CABINET
29 OCTOBER 2020

TREASURY MANAGEMENT MID-YEAR REPORT 2020/2021

1. Summary

1.1 To inform Cabinet of the investment performance of the Council's internally and externally managed funds to 30 September 2020.

1.2 To update the Treasury Indicators for the six months to 30 September 2020.

2. RECOMMENDATIONS

2.1 That Cabinet notes the investment performance of the Council's funds.

2.2 That Cabinet notes the half-year position of the Council's Treasury Indicators.

3. Background and Discussion

3.1. The Chartered Institute of Public Finance and Accountancy's Treasury Management Code recommends that Members are informed of Treasury Management activities at least twice a year. This report therefore ensures that the Council complies with best practice in accordance with CIPFA's recommendations.

3.2. The Council's Treasury Management Strategy for 2020/2021 was approved by GAC on 24 February 2020 [Min.No.7].

3.3. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Council's Treasury Management Strategy.

3.4. The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by the GAC, covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy complying with CIPFA's requirement, was approved by GAC on 24 February 2020 [Min.No.7].

3.5. **Economic Background and Outlook**

The following has been provided by the Council's treasury advisors, Arlingclose.

Economic background: The spread of the coronavirus pandemic dominated during the period as countries around the world tried to manage the delicate balancing act of containing transmission of the virus while easing lockdown measures and getting their populations and economies working again. After a relatively quiet few months of Brexit news it was back in the headlines towards the end of the period as agreement between the UK and the EU on a trade deal was looking difficult and the government came under fire, both at home and abroad, as it tried to pass the Internal Market Bill which could override the agreed Brexit deal, potentially breaking international law.

The Bank of England (BoE) maintained Bank Rate at 0.1% and its Quantitative Easing programme at £745 billion. The potential use of negative interest rates was not ruled in our out by BoE policymakers, but then a comment in the September Monetary Policy Committee meeting minutes that the central bank was having a harder look at its potential impact than was previously suggested took financial markets by surprise.

Government initiatives continued to support the economy, with the furlough (Coronavirus job retention) scheme keeping almost 10 million workers in jobs, grants and loans to businesses and 100 million discounted meals being claimed during the ‘Eat Out to Help Out’ (EOHO) offer.

GDP growth contracted by a massive 19.8% (revised from first estimate of -20.4%) in Q2 2020 (Apr-Jun) according to the Office for National Statistics, pushing the annual growth rate down to -21.5% (first estimate (-21.7%). Construction output fell by 35% over the quarter, services output by almost 20% and production by 16%. Recent monthly estimates of GDP have shown growth recovering, with the latest rise of almost 7% in July, but even with the two previous monthly gains this still only makes up half of the lost output.

The headline rate of UK Consumer Price Inflation (CPI) fell to 0.2% year/year in August, further below the Bank of England’s 2% target, with the largest downward contribution coming from restaurants and hotels influenced by the EOHO scheme. The Office for National Statistics’ preferred measure of CPIH which includes owner occupied housing was 0.5% year on year.

In the three months to July, labour market data showed the unemployment rate increased from 3.9% to 4.1% while wages fell 1% for total pay in nominal terms (0.2% regular pay) and was down 1.8% in real terms (-0.7% regular pay). Despite only a modest rise in unemployment over the period, the rate is expected to pick up sharply in the coming months as the furlough scheme ends in October. On the back of this the

BoE has forecast unemployment could hit a peak of between 8% and 9%.

The US economy contracted at an annualised rate of 31.7% in Q2 2020 (Apr-Jun). The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% but announced a change to its inflation targeting regime. The move is to a more flexible form of average targeting which will allow the central bank to maintain interest rates at low levels for an extended period to support the economy even when inflation is 'moderately' above the 2% average target, particularly given it has been below target for most of the last decade.

The European Central Bank maintained its base rate at 0% and deposit rate at -0.5%.

Financial markets: Equity markets continued their recovery, with the Dow Jones climbing to not far off its pre-crisis peak, albeit that performance being driven by a handful of technology stocks including Apple and Microsoft, with the former up 75% in 2020. The FTSE100 and 250 have made up around half of their losses at the height of the pandemic in March. Central bank and government stimulus packages continue to support asset prices, but volatility remains.

Ultra-low interest rates and the flight to quality continued, keeping gilt yields low but volatile over the period with the yield on some short-dated UK government bonds remaining negative. The 5-year UK benchmark gilt yield started and ended the June –September period at -0.06% (with much volatility in between). The 10-year gilt yield also bounced around, starting at 0.21% and ending at 0.23% over the same period, while the 20-year rose from 0.56% to 0.74%. 1-month, 3-month, and 12-month bid rates averaged 0.02%, 0.06% and 0.23% respectively over the period.

At the end of September, the yield on 2-year US treasuries was around 0.13% while that on 10-year treasuries was 0.69%. German bund yields remain negative across most maturities.

Credit review: Credit default swap spreads eased over most of the period but then started to tick up again through September. In the UK, spreads between ringfenced and non-ringfenced entities remains, except for retail bank Santander UK whose CDS spread remained elevated and the highest of those we monitor at 85bps while Standard Chartered was the lowest at 41bps. The ringfenced banks are currently trading between 45 and 50bps.

There were no changes to advice from Arlingclose in respect of any of the Council's counterparties.

There continues to be much uncertainty around the extent of the losses banks and building societies will suffer due to the impact from the coronavirus pandemic and for the UK institutions there is the added complication of the end of the Brexit transition period on 31st December and what a trade deal may or may not look like. The institutions on Arlingclose's counterparty list and recommended duration remain under constant review.

Outlook for the remainder of 2020/21: The medium-term global economic outlook is weak. While the strict initial lockdown restrictions have eased, coronavirus has not been supressed and second waves have prompted more restrictive measures on a regional and national basis. The ebb and flow of restrictions on normal activity will continue for the foreseeable future, at least until an effective vaccine is produced and importantly, distributed.

The global central bank and government responses have been significant and are in many cases on-going, maintaining more stable financial, economic and social conditions than otherwise. This has supported a sizeable economic recovery in Q3.

However, the scale of the economic shock to demand, on-going social distancing measures, regional lock downs and reduced fiscal support will mean that the subsequent pace of recovery is limited. Early signs of this are already evident in UK monthly GDP and PMI data even before the latest restrictions.

This situation will result in central banks maintaining low interest rates for the medium term. In the UK, Brexit is further complication. Bank Rate is therefore likely to remain at low levels for a very long time, with a distinct possibility of being cut to zero. Money markets have priced in a chance of a negative Bank Rate.

Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or if the UK leaves the EU without a deal.

Arlingclose expects Bank Rate to remain at the current 0.1% level and additional monetary loosening in the future most likely through further financial asset purchase (QE). While Arlingclose's central case for Bank Rate is no change from the current level of 0.1%, further cuts to Bank

Rate to zero or even into negative territory cannot be completely ruled out.

Gilt yields are expected to remain very low in the medium term. Shorter-term gilt yields are currently negative and will remain around zero or below until either the Bank of England expressly rules out negative Bank Rate or growth/inflation prospects improve.

Downside risks remain in the near term, as the government dials down its fiscal support measures, reacts to the risk of a further escalation in infection rates and the Brexit transition period comes to an end.

3.7 Local Context

On 31 March 2020, the Council had £51.41m outstanding loans and investments net of internal borrowing of £126.34m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below

Table 1 – Balance Sheet Summary

	31.03.20 Actual £m
General Fund CFR	1.21
HRA CFR	51.41
Total CFR	**52.62**
External Borrowing	**51.41**
Internal Borrowing	1.21
Less: General Reserve HRA balances Earmarked/capital reserves	 3.00 13.80 77.66
Less: Working capital	 31.88
Investments net of internal borrowing	**126.34**

The treasury management position at 30th September 2020 and the change during the period is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.03.20 Balance £m	Movement £m	30.09.20 Balance £m
Long-term borrowing	(46.97)	0	(46.97)
Short-term borrowing	(4.44)	2.22	(2.22)
Total Borrowing	**(51.41)**	**2.22**	**(49.19)**
Long-term investments	57.80	8.62	66.42
Short-term investments	27.79	7.55	35.34
Cash and cash equivalents	40.75	3.81	44.56
Total investments	**126.34**	**19.98**	**146.32**
Net Investments	**74.93**	**22.20**	**97.13**

The movement in short-term borrowing was the £2.2m scheduled semi-annual repayment of debt and accrued interest in August 2020.

The Council has been holding higher than anticipated daily cash balances due to delays to capital projects as a result of the coronavirus pandemic. Cash flow forecasts showed that some of these liquid funds would not be needed for some time and therefore a decision was made to move £4m into longer dated strategic funds. £2m was invested in the Fidelity Global income fund and £2m in the Investec diversified income fund. Both are funds the Council already has investments in.

With the Bank of England base rate at 0.1%, the money market fund yields have been gradually getting closer to this level over the last few months with some funds now at almost 0%. A decision was taken to move £7m of funds invested in money markets out to cash plus funds which offer a slightly better return but whilst still being extremely liquid investments. £5m was invested in the Federated cash plus fund and £2m in the Royal London Enhanced cash plus fund during September.

The remaining movement in long and short term investments includes unrealised capital movement on the pooled fund investments.

The increase in cash and cash equivalents is mainly due to the cash flow cycle as council tax and business rates payments are only collected over 10 months but are paid over to central government over 12 months resulting in cash flow balances rising gradually between April and January before falling back during February and March.

3.8 Borrowing

Borrowing update: On 9th October 2019 the PWLB raised the cost of certainty rate borrowing to 1.8% above UK gilt yields making it relatively expensive. Market alternatives are available, however the financial strength of individual authorities will be scrutinised by investors and commercial lenders.

The Chancellor's March 2020 Budget statement included significant changes to Public Works Loans Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction. Announcements included a reduction in the margin on new Housing Revenue Account (HRA) loans to 0.80% above equivalent gilt yields (the value of this discount is 1% below the rate at which the authority usually borrows from the PWLB). £1.15bn of additional "infrastructure rate" funding at gilt yields plus 0.60% has been made available to support specific local authority infrastructure projects for England, Scotland and Wales for which there is a bidding process.

The consultation titled "Future Lending Terms" allows stakeholders to contribute to developing a system whereby PWLB loans can be made available at improved margins to support qualifying projects. It contains proposals to allow authorities that are not involved in "debt for yield" activity to borrow at lower rates as well as stopping local authorities using PWLB loans to buy commercial assets primarily for yield. The consultation also broaches the possibility of slowing, or stopping, individual authorities from borrowing large sums in specific circumstances.

The consultation closed on 31st July 2020 with the announcement and implementation of the revised lending terms expected in the latter part of this calendar year or early next year. The Council has responded to this consultation.

<u>Municipal Bonds Agency (MBA)</u>: The MBA revised its standard loan terms and framework agreement. Guarantees for the debt of other borrowers are now proportional and limited and a requirement to make contribution loans in the event of a default by a borrower has been introduced. The agency has issued 5-year floating rate and 40-year fixed rate bonds in 2020, in both instances Lancashire County Council is the sole borrower and guarantor.

If the Council intends future borrowing through the MBA, it will first ensure that it has thoroughly scrutinised the legal terms and conditions of the arrangement and is satisfied with them.

Borrowing during the period

The Council borrowed £86.95m to fund the Housing Self Financing settlement on 28th March 2012. At the time of borrowing, it was possible to set the instalment dates to suit the Council's cash flow. 1st February and 1st August were chosen. Table 3 below shows the current position of outstanding debt of £49.19m.

Table 3 – Borrowing

Loan Type	Maturity Date	Years to Maturity	Principal Borrowed (28/03/12) £m	Principal Outstanding (30/09/20) £m	Interest Rate %	Semi-annual repayment £m
Maturity	01/02/2022	3.34	5.00	**5.00**	2.40%	
EIP	01/02/2039	20.35	18.00	**12.33**	2.90%	0.33
EIP	01/02/2026	7.35	9.00	**3.54**	1.82%	0.32
EIP	01/02/2022	3.34	9.00	**1.35**	1.31%	0.45
EIP	01/02/2032	13.35	26.95	**15.50**	2.44%	0.68
EIP	01/02/2037	18.35	9.00	**5.94**	2.79%	0.18
EIP	01/02/2031	12.35	10.00	**5.53**	2.35%	0.26
		13.55	**86.95**	**49.19**	**2.41%**	**2.22**

There has been no overnight/short term borrowing since 1st April 2020.

Should it be required to borrow new loans, the Council has been eligible to apply for new loans from the Public Works Loans Board (PWLB) at the PWLB Certainty Rate (0.2% below the PWLB standard rate). This eligibility is for a 12 month period from 1st November 2019. The Council can also borrow at the HRA certainty rate which is 1.2% below the standard PWLB rate, the Council's Chief Finance Officer must confirm that the loan is for the HRA only.

A regular review will take place in respect of redemptions for each loan. The Council will consider the merits of early redemption if gilt yields and, consequently PWLB redemption rates, rise to a level which could lead to a financial advantage in respect of early redemption of the loans. Any benefits of early redemption will be weighed against the ongoing requirements of the HRA business plan and its future funding needs.

3.9 Investment Activity

In House Investments

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the first half of 2020/21 the Council's total investment balances have ranged between £129.87m and £160.52m. Table 4 below shows the investment position as at 30th September 2020 and the total investments made and maturities/investments sold since 1st April 2020.

Table 4 – Treasury Investment Position

Investments	Balance on 31/03/2020 £m	Investments made £m	Maturities/ Investments sold £m	Change in value – unrealised gain/(loss) £m	Balance on 30/09/2020 £m	Average return % 2020/21 (income and capital)
Money Market Funds	40.75	93.21	(89.41)		44.56	0.16%
Cash plus funds	12.87	7.00		0.13	20.00	1.27%
Short-dated bond funds	14.93			0.41	15.34	3.16%
Long dated bond funds	15.24			1.36	16.60	10.04%
Equity income funds	20.34	2.00		1.70	24.04	9.78%
Property funds	1.90			(0.08)	1.82	-2.23%
Multi asset income funds	20.32	2.00		1.64	23.96	9.10%
Total Investments	**126.34**	**104.21**	**(89.41)**	**5.15**	**146.32**	

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Continued downward pressure on short-dated cash rate brought net returns on sterling low volatility net asset value money market funds (LNAV MMFs) close to zero even after some managers have temporarily lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee waivers should maintain positive net yields, but the possibility cannot be ruled out.

On 25th September the overnight, 1 and 2 week deposit rates on Debt Management Account Deposit Facility (DMADF) deposits dropped below zero percent to -0.03%, the rate was 0% for 3-week deposits and 0.01% for longer maturities.

The return on Money Market Funds net of fees also fell over the six months and for many funds net returns range between 0% and 0.1%.

Given the increasing risk and falling returns from short-term unsecured bank investments, the Council has moved away from unsecured bank deposits, keeping in-house investments extremely liquid and diversified through the use of money market funds and further investing in the externally managed pooled funds.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return (income only) %
31.03.2020	4.19	AA-	100%	1	2.01%
30.09.2020	4.30	AA-	100%	1	1.65%

Externally Managed Funds

The Council's £101.76m of externally managed pooled funds l have generated £0.86m income return, and £5.08m of unrealised capital growth, since 1st April 2020.

In a relatively short period since the onset of the COVID-19 pandemic in March and the ensuing enforced lockdown in many jurisdictions, the global economic fallout has been sharp and large. Market reaction was extreme with large falls in equities, corporate bond markets and, to some extent, real estate echoing lockdown-induced paralysis and the uncharted challenges for governments, businesses and individuals.

The Council is invested in bond, equity, multi-asset and property funds. The falls in the capital value of the underlying assets, in particular bonds and equities were reflected in the 31st March 2020 fund valuations with every fund registering negative capital returns over a 12-month period. Since March there has been improvement in market sentiment which is reflected in an increase in capital values of the short-dated, strategic bond and multi-asset income funds and all of the equity income funds in the Council's portfolio. The capital value of the property fund is below that at 31st March. Market values at 31st March and 30th September 2020 are as shown in Table 4 above.

Similar to many other property funds, dealing (i.e. buying or selling units) in the CCLA Local Authorities Property Fund was suspended by the fund in March 2020. The relative infrequency of property transactions in March as the pandemic intensified meant that it was not possible for valuers to be confident that their valuations correctly reflected prevailing conditions. To avoid material risk of disadvantage to buyers, sellers and holders of units in the property fund, the management company was obliged to suspend transactions until the required level of certainty is re-established. The dealing suspension was lifted in September 2020. There has also been a change to redemption terms for the CCLA Local Authorities Property Fund; from September 2020 investors are required to give at least 90 calendar days' notice for redemptions.

Because the Council's funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives is regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates.

With money market fund rates nearing 0%, a decision was taken to move £7m out of money market fund investments and into cash plus funds which offer a slight improvement on yield but are still highly liquid investments. £5m was invested into the Federated cash plus fund and £2m into the Royal London enhanced cash plus fund (an investment already held by the Council). £4m was invested into longer term, strategic investments - £2m in the Investec diversified income fund and £2m in the Fidelity Global income fund. Both of these funds are funds the Council already has investments in.

In 2020/21 the Council expects to receive significantly lower income from its cash and short dated money market investments and from its externally managed funds than it did in 2019/20 and earlier years. Dividends and income paid will ultimately depend on many factors including but not limited to the duration of COVID-19 and the extent of its economic impact, the fund's sectoral asset allocation, securities held/bought/sold and, in the case of equities, the enforced or voluntary dividend cuts or deferral.

3.10 Non-Treasury Investments

The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

The Council holds £10.15m of such investments in directly owned property, which are primarily held for service objectives and a full list is shown below in table

Table 6: Non-treasury Investments

Property	31.03.2020

	Value in accounts £m	Income expected 2020/21 £m
59-65 Hythe Street (Greek Taverna)	0.42	0.03
The Bridge development	3.65	0
Crown buildings (land only)	0.86	0.06
146 Lowfield Street (land only)	0.05	0
16 Market Street	0.11	0.01
Fleet Estate Freehold Interests	0.04	0
Orchard Shopping Centre (land only)	3.02	0.22
37 Essex Road (Nightclub – land only)	0.30	0.03
HRA Investment properties	1.71	0.15
TOTAL	10.15	0.50

These investments are expected to generate £0.50m per annum.

3.11 Compliance

The Council received significant grant funding at the end of March and start of 2020/21 to aid businesses with the impact from COVID-19. The usual payment to central government of business rates were rescheduled with larger payments later in the year and capital projects were put on hold due to the lockdown of the country which meant the Council had significantly higher than anticipated cash flow balances. The Council was also advised at this time to temporarily cease using one of the money market fund counterparties. It was therefore necessary to seek approval from the Managing Director to increase the limit on the remaining money market fund investments from £7m per fund to £12m per fund and the overall limit from £65m to £81.6m for a two month period from 1st April to 31st May 2020 but with a caveat that it would be likely that further changes to limits would be sought at the end of this period. At the end of May the limit was again increased but to £10m per money market fund from £7m and overall limit from £65m to £69.6m. This increase continued until the end of September 2020. From October 2020 the increase to fund limits to £10m has again been approved but the overall total investment in money markets will not exceed the £65m originally approved in the Treasury Management Strategy. This increase will apply until 31st January 2021 after which time limits will revert to those originally set.

All treasury management activities undertaken during the first half of 2020/21 have complied fully with the CIPFA Code of Practice and, other than money market fund limits as detailed above, the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7

Table 7 – Investment Limits

	H1 Maximum	30.9.20 Actual	2020/21 Limit	Complied
Any single organisation, except UK Government and externally managed pooled funds	£0M	£0M	£7.5M	✓
UK Central Government	£0M	£0M	Unlimited	✓
Any group of organisations under the same ownership (excluding externally managed pooled funds)	£0M	£0M	£7.5M	✓
Any group of pooled funds under the same management	£21.2M	£21.2M	£25M	✓
Negotiable instruments held in a broker's nominee account	£0M	£0M	£25M	✓
Foreign countries	£0M	£0M	£10M	✓
Registered Providers and registered social landlords	£0M	£0M	£5M	✓
Unsecured investments with Building Societies	£0M	£0M	£5M	✓
Loans to unrated corporates	£0M	£0M	£5M	✓
Money Market Funds	£67.07M in total £10M per fund	£44.56M in total £10M per fund	£65M in total £7M per fund	Please see explanation above
Real estate investment trusts	£0M	£0M	£25M	✓

3.12 **Projected Outturn for 2020/2021**

With security of capital our primary objective, the internal investments have achieved income of £0.05m at an average interest rate of 0.16%, to date.

The externally managed pooled funds have achieved an income return of £0.86m with a further £0.35m declared and due to be received within the next two months.

The Council is therefore confident it will meet the income budget set of £1.25m.

However, with the bank rate now at 0.1%, interest earned from short-dated money market investments will be significantly lower over the forthcoming six months. In relation to income from the Council's externally managed strategic funds, dividends and income distributions over the next six months will ultimately depend on many factors including, but not limited to the duration of COVID-19 and the extent of its economic impact, the funds' sectoral asset allocation, securities held/bought/sold and, in the case of equities, the enforced or voluntary dividend cuts or deferral.

3.13 **Treasury Indicators**

The Council can confirm that it has complied with its Treasury Indicators for 2020/21 which were set in the budget report to the General Assembly of the Council on 24 February 2020 as part of the Council's Treasury Management Strategy Statement. Details are as follows:

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2 etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	30.9.20 Actual	2020/21 Target	Complied
Portfolio average credit rating	AA-	A	✓

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling one month period, without additional borrowing.

	Target
Total cash available within 1 month	£5m

Since the 1st April 2020 the Council had at least £5m available within one month at all times.

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Target
One year revenue impact of a 1% rise in interest rates	£400,000
Upper Limit for Variable Interest Rate Exposure	(£1,000,000)

The impact of change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates. The Council's debt is at fixed rates and there has been no debt maturing in the period which has needed to be refinanced. The Council will benefit from any increase in interest rates on its investments.

Maturity Structure of Borrowing

This indicator is to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing together with the actual fixed rate borrowing as at 30th September are shown below:

Maturity structure of fixed rate borrowing	Lower Limit for 2020/21 %	Upper Limit for 2020/21 %	Actual Maturity % as at 30/09/2020	Actual Fixed Rate Borrowing at 30/09/2020 £m	Complied
under 12 months	0%	25%	9.03%	4.44	✓
12 months and within 24 months	0%	50%	18.29%	9.00	✓
24 months and within 5 years	0%	50%	21.61%	10.64	✓
5 years and within 10 years	0%	50%	30.14%	14.82	✓
10 years and within 20 years	0%	50%	20.92%	10.29	✓
20 years and above	0%	20%	0.00%	0	✓
Total			**100.00%**	**49.19**	

Principal Sums Invested for Periods Longer than a year

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on long-term principal sum invested to final maturities beyond the period end are as follows:

	Approved upper limit of principal invested beyond 1 year	**30/09/20 Actual**
Internally Managed Funds	£20m	£0
Externally Managed Funds	£125m	£101.76m

3.14 Other

IFRS16: The implementation of the new IFRS 16 Leases accounting standard has been delayed until 2021/22.

4. Relationship to the Corporate Plan

Council Performing Strongly Theme PS1 – Deliver high quality services, offering value for money and demonstrating a culture of continuous improvement.

Regular monitoring and scrutiny of the Council's financial position, and, in particular its treasury management function is key to maintaining a high quality service and value for money.

5. Financial, legal, staffing and other administrative implications and risk assessments

Financial Implications	As detailed in the report
Legal Implications	There are none as a result of this report
Staffing Implications	There are none as a result of this report
Administrative Implications	There are none as a result of this report
Risk Assessment	Treasury operations are tightly regulated and the Council's external advisors consulted regularly, thus minimising the risk to the Council. A prudent approach is taken in relation to investment activity with priority being given to security and liquidity over yield.

6. Details of Exempt Information Category

Not applicable

BACKGROUND PAPERS

Documents consulted	Date / File Ref	Report Author	Section and Directorate	Exempt Information Category
Banking records and Arlingclose guidance		Catherine Bailey (01322) 343312	Financial Services, Internal Services	N/A