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EXECUTIVE

Monday, 17th February, 2020
6.30 pm

EXECUTIVE

BURNLEY TOWN HALL

Monday, 17th February, 2020 at 6.30 pm

Members are reminded that if they have detailed questions on individual reports, they are advised to contact the report authors in advance of the meeting.

Members of the public may ask a question, make a statement, or present a petition relating to any agenda item or any matter falling within the remit of the committee.

Notice in writing of the subject matter must be given to the Head of Governance, Law & Regulation by 5.00pm on the day before the meeting. Forms can be obtained for this purpose from the reception desk at Burnley Town Hall or the Contact Centre, Parker Lane, Burnley. Forms are also available on the Council's website www.burnley.gov.uk/meetings.

AGENDA

16) ***Treasury Management Strategy 2020-21 and Prudential Treasury Indicators -UPDATED DOCUMENTS- Report and Appx1 and Appx2*** 3 - 18

To consider a report on the Treasury Management Strategy 2020-21 and Prudential Treasury Indicators.

MEMBERSHIP OF COMMITTEE

Councillor Charlie Briggs
Councillor Margaret Lishman
Councillor Gordon Birtwistle
Councillor Ivor Emo
Councillor Cosima Towneley

PUBLISHED Thursday, 13th February 2020.

ITEM NO	

REPORT TO EXECUTIVE

DATE	**17 February 2020**
PORTFOLIO	**Resources & Performance Management**
REPORT AUTHOR	**Asad Mushtaq**
TEL NO	**01282 477173**
EMAIL	**amushtaq@burnley.gov.uk**

2020/21 Treasury Management Strategy and 2020/21 – 2022/23 Prudential and Treasury Indicators

PURPOSE

1. a) To comply with the amended Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011.

   b) To outline a treasury management strategy statement for the financial year 2020/21.

   c) To set out prudential indicators for the financial years 2020/23 in line with the CIPFA's Prudential Code 2017.

   d) To seek approval for the Council's Minimum Revenue Provision (MRP) Policy Statement for the financial year 2020/21 in accordance with Government regulations, noting the change to the proposed method of calculating MRP.

   e) To update the Council's Treasury Management Practices (TMPs) in line with the CIPFA's Code of Practice.

RECOMMENDATION

2. That the Executive recommend to Full Council approval of ;

   a) The treasury management strategy statement for 2020/21 as set out in Appendix 1

   b) The prudential and treasury indicators for 2020/21 to 2022/23 per Appendix 2 including the authorised limit for external debt of £52.976m in 2020/21.

   c) The list of Counterparties for Deposits outlined within Appendix 3.

   d) The Council's MRP Statement for 2020/21 as set out in Appendix 4 of this report.

e) The TMP's set out in Appendix 8 of this report.

REASONS FOR RECOMMENDATION

3 a) To provide the proper basis required by current Government regulations and guidance to make charges for debt repayment (MRP) to the Council's revenue account.

3 b) To fulfil statutory and regulatory requirements and to provide a clear framework for local authority capital finance and treasury management.

SUMMARY OF KEY POINTS

4. **Background**

This report has been updated from the Scrutiny version to incorporate the impact of the revised estimates received on the Town Hall Capital Works.

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

As a consequence treasury management is defined as:
"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

5. Treasury Management Statutory & Regulatory Requirements

The Council is required to adopt a Treasury Management Strategy each year in advance of the forthcoming year. This report sets out the Treasury Management Strategy Statement for 2020/21 in Appendix 1 as well as the Prudential and Treasury Indicators for 2020/21 to 2022/23 in Appendix 2.

The primary requirements of the Code are as follows:

The Council is required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- Treasury strategy and prudential and treasury indicators (this report) covering:
    1. the capital plans (including prudential indicators);
    2. a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
    3. the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
    4. an investment strategy (the parameters on how investments are to be managed).
- A mid-year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is being met or whether any policies require revision.
- An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy during the previous year.

Scrutiny

Full Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Executive, and for the execution and administration of treasury management decisions to the Head of Finance & Property, who will act in accordance with the Council's policy statement and Treasury Management Practices (TMP's) and CIPFA's Standard of Professional Practice on Treasury Management.

Capital Strategy

The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2020-21, all local authorities to prepare an additional report, a Capital Strategy report, which will provide the following;

- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- An overview of how the associated risk is managed
- The implications for future financial sustainability

The aim of this capital strategy report is to ensure that all elected members on the Full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite entailed by this Strategy.

The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

Increase in Borrowing Requirement

Tables 1 and 2 in Appendix 1 show a significant increase in the council's borrowing need for 2020/21 and the following two years. This is due to two major developments, being On the Banks Development-Sandygate Square (Student Accommodation) and Pioneer Place, as approved for inclusion in the Capital Programme by Full Council in December 2018.

The Student Accommodation development is now underway and is expected to open in time for the 2020/21 academic year.

It should be noted however that before the Pioneer Place construction commences the scheme requires:

i. a pre-let to be completed for the new supermarket on Manchester Road;
ii. a pre-let to be completed for the new cinema on Pioneer Place; and
iii. pre-lets to be completed for 75% of the remaining units on Pioneer Place including Unit 2 adjacent the cinema, with the said pre-lets achieving a minimum of 75% of the estimated full rent payable.

List of Counterparties

Appendix 3 summarises the proposed limits and methodology for choosing counterparties for deposits.

Minimum Revenue Provision (MRP)

Attached in Appendix 4 is the Council's annual policy statement for making minimum revenue provision on outstanding debt.

Economic Update

Appendix 5 shows an abridged version of Link Asset Services, the Council's treasury management advisors, view of the current economic climate and the prospects for interest rates.

Scheme of Delegation

Appendix 6 contains the council's Treasury Management Scheme of delegation.

Role of the Section 151 Officer

Appendix 7 lists the Treasury Management role of the Section 151 Officer.

Revised Treasury Management Practices

Appendix 8 contains the Council's Treasury Management Practices, updated as at November 2019.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

6.
- The maximum value of deposits over 364 days and up to 2 years is to be £4m (with a maximum of £2m with any one counterparty, with the exception of the banking institutions whose individual limit is £4m). See Appendix 3.

- The new limits for external debt for 2020/21 will be £48.160m for the operational boundary and £52.976m for the authorised limit (2019/20 = £44.480m).

POLICY IMPLICATIONS

7. Compliance with the revised CIPFA Code of Practice on Treasury Management.

DETAILS OF CONSULTATION

8. None

BACKGROUND PAPERS

9. None

FURTHER INFORMATION

PLEASE CONTACT: **Asad Mushtaq**
Head of Finance & Property

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Appendix 1

Treasury Management Strategy for 2020/21

The strategy for 2020/21 covers two main areas:

Capital Issues

- the capital expenditure plans and the associated prudential indicators; the Minimum Revenue Policy (MRP) in Appendix 4.

Treasury Management Issues

- the current treasury position;
- treasury indicators which will limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on the use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Ministry of Housing, Communities and Local Government (MHCLG) MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

Capital issues

The Capital Prudential Indicators 2020/21 – 2022/23 (See Table 1 in Appendix 2)

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital Expenditure. This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

The table below summarises the capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing).

Table 1 Capital Expenditure	**2018/19 Actual £000**	**2019/20 Revised Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**
Programmed Spend	6,422	15,347	19,438	13,527	18,541
Financed by:					
Capital receipts	1,735	2,704	2,020	2,231	2,025
3rd Party Contributions	127	602	384	337	572
Capital grants	2,246	3,155	9,101	3,432	6,672
Revenue	1,246	374	1,295	142	143
Net borrowing need for the year	**1,068**	**8,512**	**6,638**	**7,385**	**9,129**

Ratio of Financing Costs to Net Revenue Streams

This indicator shows the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) expressed as a percentage against the net revenue stream. Table 1 in Appendix 2 shows there is a general trend that financing costs are taking up a higher percentage of the revenue budget. This is due to forecast reductions in future aggregate external funding based on 'revenue spending power' for the Council through reduced Government grant.

The Council's Borrowing Need (the Capital Financing Requirement)
This prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR and is represented by the net financing need for the year line. The Council's CFR is shown in Table 1 of Appendix 2 and below.

The CFR does not increase indefinitely, as the MRP is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life, and so charges the economic consumption of capital assets as they are used.

Table 2	**2018/19 Actual £000**	**2019/20 Revised Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**
Capital Financing Requirement					
Total CFR at 31st March	30,470	38,130	43,782	50,124	57,986
Net financing need for the year	**238**	**7,660**	**5,652**	**6,342**	**7,862**

£m	**2018/19 Actual £000**	**2019/20 Revised Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**
Movement in CFR represented by					
Net borrowing need for the year (Table 1 above)	1,068	8,512	6,638	7,385	9,129
Less MRP and other financing movements	(830)	(852)	(986)	(1,043)	(1,267)
Movement in CFR in Year	**238**	**7,660**	**5,652**	**6,342**	**7,862**

<u>Treasury Management Issues</u>

The capital expenditure plans set out above, provide details of the activity of the Council. The treasury management function ensures that the Council's cash is organised within the relevant professional codes, so that sufficient cash is available to meet these activities. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant

treasury/prudential indicators, the current and projected debt positions and the annual investment strategy.

The Council's Current Portfolio Position

Within the prudential indicators in Appendix 2 there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes. In the Council's case, the estimated external debt at 31st March 2020 of £36.1m is less than the CFR which ranges from £38.1m to £57.5m which means that the Council 'borrows internally' (using reserves and balances) to finance past capital spending as this tends to be cheaper than external debt.

Treasury Limits for 2020/21 to 2022/23

It is a statutory duty under Section 3 of the Act and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Authorised Borrowing Limit".

The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is 'acceptable'.

Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years, details of the Authorised Limit can be found in Table 2 in Appendix 1 of this report outlining the prudential and treasury indicators for 2020/21 – 2022/23.

The Operational Boundary is the limit beyond which external debt is not normally expected to exceed and is normally similar to the CFR. It is proposed to set this at 10% above the CFR.

The Authorised Limit is a further key indicator representing a control on the maximum level of borrowing, beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, whilst not desired, could be afforded in the short term, but is not sustainable in the longer term. It is proposed to set this at 10% above the operational boundary and includes provision for 'unusual cash movements'.

IFRS16 – Leased Assets

A requirement for closing of the council's accounts for 2020/21 is to bring operational leased assets onto the balance sheet. This will have the effect of increasing the council's CFR, External Debt, Authorised Limit and Operational Boundary. The Authorised Limit and Operational Boundary may therefore need to be amended mid-year, once the detailed impact is known.

The Borrowing Strategy

The Council is currently maintaining an under-borrowed position which means that the capital borrowing need (the CFR), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

The Head of Finance & Property will monitor interest rates and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp fall in long and short term rates, then long term borrowings will be postponed,
- if it was felt that there was a significant risk of a much sharper rise than that currently forecast, then the portfolio will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.
- will take a view on prevailing and perceived future interest rates and take decisions on whether to borrow longer-term or short-term accordingly whenever a borrowing requirement arises. As well as taking a view on the appropriate mix of fixed and variable interest rate exposure in the light of prevailing and perceived future market conditions.
- undertake a constant review of the Council's total external debt portfolio to determine the scope for any restructuring possibilities and make recommendations to Full Council accordingly.

Treasury Management - Limits on Activity

There are three debt related treasury activity limits, the purpose of which is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. The indicators are:

- Upper limits on variable rate exposure;
- Upper limits on fixed rate exposure;
- Maturity structure on borrowing limits which are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Borrowing Policy and Borrowing Requirement

The Council will not borrow more than or in advance of its need purely in order to profit from the investment of the extra sums borrowed.

The Council's maximum borrowing requirement (Authorised Limit for external debt) is £52.976m next year. This is limited to 10% above the operational boundary of £48.160m, which has been set at 10% above the CFR.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt Rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 1% increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment portfolios
The reasons for any rescheduling to take place will include: -

- the generation of cash savings and / or discounted cash flow savings
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential left for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Council at the earliest meeting following its action.

New Financial Institutions as a source of borrowing

Following the unexpected interest rate increase of 1% on PWLB loans to Local Authorities, imposed by H.M. Treasury on 9 October 2019, consideration will also need to be given to sourcing funding at cheaper rates from the following;

- Local Authorities (primarily shorter date maturities)
- Financial Institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates)
- Municipal Bonds Agency for long-term borrowing.

The degree which any of these options proves cheaper than PWLB Certainty Rate is still evolving at the time of writing this strategy, but our advisors, Link Asset Serves, will keep us informed.

Annual Investment Strategy

Investment Policy – management of risk

The Council's investment policy has regard to the following;

- MHCLG's Guidance on Local Government Investments ("The Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("The Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's deposit priorities focus on;

- Security of Capital
- Liquidity, and
- Yield

The Council will aim to achieve optimum return [yield] on deposits commensurate with proper levels of security and liquidity.

Monitoring Performance:

The council has retained HSBC UK Bank plc as the provider for administering the Council's banking facilities [contract renewed in December 2018 for a three year term]. The Council continues to have a 'sweep' facility for our current account. This means that if we do not deposit monies with other counterparties but leave the balance with HSBC, they will automatically transfer the money into an interest earning deposit account. This account is effectively a call account whereby we can get the money back instantly if required. The current rate the Council is achieving on these deposits is higher than that achieved with some other counterparties.

Approved list of Counterparties for Deposits

There are strict limits in terms of the type of institution with which funds may be deposited and the length of time funds can be invested for.
As part of the Treasury Policy Statement, as a minimum, the approved list of counterparties is reviewed annually and reported to Council. The current list was approved on 20 February 2019.

It is proposed that the maximum amount that can be deposited with other counterparties for a period exceeding 364 days and up to 2 years remains limited to £4m which is shown in Appendix 3.

Creditworthiness Policy

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moodys and Standard and Poors, forming the core element.
However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays: -

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments and are therefore referred to as durational bands. The Council is satisfied that this service gives a much improved level of security for its investments. It is also a service which the Council would not be able to replicate using in house resources.

The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

In addition to the use of Credit Ratings the Council will be advised of information on

- movements in CDS against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Councils lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, and information on any external support for banks to help support its decision making process.

UK Banks – Ring Fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

Policy on the use of treasury management consultants

The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Head of Finance & Property through recommendations to Full Council, will ensure that the terms of their appointment and the methods by which their value will be assessed, are properly agreed and documented, and will be subject to regular review.

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PRUDENTIAL AND TREASURY INDICATORS

PRUDENTIAL INDICATORS - A Brief Description

Capital Expenditure

This shows the capital programme as it currently stands. Members will note that the amount estimated to be included within the programme for 2020/21 is £19.438 million.

This is an increase in value to the previous year, and is due to significant projects being undertaken by the council including Pioneer Place and Sandygate developments.

It is not known exactly at this stage what the effects on revenue of sustaining a high level of capital programme investment will be in future years. It is however envisaged that there will continue to be a significant contribution from grants. This will minimise borrowing to within prudential levels and thus keep the resultant financing charge to the revenue budget within prudent limits.

Ratio of Financing Costs to Net Revenue

The net revenue stream is the estimated amount of spending to be met from Government Grants and local taxpayers. It is used in projections and for estimating the need for budget savings. It is based upon the system of Government revenue support and assumes a 1.99% increase in Council Tax for 2020/21 and for the following two years.

Financing costs include interest on borrowing and the amount included in the budget for repayment of debt.(Minimum Revenue Provision)

Net Borrowing Requirement

This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement (CFR) in the previous year plus the estimates of any additional capital financing requirement in the current year and the next two financial years. At all times the level of borrowing will be monitored to ensure that it does not exceed the estimated capital financing requirement in two years time.

Capital Financing Requirement as at 31 March

The capital financing requirement is an indication of how much the Council needs to borrow for capital purposes. This is as a result of not financing capital expenditure “up front” by means of capital receipts, grants etc. and relying on borrowing, which is ultimately repaid and then replaced if required.

PRUDENTIAL AND TREASURY INDICATORS 2020/21 - 2022/23

TABLE 1 - PRUDENTIAL INDICATORS	2018/19 Actual £' 000	2019/20 Revised Estimate £' 000	2020/21 Estimate £' 000	2021/22 Estimate £' 000	2022/23 Estimate £' 000
Capital Expenditure	6,422	15,347	19,438	13,527	18,541
Ratio of financing costs to net revenue stream	11.6%	13.1%	15.3%	16.9%	21.8%
Net borrowing requirement brought forward 1 April			48,160	55,136	63,785
Capital Financing Requirement as at 31 March	30,470	38,130	43,782	50,124	57,986

TABLE 2 - TREASURY MANAGEMENT INDICATORS	2018/19 Actual £' 000	2019/20 Revised Estimate £' 000	2020/21 Estimate £' 000	2021/22 Estimate £' 000	2022/23 Estimate £' 000
Authorised Limit for external debt -			52,976	60,650	70,164
For 2019/20, this is the Council's statutory limit for debt as determined under section 3(1) of the Local Government Act 2003. Limits have also been provisionally set for the following two financial years. These limits include provision for "unusual cash movements" as referred to in the Code.					
Operational Boundary for external debt -			48,160	55,136	63,785
This is lower than the authorised limit by the additional headroom provided for "unusual cash movements". It equates to the maximum level of external debt projected in estimates.					
Actual/Estimated external debt at year end	23,531	36,084			
Upper limit for fixed interest rate exposure expressed as :- Net interest re fixed rate borrowing / investments			100%	100%	100%
Upper limit for variable rate exposure expressed as :- Net interest re variable rate borrowing / investments			25%	25%	25%
Upper limit for total principal sums invested over 364 days	0	4,000	4,000	4,000	4,000

TABLE 3 - Maturity Structure of fixed rate borrowing during 2020/21		lower limit	upper limit
This indicator limits the period to repayment of overall expected debt outstanding and shows five bands. There are minimum and maximum proportions of overall debt within each band. This means that the amount of debt in each band will fall within this range as a proportion of overall debt.	under 12 months	0%	20%
	12 months - within 24 months	0%	20%
	24 months - within 5 years	0%	25%
	5 years - within 10 years	0%	30%
	10 years and above	0%	80%