**AGENDA ITEM.**

**REPORT TO AUDIT & GOVERNANCE COMMITTEE**

**27 SEPTEMBER 2021**

**REPORT OF DIRECTOR OF FINANCE, DEVELOPMENT & BUSINESS SERVICES**

# TREASURY MANAGEMENT STRATEGY – ANNUAL REPORT 2020/21

## SUMMARY

This report informs Members of the performance against the treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2020.

## REASONS FOR PRODUCING THIS REPORT

The Council operates under the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve a treasury management annual report after the end of each financial year.

This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

## Introduction

The Council's treasury management strategy for 2020/21 was approved at Council on the 26th February 2020. 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 remains central to the Council's Treasury Management Strategy.

## External Context

The Councils treasury management advisors Arlingclose have provided the following commentary on the external context.

**Economic background:** The coronavirus pandemic dominated 2020/21, leading to almost the entire planet being in some form of lockdown during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England cut Bank Rate to 0.1% and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime.

Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31st March.

A Brexit trade deal was agreed with only days to spare before the 11pm 31st December 2020 deadline having been agreed with the European Union on Christmas Eve.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting. In its March 2021 interest rate announcement, the BoE noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the furlough scheme is eventually withdrawn.

Government initiatives supported the economy and the Chancellor announced in the 2021 Budget a further extension to the furlough (Coronavirus Job Retention) scheme until September 2021. Access to support grants was also widened, enabling more self-employed people to be eligible for government help. Since March 2020, the government schemes have help protect more than 11 million jobs.

Inflation has remained low over the 12 month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. The ONS' preferred measure of CPIH which includes owner-occupied housing was 0.7% year/year (1.0% expected).

After contracting sharply in Q2 (Apr-Jun) 2020 by 19.8% q/q, growth in Q3 and Q4 bounced back by 15.5% and 1.3% respectively. The easing of some lockdown measures in the last quarter of the calendar year enabled construction output to continue, albeit at a much slower pace than the 41.7% rise in the prior quarter. When released, figures for Q1 (Jan-Mar) 2021 are expected to show a decline given the national lockdown.

**Financial markets:** Monetary and fiscal stimulus helped provide support for equity markets which rose over the period, with the Dow Jones beating its pre-crisis peak on the back of outperformance by a small number of technology stocks. The FTSE indices performed reasonably well during the period April to November, before being buoyed in December by both the vaccine approval and Brexit deal, which helped give a boost to both the more internationally focused FTSE 100 and the more UK-focused FTSE 250, however they remain lower than their pre-pandemic levels.

Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.

**Credit review:** The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

## Local Context

On 31st March 2021, the Council had net borrowing of £49.52m arising from its revenue and capital income and expenditure. 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

| | **31.3.20 Actual £m** | **2020/21 Movement £m** | **31.3.21 Actual £m** |
|---|---|---|---|
| General Fund CFR | 170.58 | 11.60 | 182.17 |
| Less: Other debt liabilities | (6.14) | (1.79) | (7.93) |
| **Borrowing CFR** | **164.44** | **9.81** | **174.25** |
| Less: Usable reserves | (101.52) | (20.04) | (121.56) |
| Less: Working capital | (0.30) | (2.87) | (3.17) |
| **Net Borrowing / (Investments)** | **62.62** | **(13.10)** | **49.52** |

Lower official interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The Authority pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The treasury management position at 31st March 2021 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

| | **31.3.20 Balance £m** | **2020/21 Movement £m** | **31.3.21 Balance £m** |
|---|---|---|---|
| Long-term borrowing | 73.87 | (3.51) | 70.36 |
| Short-term borrowing | 27.88 | (18.21) | 9.67 |
| **Total borrowing** | **101.75** | **(21.72)** | **80.03** |
| Long-term investments | 14.29 | (0.10) | 14.19 |
| Short-term investments | 0.00 | 0.00 | 0.00 |
| Cash and cash equivalents | 24.85 | (8.53) | 16.32 |
| **Total investments** | **39.14** | **(8.63)** | **30.51** |
| **Net Borrowing / (Investments)** | **62.62** | **(13.09)** | **49.52** |

As noted in previous reports, at the end of 2019/20 the authority entered into a number of short term loans to aid with cash flow through the start of the pandemic and before government grants started to flow into the authority. Due to the level of cash balances held during 2020-21 these short term loans along with a long term loan were repaid without the need for them to be replaced. Overall totally borrowing dropped from £107.75m as at 31st March 2020 to £80.03m as at 31st March 2021 .

Total investment also decreased during the year dropping £8.63m from £39.14m at the end of 2019-20 to £30.51m at the end of 2020-21. This is due to the loans noted above not being replaced.

**Borrowing Update**

In November 2020 the PWLB published its response to the consultation on ‘Future Lending Terms’. From 26th November the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing authority can confirm that it is not planning to purchase ‘investment assets primarily for yield’ in the current or next two financial years. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. As part of the borrowing process authorities will now be required to submit more detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the Section 151 Officer. The PWLB can now also restrict local authorities from borrowing in unusual or large amounts.

Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management. Misuse of PWLB borrowing could result in the PWLB requesting that Authority unwinds problematic transactions, suspending access to the PWLB and repayment of loans with penalties.

Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders.

The Authority is not planning to purchase any investment assets primarily for yield within the next three years and so is able to take advantage of the reduction in the PWLB borrowing rate.

Municipal Bonds Agency (MBA): 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. A planned third bond issuance by Warrington Borough Council was withdrawn in early December after the reduction in PWLB borrowing rates.

If the Authority 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.

UK Infrastructure Bank: In his March 2021 budget the Chancellor confirmed that a UK Infrastructure Bank will be set up with £4bn in lending earmarked for local authorities from the summer of 2021. Loans will be available at gilt yield plus 0.60%, 0.20% lower than the PWLB certainty rate. A bidding process to access these loans is likely with a preference to projects likely to help the government meet its Net Zero emissions target. However other "high value and complex economic infrastructure projects" may also be considered.

**Borrowing Strategy during the year**

At 31st March 2021 the Council held £80.03m of loans, a decrease of £21.72m from the previous year. The year-end borrowing position and the year-on-year change is shown in Table 3 below.

Table 3: Borrowing Position

| | 31.3.20 Balance £m | 2020/21 Movement £m | 31.3.21 Balance £m | Average Rate % | 31.3.21 WAM* years |
|---|---|---|---|---|---|
| Public Works Loan Board | 33.75 | (0.22) | 33.53 | 4.97% | 8.0 |
| Banks (LOBO) | 37.00 | 0.00 | 37.00 | 4.83% | 38.9 |
| Local Authorities | 25.00 | (19.50) | 5.50 | 1.50% | 0.0 |
| Banks (fixed-term) | 6.00 | (2.00) | 4.00 | 8.99% | 1.6 |
| **Total borrowing** | **101.75** | **(21.72)** | **80.03** | **4.97%** | **21.5** |

**Weighted average maturity*

The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

In keeping with these objectives, no new borrowing was undertaken while £21.72m of existing loans were allowed to mature without replacement. This strategy enabled the Authority to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

The Council continues to holds £37m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during 2020/2021.

**Treasury Investment Activity**

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances fluctuated due to timing differences between income and expenditure. The year-end investment position is show in Table 4 below.

Table 4: Treasury Investment Position

| Counterparty | Amount £ | Rate % | Maturity Date |
|---|---|---|---|
| Nat West SIBA | 250,000 | 0.01% | Call Account |
| Blackrock | 3,000,000 | 0.00% | Money Market Fund |
| Aberdeen | 3,000,000 | 0.01% | Money Market Fund |
| Federated | 2,000,000 | 0.01% | Money Market Fund |
| Legal & General | 1,500,000 | 0.00% | Money Market Fund |
| Insight | 1,500,000 | 0.01% | Money Market Fund |
| CCLA Deposit Fund | 5,000,000 | 0.04% | Money Market Fund |
| CCLA Property Fund | 13,809,516 | 4.30% | Property Fund |
| | **30,059,516** | | |

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.

Deposit rates with the Debt Management Account Deposit Facility (DMADF) have continued to fall and are now largely around zero.

The net return on Money Market Funds net of fees, which had fallen after Bank Rate was cut to 0.1% in March, are now at or very close to zero; fund management companies have temporarily lowered or waived fees to avoid negative net returns.

The progression of credit risk and return metrics for the Council's investments managed in-house are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

| | Credit Score | Credit Rating | Bail-in Exposure | WAM* (days) | Rate of Return |
|---|---|---|---|---|---|
| 31.03.2020 | 4.09 | AA- | 80% | 1 | 0.43% |
| 30.06.2021 | 4.05 | AA- | 73% | 2 | -0.52% |
| 30.09.2020 | 4.25 | AA- | 100% | 1 | -0.66% |
| 31.12.2020 | 4.86 | A+ | 91% | 1 | -0.18% |
| 31.03.2021 | 4.91 | A+ | 100% | 1 | 1.71% |
| **Similar LAs** | 4.66 | AA- | 68% | 32 | 1.87% |
| **All LAs** | 4.63 | A+ | 63% | 14 | 2.26% |

*Weighted average maturity

£13.8m of the Council's investments are held in an externally managed strategic pooled property fund where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated a return of £0.603m (4.3%) (£0.624m 2019-20) which is used to support services in year. The falls in the capital value of the underlying assets were reflected in the 31st March fund valuations with the CCLA property fund registering negative capital returns over 12 months to March 2021 of £0.099m. Dividend yields remained relatively high as detailed above and due to decent income returns in 2020-21, this fund still posted a positive total return over the one-year period.

During the initial phase of the pandemic in March 2020, the sharp falls corporate bond and equity markets had a negative impact on the value of the Council's pooled fund holdings and was reflected in the 31st March 2020 fund valuations with every fund registering negative capital returns over a 12-month period.

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 and lifted in September. There was also 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. The capital value of the property fund at the 31st March 2021 is shown in Table 4, above.

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium- to long-term investment objectives are 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.

Following the cut in Bank rate from 0.75% to 0.10% in March 2020, the Authority had expected to receive significantly lower income from its cash and short-dated money market investments, including money market funds in 2020/21, as rates on cash investments are close to zero percent. Income from most of the Authority's externally managed funds will also be lower than in 2019/20 and earlier years. Whilst the arrival and approval of vaccines against COVID-19 and the removal of Brexit uncertainty that had weighed on UK equities were encouraging developments, dividend and income distribution was dependent on company earnings in a very challenging and uncertain trading environment as well as enforced cuts or deferral required by regulatory authorities. Overall investment income during 2020-21 was £0.688m (£0.870m 2019-20).

**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 also held £18.299m of such investments in;

- directly owned property £16.048m
- loans to local businesses £1.412m
- loans to subsidiaries £0.635m

- other £0.204m

These investments generated £0.950m of investment income for the Council after taking account of direct costs in 2020/21 representing a rate of return of 5.19%.

**Compliance**

The Director of Finance, Development and Business Services reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated below.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in Table 6 below.

Table 6: Debt Limits

| | 2020/21 Maximum | 31.3.21 Actual | 2020/21 Operational Boundary £m | 2020/21 Authorised Limit £m | Complied |
|---|---|---|---|---|---|
| Borrowing | 101.75 | 80.03 | 178.30 | 198.30 | ✓ |
| PFI & finance leases | 6.14 | 7.93 | 7.90 | 7.90 | ✓ |
| **Total debt** | **107.90** | **87.96** | **186.20** | **206.20** | ✓ |

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. Total debt was above the operational boundary for 0 days during 2020/21.

Compliance with specific investment limits is demonstrated in Table 7 below.

Table 7: Investment Limits

| | 2020/21 Maximum | 31.3.21 Actual | 2020/21 Limit | Complied |
|---|---|---|---|---|
| Any single organisation, except the UK Central Government | £2.6m | £0.25m | £15m each | ✓ |
| UK Central Government | £32.5m | £0m | unlimited | ✓ |
| Any group of organisations under the same ownership | £0m | £0m | £15m per group | ✓ |
| Any group of pooled funds under the same management | £13.9m | £13.8m | £20m per fund manager | ✓ |
| Negotiable instruments held in a broker's nominee account | £0m | £0m | £12.5m per broker | ✓ |

| | | | | |
|---|---|---|---|---|
| Foreign countries | £0m | £0m | £5m per country | ✓ |
| Registered Providers | £0m | £0m | £12.5m in total | ✓ |
| Unsecured investments with Building Societies | £0m | £0m | £5m in total | ✓ |
| Loans to unrated corporates | £0m | £0m | £5m in total | ✓ |
| Money Market Funds | £37.5m | £16m | £37.5m in total | ✓ |
| Real estate investment trusts | £0m | £0m | £12.5m in total | ✓ |

** see table 4 above for actual values with individual counterparties as at 31st March 2021.*

**Treasury Management Indicators**

The Council measures and manages its exposures to treasury management risks using the following indicators.

**Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

| | 31.3.21 Actual | Upper Limit | Lower Limit | Complied |
|---|---|---|---|---|
| Under 12 months | 7% | 25% | 0% | ✓ |
| 12 months and within 24 months | 6% | 40% | 0% | ✓ |
| 24 months and within 5 years | 4% | 60% | 0% | ✓ |
| 5 years and within 10 years | 13% | 80% | 0% | ✓ |
| 10 years and above | 70% | 100% | 0% | ✓ |

**Principal Sums Invested for Periods Longer than 365 days:** 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 the long-term principal sum invested to final maturities beyond the period end were:

| | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|
| Actual principal invested beyond year end | £15m | £15m | £15m |
| Limit on principal invested beyond year end | £60m | £50m | £40m |
| Complied | ✓ | ✓ | ✓ |

**Prudential Indicators 2020/21**

**Introduction:** The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code is to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

This report compares the approved indicators with the outturn position for 2020/21. Actual figures have been taken from or prepared on a basis consistent with, the Council's Statement of Accounts.

**Capital Expenditure:** The Council's capital expenditure and financing is summarised as follows.

| Capital Expenditure and Financing | 2020/21 Estimate £m | 2020/21 Actual £m | Difference £m |
|---|---|---|---|
| **Total Expenditure** | **52.4** | **28.3** | **(24.10)** |
| Capital Receipts | 4.00 | 0.7 | (3.30) |
| Grants & Contributions | 27.0 | 14.6 | (12.40) |
| Revenue | 2.0 | 1.9 | (0.10) |
| Borrowing | 19.4 | 11.1 | (8.30) |
| **Total Financing** | **52.4** | **28.3** | **(24.10)** |

**Capital Financing Requirement:** The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

| Capital Financing Requirement | 31.03.21 Estimate £m | 31.03.21 Actual £m | Difference £m |
|---|---|---|---|
| General Fund | 186.2 | 182.2 | **(4.0)** |
| **Total CFR** | **186.2** | **182.2** | **(4.0)** |

There was a difference of (£4.0m) on the CFR from the original estimate due a decrease against the approved spend within the capital programme.

**Actual Debt:** The Council's actual debt at 31st March 2021 was as follows:

| Debt | 31.03.21 Estimate £m | 31.03.21 Actual £m | Difference £m |
|---|---|---|---|
| Borrowing | 134.10 | 80.03 | **(54.07)** |
| Finance leases | 3.80 | 3.80 | **(0.00)** |
| PFI liabilities | 4.70 | 4.13 | **(0.57)** |
| **Total Debt** | **142.60** | **87.96** | **(54.65)** |

There was a significant reduction in the planned borrowing requirements during 2020/21 due to the high level of upfront Covid grant payments received by the authority and slippage on the capital programme.

**Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence. The table below shows the position as at 31st March 2021;

| **Debt and CFR** | **31.03.21 Estimate £m** | **31.03.21 Actual £m** | **Difference £m** |
|---|---|---|---|
| Total debt | 142.60 | 87.96 | **(54.65)** |
| Capital financing requirement | 186.20 | 182.17 | **(4.03)** |
| **Headroom / (Under Borrowed)** | **(43.60)** | **(94.22)** | **(50.62)** |

Total debt during the year remained below the CFR. At the 31st March the Council was under borrowed by £94.22m.

**Operational Boundary for External Debt:** The operational boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring.  Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

| **Operational Boundary and Total Debt** | **31.03.21 Boundary £m** | **31.03.21 Actual Debt £m** | **Complied** |
|---|---|---|---|
| Borrowing | 178.30 | 80.03 | ✓ |
| Other long-term liabilities | 7.90 | 7.93 | ✓ |
| **Total Debt** | **186.20** | **87.96** | ✓ |

**Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the *Local Government Act 2003.* It's the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

| **Authorised Limit and Total Debt** | **31.03.21 Limit £m** | **31.03.21 Actual Debt £m** | **Complied** |
|---|---|---|---|
| Borrowing | 198.30 | 80.03 | ✓ |
| Other long-term liabilities | 7.90 | 7.93 | ✓ |
| **Total Debt** | **206.20** | **87.96** | ✓ |

**Ratio of Financing Costs to Net Revenue Stream:** This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income. The table below shows the position as at 31st March 2021.

| **Ratio of Financing Costs to Net Revenue Stream** | **31.03.21 Estimate %** | **31.03.21 Actual %** | **Difference %** |
|---|---|---|---|
| General Fund | 3.1% | 2.4% | -0.7% |

**Other**

**CIPFA consultations**: In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These follow the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. These are principles-based consultations and will be followed by more specific proposals later in the year.

In the Prudential Code the key area being addressed is the statement that "local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed". Other proposed changes include the sustainability of capital expenditure in accordance with an authority's corporate objectives, i.e. recognising climate, diversity and innovation, commercial investment being proportionate to budgets, expanding the capital strategy section on commercial activities, replacing the "gross debt and the CFR" with the liability benchmark as a graphical prudential indicator.

Proposed changes to the Treasury Management Code include requiring job specifications and "knowledge and skills" schedules for treasury management roles to be included in the Treasury Management Practices (TMP) document and formally reviewed, a specific treasury management committee for MiFID II professional clients and a new TMP 13 on Environmental, Social and Governance Risk Management.

**IFRS 16**: The implementation of the new IFRS 16 Leases accounting standard has been delayed for a further year until 2022/23.

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