APPENDIX 1

# SCOTTISH BORDERS COUNCIL

# ANNUAL TREASURY MANAGEMENT REPORT
# YEAR TO 31 MARCH 2020

## CONTENTS

## 1. EXECUTIVE SUMMARY

1.1 This Council is required by regulations issued under the Local Government in Scotland Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2019/20. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

This paper highlights activity in relation to the treasury management function during 2019/20, the Council's strategy with regard to interest rates and future expectations and how the capital expenditure incurred by the Council in 2019/20 was funded. The investment strategy for 2019/20 is summarised in Section 5 and Members are provided with details of how well the treasury function has performed in relation to a set of standard performance indicators.

1.2 During 2019/20, the Council complied with its legislative and regulatory requirements.

1.3 Key Prudential (PI) and Treasury Management Indicators (TI), detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

| **Table 1** | **2019/20 Actual £m** | **2019/20 Estimate* £m** | **Variance £m** |
|---|---|---|---|
| **Actual Capital Expenditure** *(PI-1)* | **44.3** | **62.2** | **(17.9)** |
| Total Capital Financing Requirement (CFR) ** *(PI-2)* | **312.9** | **321.0** | **(8.1)** |
| **(Under)/Over Gross Borrowing against the CFR** *(PI-6)* *** | **(127.8)** | **(104.6)** | **(23.2)** |

** Revised estimate, approved by Scottish Borders Council on 25 November 2019 as part of the Mid Year Treasury report 2019/20*
*** The CFR for this calculation includes current capital expenditure to 31 March 2020*
**** The CFR for this calculation includes the current and two future years projected capital expenditure.*

1.4 Additional borrowing for the purpose of funding capital expenditure was undertaken during 2019/20 amounting to £7.5m. The statutory borrowing limit (the authorised limit) was not breached.

1.5 The economic environment during the 2019/20 financial year continued to remain challenging, with low investment returns.

## 2. COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2019/20

### 2.1 CAPITAL EXPENDITURE *(Prudential Indicator 1)*

a) The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need, or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

b) The final capital expenditure for 2019/20 was lower than projected as a result of delays in expenditure on a number of projects, including Hawick Flood Protection (£1.1m), Reston Station (£0.6m), IT Transformation (£0.4m), School Estate block (£1.6m), Town Centre Regeneration (£1.4m) and the Borders Innovation Park (£0.7m).

The specific drivers for each of the movements have been disclosed in the regular monitoring reports to the Executive throughout 2019/20 and in the out-turn report presented in June 2020.

### 2.2 FINANCING THE CAPITAL PROGRAMME

a) Capital Expenditure may either be financed:

(i) Immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which does not impact on the Council's borrowing need, or

(ii) If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

b) **Table 2** below summarises the main funding elements of the 2019/20 capital expenditure.

| **Table 2** | **2019/20 Actual £m** | **2019/20 Estimate £m** | **Variance £m** |
|---|---|---|---|
| **Capital Expenditure** | 44.3 | 62.2 | (17.9) |
| **Other Relevant Expenditure *** | 0.0 | 0.0 | (0.0) |
| **Total Expenditure** | **44.3** | **62.2** | **(17.9)** |
| Financed by: | | | |
| Capital Grants & Other Contributions | 30.8 | 39.6 | 8.8 |
| SBC Revenue Funding | 0.6 | 0.2 | (0.4) |
| Capital Fund/Capital Receipts | 2.6 | 3.0 | 0.4 |
| Plant & Vehicle Fund | 1.5 | 2.0 | 0.5 |
| Total identified finance | **35.5** | **44.8** | **9.3** |
| ***Net Financing Need for the Year*** | **8.8** | **17.4** | **(8.6)** |

The decrease in unfinanced capital expenditure compared with the estimate in the mid-year report resulted principally from timing movements as detailed in paragraph 2.1 b).

## 2.3 CAPITAL FINANCING REQUIREMENT AND EXTERNAL DEBT *(Prudential Indicators 2 and 5)*

a) The Council's underlying need to borrow for capital expenditure is termed the **Capital Financing Requirement (CFR)** and is a key prudential indicator. The CFR results from the capital activity of the Council and the resources that have been used to pay for the capital spend. It represents the 2019/20 unfinanced capital expenditure (see **Table 2** in section 2.2 (b)), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

b) Depending on the capital expenditure programme, the treasury function organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, such as the Public Works Loan Board or the money markets, or utilising cash resources within the Council.

c) **Reducing the CFR** – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the scheduled debt amortisation (or loans fund repayment), to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR. The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the scheduled debt amortisation for loans repayment.

The Council's borrowing activity is constrained by prudential indicators, including those comparing gross borrowing, the CFR and the authorised limit.

d) The extent to which the Council is under/over borrowed at 31 March 2020 is calculated by comparing actual external debt against the CFR and is shown in **Table 3** below. It includes "Other long term liabilities", such as PFI and leasing schemes on the balance sheet. These increase the Council's borrowing need, however, as no borrowing is actually required against these schemes, these amounts have been deducted in **Table 3**.

| Table 3 | 31 March 2020 Actual £m | 31 March 2020 Estimate £m | Variance £m |
|---|---|---|---|
| CFR (PI-2)* | 312.9 | 321.0 | (8.1) |
| Less: Other long term liabilities ** | 67.4 | 67.3 | 0.1 |
| Underlying borrowing requirement | 245.5 | 253.7 | (8.2) |
| External Borrowing at 31/3/20 | 202.7 | 204.8 | 2.1 |
| (Under)/Over borrowing | (42.8) | (48.9) | (6.1) |

**The CFR for this calculation includes current capital expenditure to 31 March 2020*
***PPP/PFI/Finance Lease balances*

## TREASURY MANAGEMENT ACTIVITY

### 3.1 GROSS BORROWING AND THE CFR *(Prudential Indicator 6)*

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

| Table 4 | 31 March 2020 Actual £m | 31 March 2020 Estimate £m | Variance £m |
|---|---|---|---|
| ***Fixed rate funding*** | | | |
| PWLB | 167.1 | 169.2 | (2.1) |
| Market | - | - | - |
| ***Variable rate funding*** | | | |
| Market * | 35.6 | 35.6 | - |
| **External Borrowing** | **202.7** | **204.8** | **(2.1)** |
| Other long term liabilities ** | 67.4 | 67.3 | 0.1 |
| **Total Debt** | **270.1** | **272.1** | **(2.0)** |
| CFR (inc. next 2 year estimates) | 397.9 | 376.7 | 21.2 |
| **(Under)/Over Gross Borrowing against the CFR** *(PI-6)* | **(127.8)** | **(104.6)** | **23.2** |

* *LOBO loans (where a rate change could be instigated by the lender at certain intervals)*
** *PPP/PFI/Finance Lease balances*

b) Council deposits were made on a short term basis throughout 2019/20.

c) On 23 September 2019 the Council borrowed £7.5m over 15 years at a rate of 1.67%.

### 3.2 OPERATIONAL BOUNDARY AND AUTHORISED LIMIT *(Prudential Indicators 7 and 8)*

a) The **Operational Boundary** and the **Authorised Limit** are indicators which are intended to act as limits to the overall level of borrowing activity. The Authorised Limit represents the maximum limit beyond which borrowing is prohibited. The Operational Boundary represents the level of external borrowing that the Council is expected to operate within. **Table 5** compares the External Debt position with these indicators and demonstrates that the Council has not breached either limit during 2019/20.

| Table 5 | 31 March 2020 Actual £m | Authorised Limit *(PI-8)* £m | Variance £m | Operational Boundary *(PI-7)* £m | Variance £m |
|---|---|---|---|---|---|
| **Total Gross Borrowing** | **270.1** | **410.2** | **(140.1)** | **341.8** | **(71.7)** |

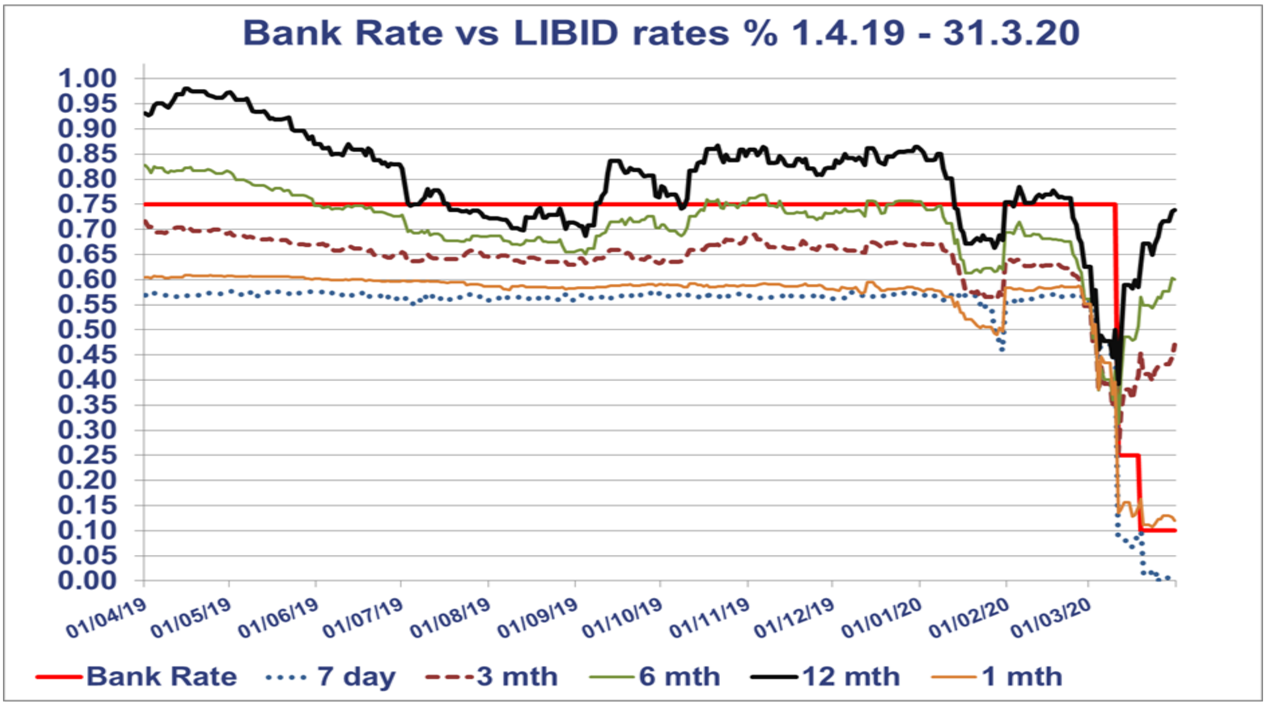
### 3.3 MATURITY PROFILE OF EXTERNAL DEBT

a) **Table 6** presents an analysis of the maturity structure of the Council's external debt portfolio.

| Table 6 | 31 March 2020 £m |
|---|---|
| Under 12 months | 0.8 |
| 12 months and within 5 years | 13.0 |
| 5 years and within 10 years | 25.5 |
| Over 10 years | 163.4 |
| **Total** | **202.7** |

## 4. INTEREST RATE MOVEMENTS AND EXPECTATIONS

### 4.1 INVESTMENT RATES IN 2019/20




a) Investment returns remained low during 2019/20. The expectation for interest rates within the treasury management strategy for 2019/20 was that Bank Rate would stay at 0.75% during 2019/20 as it was not expected that the MPC would be able to deliver on an increase in Bank Rate until the Brexit issue was finally settled. However, there was an expectation that Bank Rate would rise after that issue was settled, but would only rise to 1.0% during 2020.

b) Rising concerns over the possibility that the UK could leave the EU at the end of October 2019 caused longer term investment rates to be on a falling trend for most of April to September. They then rose after the end of October deadline was rejected by the Commons but fell back again in January before recovering again after the 31 January departure of the UK from the EU. When the coronavirus outbreak hit the UK in February/March, rates initially plunged but then rose sharply back up again due to a shortage of liquidity in financial markets. As longer term rates were significantly higher than shorter term rates during the year, value was therefore sought by placing longer term investments where cash balances were sufficient to allow this.

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

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

## 4.2 BORROWING RATES IN 2019/20

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

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

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

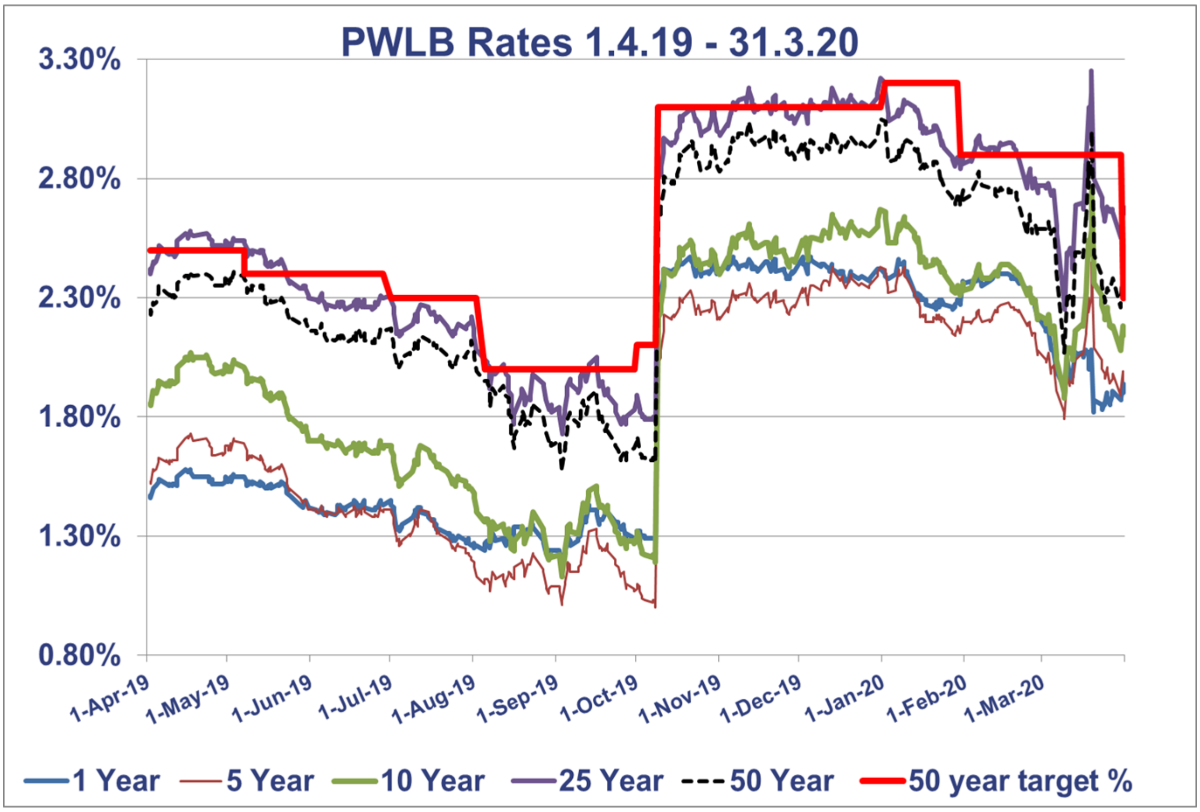
d) Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Executive Director, Finance & Regulatory therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.

- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

e) Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2019/20 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

| Link Asset Services Interest Rate View | 31.3.20 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 |
| Bank Rate View | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| 3 Month LIBID | 0.45 | 0.40 | 0.35 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 |
| 6 Month LIBID | 0.60 | 0.55 | 0.50 | 0.45 | 0.40 | 0.40 | 0.40 | 0.40 |
| 12 Month LIBID | 0.75 | 0.70 | 0.65 | 0.60 | 0.55 | 0.55 | 0.55 | 0.55 |
| 5yr PWLB Rate | 1.90 | 1.90 | 1.90 | 2.00 | 2.00 | 2.00 | 2.10 | 2.10 |
| 10yr PWLB Rate | 2.10 | 2.10 | 2.10 | 2.20 | 2.20 | 2.20 | 2.30 | 2.30 |
| 25yr PWLB Rate | 2.50 | 2.50 | 2.50 | 2.60 | 2.60 | 2.60 | 2.70 | 2.70 |
| 50yr PWLB Rate | 2.30 | 2.30 | 2.30 | 2.40 | 2.40 | 2.40 | 2.50 | 2.50 |




f) PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020, and a general background of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued; these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have therefore seen, over the last year, many bond yields up to 10 years in the Eurozone turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

g) Gilt yields were on a generally falling trend during the last year up until the coronavirus crisis hit western economies. Since then, gilt yields have fallen sharply to unprecedented lows as investors have panicked in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks also started quantitative easing purchases of government bonds which will act to maintain downward pressure on government bond yields at a time when there is going to be a huge and quick expansion of government expenditure financed by issuing government bonds; (this would normally cause bond yields to rise). At the close of the day on 31 March, all gilt yields from 1 to 5 years were between 0.12 – 0.20% while even 25-year yields were at only 0.83%.

h) However, HM Treasury has imposed **two changes in the margins over gilt yields for PWLB rates** in 2019-20 without any prior warning; the first on 9 October 2019, added an additional 1% margin over gilts to all PWLB rates. That increase was then partially reversed for some forms of borrowing on 11 March 2020, at the same time as the Government announced in the Budget a programme of increased spending on infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this ends on 4 June. It is clear that the Treasury intends to put a stop to local authorities borrowing money from the PWLB to purchase commercial property if the aim is solely to generate an income stream.

i) Following the changes on 11 March 2020 in margins over gilt yields, the current situation is as follows: -

- **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
- **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

j) There is likely to be little upward movement in PWLB rates over the next two years as it will take national economies a prolonged period to recover all the momentum they will lose in the sharp recession that will be caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020-21.

## 5. INVESTMENT STRATEGY FOR 2019/20

### 5.1 INVESTMENT OBJECTIVES

a) The Council's investment strategy is governed by Scottish Government investment regulations and sets out the approach for choosing investment categories and counterparties, based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).

b) The **primary objectives** of the Council's investment strategy are:
   (i) the safeguarding or **security** of the repayment of the principal and interest of investments on a timely basis;
   (ii) ensuring adequate **liquidity** within the Council; and
   (iii) maximising investment **yield** or return.

c) The Council will ensure:

(i) It maintains a policy covering the categories of investment types it will invest in, the criteria for choosing investment counterparties with adequate security, and the monitoring of their security; and

(ii) It has sufficient liquidity in its investments. For this purpose it sets out procedures for determining the maximum periods for which funds may prudently be committed. The Council's Prudential Indicators cover the maximum period over which sums can be invested.

## 5.2 INVESTMENT ACTIVITY

a) The investment activity during the year conformed to the above approved strategy, and the Council had no liquidity difficulties. All money deposited with the Council's bank, Bank of Scotland, was done on an overnight basis to minimise security and liquidity risk to the Council.

## 5.3 CURRENT INVESTMENT POSITION

a) The total value of investments/deposits for the Council at 31 March 2020 was £8.6m. Cash was held on a short term basis throughout 2019/20 with major banks and various money market funds (the latter having a credit rating of AAA).

# 6 TREASURY PERFORMANCE INDICATORS

The Treasury Management Function has established the following additional performance indicators.

## 6.1 DEBT PERFORMANCE INDICATORS

These indicators are additional to the prudential & treasury management indicators covered earlier in this report. The Indicators are:

a) **Average 'Pool Rate'** charged by the Loans Fund compared to Scottish Local Authority average Pool Rate. Target is to be at or below the Scottish Average for 2019/20.

The Council's loans fund pool rate for 2019/20 was 4.01%. The Scottish Local Authority average "pool rate" for 2019/20 is not yet available at the time of writing, but was 3.99% in 2018/19 and is not expected to be materially different for 2019/20.

b) **Average rate movement year on year**. Target is to maintain or reduce the average borrowing rate for the Council versus 2018/19. The Council's pool rate of 4.01% for 2019/20 was 0.06% lower than the reported Council's rate of 2018/19.

## 6.2 INVESTMENT PERFORMANCE INDICATORS

**a) Security**

(i) The Council's maximum security risk benchmark for the current portfolio, when compared to historic default tables, is 0.02% historic risk of default.

(ii) During 2019/20, money was deposited in accounts on a short term basis, not exceeding 3 months.

**b) Liquidity**

(i) Liquid short term deposits should be at least £500,000, available with a week's notice.

(ii) This indicator was adhered to in 2019/20

(iii) Weighted Average Life benchmark is **expected to be 0.5 years** (equivalent to a weighted average life of 6 months), with a **maximum of 1.00 years.**

(iv) The weighted **average life for 2019/20 was 0.01 years**, well below the 0.5 year target.

**c) Yield**

The target yield is to have internal returns on cash investment above the 7 day LIBID rate. The return for 2019/20 averaged 0.65%, compared against an average 7 day LIBID rate for the year to 31 March 2020 of 0.54%.

2017/18 comparison figures for average internal returns and 7 day LIBID were 0.57% and 0.51% respectively.

Although yields remain low, the Council continues to make deposits on a short term basis with the Government's Debt Management Office (DMO) and Money Market Funds. The DMO is a very secure (Credit Rating of AAA) form of investment, but delivers a low rate of return (0.01%). The Money Market Funds used for deposits are also secure (with a Credit Rating of AAA). The planned deposit allocation between these two investment types has resulted in the returns mentioned above.

## 6.3 IMPACT ON REVENUE BUDGET

**a) Ratio of actual financing costs to net revenue stream** *(Prudential Indicator 3)*
This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue funding for the Council. The comparison of the revised estimate approved in the 2019/20 mid year report to the outturn as at 31 March 2020 is as follows:

| **Table 8** | **Actual** | **Estimate** |
|---|---|---|
| Ratio of financing costs to net revenue stream *(PI-3)* | **%**<br>**8.8** | **%**<br>**9.8** |

**b) Net Cost of Servicing Debt (Loan Charges) – Table 9** below summarises the comparison of the outturn versus estimate for the revenue cost of servicing the debt for the Council, including interest relating to PPP schools unitary charges.

| **Table 9** | **2019/20 Outturn £m** | **2019/20 Mid-Year Estimate £m** | **Variance (Under) /Over £m** |
|---|---|---|---|
| Interest on Borrowing | 10.1 | 11.2 | (1.1) |
| Investment Income | (0.3) | (0.3) | - |
| Capital Repayments | 8.5 | 8.6 | (0.1) |
| **Total Loan Charges** | **18.3** | **19.5** | **1.2** |

(i) The interest on borrowing costs represents the interest paid on external debt and to internally managed funds (e.g. Pension Fund, Common Good Funds).

## 6.4 TREASURY MANAGEMENT INDICATORS *(Treasury Indicators 1 – 5)*

a) The Treasury Indicators (TIs) are shown in **Table 10** below. The Council remained well within these Indicator limits throughout 2019/20

| **Table 10** | **2019/20 Revised Indicator** | | **2019/20 Actual as at 31 March 2020** |
|---|---|---|---|
| **Upper limits – Debt with fixed and variable interest rates** | | | |
| Upper limits on fixed interest rates *(TI-1)* | 317.0 | | 341.8 |
| Upper limits on variable interest rates *(TI-2)* | 111.0 | | 119.6 |
| **Maturity Structure of borrowing** | | | |
| | **Upper** *(TI-3)* | **Lower** *(TI-4)* | **Actual** |
| Under 12 months | 20% | 0% | 0.38% |
| 12 months to 2 years | 20% | 0% | 5.07% |
| 2 years to 5 years | 20% | 0% | 1.35% |
| 5 years to 10 years | 20% | 0% | 12.58% |
| 10 years and above | 100% | 20% | 80.62% |
| **Prudential limits for principal sums invested** *(TI-5)* | | | |
| Cash Deposits < 12 months | 100% | | 100% |
| Cash Deposits > 12 months | 20% | | 0% |

**ANNEX A**

| Indicator Reference | Indicator | Page Ref. | 2019/20 Original estimate | 2019/20 Revised estimate | 2019/20 Actual |
|---|---|---|---|---|---|
| **PRUDENTIAL INDICATORS** | | | | | |
| **Capital Expenditure Indicator** | | | | | |
| PI-1 | Capital Expenditure (£m) | 3 | 52.7 | 62.2 | 44.3 |
| PI-2 | Capital Financing Requirement (£m) (CFR) | 5 | 332.4 | 321.0 | 312.9 |
| **Affordability Indicator** | | | | | |
| PI-3 | Ratio of Financing Costs to Net Revenue | 12 | 9.3% | 9.8% | 8.8% |
| PI-4 | Incremental Impact of Capital Investment Decisions on Council Tax | N/A | £(0.01) | £(0.01) | £(0.04) |
| **External Debt Indicators** | | | | | |
| PI-5 | Actual Debt (£m) | 6 | 282.7 | 272.1 | 270.1 |
| PI-7a | Operational Boundary (inc. Other Long Term Liabilities) (£m) | 6 | 324.2 | 317.0 | 341.8 |
| PI-7b | Operational Boundary (exc. Other Long Term Liabilities) (£m) | 6 | 256.9 | 249.7 | 274.4 |
| PI-8a | Authorised Limit (inc. Other Long Term Liabilities) (£m) | 6 | 389.0 | 380.4 | 410.2 |
| PI-8b | Authorised Limit (exc. Other Long Term Liabilities) (£m) | 6 | 321.7 | 313.1 | 342.8 |
| **Indicators of Prudence** | | | | | |
| PI-6 | (Under)/Over Gross Borrowing against the CFR (£m) | 6 | (101.1) | (104.6) | (127.8) |
| **TREASURY INDICATORS** | | | | | |
| TI-1 | Upper Limit to Fixed Interest Rates based on Net Debt (£m) | 13 | 324.2 | 317.0 | 341.8 |
| TI-2 | Upper Limit to Variable Interest Rates based on Net Debt (£m) | 13 | 113.5 | 111.0 | 119.6 |
| TI-3 & TI-4 | Maturity Structure of Fixed Interest Rate Borrowing | 13 | **Upper** | **Lower** | |
| | Under 12 months | | 20% | 0% | |
| | 12 months to 2 years | | 20% | 0% | |
| | 2 years to 5 years | | 20% | 0% | |
| | 5 years to 10 years | | 20% | 0% | |
| | 10 years and above | | 100% | 20% | |
| TI-5 | Maximum Principal Sum invested greater than 364 days | 13 | 20% | 20% | 20% |