Kirklees COUNCIL

Name of meeting: Corporate Governance and Audit Committee

Date: 22 July 2020

Title of report: Annual Report on Treasury Management 2019-20

Purpose of report
Financial Procedure Rules require that the Council receives an annual report on Treasury Management activities for the previous financial year. The report reviews borrowing and investment performance.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**Not applicable**
Key Decision - Is it in the [Council's Forward Plan (key decisions and private reports)?]	**Yes**
The Decision - Is it eligible for "call in" by Scrutiny?	**Yes**
Date signed off by Service Director & name **Is it also signed off by the Service Director for Finance** **Is it also signed off by the Service Director for Governance and Commissioning Support?**	**Eamonn Croston 10 July 2020** **As above** **Julie Muscroft – 13 July 2020**
Cabinet member portfolio	**Cllr Graham Turner**

Electoral wards affected: Not applicable

Ward councillors consulted: Not applicable

Public or private: **Public**

GDPR: This report contains no information that falls within the scope of General Data Protection Regulations

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1. Summary

1.1 The Council's treasury management operation for the year has followed the strategy approved by Council on 13 February 2019. Investments averaged £32.7 million, were largely deposited in instant access accounts and earned an average interest rate of 0.73%. Total external borrowing at 31st March 2020 increased by £31.0 million to £426.9 million (£395.9 million as at 31st March 2019). The increase is mainly due to the borrowing requirements in the capital plan. Temporary borrowing increased for the year by £39.5 million to £40.9 million (£1.4 million 31st March 2019). The majority of borrowing is on fixed rate terms and the average long term borrowing rate for 2019-20 was 4.67%.

1.2 In 2017-18 the Council approved a revision to its Minimum Revenue Provision (MRP) policy, which relates to the amount of revenue resources set aside each year to provide for its outstanding debt repayments over the longer term. This was done by updating its approach to Supported Borrowing from 2007-08 onwards, moving from a 4% reducing balance to an annuity basis in its repayment of debt.

1.3 In updating the approach the Council effectively over-provided in previous years the re-payment of debt to the sum of £91.1m. Within the Treasury Management Strategy 2018-19 the Council set out its approach to unwind this over-provision at £9.1m each year over the next 10 years, starting from 2017-18 onwards.

1.4 Following approval within the 2018-19 Treasury Management Strategy there was a further increase in the un-winding in the General Fund MRP for 2018-19 and 2019-20. The maximum amount of un-wind in any one year cannot be more than the overall annual MRP calculation, as otherwise the Council would end up in a negative MRP position, which is not allowable under accounting rules. The calculation estimated for the Treasury Management Strategy was £13.5m. The actual MRP calculation for 2019-20 and hence the maximum unwind allowable is £13.7m. In the 2019-20 the unwind has therefore been increased by a further £200k.

1.5 Treasury management costs incurred in the year include £10.8 million on net interest payments. The Council complied with its treasury management prudential indicators in the year.

2. Information required to take a decision

2.1 Background

2.1.1 The Council has adopted the CIPFA Code of Practice on Treasury Management and operates its treasury management service in compliance with this Code and various statutory requirements. These require that the prime objective of the activity is to secure the effective management of risk, and that borrowing is undertaken on a prudent, affordable and sustainable basis.

2.1.2 Council Financial Procedure Rules require that the Council receives an annual report on Treasury Management activities for the year. Cabinet is responsible for the implementation and monitoring of the treasury management policies. Corporate Governance and Audit Committee undertake a scrutiny role with regard to treasury management.

2.1.3 In reviewing 2019-20 performance, reference will be made to the Treasury Management Strategy Report approved by Budget Council on 13 February 2019.

2.2 Borrowing and Investment Strategy 2019-20

2.2.1 The Council's overall Treasury Management Strategy prioritises security, liquidity and risk management which was adhered to in 2019-20. The Council aims to invest externally, balances of £30 million, largely for the purpose of managing day-to-day cash flow requirements, with any remaining balances invested "internally", offsetting borrowing requirements. The investment strategy is designed to minimise risk, investments being made primarily in instant access accounts or short-term deposits, with the major British owned banks and building societies, or Money Market Funds.

2.2.2 Although it only affected the last couple of weeks of the 2019-20 financial year, COVID-19 had a significant impact on treasury management. . In an operational sense, this resulted in a shortage of options for short-term borrowing within the market as a whole, with a resultant increase in rates. Due to the cyclical nature of local government cashflows and the uncertainty around the implications for future cashflows, various central government mitigations were implemented to ease sectoral concerns about short-term access to funds and market liquidity. For the Council, this position was eased with the receipt in advance of several tranches of Central Government funding for 2020-21. Further specific details are provided in the subsequent paragraphs within this report.

2.3 The Economy and Interest Rates

Below paragraphs 2.3.1-2.3.6 are a commentary from our external treasury management advisors, Arlingclose.

2.3.1 The UK's exit from the European Union and future trading arrangements, had remained one of major influences on the UK economy and sentiment during 2019-20. The 29th March 2019 Brexit deadline was extended to 12th April, then to 31st October and finally to 31st January 2020. Politics played a major role in financial markets over the period as the UK's progress negotiating its exit from the European Union together with its future trading arrangements drove volatility, particularly in foreign exchange markets. The outcome of December 2019 General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

2.3.2 The headline rate of UK Consumer Price Inflation fell to 1.7% year on year in February, below the Bank of England's target of 2%. Labour market data remained positive. The International Labour Organisation (ILO) unemployment rate was 3.9% in the three months to January 2020 while the employment rate hit a record high of 76.5%. The average annual growth rate for pay excluding bonuses was 3.1% in January 2020 and the same when bonuses were included, providing some evidence that a shortage of labour had been supporting wages.

2.3.3 Gross Domestic Product (GDP) growth in Q4 2019 was reported as flat by the Office for National Statistics and service sector growth slowed and production and construction activity contracted on the back of what at the time were concerns over the impact of global trade tensions on economic activity. The annual rate of GDP growth remained below-trend at 1.1%.

2.3.4 Then coronavirus swiftly changed everything. COVID-19, which had first appeared in China in December 2019, started spreading across the globe causing plummeting sentiment and falls in financial markets not seen since the Global Financial Crisis as part of a flight to quality into sovereign debt and other perceived 'safe' assets.

2.3.5 In response to the spread of the virus and sharp increase in those infected, the government enforced lockdowns, central banks and governments around the world cut interest rates and introduced massive stimulus packages in an attempt to reduce some of the negative economic impact to domestic and global growth.

2.3.6 The Bank of England, which had held policy rates steady at 0.75% through most of 2019-20, moved in March 2020 to cut rates to 0.25% from 0.75% and then swiftly thereafter brought them down further to the record low of 0.10%. In conjunction with these cuts, the UK government introduced a number of measures to help businesses and households impacted by a series of ever-tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

2.4 Investment Activity

2.4.1 The Council's treasury management investments totalled £52.0 million as at 31 March 2020 (£39.1 million 31 March 2019). The Council invested an average balance of £32.7 million externally during the year (£45.2 million 2018-19). Interest income of £0.204 million was generated through these investments (£0.313 million 2018-19) and £0.183 million dividend income from the CCLA Property Fund. Appendix 1 shows where investments were held at the beginning of April 2019, the end of September 2019 and the end of March 2020, by counterparty, by sector and by country. The Council's average lending rate for the year was 0.73% (0.67% 2018-19).

2.4.2 The majority of investments were placed in instant access bank deposit accounts/Money Market Funds (MMFs). MMFs offer greater diversification of counterparties and thus lower risk, as well instant access and relatively good returns. The Council invested £10 million during the year in the CCLA Property Fund as part of the 2019-20 Treasury Management Strategy.

2.5 Borrowing Update

2.5.1 On 9th October 2019 the Public Works Loan Board (PWLB) raised the cost of certainty rate borrowing by 1% to 1.8% above UK gilt yields as HM Treasury was concerned about the overall level of local authority debt. As a result, by way of an example, a 30 year maturity loan on 8th October was 1.96% which increased to 2.97% the following day. PWLB borrowing remains available and although rates have reduced, (a 30 year maturity loan on 6th July was 2.68%) it is still 1% higher than it would otherwise have been. Market alternatives are available and new products have been developed; however, the financial strength of individual authorities is subject to increased scrutiny by investors and commercial lenders for any market alternative.

2.5.2 The Chancellor's March 2020 Budget statement included significant changes to PWLB policy and launched a wide-ranging consultation on the PWLB's future direction. Announcements included a reduction in the margin on new HRA loans, the value of this discount is 1% below the rate at which the authority usually borrows from the PWLB, available from 12th March 2020.

2.5.3 The consultation proposals 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 without impeding their ability to pursue their core policy objectives of service delivery, housing, and regeneration. The consultation closes on 31st July 2020 with implementation of the new lending terms expected in the latter part of this calendar year or financial year beginning 2021-22.

2.6 Borrowing Requirement and Debt Management

2.6.1 In terms of borrowing, long-term loans at the end of the year totalled £373.7 million and short-term loans (excluding interest accrued) £53.2 million (£384.1 million and £11.8 million 31 March 2019), an overall increase of £31.0 million. There was no new long term borrowing in 2019-20. Appendix 2 details repayments of long-term loans during the year and short-term loans outstanding as at 31 March 2020.

2.6.2 Fixed rate loans account for 83.53% of total long-term debt (see also Appendix 5) giving the Council stability in its interest costs. The maturity profile for all long-term loans is shown in Appendix 3 and shows that no more than 9% of all debt is due to be repaid in any one year. This is good practice as it reduces the Council's exposure to a substantial borrowing requirement in any one particular future year, when interest rates might be at a relatively high level.

2.6.3 The primary source of the Council's borrowing is from the Government i.e. Public Works Loan Board (PWLB). See also, 2.5 above.

2.6.4 The Council held a £10.0 million range Lender Option Borrower Option (LOBO) with Barclays at the beginning of the year paying interest of 4.1%. LOBO loans are when the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. As previously reported (to Corporate Governance and Audit Committee on 15th November 2019), Barclays approached the Council with a view to converting this to a fixed rate loan. This was subsequently agreed in July 2019 and converted to a fixed rate maturity loan with an interest rate of 3.75%. This brings the total of LOBO loans down to £61.6 million which represents 16% of total external borrowing.

2.6.5 The table below sets out the actual external borrowing requirement against estimated requirements;

	2018-19 £m actual	2019-20 £m forecast	2019-20 £m actual
General Fund CFR - Non PFI	436.6	480.2	461.6
PFI	49.3	45.8	45.8
HRA CFR - Non PFI	175.3	172.7	175.3
PFI	52.9	50.5	50.5
Total CFR	714.1	749.2	733.2
Less: PFI debt liabilities	102.2	96.3	96.3
Borrowing CFR	**611.9**	**652.9**	**636.9**
Other deferred liabilities	3.9	3.8	3.9
Internal borrowing	212.1	219.0	206.1
External borrowing:			
PWLB Loans	278.6	274.4	273.3
LOBOs	76.6	65.0	61.6
Loan Stock (Fixed Rate)	7.0	7.0	7.0
Other Loans (Fixed Rate)	32.3	38.4	44.1
Temporary borrowing	1.4	45.3	40.9
Total External borrowing	395.9	430.1	426.9
Total Funding	**611.9**	**652.9**	**636.9**
Investments	39.1	30.0	52.0

2.6.6 The Local Capital Finance Company established in 2014 by the Local Government Association as an alternative source of local authority finance. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. Its first bond was issued in February 2020 and has announced three further pooled bond issues to follow. Officers will continue to monitor developments of this potential new funding source.

2.6.7 In terms of debt rescheduling, the premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity in 2019-20.

2.6.8 The average long term borrowing rate for 2019-20 for the Council's long-term loans outstanding was 4.67% (4.83% 2018-19).

2.7 Trends in treasury management activity

2.7.1 Appendix 4 shows the Council's borrowing and investment trends over the last 6 years. The trend has been to re-pay long term debt at maturity and where required borrow over the short term. Going forward the need to borrow long term will be reviewed using the liability benchmark and also the result of the PWLB consultation

2.8 Risk and Compliance Issues

2.8.1 The Council has complied with its prudential indicators for 2019-20, which were approved as part of the Treasury Management Strategy. Details can be found in Appendix 5. Indicators relating to affordability and prudence are highlighted in this appendix.

2.8.2 When the Council has received unexpected monies late in the day, officers have no alternative but to put the monies into the Barclays Business Reserve Account overnight. The account is maintained so that usually, daily balances are under £100k. The maximum daily amount deposited in this account overnight as a result of unexpected late payments was £1.6m. Whilst this is not an ideal situation, the Council is still within investment limits as per the Treasury Management Strategy which is set at £10m per counterparty.

2.8.3 In line with Council Treasury Management Strategy, the Council has not placed any direct investments in companies as defined by the Carbon Underground 200.

2.8.4 The Council is aware of the risks of passive management of the treasury portfolio and, with the support of the Council's consultants (Arlingclose), has proactively managed the debt and investments over the year.

2.8.5 The CIPFA Code of Practice requires that treasury management performance be subject to regular member scrutiny. The Corporate Governance and Audit Committee performs this role and members have received reports on strategy, half yearly monitoring and now the outturn for the year 2019-20. Training was provided to Members on the 15th November 2019.

Looking ahead – Treasury Management developments in 2020-21

2.9 Re-financing/re-payment of current Long Term Borrowing

2.9.1 As outlined within the Council approved Treasury Management Strategy 2020-21, the Council will continue to look to repay existing long term debt when the opportunity arises where it becomes beneficial for the Council to do so.

2.9.2 In light of a number of lenders currently reviewing their holding of LOBO loans, there may be further opportunities to convert or re-finance existing LOBOs. With LOBO loans the Lender has the option to exercise their right to change the interest rate at which point the borrower can then choose to accept the new interest rate or choose to re-pay at no additional cost. Should any opportunities arise in the future then these would be investigated and reported back to members.

2.9.3 It is intended that Council officers liaise with the Council's external Treasury Management advisors, Arlingclose, to review lender options, and proceed if they are considered to be in the longer term best interests of the Council.

2.10 Loan Funding Sources

2.10.1 The Council may be presented with additional sources of long-term funding at certain points in time, beyond those currently listed in the Council's current

Treasury Management Strategy. These may be at preferential rates of interest and therefore the Service Director Finance (Section 151 Officer) will look to maximise the use of source funds when it is preferential to do so.

2.10.2 One such opportunity is with SALIX Finance Ltd. SALIX Finance Ltd provides interest free Government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills. The Council to date has taken the opportunity to secure £6.8m interest free loan to part fund the £11m approved street lighting replacement scheme in the Council's approved capital plan.

2.11 <u>Investment Opportunities</u>

2.11.1 The Service Director Finance, supports the approach that the borrowing and investment strategy for 2020-21 continues to place emphasis on the security of the Council's balances.

2.11.2 Average current cashflow balances from April 2020 is £92.2 million, significantly higher than the ideal balances of £30m normally required for 'business as usual 'day to day cashflow requirements. Business grants of £113.6m and Covid-19 related grants of £23.9m received in March 2020 have overstated this current cash flow figure so far this year. The receipt of these grants in March 2020 was a result of concerns about short-term access to funds for local authorities and market liquidity. Government addressed these issues early by providing, in advance, funding normally allocated in instalments in-year. As a result, liquidity risks within the sector to be able to manage daily cashflow requirements efficiently and effectively, are currently minimal but will remain under regular review through the remainder of the year. A high level financial impact of COVID-19 report on 21 May highlighted potential financial impacts on the Council, including ongoing cashflow volatility (see below):

COVID-19 - Impact upon Council Finances (Agenda Item 7)

2.11.3 In order to increase investment returns and following member approval to add the Local Authorities Pooled Investment Fund (LAPF) as an approved Council investment in the 2019-20 Treasury Management Strategy, the Council invested £10 million into the fund during the year.

2.11.4 The Local Authorities Property Fund was established in 1972 and is managed by CCLA Fund Managers. As at March 2020 there are assets under management of £1,206m. The Fund aims to provide investors with a high level of income and long-term capital appreciation, and it is an actively managed, diversified portfolio of UK commercial property. It principally invests in UK assets, but may invest in other assets.

2.11.5 The fund returned a gross dividend yield of 4.4% in 2019-20 (4.2% 2018-19), which compares with average 0.73% on other short-term investments (see paragraph 2.4.1 above). Net income of £0.183 million was received by the Council in 2019-20. This reflects a part-year effect as the £10m was invested in two £5m tranches (in May 2019 and February 2020).

2.11.6 Arlingclose commented that: *In a relatively short period since the onset of the COVID-19 pandemic, the global economic fallout was 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. Gilt yields fell but credit spreads widened markedly reflecting the sharp deterioration in economic and credit conditions associated with a sudden stagnation in economies, so corporate bonds yields (comprised of the gilt yield plus the credit spread) rose and prices therefore fell.*

2.11.7 The falls in the capital values of the underlying assets of the Local Authorities Property Fund (LAPF) were reflected in the 31st March fund valuations with the fund registering negative capital returns over 12 months to March 2020.

2.11.8 These unrealised capital losses of £0.9m in 2019-20 will not have an impact on the General Fund as the Council is utilising a Government dispensation for LAPF financial investment capital losses/gains at each year end to be notionally adjusted for within the Council's annual accounts, rather than it being a charge to the General Fund. It should be noted, that the current dispensation ends in 2023-24.

2.11.9 The investment in the fund is part of a longer term investment strategy to mitigate against any short-term market volatility or risk. As this fund has no defined maturity date its performance and continued suitability in meeting the Authority'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.

2.11.10 As a result of the receipt in advance in March 2020, of a tranche of central government funding for 2020-21 (as noted in paragraph 2.11.2); the Council has taken up an opportunity to prepay it's superannuation contributions to the West Yorkshire Pension Fund for 2020-21. This is expected to result in a saving to the Council of approximately £600k.

2.12 <u>New Borrowing</u>

2.12.1 Following the 1% increase in PWLB borrowing rates in October 2019, Arlingclose suggest that PWLB rates are now relatively expensive (albeit reset to the rates they were 12 months previous) compared to alternative longer term funding sources, where Councils are considering longer term borrowing. The Council's current approach is to continue to borrow short term, but this will be subject to ongoing review in consultation with Arlingclose, as to when it may be more appropriate to borrow longer term. It will also be considered in light of the timing of PWLB rates potentially coming down from current levels, depending what Government implements following the PWLB Future Lending Terms consultation. As noted earlier in the report (paragraph 2.11.2) in light of COVID, cashflow remains relatively volatile (compared to business as usual) but measures introduced by Government have actually resulted in a lot of short term funds being currently available at low rates.

3. Implications for the Council

3.1 Working with People – no impact
3.2 Working with Partners – no impact
3.3 Place Based Working – no impact

3.4 Climate Change and Air Quality – no impact
3.4 Improving outcomes for children - no impact
3.5 Other (e.g. Legal/Financial or Human Resources) – Any changes in assumed borrowing and investment requirements, balances and interest rates will be reflected in revenue budget monitoring reports during the year.

4. Consultees and their opinions

None.

5. Next steps and timelines

5.1 Comments and feedback from CGAC will be incorporated into this report which will be subsequently considered at Cabinet in July and Council in September 2020 as part of the overall financial outturn and rollover report 2019-20.

6. Officer recommendations and reasons

CGAC are asked to consider the following for Cabinet and Council approval;

6.1 note treasury management performance in 2019-20 as set out in this report;

7. Cabinet portfolio holder's recommendations

7.1 The Cabinet portfolio holder acknowledges and notes the content of this report.

8. Contact officer

James Anderson Head of Accountancy
Rachel Firth Finance Manager

9. Background Papers and History of Decisions

CIPFA's Code of Practice on Treasury Management in the Public Services.
CIPFA's Prudential Code for Capital Finance in Local Authorities.
Public Works Loan Board Website.
Treasury Management 19-20 Strategy Report approved by Council on 13 February 2019.
COVID-19 - Impact upon Council Finances Report approved by Cabinet on 21 May 2020.

10. Service Director responsible

Eamonn Croston 01484 221000

APPENDIX 1

Kirklees Council Investments 2019/20											
Counterparty		**Credit Rating Mar 2020***	**1 April 2019** £m	**Interest Rate**	**Type of Investment**	**30 September 2019** £m	**Interest Rate**	**Type of Investment**	**31 March 2020** £m	**Interest Rate**	**Type of Investment**
Specified Investments											
Santander	Bank	F1/A+	2.0	0.85%	35 Day Notice	0.0	0.85%	35 Day Notice	0.0	0.85%	35 Day Notice
Aberdeen Standard	MMF**	AAAmmf	9.9	0.79%	Instant Access	10.0	0.74%	Instant Access	10.0	0.48%	Instant Access
Aviva	MMF**	Aaa-mf	10.0	0.79%	Instant Access	7.2	0.72%	Instant Access	6.6	0.45%	Instant Access
Deutsche	MMF**	AAAmmf	0.0	0.71%	Instant Access	10.0	0.72%	Instant Access	2.9	0.41%	Instant Access
Goldman Sachs	MMF**	AAAmmf	7.2	0.72%	Instant Access	0.0	0.67%	Instant Access	7.5	0.28%	Instant Access
Thurrock Council	Local Authority		5.0	0.94%	Local Authority	0.0	N/A	Local Authority	10.0	2.50%	Local Authority
Suffolk County Council	Local Authority		5.0	0.95%	Local Authority	0.0	N/A	Local Authority	0.0	N/A	Local Authority
Surrey County Council	Local Authority		0.0	N/A	Local Authority	0.0	N/A	Local Authority	5.0	1.25%	Local Authority
CCLA	Property Fund		0.0	N/A	Property Fund	5.0	N/A	Property Fund	10.0	N/A	Property Fund
			39.1			**32.2**			**52.0**		
Sector Analysis			**£m**	**%age**		**£m**	**%age**		**£m**	**%age**	
Bank			2.0	5%		0.0	0%		0.0	0%	
MMF**			27.1	69%		27.2	84%		27.0	52%	
Local Authorities/Cent Govt			10.0	26%		0.0	0%		15.0	29%	
Property Fund			0.0	0%		5.0	16%		10.0	19%	
			39.1	100%		**32.2**	100%		**52.0**	100%	
Country analysis			**£m**	**%age**		**£m**	**%age**		**£m**	**%age**	
UK			12.0	31%		5.0	16%		25.0	48%	
MMF**			27.1	69%		27.2	84%		27.0	52%	
			39.1	100%		**32.2**	100%		**52.0**	100%	

*Fitch short/long term ratings, except Aviva MMF (highest Moody rating). See next page for key. ** MMF – Money Market Fund. These funds are domiciled in Ireland for tax reasons, but the funds are made up of numerous diverse investments with highly rated banks and other institutions. The credit risk is therefore spread over numerous countries, including the UK. The exception to this is the Aviva Government Liquidity Fund which invests directly in UK government securities and in short-term deposits secured on those securities.

Key – Fitch's credit ratings:

		Long	Short
Investment Grade	Extremely Strong	AAA	
		AA+	
	Very Strong	AA	F1+
		AA-	
		A+	
	Strong	A	F1
		A-	
		BBB+	F2
	Adequate	BBB	
		BBB-	F3
Speculative Grade		BB+	
	Speculative	BB	
		BB-	
		B+	B
	Very Speculative	B	
		B-	
		CCC+	
		CCC	
	Vulnerable	CCC-	C
		CC	
		C	
	Defaulting	D	D

Appendix 2

Long-term loans repaid and short-term loans outstanding 31 March 2020

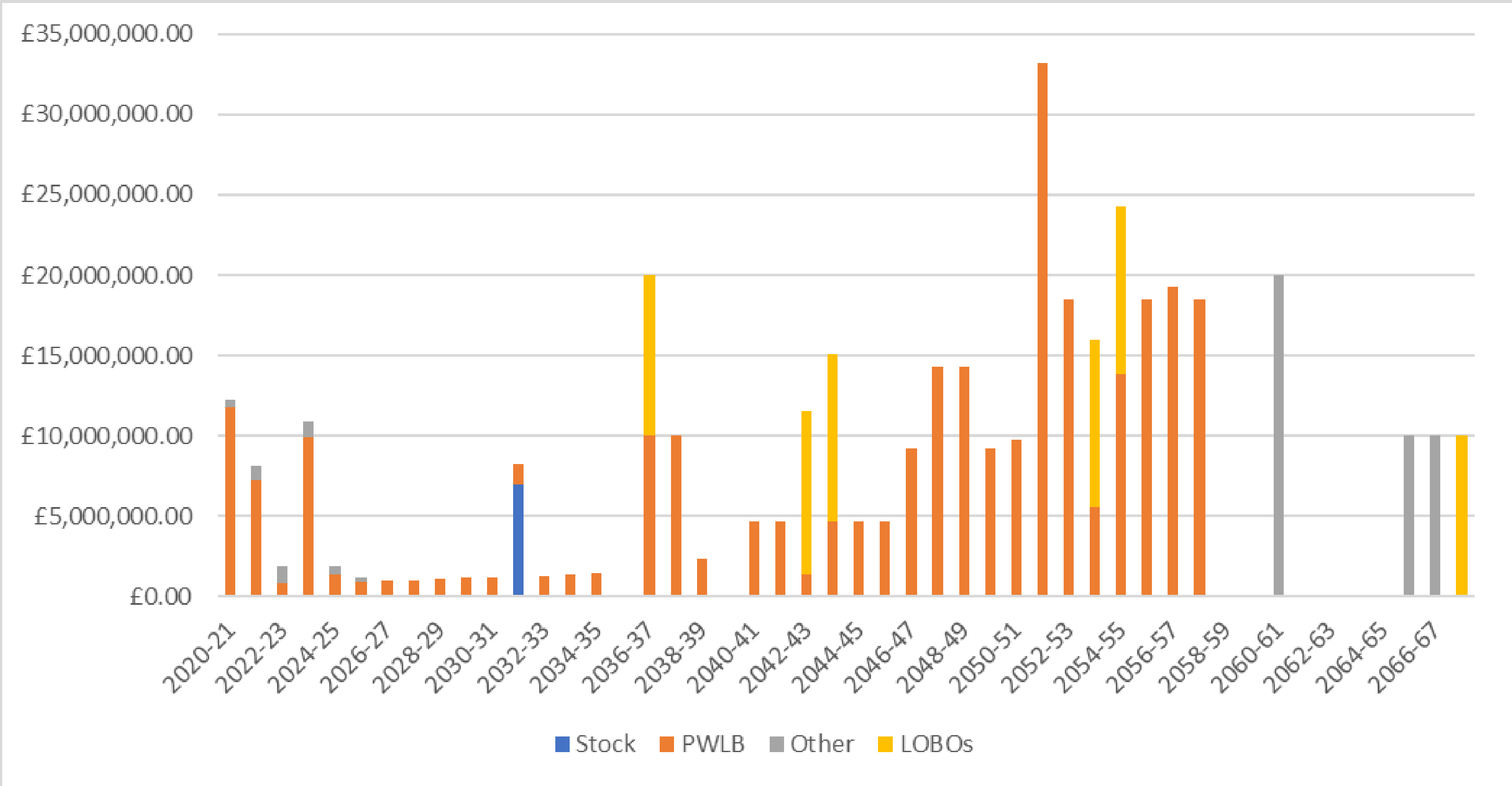
Long-term loans repaid during 2019-20

	Amount £000s	Rate %	Date repaid
Repayments on maturity			
PWLB (476012)	4,613	8.50	10 Jun 19
Repayments on annuity loans			
PWLB (496956)	353	4.58	30 Sep 19
PWLB (496956)	361	4.58	30 Mar 20
Total	**5,327**		

Short-term loans outstanding 31 March 2020

	Amount £000s	Rate %	Length (days)
Temporary borrowing from the Money Market			
Rugby Borough Council	5,000	0.83	139
Staffordshire County Council	5,000	0.85	90
Hampshire County Council	5,000	0.72	42
Blackburn & Darwen Borough Council	5,000	0.75	50
South Lanarkshire Council	5,000	0.75	43
Ribble Valley Borough Council	1,500	0.80	46
Warrington Borough Council	10,000	1.00	35
Mansfield Building Society	1,000	1.00	33
West Lindsey District Council	2,000	0.75	28
Local lenders/Trust Funds	1,431		
Total Temporary borrowing	**40,931**		
Long-term loans due to mature in the next twelve months	12,277		
Total	53,208		

Kirklees Council Loan Maturity Profile (All Debt) **Appendix 3**



Appendix 4

Kirklees Council - Borrowing and Investment Trends

At 31 March	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Investments	52.0m	39.1m	36.1m	31.3m	38.3m	38.7m
ST Borrowing (excl interest accrued)	53.2m	11.8m	20.8m	37.7m	16.0m	21.1m
LT Borrowing	373.7m	384.1m	392.4m	400.5m	408.4m	422.6m
Total Borrowing	426.9m	395.9m	413.2m	438.2m	424.4m	443.7m
Deferred liabilities (non PFI)	3.7m	3.9m	4.1m	4.1m	4.3m	4.4m
Net debt position	**378.6m**	**360.7m**	**381.2m**	**411.0m**	**390.4m**	**409.4m**
Capital Financing Requirement (excl PFI)						
General Fund	461.5m	436.6m	420.3m	412.8m	411.3m	422.2m
HRA	175.4m	175.3m	182.8m	186.2m	192.4m	196.6m
Total CFR	**636.9m**	**611.9m**	**603.2m**	**599.0m**	**603.7m**	**618.8m**
Balances "internally invested"	206.1m	212.1m	185.9m	156.7m	175.0m	170.7m
Ave Kirklees' investment rate for financial year	0.7%	0.7%	0.3%	0.4%	0.5%	0.4%
Ave Base rate (Bank of England)	0.7%	0.7%	0.3%	0.3%	0.5%	0.5%
Ave LT Borrowing rate (1)	2.4%	2.5%	2.5%	2.5%	3.2%	3.7%

(1) Based on average PWLB rate throughout the year on a 25 to 30 year loan (less 0.2% PWLB certainty rate) repayable on maturity.

APPENDIX 5

Treasury Management Prudential Indicators

Interest Rate Exposures

While fixed rate borrowing can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance justifies retaining a degree of flexibility through the use of variable interest rates on at least part of the treasury management portfolio. The Prudential Code requires the setting of upper limits for both variable rate and fixed interest rate exposure:

	Limit Set 2019-20	Actual 2019-20
Interest at fixed rates as a percentage of net interest payments	60% - 100%	84%
Interest at variable rates as a percentage of net interest payments	0% - 40%	16%

The interest payments were within the limits set.

Maturity Structure of Borrowing

This indicator is designed to prevent the Council having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

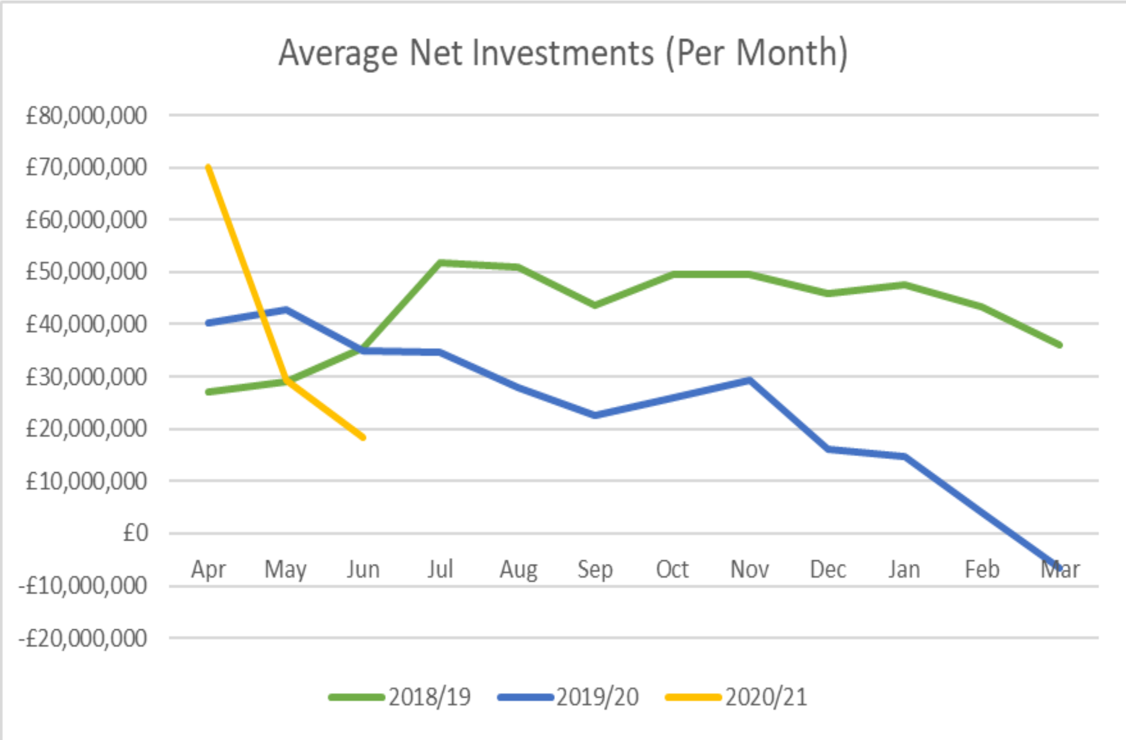
Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate	Limit Set 2019-20	Actual Levels 2019-20
Under 12 months	0% - 20%	4%
12 months to 2 years	0% - 20%	2%
2 years to 5 years	0% - 60%	4%
5 years to 10 years	0% - 80%	2%
More than 10 years	20% - 100%	88%

The limits on the proportion of fixed rate debt were adhered to.

Total principal sums invested for periods longer than 364 days

The Council has not invested any sums longer than 364 days.

APPENDIX 6



Average Net Investments (Per Month)
£80,000,000
£70,000,000
£60,000,000
£50,000,000
£40,000,000
£30,000,000
£20,000,000
£10,000,000
£0
-£10,000,000
-£20,000,000
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
2018/19
2019/20
2020/21