

## Treasury Management Strategy Statement and Annual Investment Strategy update

The Treasury Management Strategy Statement (TMSS) for 2021-22 was approved by this Council on 17<sup>th</sup> December 2020; Governance and Audit Committee recommendation to Full Council 21st January 2021 (ref: 11/21)

The details in this report update the position in light of the updated economic position and budgetary changes already approved.

Prudential Indicator 2021-22	Original £m	Revised Prudential Indicator £m
Authorised Limit	9.511	9.511
Operational Boundary	7.511	7.511
Capital Financing Requirement	-	-

The difference between the Authorised limit and the operational boundary is the overdraft which is £2m

### The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans
- How these plans are being financed
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow and
- Compliance with the limits in place for borrowing activity.

#### Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure by Service	2021-22 Original Estimate £m	2021-22 Revised Estimate £m	Current Spend @ 31.10.21 £m	2021-22 Forecast Out-turn £m
Strategy and Resources	2.301	3.858	2.175	3.892
Place and Delivery	15.368	10.754	4.944	10.801
Capital Loans	0	0.157	0.053	0.157
<b>Total</b>	<b>17.669</b>	<b>14.769</b>	<b>7.172</b>	<b>14.850</b>

Original Estimate is as per 21-22 budget report (February 21 Council). The forecast position reflects the latest figures which are being put forward for approval as part of the budget setting process to Council February 2022. The revised estimate is latest approved budget (September 2021 Cabinet report)

#### Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

<b>Capital Expenditure</b>	<b>2021-22 Original Estimate £m</b>	<b>Current Spend @ 31.10.21 £m</b>	<b>2021-22 Revised Estimate £m</b>
Supported	17.669	7.172	14.769
Unsupported	-	-	-
<b>Total spend</b>	<b>17.669</b>	<b>7.172</b>	<b>14.769</b>
Financed by:			
Revenue	1.163		1.863
Capital grants	14.227		10.236
Capital reserves	2.279		2.670
Capital Loans repaid	0.000		0.000
<b>Total financing</b>	<b>17.669</b>		<b>14.769</b>
<b>Borrowing need</b>	<b>Nil</b>		<b>Nil</b>

Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

The table shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

We are on target to achieve the original forecast Capital Financing Requirement.

Prudential Indicator – External Debt / the Operational Boundary

	<b>2021-22 Original Estimate £m</b>	<b>Current Position £m</b>	<b>2021-22 Revised Estimate £m</b>
<b>Prudential Indicator – Capital Financing Requirement</b>			
Total CFR	-	-	-
<b>Net movement in CFR</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prudential Indicator – External Debt / the Operational Boundary</b>			
Borrowing	-	-	-
Other long term liabilities*	7.511	7.511	7.511
<b>Total debt 31 March</b>	<b>7.511</b>	<b>7.511</b>	<b>7.511</b>

\* On balance sheet PFI scheme.

Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2021-22 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	<b>2021-22 Original Estimate £m</b>	<b>Current Position £m</b>	<b>2021-22 Revised Estimate £m</b>
Plus other long term liabilities*	7.511	7.511	7.511
Gross borrowing	-	-	-
CFR* (year end position)	-	-	-

\* The leisure PFI scheme is on balance sheet and increases the CFR. This does not affect the Council's debt position (which remains nil) as the debt facility embedded in the PFI will be repaid over the life of the scheme.

The Assistant Director Finance (S151) reports that no difficulties are envisaged for the current year in complying with this prudential indicator and future years pressures will be managed through the budget process.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

<b>Authorised limit for external debt</b>	<b>2021-22 Original Indicator</b>	<b>Current Position</b>	<b>2021-22 Revised Indicator</b>
Borrowing (Bank overdraft)	£2.000m	-	£2.000m
Other long term liabilities*	£7.511m	£7.511m	£7.511m
<b>Total</b>	<b>£9.511m</b>	<b>£9.511m</b>	<b>£9.511m</b>

\* On balance sheet PFI scheme.

#### Investment Portfolio 2021-22

In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Appendix A, it is a very difficult investment market in terms of earning interest.

Rates remain low. On 19th March 2020 the base rate changed from 0.25% to 0.10%.

Given the risk environment, investment returns remain low but interest rates are predicted to rise to 0.75% by the end of 2023/24.

The Council held £39.081m of cash/investments as at 30 September 2021 (£27.398m at 31 March 2021) and the investment portfolio yield for the first six months of the year is 0.245% (including capital loans) against a benchmark (3 month LIBID – London Inter-bank Bid rate) of 0.04503%.

The Assistant Director Finance (S151) confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2021-22.

The Council's budgeted investment return for 2021-22 is forecast to be £106,279 which is £129,387 under budget. This reduction is due to timing changes to capital loans.

#### Investment Counterparty criteria

The Council continues to use Link Asset Services colour coding methodology to select suitable counterparties.

#### Borrowing

The Council does not currently have any external borrowing, details on the PFI and the CFR are detailed earlier in this appendix.