  |
| Capital Spending 2020/21                   | 2.3                         | 0.0                          | 2.3                 |
| Scheduled loan repayments                  | 27.1                        | 0.0                          | 27.1                |
| MRP charged to revenue etc                 | -11.1                       | 0.0                          | -11.1               |
| <b>Total in year borrowing requirement</b> | <b>18.3</b>                 | <b>0.0</b>                   | <b>18.3</b>         |

3.21 The £18.3m borrowing requirement was funded internally from cash balances rather than taking new external debt - in line with the 2020/21 Borrowing Strategy.

3.22 The element of the County Council's Capital Financing Requirement that is now being funded internally stands at £52.7m (including £15.1m of loans and £11.9m commercial investments which will remain internally financed) consisting of :

| Item  | £m          |
|---|-------------|
| Balance as at 1 April 2020  | 34.4        |
| Total 2020/21 borrowing requirement                               | 18.3        |
| <b>= Internally financed Capital expenditure at 31 March 2021</b> | <b>52.7</b> |

3.23 The County Council's underlying need to borrow for capital purposes, known as the Capital Financing Requirement (CFR) as at 31 March 2021 was :

| Item  | £m           |
|---|--------------|
| External borrowing  | 236.0        |
| Internal Borrowing from cash balances                       | 52.7         |
| <b>= Net borrowing for capital purposes</b>                 | <b>288.7</b> |
| + PFI Liability   | 150.6        |
| + Finance Lease Liability                                   | 1.0          |
| <b>= Total CFR (borrowing and PFI etc) at 31 March 2021</b> | <b>440.3</b> |

3.24 £288.7m borrowing element of the CFR of £440.3m includes both external borrowing and borrowing from internal sources and could be reduced by the application of additional capital financing resources (such as unapplied capital receipts) or increasing the annual Minimum Revenue provision for debt repayment.

3.25 The year on year movement for the CFR (borrowing and PFI / Finance lease liabilities) is as follows:-

| Item                                | Capital Borrowing Requirement | PFI Liability | Finance lease Liability | Total CFR    |
|-------------------------------------|-------------------------------|---------------|-------------------------|--------------|
|                                     | £m                            | £m            | £m                      | £m           |
| CFR at 31 March 2020                | 297.5                         | 154.1         | 1.0                     | 452.6        |
| New borrowing required in 2020/21   | 2.3                           | 0.0           | 0.0                     | 2.3          |
| Charge to revenue (MRP) in year     | -11.1                         | -3.5          | 0.0                     | -14.6        |
| <b>= Total CFR at 31 March 2021</b> | <b>288.7</b>                  | <b>150.6</b>  | <b>1.0</b>              | <b>440.3</b> |



## **DEBT RESCHEDULING AND THE PREMATURE REPAYMENT OF EXTERNAL DEBT**

- 3.26 The rescheduling of debt involves the early repayment of existing debt and its replacement with new borrowing. This can result in one-off costs or benefits called respectively premiums and discounts dependent on whether the rate of the loan to be repaid is higher (premium) or lower (discount) than comparative current rates.
- 3.27 No cost effective repayment options were identified in year.

## **INVESTMENT OUTTURN FOR 2020/21**

### **Internally Managed Investments**

- 3.28 The County Council's investment policy is governed by MHCLG guidance which has been implemented in the annual investment strategy approved in February 2020. This policy sets out the approach for choosing investment counter parties 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 price etc.
- 3.29 The investment activity during the year conformed to the approved strategy and the County Council had no liquidity difficulties.
- 3.30 The County Council currently manages its cash investments in-house and only invests with the organisations specified in its Approved Lending List. Investments were made for a range of periods from overnight to 24 months dependent on cash flow, interest rates on offer and interest rate expectations. The investment position was managed as follows:
- a) the County Council generally looks to keep most cash invested for short periods (to cover specific dates and cash flow requirements);
  - b) the general approach throughout the year was, therefore, one of keeping investments at shorter dates whilst taking advantage of perceived good value for longer term investments;
  - c) no investments for longer than one year were made during 2020/21 and none were in place at 31 March 2021 (£40m maximum limit);
  - d) less use was made of business reserve accounts for cash flow generated balances. Alternatively, a number of "notice" accounts were used during the year with notice periods varying between 31 and 180 days which offered attractive rates of return. Increasingly using longer fixed rate investment opportunities and lending to other Local Authorities has been required to achieve acceptable rates. The County Council will continue with this strategy in the future, subject to satisfying the stringent Approved Lending List criteria;
  - e) as in the previous year, the overall level of investments was depressed throughout the year through the agreed strategy of internally funding the 2020/21 and recent previous years capital borrowing requirements.

3.31 The results of the County Council's investment activities for 2020/21 were as follows:-

|                                      |              |
|--------------------------------------|--------------|
| Number of loans made                 | 325          |
|                                      | <b>£m</b>    |
| Balance outstanding 31/03/2020       | 464.4        |
| +Loaned during 2020/21               | 1,698.6      |
| -Repaid during 2020/21               | -1,683.6     |
| =Balance outstanding 31/03/2021      | 479.4        |
| Average daily balance during 2020/21 | 506.9        |
| Interest Earned                      | 2.3          |
| <b>Average Rate achieved 2020/21</b> | <b>0.48%</b> |
| Average 7 Day Rate 2020/21           | -0.07%       |
| Average Bank Rate 2020/21            | 0.10%        |

3.32 An analysis of the investments placed at 31 March 2021 totalling £479.4m is attached at **Appendix A**.

3.33 No institutions in which investments were made had any difficulty in repaying investments and interest in full during the year.

### **Treasury Management Investment Pool**

3.34 The level of funds loaned out and interest earned figures reported above include transactions relating to the various independent bodies for which the County Council provided treasury management services during 2020/21.

3.35 Due to the size of the cash balances of these bodies, the County Council operates a 'sweep' arrangement under which any surplus cash of the organisation(s) are merged with similar funds managed by the County Council to secure better overall returns in the money market.

3.36 This arrangement is advantageous to these bodies because on their own the day to day balances in their bank accounts can be volatile and unpredictable and yet are small in terms of involvement in the money market.

3.37 Interest is paid out to these organisations at the same overall average rate as earned by the County Council on the total funds loaned out, and they are charged an annual fee for the service provided.

3.38 Any loss incurred as a result of default by a bank / building society counterparty would be apportioned between the County Council and these organisations in proportion to the total surplus cash funds of each organisation, at the time of default.

3.39 In terms of levels of balances outstanding the position is as follows:-

| Item                           | 31 March<br>2020 | 31 March<br>2021 | Interest<br>Earned in<br>2020/21 |
|--------------------------------|------------------|------------------|----------------------------------|
|                                | £m               | £m               | £000                             |
| NY Pension Fund                | 140.0            | 111.8            | 685.8                            |
| NY Fire and Rescue Authority   | 4.7              | 4.9              | 29.9                             |
| Yorkshire Dales National Park  | 3.3              | 3.5              | 22.0                             |
| North York Moors National Park | 2.6              | 3.8              | 20.2                             |
| Peak District National Park    | 5.0              | 4.0              | 25.4                             |
| Selby District Council         | 66.7             | 67.0             | 363.6                            |
| National Parks England         | 0.1              | 0.1              | 0.9                              |
| Align Property Partners        | 0.9              | 0.9              | 4.2                              |
| NYnet Limited                  | 3.0              | 1.3              | 0.0                              |
|                                | 226.3            | 197.3            | 1,152.0                          |
| County Council                 | 238.2            | 276.1            | 1,397.3                          |
| <b>Total</b>                   | <b>464.4</b>     | <b>479.4</b>     | <b>2,549.3</b>                   |

### Fund Managers and Externally Managed Investments

3.40 The option to use external Fund Managers for management of an element of the Investment Portfolio has been kept under constant review throughout 2020/21 and is discussed as part of regular strategy meetings with the Council's Treasury Management advisors, Link.

3.41 No Fund Managers were used during 2020/21.

### ALTERNATIVE INVESTMENTS

3.42 The prolonged low interest rate environment has resulted in reduced returns on treasury management investments. Moreover, the introduction of the general power of competence has given local authorities far more flexibility in the types of activity they can engage in. These changes in the economic and regulatory landscape, combined with significant financial challenges, have led many authorities to consider different and more innovative types of investment.

3.43 The primary objectives of alternative investment activities are:

- a) Security – to protect the capital sums invested from loss; and
- b) Liquidity – ensuring the funds invested are available for expenditure when needed.

3.44 Non-core activities and investments are primarily undertaken by the Council in order to generate income to support the delivery of a balanced budget. Such investments are only entered following a full assessment of the risks and having secured expert external advice (i.e. where it is relevant to do so).

3.45 An overall maximum exposure of £60m for alternative investments was approved by Executive on 15 January 2019.

3.46 In order to manage risk appropriately, achieve targets for investment returns, deliver a diverse portfolio and maintain a level of liquidity, the Commercial Investment Board has established an investment framework. The investment framework provides a range of investment options and investment limits for each option.

### Commercial Property

3.47 Options are continually reviewed for the acquisition of land and buildings for investment purposes. Such assets will be classified as Commercial Property.

3.48 The investments in Commercial Property are classed as capital expenditure. As Commercial Properties are funded from core cash balances, the investments are effectively funded from internal borrowing for capital accounting purposes. As a result, expenditure on Commercial Property investments are included in the calculation of the Capital Financing Requirement (CFR). When the County Council ultimately disinvests and sells the properties, the income will be classed as a capital receipt and applied to reduce the CFR. The County Council will not borrow to fund commercial investment through loans from PWLB or money markets.

3.49 Commercial Properties in place as at 31 March 2021 are as follows:

| Property                          | Date Purchased | Amount      | Rate of Return | Return       |
|-----------------------------------|----------------|-------------|----------------|--------------|
|                                   |                | £m          | %              | £k           |
| Bank Unit in Stafford Town Centre | May-19         | 0.9         | 6.02           | 52.8         |
| Harrogate Royal Baths             | Jan-19         | 9.5         | 1.28           | 121.2        |
| Co-op Store in Somercotes         | Mar-19         | 1.5         | 5.32           | 79.6         |
|                                   |                | <b>11.9</b> | <b>2.09</b>    | <b>248.5</b> |

As the impact of Covid-19 on the property markets has become clearer, the impact on commercial property investments can now be assessed. As noted at Q3, a full valuation of commercial property investments has been undertaken as part of the year-end accounting requirements which has identified a £2.8m reduction in the valuation of property investments (from £11.9m to £9.1m) in 2020/21. Commercial Property is a long term investment and valuations can, therefore, rise as well as fall, over the period they are held. In order to mitigate any potential future losses a further £1.7m has been set aside in 20/21, in addition to the £2.2m set aside in previous years to offset potential losses previously identified and future maintenance costs, to ensure that there is no impact on the General Fund at the point of any future sale.”

### Loans to Companies in which the County Council has an interest

3.50 The County Council’s policy on making loans to companies in which it has an interest is incorporated into the Annual Treasury Management Strategy and is as follows:-

- a) the County Council’s general investment powers under the Annual Treasury Management and Investment Strategy come from the Local Government Act 2003 (section 12). Under this Act a local authority has the power to invest for any purpose relevant to its functions or for the purpose of the prudent management of its financial affairs;
- b) in addition to investment, the County Council has the power to provide loans and financial assistance to limited companies under the Localism Act 2011 (and also formally under the general power of wellbeing in the Local Government Act 2000) which introduced a general

power of competence for authorities (to be exercised in accordance with their general public law duties); and

- c) any such loans to limited companies by the County Council would therefore be made under these powers. They would not, however, impact on the Investment Strategy but would be classed as capital expenditure by the County Council under the Local Authorities (Capital Finance and Accounting) Regulations 2003 and would be approved, financed and accounted for accordingly.

3.51 The position on these loans at 31 March 2021 is as follows:-

| <b>Period</b>               | <b>Yorwaste</b> | <b>NYnet</b> | <b>Brierley Homes</b> | <b>First North Law</b> | <b>NY Highways</b> | <b>Total</b> |
|-----------------------------|-----------------|--------------|-----------------------|------------------------|--------------------|--------------|
|                             | <b>£m</b>       | <b>£m</b>    | <b>£m</b>             | <b>£m</b>              | <b>£m</b>          | <b>£m</b>    |
| Balance as at 31 March 2020 | 6.81            | 7.64         | 4.56                  | 0.09                   | 0.00               | 19.10        |
| Variation in 2020/21        | -0.39           | -7.64        | 3.36                  | 0.00                   | 0.21               | -4.46        |
| Balance as at 31 March 2021 | 6.42            | 0.00         | 7.92                  | 0.09                   | 0.21               | 14.64        |
| <b>Approved Limits</b>      | <b>7.50</b>     | <b>10.00</b> | <b>8.00</b>           | <b>0.25</b>            | <b>11.00</b>       | <b>36.75</b> |

3.52 These loans have been treated as Capital Expenditure by the County Council and financed from Internal Borrowing. The revenue interest loss is offset by the interest charged to the two companies.

**Property Funds**

3.53 Property Funds, pooled investment vehicles investing in diversified UK commercial property, were added to the schedule of Non Specified Investments as part of the 2020/21 Annual Treasury Management Strategy.

3.54 Following consultation with the Audit Committee and subsequent approval by the Commercial Investment Board, a procurement process, supported by the County Councils Treasury Management advisers was undertaken during 2018/19 and two Property Funds, BlackRock UK Property Fund and Threadneedle Property Unit Trust were selected.

3.55 Investments held in Property Funds are classified as Non-Specified Investments and are, consequently, long term in nature. Valuations can, therefore, rise as well as fall, over the period they are held. Any gains or losses in the capital value of investments are held in an unusable reserve on the balance sheet and do not impact on the General Fund until units in the funds are sold. As at 31 March 2021 the total capital value of the Property Fund investments had reduced by £349.1k (£129.0k BlackRock; £220.1k Threadneedle), As a result, an additional £40.0k has been set aside in a reserve in the Balance Sheet in 20/21.

3.56 Each fund also provides a monthly revenue return, representing interest earned on the fund over that period. The position on Property Funds at 31 March 2021 is as follows:-

In year

| <b>Fund</b>  | <b>Bfwd Investment</b> | <b>Valuation as at 31 March 2021</b> | <b>Gain / (Loss)</b> | <b>Revenue Return</b> | <b>Return</b> | <b>Transfer to Reserve</b> |
|--------------|------------------------|--------------------------------------|----------------------|-----------------------|---------------|----------------------------|
|              | <b>£k</b>              | <b>£k</b>                            | <b>£k</b>            | <b>£k</b>             | <b>%</b>      | <b>£k</b>                  |
| Blackrock    | 2,851.9                | 2,874.0                              | 22.1                 | 65.9                  | 2.9           | 22.0                       |
| Threadneedle | 2,769.7                | 2,707.0                              | -62.7                | 87.6                  | 4.0           | -62.0                      |
| <b>Total</b> | <b>5,621.6</b>         | <b>5,581.0</b>                       | <b>-40.6</b>         | <b>153.5</b>          | <b>3.4</b>    | <b>-40.0</b>               |

Total Fund Performance

| <b>Fund</b>  | <b>Orginial Investment</b> | <b>Valuation as at 31 March 2021</b> | <b>Gain / (Loss)</b> | <b>Revenue Return</b> | <b>Return</b> |
|--------------|----------------------------|--------------------------------------|----------------------|-----------------------|---------------|
|              | <b>£k</b>                  | <b>£k</b>                            | <b>£k</b>            | <b>£k</b>             | <b>%</b>      |
| Blackrock    | 3,003.0                    | 2,874.0                              | -129.0               | 210.1                 | 7.0           |
| Threadneedle | 2,927.1                    | 2,707.0                              | -220.1               | 281.1                 | 9.6           |
| <b>Total</b> | <b>5,930.1</b>             | <b>5,581.0</b>                       | <b>-349.1</b>        | <b>491.2</b>          | <b>8.3</b>    |

### **Potential Commercial Investment – Solar PV (Photo Voltaic) Project**

3.57 As part of the Commercial Investment framework overseen by the Commercial Investment Board, consideration has been given to the potential for investment in solar power generation. However, whilst we are pursuing a potential development which will provide an income stream for the Council, such an investment also has the potential to support our work towards reducing our carbon emissions.

3.58 Following discussion of the potential options and associated risks, a steer on a full turnkey project was given by the Board and officers have been exploring the potential to bring forward a business case on a scheme for approval.

3.59 The turnkey route involves purchasing the rights to a solar PV asset, which has been already built or is 'shovel ready' and awaiting construction. The rights are usually packaged in a 'special purpose vehicle' which holds the key contractual agreements such as grid connection offer, land leases and any power purchase agreements.

3.60 The turnkey route will enable the appropriate sharing of risk and reward - providing the capacity and expertise to deliver and importantly operate the facility in return for a share of the financial returns.

3.61 For the purposes of market engagement investments for sites with capacity for 9 W to 30 MW+ are being sought. The level of investment, should a business case be ultimately approved, is likely to be considerable – for example a 50MW site could cost in the region of £30m. Whilst the amount of investment will be subject to the specific site and model

proposed (for example with or without battery storage) generally speaking the larger the investment the more favourable the business case can be expected to be.

- 3.62 Initial market engagement has identified a number of potential 'shovel ready' sites within the UK although subject to availability of suitable schemes.
- 3.63 In order to take this work forward in earnest an internal project team has been established and Align Property Partners have been appointed as Project Managers. APP's appointment includes the engagement of industry expertise to ensure the Council is an 'expert client'.
- 3.64 To date costs incurred have been within existing budgets but to develop a full business case for consideration, a formal budget will need to be established. Up to £75k is requested from the Strategic Capacity Reserve to bring forward a full business case for consideration in due course. This will cover external technical expertise, as well as legal and financial advice/support.
- 3.65 Subject to a favourable business case on a 'shovel ready' site and approval to proceed, then the timeline for the project could see the site developed within the next 18 – 24 months. However, timing of delivery is very much dependent on the status of the proposed scheme.

## Summary

3.66 The investment framework and alternative position as at 31 March 2021 is as follows:

| Type of Investment                            | Max Limit   | Invested as at 30/03/2021 | Rate of Return | Return Achieved 20/21 |
|---|-------------|---------------------------|----------------|-----------------------|
|   | £m          | £m                        | %              | £k                    |
| <b>Alternative Treasury Instruments</b>       |             |                           |                |                       |
| Money Market Funds                            | 20.0        | 0.0                       | 0.07           | 13.8                  |
| Enhanced Cash Funds                           | 20.0        | 0.0                       | 0.00           | 0.0                   |
| Certificate of Deposit                        | 20.0        | 0.0                       | 0.00           | 0.0                   |
| Property Funds                                | 20.0        | 5.9                       | 3.43           | 205.6                 |
| <b>Total Alternative Treasury Instruments</b> | <b>80.0</b> | <b>5.9</b>                | <b>3.43</b>    | <b>219.4</b>          |
| <b>Alternative Investments</b>                |             |                           |                |                       |
| <b>Loans to Council Companies</b>             | } 25.0      |                           |                |                       |
| - Yorwaste                                    |             | 6.4                       | 4.10           | 261.1                 |
| - Brierley Homes                              |             | 7.9                       | 6.10           | 289.1                 |
| - First North Law                             |             | 0.1                       | 4.10           | 3.6                   |
| - NY Highways                                 |             | 0.2                       | 6.60           | 4.4                   |
| <b>Total Loans to Council Companies</b>       | <b>25.0</b> | <b>14.6</b>               | <b>5.22</b>    | <b>558.2</b>          |
| <b>Other Alternative Investments</b>          |             |                           |                |                       |
| Spend to Save                                 | 5.0         | 0.0                       | 0.00           | 0.0                   |
| Loans to Hosung Associations                  | 10.0        | 0.0                       | 0.00           | 0.0                   |
| Solar Farm (or similar) Project               | 5.0         | 0.0                       | 0.00           | -4.2                  |
| Commercial Investments/Local Growth           | 20.0        | 11.9                      | 2.09           | 248.5                 |
| <b>Total Other Alternative Investments</b>    | <b>45.0</b> | <b>11.9</b>               | <b>2.09</b>    | <b>244.3</b>          |
| <b>Total Alternative Investments</b>          | <b>60.0</b> | <b>26.5</b>               | <b>3.82</b>    | <b>802.5</b>          |

## REVENUE IMPACT OF 2020/21 TREASURY MANAGEMENT ACTIVITY

3.67 The revenue impact of the 2020/21 Treasury Management Activity (for both borrowing and investments) is as follows:

| Activity   | Principal    | Weighted Average Return | Return        |
|--|--------------|-------------------------|---------------|
|  | £m           | %                       | £m            |
| <b>Investments</b>   |              |                         |               |
| Core Treasury Management<br>(inc Alternative Treasury Instruments) | 282.1        | 0.48                    | 1.40          |
| Alternative Investments  | 26.5         | 3.82                    | 0.80          |
| <b>Total Investments</b>   | <b>314.7</b> | <b>0.75</b>             | <b>2.20</b>   |
| <b>Capital Financing</b>   |              |                         |               |
| External Debt  | 236.0        | 4.46                    | -11.02        |
| Minimum Revenue Provision  |              |                         | -11.07        |
| <b>Total Capital Financing Costs</b>                               |              |                         | <b>-22.09</b> |
| <b>Transfer to Reserves</b>  |              |                         |               |
| Commerical Property  |              |                         | -1.70         |
| Property Funds   |              |                         | -0.04         |
| <b>Total Transfer to Reserves</b>                                  |              |                         | <b>-1.74</b>  |
| <b>Net Revenue Impact</b>  |              |                         | <b>-21.63</b> |

3.68 While interest rates have remained low throughout 2020/21, cash balances have continued at relatively high levels. Investment returns for 2020/21 were £1.40m which was lower than budget (£1.49m). The outturn interest yield on investments of 0.48% was below the 0.95% budget provision.

3.69 The Minimum Revenue Provision (MRP) was budgeted to be £11.07m for 2020/21, which was as budgeted.

## COMPLIANCE WITH TREASURY LIMITS AND PRUDENTIAL INDICATORS

3.70 The County Council is required to comply with the CIPFA Prudential Code and set Prudential Indicators for the next three years to ensure that capital investment plans are affordable, prudent and sustainable.

3.71 During the financial year the County Council operated within the Treasury Limits and Prudential Indicators as set out in the Council's Treasury Management Policy Statement and Annual Treasury Management Strategy for 2020/21.

3.72 The Prudential Indicators covering the period up to 31 March 2023 were approved by the County Council in February 2020. An in year revision was subsequently approved by County



Council in November 2020. More recently an updated set of indicators up to 31 March 2024 was approved by County Council in February 2021 as part of the 2021/22 Budget process.

3.73 As part of this Annual Treasury Management Report for 2020/21 it is therefore appropriate to report the 2020/21 outturn position on these Prudential Indicators compared with the last updated set of indicators, these are set out in **Appendix B**.

## **APPROVED LENDING LIST**

3.74 The criteria for monitoring and assessing organisations (counterparties) to which the County Council may make investments (i.e. lend) are incorporated into the detailed Treasury Management Practices (TMPs) that support the Treasury Management Policy Statement (TMPS). Applying these criteria enables the County Council to produce an Approved Lending List of organisations in which it can make investments, together with specifying the maximum sum that at any time can be placed with each. The Approved Lending List is prepared and maintained, taking into account the advice of the County Council's Treasury Management Advisor, Link.

3.75 The credit rating criteria utilised in 2020/21 reflected the following:

- a) a system of scoring each organisation using Link's enhanced creditworthiness service. This service which has been progressively developed uses a sophisticated modelling system that includes:
  - credit ratings published by the three credit rating agencies (Fitch, Moody's and Standard and Poor) which reflect a combination of components (sovereign, long term, short term, individual and support)
  - credit watches and credit outlooks from the rating agencies
  - Credit Default Swaps (CDS) spreads to give early warnings of likely changes in credit ratings
  - sovereign ratings to select counterparties from only the most credit worthy countries;
  - any known Central Government involvement or specific guarantees issued for an organisation.
- b) sole reliance was not placed on the information provided by Link. In addition, the County Council also used market data and information available from other sources such as the financial press and other agencies and organisations;
- c) furthermore, the following measures were also actively taken into consideration throughout the year:
  - institutions were removed or temporarily suspended from the Approved Lending List if there was significant concern about their financial standing or stability
  - investment exposure was concentrated with higher rated institutions wherever possible
  - investments were generally kept short.

3.76 The Approved Lending List is monitored on an ongoing basis and changes made as appropriate by the Corporate Director – Strategic Resources to reflect changes in organisations standing against the agreed criteria. This includes credit rating

downgrades/upgrades, mergers or market intelligence and rumours that impact on the 'credit score' and 'colour coding system'

3.77 Changes to the Approved Lending List, together with the current List are included in the Treasury Management section of the Quarterly Performance Monitoring reports submitted to Executive. Changes to the list last submitted to Executive in February 2021 are listed in **Appendix C** with the current lending list attached as **Appendix D**.

## **RECOMMENDATION**

3.78 The Executive is recommended

- a) to approve the proposed funding of £75k from the Strategic Capacity Reserve to develop a full business case for potential investment in solar power generation, as detailed in **paragraph 3.64**
- b) Note the performance of the Treasury Management operation during 2020/21 and the outturn position on Prudential Indicators

## **TREASURY MANAGEMENT APPENDICES**

Appendix A Analysis of Investments placed at 31 March 2021

Appendix B Compliance with Treasury Limits and Prudential Indicators

Appendix C Changes to Approved Lending List since January 2021

Appendix D Approved Lending List as at 31 March 2021

## Analysis of Investments placed at 31 March 2021

|        | Lender                          | Sector | Start Date | Amount             | End Date  | Interest Rate |
|--------|---------------------------------|--------|------------|--------------------|-----------|---------------|
|        |                                 |        |            | £                  |           | %             |
|        | Barclays Bank Plc (NRFB)        | Bank   |            | 52,420,000         |           | 0.00          |
|        | Property Funds                  | Prop F |            | 5,930,079          |           | 3.43          |
|        | Handelsbanken Plc 35 day Notice | Bank   |            | 30,000,000         |           | 0.01          |
|        | Santander UK Plc 35 Day Notice  | Bank   |            | 20,000,000         |           | 0.30          |
|        | Santander UK Plc 95 Day Notice  | Bank   |            | 23,000,000         |           | 0.40          |
|        | Santander UK Plc 180 Day Notice | Bank   |            | 17,000,000         |           | 0.58          |
|        | Bank of Scotland 95 Day Notice  | Bank   |            | 20,000,000         |           | 0.10          |
| Apr-21 | Standard Chartered              | Bank   | 14-Oct-20  | 5,000,000          | 14-Apr-21 | 0.09          |
| May-21 | National Westminster Bank PLC   | Bank   | 24-Aug-20  | 5,000,000          | 24-May-21 | 0.20          |
|        | Standard Chartered              | Bank   | 23-Nov-20  | 5,000,000          | 24-May-21 | 0.05          |
|        | LB Brent                        | LA     | 04-Nov-20  | 5,000,000          | 04-May-21 | 0.12          |
|        | DBS                             | Bank   | 12-Feb-21  | 5,000,000          | 12-May-21 | 0.06          |
|        | DBS                             | Bank   | 18-Feb-21  | 5,000,000          | 18-May-21 | 0.06          |
| Jun-21 | Bank of Scotland                | Bank   | 03-Dec-20  | 5,000,000          | 03-Jun-21 | 0.03          |
|        | Bank of Scotland                | Bank   | 18-Dec-20  | 5,000,000          | 18-Jun-21 | 0.03          |
|        | Goldman Sachs                   | Bank   | 23-Feb-21  | 5,000,000          | 23-Jun-21 | 0.15          |
| Jul-21 | Standard Chartered              | Bank   | 11-Jan-21  | 5,000,000          | 12-Jul-21 | 0.03          |
|        | Standard Chartered              | Bank   | 15-Jan-21  | 10,000,000         | 15-Jul-21 | 0.03          |
|        | Bank of Scotland                | Bank   | 26-Jan-21  | 10,000,000         | 26-Jul-21 | 0.03          |
|        | Dundee City Council             | LA     | 26-Jan-21  | 5,000,000          | 26-Jul-21 | 0.06          |
|        | Bank of Scotland                | Bank   | 28-Jan-21  | 5,000,000          | 28-Jul-21 | 0.03          |
|        | Standard Chartered              | Bank   | 28-Jan-21  | 5,000,000          | 28-Jul-21 | 0.04          |
|        | Lancashire County Council       | LA     | 20-Jul-20  | 5,000,000          | 19-Jul-21 | 0.40          |
|        | West Dunbartonshire Council     | LA     | 23-Jul-20  | 3,000,000          | 22-Jul-21 | 0.35          |
|        | Guildford Borough Council       | LA     | 26-Feb-21  | 5,000,000          | 26-Jul-21 | 0.10          |
|        | Wokingham BC                    | LA     | 28-Jul-20  | 10,000,000         | 27-Jul-21 | 0.35          |
| Aug-21 | Cambridgeshire County Council   | LA     | 05-Aug-20  | 5,000,000          | 04-Aug-21 | 0.35          |
|        | National Westminster Bank PLC   | Bank   | 20-Aug-20  | 5,000,000          | 20-Aug-21 | 0.24          |
|        | Standard Chartered              | Bank   | 04-Feb-21  | 5,000,000          | 04-Aug-21 | 0.05          |
|        | Bank of Scotland                | Bank   | 04-Feb-21  | 10,000,000         | 04-Aug-21 | 0.03          |
|        | Standard Chartered              | Bank   | 11-Feb-21  | 5,000,000          | 11-Aug-21 | 0.05          |
|        | Goldman Sachs                   | Bank   | 12-Feb-21  | 5,000,000          | 12-Aug-21 | 0.20          |
| Sep-21 | National Westminster Bank PLC   | Bank   | 01-Sep-20  | 5,000,000          | 01-Sep-21 | 0.24          |
|        | Great Yarmouth BC               | LA     | 10-Sep-20  | 10,000,000         | 09-Sep-21 | 0.22          |
|        | West Dunbartonshire             | LA     | 22-Sep-20  | 4,000,000          | 21-Sep-21 | 0.25          |
|        | Aberdeen City Council           | LA     | 24-Sep-20  | 5,000,000          | 23-Sep-21 | 0.25          |
|        | LB Waltham Forest               | LA     | 28-Sep-20  | 5,000,000          | 27-Sep-21 | 0.25          |
|        | Standard Chartered              | Bank   | 05-Mar-21  | 10,000,000         | 06-Sep-21 | 0.09          |
| Oct-21 | Borough of Broxbourne           | LA     | 06-Oct-20  | 10,000,000         | 05-Oct-21 | 0.35          |
|        | LB Brent                        | LA     | 07-Oct-20  | 10,000,000         | 06-Oct-21 | 0.25          |
|        | Rushmoor BC                     | LA     | 12-Oct-20  | 10,000,000         | 11-Oct-21 | 0.27          |
|        | LB Southwark                    | LA     | 13-Oct-20  | 10,000,000         | 11-Oct-21 | 0.30          |
|        | LB Waltham Forest               | LA     | 15-Oct-20  | 5,000,000          | 14-Oct-21 | 0.25          |
|        | West Dumbartonshire             | LA     | 16-Oct-20  | 7,000,000          | 15-Oct-21 | 0.25          |
|        | Redcar & Cleveland              | LA     | 19-Oct-20  | 10,000,000         | 18-Oct-21 | 0.33          |
| Nov-21 | Glasgow City Council            | LA     | 04-Nov-20  | 10,000,000         | 03-Nov-21 | 0.25          |
|        | Wokingham BC                    | LA     | 09-Nov-20  | 5,000,000          | 08-Nov-21 | 0.25          |
|        | Slough BC                       | LA     | 20-Nov-20  | 10,000,000         | 19-Nov-21 | 0.25          |
|        | Plymouth CC                     | LA     | 20-Nov-20  | 5,000,000          | 19-Nov-21 | 0.25          |
|        | Eastbourne BC                   | LA     | 23-Nov-20  | 5,000,000          | 22-Nov-21 | 0.25          |
|        | Eastbourne BC                   | LA     | 24-Nov-20  | 5,000,000          | 23-Nov-21 | 0.25          |
|        | Telford and Wrekin              | LA     | 25-Nov-20  | 5,000,000          | 24-Nov-21 | 0.30          |
| Jan-22 | South Ayrshire Council          | LA     | 13-Jan-21  | 5,000,000          | 12-Jan-22 | 0.15          |
|        | Fife Council                    | LA     | 15-Jan-21  | 5,000,000          | 14-Jan-22 | 0.15          |
| Feb-22 | Guildford Borough Council       | LA     | 26-Feb-21  | 5,000,000          | 25-Feb-22 | 0.15          |
| Mar-22 | LB Waltham Forest               | LA     | 19-Mar-21  | 7,000,000          | 18-Mar-22 | 0.20          |
|        |                                 |        |            | <b>479,350,079</b> |           | <b>0.22</b>   |

| <b>Actual Loans Outstanding Summarised by Organisation</b> |              |
|--|--------------|
|  | <b>£m</b>    |
| Local Authority  | 191.0        |
| Santander  | 60.0         |
| Bank of Scotland   | 55.0         |
| Barclays   | 52.4         |
| Standard Chartered   | 50.0         |
| Handelsbanken  | 30.0         |
| National Westminster                                       | 15.0         |
| Goldman Sachs  | 10.0         |
| DBS  | 10.0         |
| Property Funds   | 5.9          |
|  | <b>479.3</b> |

| <b>Maturity Profile</b> |            |
|-------------------------|------------|
|                         | <b>%</b>   |
| Period                  |            |
| >1 Month                | 11         |
| 1 – 3 Months            | 20         |
| 3 – 6 Months            | 41         |
| 6 – 9 Months            | 22         |
| 9 – 12 Months           | 5          |
| >12 Months              | 1          |
|                         | <b>100</b> |

| <b>Portfolio Breakdown</b> |            |
|----------------------------|------------|
|                            | <b>%</b>   |
| Fixed Term                 | 65         |
| Notice Accounts            | 23         |
| Call Accounts              | 11         |
| Money Market Funds         | 0          |
| Property Funds             | 1          |
|                            | <b>100</b> |

| <b>Institution Type</b> |            |
|-------------------------|------------|
|                         | <b>%</b>   |
| Banks                   | 59         |
| Local Government        | 40         |
| Building Societies      | 0          |
| Money Market Funds      | 0          |
| Property Funds          | 1          |
|                         | <b>100</b> |

| <b>Country</b>     |            |
|--------------------|------------|
|                    | <b>%</b>   |
| Domestic           | 98         |
| Foreign            | 2          |
| Money Market Funds | 0          |
|                    | <b>100</b> |

## COMPLIANCE WITH TREASURY LIMITS AND PRUDENTIAL INDICATORS

(i) **Statutory Affordable Borrowing Limit for 2020/21 required under Section 3 of the Local Government Act 2003**

| Item                                  | Borrowing    | Other Long Term Liabilities | Total        |
|---------------------------------------|--------------|-----------------------------|--------------|
|                                       | £m           | £m                          | £m           |
| Initial figure approved February 2020 | 424.0        | 151.6                       | 575.6        |
| Revised August 2020                   | 385.5        | 151.6                       | 537.1        |
| Revised February 2021                 | 395.9        | 151.6                       | 547.5        |
| <b>Actual limit 2020/21</b>           | <b>303.1</b> | <b>151.6</b>                | <b>454.7</b> |

The limit set reflects sufficient headroom to cover a number of eventualities that could have occurred in the course of the financial year. Examples include debt rescheduling, capital receipts slippage, new capital borrowing requirements being taken early in the financial year and unusual cash movements.

(ii) **Ratio of capital financing costs to the net revenue budget***Formally Required Indicator Net of Interest Earned*

|                               |             |
|-------------------------------|-------------|
| Reported February 2021        | %           |
| - 2019/20 actual              | 10.8        |
| - 2020/21 probable            | 10.7        |
| <b>Actual 2020/21 outturn</b> | <b>10.4</b> |

The capital finance costs figure takes into account loan charges (principal plus interest) on external debt plus PFI and Finance Lease charges less interest earned on cash invested.

*Local Indicator*

Capital Financing costs are capped to 10% of the annual Net Revenue Budget (excludes interest earned on surplus cash balances).

|                               |            |
|-------------------------------|------------|
| Reported February 2021        | %          |
| - 2019/20 actual              | 6.2        |
| - 2020/21 probable            | 5.7        |
| <b>Actual 2020/21 outturn</b> | <b>5.7</b> |

(iii) **Capital Expenditure Actual and Forecasts**

|                               |              |
|-------------------------------|--------------|
| Reported February 2021        | £m           |
| - 2019/20 actual              | 99.1         |
| - 2020/21 probable            | 163.1        |
| <b>Actual 2020/21 outturn</b> | <b>119.6</b> |

The outturn position is lower than the probable as a result of rephasing of capital spending in the year self-funded from revenue and capital contributions, including school schemes.

(iv) **Capital Financing Requirement (as at 31 March)**

|                               | <b>Borrowing</b> | <b>Other Long Term Liabilities</b> | <b>Total</b> |
|-------------------------------|------------------|------------------------------------|--------------|
|                               | <b>£m</b>        | <b>£m</b>                          | <b>£m</b>    |
| Reported February 2021        |                  |                                    |              |
| - 2019/20 actual              | 297.5            | 155.1                              | 452.6        |
| - 2020/21 probable            | 299.6            | 151.6                              | 451.2        |
| <b>Actual 2020/21 outturn</b> | <b>288.7</b>     | <b>151.6</b>                       | <b>440.3</b> |

The outturn position is lower than the previous forecast largely as a result of the lower than anticipated

(v) **Gross borrowing against the Capital Financing Requirement**

The Prudential Indicator requires that, except in the short term, gross debt should not exceed the capital need to borrow as demonstrated by the Capital Financing Requirement (CFR).

The Corporate Director – Strategic Resources reports that the County Council has had no difficulty in meeting this requirement up to 2020/21 with the 2020/21 outturn position being as follows:

|  | <b>£m</b>    |
|--|--------------|
| CFR (borrowing) at 31 March 2021   | <b>440.3</b> |
| Less actual external debt at 31 March 2021   | 387.6        |
| <b>Head room at 31 March 2021 (= internally financed capital expenditure at 31/3/2021)</b> | <b>52.7</b>  |

(vi) **External Debt Limits**

|  | <b>Borrowing</b> | <b>Other Long Term Liabilities</b> | <b>Total</b> |
|--|------------------|------------------------------------|--------------|
|  | <b>£m</b>        | <b>£m</b>                          | <b>£m</b>    |
| Reported February 2021                     |                  |                                    |              |
| - Authorised limit for 2020/21             | 395.9            | 151.6                              | 547.5        |
| - Operational Boundary for 2020/21         | 375.9            | 151.6                              | 527.5        |
| <b>Actual limit reached during 2020/21</b> | <b>303.1</b>     | <b>151.6</b>                       | <b>454.7</b> |

(vii) **Actual External Debt**

|                         | <b>Borrowing</b> | <b>Other Long Term Liabilities</b> | <b>Total</b> |
|-------------------------|------------------|------------------------------------|--------------|
|                         | <b>£m</b>        | <b>£m</b>                          | <b>£m</b>    |
| At 31 March 2020        | 263.1            | 155.1                              | 480.2        |
| <b>At 31 March 2021</b> | <b>236.0</b>     | <b>151.6</b>                       | <b>387.6</b> |

(viii) **Maturity Structure of Borrowing**

The amount of borrowing maturing in each period as a percentage of total projected borrowing that is fixed rate.

|                                | <b>Lower Limit<br/>(February 2021)</b> | <b>Upper Limit</b> | <b>Actual at 31 March 2021</b> |
|--------------------------------|--|--------------------|--------------------------------|
|                                | <b>%</b>                               | <b>%</b>           | <b>%</b>                       |
| Under 12 months                | 0                                      | 50                 | 6                              |
| 12 months and within 24 months | 0                                      | 25                 | 6                              |
| 24 months and within 5 years   | 0                                      | 50                 | 7                              |
| 5 years and within 10 years    | 0                                      | 75                 | 3                              |
| 10 years and within 25 years   | 0                                      | 100                | 8                              |
| 25 years and within 50 years   | 0                                      | 100                | 70                             |
|                                |  |                    | <b>100</b>                     |

(ix) **Total Principal Sums Invested for Periods longer than 365 days**

The agreed maximum sum for investment longer than one year was £40m. There were no investments in place at 31 March 2021.



**Changes to Approved Lending List 1 January 2021 to 31 March 2021**

**Amendments to Investment Limits / Terms**

| <b>Organisation</b>                           | <b>Original Investment Limit / Term</b> | <b>Date Amended</b> | <b>Revised Investment Limit / Term</b> | <b>Reason for Amendment</b> |
|---|---|---------------------|--|-----------------------------|
| <b>Amendments made to Investment Limits</b>   |   |                     |  |                             |
| None  |   |                     |  |                             |
| <b>Amendments made to Investment Terms</b>    |   |                     |  |                             |
| None  |   |                     |  |                             |
| <b>Temporary Suspensions for Lending List</b> |   |                     |  |                             |
| None  |   |                     |  |                             |

The above shows changes to the Lending List as at 31 March 2021 compared to 31 December 2020. It should be noted, however, that changes can be made on a daily basis in reaction to market sentiment, with maximum investment durations being adjusted accordingly.

## APPROVED LENDING LIST AS AT 31 MARCH 2021

Maximum sum invested at any time (The overall total exposure figure covers both Specified and Non-Specified investments)

|  | Country | Specified Investments<br>(up to 1 year) |              | Non-Specified Investments<br>(> 1 year £20m limit) |              |
|--|---------|---|--------------|--|--------------|
|  |         | Total Exposure<br>£m                    | Time Limit * | Total Exposure<br>£m                               | Time Limit * |
| <b>UK "Nationalised" banks / UK banks with UK Central Government involvement</b> |         |   |              |  |              |
| Royal Bank of Scotland PLC (RFB)   | GBR     | 75.0                                    | 365 days     | -  | -            |
| National Westminster Bank PLC (RFB)  | GBR     |   |              |  |              |
| <b>UK "Clearing Banks", other UK based banks and Building Societies</b>          |         |   |              |  |              |
| Santander UK PLC (includes Cater Allen)  | GBR     | 60.0                                    | 6 months     | -  | -            |
| Barclays Bank PLC (NRFB)   | GBR     | 75.0                                    | 6 months     | -  | -            |
| Barclays Bank UK PLC (RFB)   | GBR     |   |              |  |              |
| Bank of Scotland PLC (RFB)   | GBR     | 60.0                                    | 6 months     | -  | -            |
| Lloyds Bank PLC (RFB)  | GBR     |   |              |  |              |
| Lloyds Bank Corporate Markets PLC (NRFB)   | GBR     |   |              |  |              |
| HSBC Bank PLC (NRFB)   | GBR     | 30.0                                    | 365 days     | -  | -            |
| HSBC UK Bank PLC (RFB)   | GBR     |   |              |  |              |
| Goldman Sachs International Bank   | GBR     | 60.0                                    | 6 months     | -  | -            |
| Sumitomo Mitsui  | GBR     | 30.0                                    | 6 months     | -  | -            |
| Standard Chartered Bank  | GBR     | 60.0                                    | 6 months     | -  | -            |
| Handelsbanken  | GBR     | 40.0                                    | 365 days     | -  | -            |
| Nationwide Building Society  | GBR     | 40.0                                    | 6 months     | -  | -            |
| Leeds Building Society   | GBR     | 20.0                                    | 3 months     | -  | -            |
| <b>High Quality Foreign Banks</b>  |         |   |              |  |              |
| National Australia Bank  | AUS     | 30.0                                    | 365 days     | -  | -            |
| Commonwealth Bank of Australia   | AUS     | 30.0                                    | 365 days     | -  | -            |
| Toronto-Dominion Bank  | CAN     | 30.0                                    | 365 days     | -  | -            |
| Credit Industriel et Commercial  | FRA     | 30.0                                    | 6 months     | -  | -            |
| Landesbank Hessen-Thuringen Girozentrale (Helaba)                                | GER     | 30.0                                    | 365 days     | -  | -            |
| DBS (Singapore)  | SING    | 30.0                                    | 365 days     | -  | -            |
| <b>Local Authorities</b>   |         |   |              |  |              |
| County / Unitary / Metropolitan / District Councils                              |         | 20.0                                    | 365 days     | 5.0  | 2 years      |
| Police / Fire Authorities  |         | 20.0                                    | 365 days     | 5.0  | 2 years      |
| National Park Authorities  |         | 20.0                                    | 365 days     | 5.0  | 2 years      |
| <b>Other Deposit Takers</b>  |         |   |              |  |              |
| Money Market Funds   |         | 20.0                                    | 365 days     | 5.0  | 2 years      |
| Property Funds   |         | 5.0                                     | 365 days     | 5.0  | 10 years     |
| UK Debt Management Account   |         | 100.0                                   | 365 days     | 5.0  | 2 years      |

\*Based on data at 26 March 2021