Attachment 3

Report to the Audit & Governance Committee

Date of meeting: 22nd November 2021

Epping Forest District Council

Portfolio:	**Finance & Economic Development**	
Subject:	**Treasury Management Outturn Report 2020/21**	
Responsible Officer:	**Andrew Small**	**(01992 564278)**
Democratic Services:	**Laura Kirman**	**(01992 564243)**

Recommendations/Decisions Required:

(1) To note the Treasury Management Outturn Report for 2020/21 ***(Appendix A)*** and pass comment for full Council.

Executive Summary:

The Council's current Treasury Management Strategy was considered at a meeting of the Audit and Governance Committee on 28th January 2019 and was subsequently agreed by full Council on 21st February 2019; it was a three-year strategy covering the financial years 2019/20, 2020/21 and 2021/22.

In accordance with CIPFA's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) and generally accepted good practice, the Treasury Management Outturn Report for 2020/21 (presented in ***Appendix A***) sets out the Council's actual Treasury Management activity for 2020/21, including the year-end position contained in the Council's (draft) Statement of Accounts for 2020/21.

Appendix A begins by setting the external context for 2020/21 by exploring the Economic Background, Financial Markets and Credit Ratings; this includes a discussion on the fundamental impact of the Covid-19 Pandemic.

The Borrowing and Investment position for Epping Forest DC as at 31st March 2021 was as follows:

- *Borrowing* – external borrowing rose by £37.2 million (from £224.5 million to £261.7 million) during the period April 2020 to March 2021; and

- *Investments* – there was a reduction of £12.9 million (from £24.7 million to £11.8 million) during the same period.

CIPFA's Treasury Management Code covers all the financial assets of the Council, as well as other non-financial assets which the Council holds, primarily for financial return. The report therefore also considers the Council's Commercial Property Portfolio, which delivered Net Income of £6.798 million during 2020/21 and continues to be a key part of the Council's strategy to minimise Council Tax increases.

Appendix A concludes by considering compliance with the Council's adopted Treasury Management indicators. Full compliance was achieved with most indicators. However, the cash flows experienced during the early part of 2020/21 were completely un-precedented as the Government suddenly distributed huge emergency support funding for Covid-19 to billing authorities. This led to some unavoidable breaches of the Council's Investment Limits. Cash flows have subsequently stabilised with the Council holding total bank deposits of £2.7 million as at 31st March 2021.

Reasons for Proposed Decision:

To enable the robust scrutiny the Council's Treasury Management performance in 2020/21 in compliance with CIPFA's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) and generally accepted good practice.

Legal and Governance Implications:

The Local Government Act 2003 created a framework for the financing of capital investments in local authorities which came into operation from April 2004. Alongside this, the Prudential Code was developed by CIPFA as a professional Code of Practice to support local authority decision making in capital investment and financing. Local authorities are required by regulation to have regard to the Prudential Code.

Safer, Cleaner and Greener (SCG) Implications:

None.

Background Papers:

Treasury Management Strategy Statement 2019/20 (Audit and Governance Committee, 28th January 2019).

(MHCLG) Statutory Guidance on Local Government Investments (3rd Edition). Issued under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1st April 2018.

Risk Management:

There are a range of inherent financial risks associated with Treasury Management activity; not least the potential for loss of interest and/or deposits. The Council therefore engages the services of external Treasury Management advisors, Arlingclose Ltd.

Borrowing and Investment decisions are made in accordance with the Council's formally adopted Treasury Management Strategy. The Strategy includes several Risk Management features, including – for example – the overriding priority that security of deposit takes precedence over return on investment.

Attachment 3

Appendix A

Treasury Management Outturn Report 2020/21

Introduction

The Council has adopted CIPFA's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve Treasury Management semi-annual ("mid-year updates") and annual reports.

The Council's current Treasury Management Strategy was considered at a meeting of the Audit and Governance Committee on 28th January 2019 and was subsequently agreed by full Council on 21st February 2019; it was a three-year strategy covering the financial years 2019/20, 2020/21 and 2021/22. 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.

The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy (covering the 2020/21 financial year), complying with CIPFA's requirement, was approved by full Council on 21st February 2019.

External Context: Review of 2020/21

Economic Background: The coronavirus pandemic dominated 2020/21, leading to almost the entire World 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 the Bank Rate to 0.1% and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen before 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 the 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.

Despite the furlough scheme, unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9% recorded for the same period 12 months ago. Wages rose 4.8% for total pay in nominal terms (4.2% for regular pay) and was up 3.9% in real terms (3.4% for regular pay). Unemployment is still expected to increase once the various government job support schemes come to an end.

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.

The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.

1-month, 3-month and 12-month SONIA bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.

Credit Review: After spiking in March 2020, credit default swap spreads declined over the remaining period of the year to broadly pre-pandemic levels. The gap in spreads between UK ringfenced and non-ringfenced entities remained, albeit Santander UK is still an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 57bps and Standard Chartered the lowest at 32bps. The other ringfenced banks were trading around 33 and 34bps while Nationwide Building Society was 43bps.

Credit rating actions to the period ending September 2020 have been covered in previous outturn reports. Subsequent credit developments include Moody's downgrading the UK sovereign rating to Aa3 with a stable outlook which then impacted several other UK institutions, banks and local government. In the last quarter of the financial year S&P upgraded Clydesdale Bank to A- and revised Barclay's outlook to stable (from negative) while Moody's downgraded HSBC's Baseline Credit Assessment to baa3 whilst affirming the long-term rating at A1.

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 Council'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 £251.231 million 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

	31/03/21 Actual £m
General Fund CFR	143.938
HRA CFR	153.575
Total CFR	**297.513**
Less: Other Debt liabilities	0
Borrowing CFR	**297.513**
Less: External borrowing	-261.706
Internal borrowing:	**35.807**
Less: Usable reserves	-47.156
Less: Working capital	0.874
Net Investments	**10.475**

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

The Treasury Management position as at 31st March 2021 and the change during the financial year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31/03/20 Balance £m	Movement £m	31/03/21 Balance £m	31/03/21 Rate %
Long-term Borrowing	210.5	-11.5	199.0	2.77%
Short-term Borrowing	14.0	+48.7	62.7	0.11%
Total Borrowing	**224.5**	**+37.2**	**261.7**	
Long-Term Investments	0	0	0	N/A
Short-term Investments	0	0	0	N/A
Cash and Cash Equivalents	24.7	-12.9	11.8	0.01%
Total Investments	**24.7**	**-12.9**	**11.8**	
Net Borrowing	**199.8**		**249.9**	

The Council's cash flows during 2020/21 were unprecedented, primarily due to the Covid-19 pandemic, although things were beginning to settle down by September 2020. Thus:

- *Long-Term Borrowing* – the Council did not take out any further long-term borrowing in the year, with the decline in the balance of £11.5 million, representing the repayment of principal on existing loans (see following comment re temporary switch from long to short-term borrowing)

- *Short-Term Borrowing* – such borrowing – from other Local Authorities – increased significantly during the year. This has allowed the Council to benefit from the exceptionally low short-term interest rates on offer, although longer-term replacement borrowing will be actively considered in 2021/22 (in consultation with Arlingclose); and

- *Cash and Cash Equivalents* – following an unprecedented peak in cash holdings during April 2020 (especially due to the impact of the Covid-19 pandemic), cash balances gradually stabilised and returned to more normal levels during the second half of the period.

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 Council 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 Council considers 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

At 31st March 2021 the Council held £261.7 million in loans (an increase of £37.2 million compared to the position as at 31st March 2020), as part of its strategy for funding the Capital Programme. Outstanding loans on 31st March 2021 are summarised in Table 3 below.

Table 3: Borrowing Position

	31/03/20 Balance £m	Net Movement £m	31/03/21 Balance £m	31/03/21 Weighted Average Rate %	31/03/21 Weighted Average Maturity (Years/Days)
Public Works Loan Board	210.5	+28.2	238.7	2.77%	15.95 Years
Banks	0	0	0	N/A	N/A
Local authorities (long-term)	0	0	0	N/A	N/A
Local authorities (short-term)	14.0	+9.0	23.0	0.11%	83 Days
Total Borrowing	**224.5**	**37.2**	**261.7**		

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.

With short-term interest rates remaining much lower than long-term rates, the Council considered it more cost effective in the short term to use internal resources or borrowed rolling temporary / short-term loans instead. The net movement in temporary / short-term loans is shown in Table 3 above.

Other Debt Activity

The Council did not raise any other capital finance during 2020/21.

Treasury Investment Activity

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held, and money borrowed in advance of need. During 2020/21, the Council's investment balances ranged between circa £1 million and £70 million; this was due to timing differences between income and expenditure. The investment position is shown in Table 4 below.

Table 4: Treasury Investment Position

	31/03/20 Balance £m	Net Movement £m	31/03/21 Balance £m	31/03/21 Income Return %	31/03/21 Weighted Average Maturity Days
Banks & building societies (unsecured)	24.7	-22.0	2.7	0.01	Instant Access
Government (incl. local authorities)	0	0	0	N/A	N/A
Money Market Funds	0	+9.1	9.1	0.01	Instant Access
Total Investments	**24.7**	**-12.9**	**11.8**		

Both the CIPFA Code and Government guidance requires local authorities to invest funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum 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.

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 the Investment Guidance issued by Ministry of Housing, Communities and Local Government (MHCLG), in which the definition of investments is further broadened to also include all such assets held partially for financial return.

The Council also holds a significant commercial property portfolio on its Balance Sheet, which are summarised in Table 5 below.

Table 5: Commercial Property Investments

Category	31/03/21 Balance Sheet Value	Net Income 2021/22 (12 months April - March) ***
Shops*	£92.363m	£5.222m
Industrial Units	£35.996m	£1.563m
Other**	£18.946m	£0.013m
Total Value/Net Income	**£147.305m**	**£6.798m**

*Includes Public Houses and a Petrol Station

**Includes North Weald Airfield and Tennis Centre

***Excludes (year-end) recharges

The Council received total net income of £6.798 million from Commercial Property Investments in 2020/21 (£6.216 million in 2019/20), with the numbers reflecting the additional revenue generated by new Commercial Property acquisitions in December 2019 at Loughton High Road (Shops) and Brooker Road (Industrial Units).

The Committee should note that the numbers reflect the accrued position currently in the Council's books, which does not take account of the collectability of income. So far, there have been no write-offs due to the affects of the Covid-19 pandemic, with the Council's portfolio appearing reasonably resilient at this stage (e.g. anecdotally, demand from prospective tenants for void properties seems to be holding up). However, an increase in write-offs cannot be ruled out in the future given the current economic climate.

Compliance

The Strategic Director and Section 151 Officer reports that all Treasury Management activities undertaken during the financial year complied fully with the CIPFA Code of Practice. However – in 2020/21 – regarding the approved Treasury Management Strategy:

- *Debt Limits* – full compliance achieved

- *Investment Limits* – the £3.0 million limit on investing in any single organisation (except for the UK Government) was breached during the year, with the Council holding larger amounts of cash with NatWest, the Council's main bankers. With a peak cash holding £70.5 million held in mid-April 2020, this was a completely unprecedented event, and due to a combination of the Council's anticipated cash requirements in April 2020 and the unexpected receipt of a major funding allocation from central Government as part of the Covid-19 Business Support grant initiative; and

- *Liquidity Indicator* – the Council also briefly dropped below its £3.0 million Liquidity Indicator ("Minimum Available Cash Within 3 Months") at the end of September 2020. This was corrected by short-term borrowing in October 2020 and was not breached again during the financial year.

Compliance with the Operational Boundary and Authorised Limit for external debt is demonstrated in Table 7 below.

Table 7: Debt Limits

	2020/21 Maximum	**31/03/21 Actual**	**2020/21 Operational Boundary**	**2020/21 Authorised Limit**	**Complied? (Yes/No)**
Borrowing	£261.7m	£261.7m	**£280.0 million**	**£290.0 million**	**Yes**
Finance Leases	0	0			
Total Debt	**£261.7m**	**£261.7m**			

Since the Operational Boundary is a management tool for in-year monitoring it is not significant if it is breached on occasions due to variations in cash flow; this is not counted as a compliance failure. Total debt did not breach the Operational Boundary during the year.

Table 8: Investment Limits

	2020/21 Maximum	**31/03/21 Actual**	**2020/21 Limit**	**Complied?** (Yes/No)
Any single organisation, except the UK Government	£70.5m	£2.7m	£4.0m each*	No
UK Government (including local authorities)	0	0	Unlimited	Yes
Any group of organisations under the same ownership	0	0	£3.0m per group	Yes
Any group of pooled funds under the same management	0	0	£5.0m per manager	Yes
Negotiable instruments held in a broker's nominee account	0	0	£2.0m per broker	Yes
Foreign countries	0	0	£3.0m per country	Yes
Registered providers and registered social landlords	0	0	£3.0m in total	Yes
Unsecured investments with building societies	0	0	£2.0m in total	Yes
Loans to unrated corporates	0	0	£2.0m in total	Yes
Money Market Funds (MMF)	0	£9.1m	£30.0m in total*	Yes (subject to comments below)
Real Estate Investment Trusts	0	0	£5.0m in total	Yes

Note - excludes Qualis loans

*The Investment Limits quoted in Table 8 have been amended in two places compared to the originally adopted Treasury Management Strategy. At its meeting on 29th October 2020, full Council resolved to:

- Increase the amount that the Council can invest in any single organisation, except the UK Government, from £3.0 million to £4.0 million; and

- Increase the MMF limit to £10 million *per fund*, with a maximum limit of 3 funds to be invested in at any one time. If operational requirements require the use of more funds, the S151 officer can authorise this in consultation with the Portfolio Holder for Finance and Economic Development, provided this is reported to the Chair of the Audit and Governance Committee, and a report is submitted to the next available meeting of the Audit and Governance Committee.

Table 8 shows that, during 2020/21 (and as reported to Audit and Governance Committee on 9th December 2020), the Investment Limit in any single organisation (except the UK Government) was breached – with peak investment occurring on 15th April 2020 – when a cash balance of £70.5 million was held with NatWest, the Council's main bankers.

Exceptionally high cash balances were experienced by a vast majority of local authorities during April 2020 as the Government distributed emergency support funding for Covid-19; as a consequence, there were no opportunities at the time to temporarily invest surplus cash with other local authorities (as everyone was looking to lend, rather than borrow). In addition, Epping Forest District Council was very quick to distribute Business Support Grants to local businesses, which meant that very high cash balances were needed to cover rapidly outgoing commitments.

Treasury Management Indicators

The Council measures and manages its exposures to Treasury Management risks using the following indicators.

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average 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.

	31/03/21 Actual	2020/21 Target	Complied?
Portfolio average credit rating	A	A-	Yes

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 three-month period, without additional borrowing.

	31/03/21 Actual	2020/21 Target	Complied?
Total cash available within 3 months	£12.4 million	£3.0 million	Yes

At no time during 2020/21 (or subsequently at the time of preparing this report), did the Council go overdrawn at the Bank.

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

Interest rate risk indicator	31/03/21 Actual	2020/201 Limit	Complied?
Upper limit on one-year revenue impact of a 1% rise in interest rates (Borrowing)	£318,000	£318,000	Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates (Investments)	£11,800	£100,000	Yes

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates. The table shows that Interest Rate Exposure on Borrowing and Investments were within limits. Interest Rate Exposure on Borrowing is an especially important measure, with net variable rate exposure of £306,200 (£318,000 minus £11,800) focused on Borrowing.

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

	31/03/21 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	16%	100%	0%	Yes
12 months and within 24 months	0%	100%	0%	Yes
24 months and within 5 years	0%	100%	0%	Yes
5 years and within 10 years	13%	100%	0%	Yes
10 years and within 15 years	0%	100%	0%	Yes
15 years and within 20 years	50%	100%	0%	Yes
20 years and within 25 years	14%	100%	0%	Yes
25 years and above	7%	100%	0%	Yes

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

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 the long-term principal sum invested to final maturities beyond the period end were:

	2020/21
Actual principal invested beyond year end	£0
Limit on principal invested beyond year end	£1.0 million
Complied?	Yes

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 councils 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 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: CIPFA/LASAAC has proposed delaying the implementation of the new IFRS 16 Leases accounting standard for a further year to 2021/22.