FAREHAM
BOROUGH COUNCIL

Report to the Executive for Decision
03 August 2020

Portfolio:	Policy and Resources
Subject:	**Capital and Treasury Management Outturn 2019/20**
Report of:	Deputy Chief Executive Officer
Corporate Priorities:	A dynamic, prudent and progressive Council

Purpose:
This report provides the Executive with details of the capital and treasury management outturn for 2019/20 to comply with the reporting requirements of the Code of Practice for Treasury Management. The report also seeks approval for the proposed methods of financing the General Fund capital programme.

Executive summary:
Actual capital expenditure on General Fund schemes in 2019/20 was £16,496,896 (£3.5 million in 2018/19) compared with the revised capital programme of £17,324,000. The overall variance was £827,104 and a detailed analysis of the variations is given in Appendix A to this report.

Total savings of £214,924 were achieved, additional expenditure of £67,363 was incurred and a total of £679,543 will be carried forward into 2020/21. Details of the various methods used to finance this expenditure are set out in this report.

Full details of Treasury Management investment and borrowing activity in 2019/20 are also set out in this report. Treasury activity in 2019/20 is summarised below:

	31 March 2019 Actual £'000	**2019/20 Movement £'000**	**31 March 2020 Actual £'000**
Total borrowing	45,510	12,149	57,659
Total investments	(13,100)	(3,200)	(16,300)
Net borrowing	**32,410**	**8,949**	**41,359**

Net interest received in 2019/20 was £603,316 (£481,480 in 2018/19) and net interest paid was £1,676,656 (£1,728,219 in 2018/19).

During 2019/20, the Council complied with its legislative and regulatory requirements of the Prudential Code.

Recommendation:
It is recommended that the Executive:

(a) approves the General Fund capital programme for 2019/20 to be financed as set out in this report;

(b) agrees that the additional expenditure incurred, amounting to £67,363 be financed retrospectively from unallocated capital resources; and

(c) notes the treasury management activity for 2019/20.

Reason:
To provide the Executive with details of the capital and treasury management outturn in 2019/20 and to comply with the reporting requirements of the Code of Practice for Treasury Management.

Cost of proposals:
The necessary resources are available to finance the General Fund capital programme for 2019/20 including the additional expenditure of £67,363.

Appendices:
A: Capital Expenditure 2019/20
B: Economic Commentary by Treasury Advisors, Arlingclose
C: Prudential and Treasury Indicators 2019/20

Background papers: None

Reference papers:
Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2020/21, Executive Committee, 3 February 2020

Treasury Management Strategy and Prudential Indicators 2019/20, Council, 22 February 2019

CIPFA Code of Practice for Treasury Management

FAREHAM
BOROUGH COUNCIL

Executive Briefing Paper

Date:	03 August 2020
Subject:	Capital and Treasury Management Outturn 2019/20
Briefing by:	Deputy Chief Executive Officer
Portfolio:	Policy and Resources

INTRODUCTION

1. This report provides the Executive with details of the capital and treasury management outturn for 2019/20 to comply with the reporting requirements of the Code of Practice for Treasury Management.

CAPITAL OUTTURN REPORT 2019/20

2. The capital programme for 2019/20, approved in February this year for the General Fund was £17,324,000. The actual capital expenditure, detailed in Appendix A, was £16,496,896 (£3.5 million in 2018/19) giving an overall variation of £827,104. A summary, including savings and additional expenditure, is summarised in the table below.

	Revised Budget £	Actual £	Savings £	Additional Expenditure £	Carry forward £
Streetscene	275,500	247,423	0	0	28,077
Leisure & Community	767,500	726,484	0	0	41,016
Housing	757,000	453,941	0	0	303,059
Policy & Resources	15,524,000	15,069,048	(214,924)	67,363	307,391
Total	**17,324,000**	**16,496,896**	**(214,924)**	**67,363**	**679,543**

SAVINGS AND ADDITIONAL EXPENDITURE

3. Total savings of £214,924 were recognised. The main scheme saving was £207,074 where the fees were lower than anticipated for two Commercial Property Acquisitions.

4. The schemes where additional expenditure of £67,363 was incurred were:

- Vehicles and Plant Replacement Programme - increased spend of £10,297 for a front loader and tail lift add-ons to a tractor and crew cab tipper.
- Depot Refurbishment Work - £27,132 additional costs for new furniture and

CCTV upgrade.

- Solent Airport Schemes - £29,934 additional costs relating to the 6 new business hangars which were built in 2018/19.

5. In addition, £4,450 of expenditure was incurred ahead of budget and will be carried forward to reduce next year's capital budget.

CARRY FORWARDS TO 2020/21

6. There are a number of schemes still in progress and a total budget of £679,543 will be carried forward to 2020/21.

7. The largest carry forwards are for Disabled Facilities Grants of £303,059 and £248,428 for schemes at Solent Airport.

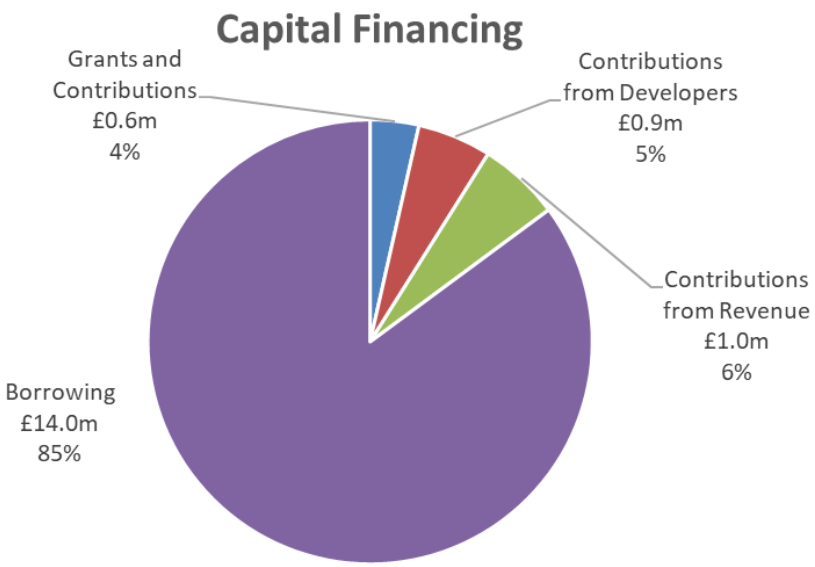
CAPITAL PROGRAMME 2020/21 TO 2024/25

8. The General Fund capital programme will be reviewed by officers in light of the slippage and re-phasing of works and an updated programme for 2020/21 to 2024/25 will be presented to the Executive as part of the Finance Strategy for 2021/22.

9. In addition, an interim review of the capital programme is being carried out due to the impact of the Covid 19 pandemic to see if business cases are still valid and to review what funding sources will be available. This will be brought to the Executive in advance of the Finance Strategy.

CAPITAL FINANCING

10. The various methods used to finance the capital expenditure in 2019/20 are set out in the chart below.



11. The capital programme was predominantly funded by borrowing (85%) for the purchase of two commercial properties and schemes at Daedalus, totalling £14 million. External contributions funded a total of 9% of the programme and revenue backed capital reserves funded the remaining 6%.

SIGNIFICANT SCHEMES

12. There were two commercial property acquisitions in Fareham and Havant totalling £13.8 million to provide an on-going source of income for the General Fund.

13. Disabled Facilities Grants totalling £454,000 were awarded in the year.

14. Capital expenditure of £427,000 has been made in 2019/20 to deliver the vision of a new community, art and entertainment facility in Fareham.

15. Developments at Daedalus have continued with further investment in the assets and infrastructure across the site of £361,000.

16. £237,000 has been spent modernising and improving the workspace at the Council's Depot. A further £338,000 has been spent on the ICT development programme upgrading servers, computers and phones across the organisation.

17. The extension to Holly Hill cemetery has been completed at an additional cost of £221,000 in 2019/20. This will provide an extra 350 burial spaces.

18. £212,000 has been spent as part of the five-year play area refurbishment programme with upgrades to play areas in Portchester, Titchfield, Sarisbury and Fareham.

TREASURY MANAGEMENT OUTTURN REPORT 2019/20

19. The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (the CIPFA Code) 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 to have regard to the CIPFA Code.

20. The Council's Treasury Management Strategy 2019/20 was approved by full Council on 22 February 2019. The Council has borrowed and invested large 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 identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

21. An economic commentary by the Council's Treasury Advisor, Arlingclose, can be found in Appendix B.

LOCAL CONTEXT

22. On 31 March 2020, the Council had net borrowing of £41.3 million arising from its revenue and capital income and expenditure, an increase on 2019 of £8.8 million. 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 and the year-on-year change are summarised in the table below.

	31 March 2019 Actual £'000	2019/20 Movement £'000	31 March 2020 Actual £'000
General Fund CFR	39,382	13,267	52,649
HRA CFR	51,141	-	51,141
Total CFR	**90,523**	**13,267**	**103,790**
Less: Usable reserves	(41,734)	(3,216)	(44,950)
Less: Working capital	(16,237)	(1,285)	(17,522)
Net borrowing (Balance Sheet)	**32,552**	**8,766**	**41,318**

23. Net borrowing has increased due to an increase in the CFR as some capital expenditure was financed by borrowing. This has been partially offset by an increase in usable reserves and working capital due to the timing of receipts and payments.

24. The Council's strategy was to maintain borrowing and investments below their underlying levels, known as internal borrowing, in order to reduce risk and keep interest costs low.

25. The treasury management position as at 31 March 2020 and the year-on-year change in shown in the table below.

	31 March 2019 Actual £'000	2019/20 Movement £'000	31 March 2020 Actual £'000
Long-term borrowing	40,000	-	40,000
Short-term borrowing	5,510	12,149	17,659
Total borrowing	**45,510**	**12,149**	**57,659**
Long-term investments	(2,000)	(10,000)	(12,000)
Short-term investments	(9,000)	9,000	-
Cash and cash equivalents	(2,100)	(2,200)	(4,300)
Total investments	**(13,100)**	**(3,200)**	**(16,300)**
Net borrowing	**32,410**	**8,949**	**41,359**

Note: the figures in the table are from the Balance Sheet in the Council's statement of accounts, but are adjusted to exclude operational cash, accrued interest and other accounting adjustments.

26. The increase in net borrowing is a result of a rise in short-term borrowing due to the Council's internal borrowing policy.

BORROWING ACTIVITY

27. At 31 March 2020, the Council held £57.7 million of loans, an increase of £12.1 million on the previous year. The year-end borrowing position is shown in the table below.

	Balance on 31 March 2019 £'000	Balance on 31 March 2020 £'000	Average Rate
Long-term borrowing	40,000	40,000	3.50%
Short-term borrowing	3,000	15,000	0.90%
Portchester Crematorium	2,510	2,659	0.25%
Total borrowing	**45,510**	**57,659**	

28. The Council holds investments from Portchester Crematorium Joint Committee which

are treated as temporary loans.

29. The Council's main 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.

INVESTMENT ACTIVITY

30. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2019/20 the Council's investment balances ranged between £12 million and £25 million due to timing differences between income and expenditure. The year-end position is shown in the table below.

	Balance on 31 March 2019 £'000	Balance on 31 March 2020 £'000	Average Rate
Banks and Building Societies	6,000	-	-
Local Authorities	3,000	-	-
Money Market Funds	2,100	4,300	0.70%
Pooled Funds	2,000	12,000	3.91%
Total Investments	**13,100**	**16,300**	

31. 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.

32. In furtherance of these objectives and given the increasing risk and low returns from short-term unsecured bank investments, the Council has diversified into a more secure and higher yielding asset class. £12 million that is available for longer-term investment was moved from bank and building society deposits into four long-term strategic pooled funds.

33. Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

34. Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy for 2019/20.

INTEREST RECEIVED AND PAID

35. The net interest received in 2019/20 was £603,316 (£481,480 in 2018/19) against a revised budget £557,800 for the General Fund. Net interest paid for the Housing Revenue Account was £1,676,656 (£1,728,219 in 2018/19) against a revised budget of £1,669,300.

COMMERCIAL PROPERTY INVESTMENT ACQUISITIONS

36. The definition of investments in CIPFA's revised Treasury Management Code now covers all the Council's financial assets as well as other non-financial assets which the Council holds primarily for financial return.

37. Since the Executive approval of a Commercial Property Investment Acquisition Strategy in January 2013, the Council has purchased 10 commercial investment properties, as summarised below, averaging a return of 6.7%.

Property Type	Purchase Cost £'000	Value at 31 March 2019 £'000	Value at 31 March 2020 £'000
Retail	28,725	22,040	22,195
Commercial	10,519	2,250	11,078
Other	1,890	2,050	2,050
Total	**41,134**	**26,340**	**35,323**

38. During 2019/20 two new properties were acquired (one commercial and one retail). These are included in the purchase cost and the value at 31 March 2020.

39. The Council's total investment property portfolio is shown below and includes Fareham Shopping Centre, Faretec and industrial estates at Palmerston Business Park and Newgate Lane.

Property Type	Value at 31 March 2019 £'000	Value at 31 March 2020 £'000	Movement £'000
Retail	37,352	36,077	**(1,275)**
Commercial	10,011	18,796	**8,785**
Other	4,373	4,403	**30**
Office	3,759	3,590	**(169)**
Leisure	1,167	1,202	**35**
Total	**56,662**	**64,068**	**7,406**

40. The overall investment property portfolio has increased in value by £7.4 million mainly in the commercial sector and offset by decreases in the retail sector.

41. Property valuations are undertaken annually, to ensure that the Council's balance sheet reflects the current opinion of the value of the Council's assets. Fluctuations in value do not represent actual gains or losses, but do indicate market sentiment, which is often linked to rental income levels and lease terms and conditions.

PRUDENTIAL AND TREASURY INDICATORS

42. During 2019/20, all treasury management activities complied fully with the CIPFA Code and the Council's approved Treasury Management Strategy. Appendix C shows the actual prudential and treasury indicators for 2019/20.

SUMMARY

43. This report gives details of General Fund capital and treasury management outturn in 2019/20 in accordance with the reporting requirements set out in the CIPFA Code of Practice for Treasury Management.

RISK ASSESSMENT

44. There are no significant risk considerations in relation to this report.

Enquiries:

For further information on this report please contact Caroline Hancock. (Ext 4589)

APPENDIX A

CAPITAL EXPENDITURE 2019/20

	Budget	Actual	Savings	Additional Expenditure	Carry over to 2020/21
	£	£	£	£	£
STREETSCENE					
Bus Shelter Improvements	10,200	10,721			(521)
Holly Hill Cemetery Extension	250,700	220,605			30,095
Play Area Safety Equipment and Surface Replacement	14,600	16,097			(1,497)
STREETSCENE TOTAL	**275,500**	**247,423**	**0**	**0**	**28,077**
LEISURE AND COMMUNITY					
Buildings					
New Fareham Arts Venue	457,000	426,587			30,413
Community Buildings Review	88,400	75,416			12,984
	545,400	502,003	0	0	43,397
Play and Parks Schemes					
Play Area Improvement Programme	210,000	212,432			(2,432)
	210,000	212,432	0	0	(2,432)
Other					
Footpath Improvements	12,100	12,049			51
	12,100	12,049	0	0	51
LEISURE AND COMMUNITY TOTAL	**767,500**	**726,484**	**0**	**0**	**41,016**
HOUSING					
Disabled Facilities Grants	757,000	453,941			303,059
HOUSING TOTAL	**757,000**	**453,941**	**0**	**0**	**303,059**
POLICY AND RESOURCES					
Replacement Programmes					
Vehicles and Plant Replacement Programme	280,500	290,797		10,297	0
ICT Development Programme	362,000	338,187	(7,850)		15,963
	642,500	628,984	(7,850)	10,297	15,963
Operational Buildings					
Depot Refurbishment Works	210,000	237,132		27,132	0
Civic Offices Improvement Programme	67,000	24,000			43,000
	277,000	261,132	0	27,132	43,000
Property Developments					
Commercial Property Acquisitions	14,025,000	13,817,926	(207,074)		0
Solent Airport Schemes	579,500	361,006		29,934	248,428
	14,604,500	14,178,932	(207,074)	29,934	248,428
POLICY AND RESOURCES TOTAL	**15,524,000**	**15,069,048**	**(214,924)**	**67,363**	**307,391**
GENERAL FUND TOTAL	**17,324,000**	**16,496,896**	**(214,924)**	**67,363**	**679,543**

APPENDIX B

ECONOMIC COMMENTARY BY TREASURY ADVISORS ARLINGCLOSE – APRIL 2020

Economic background: 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 tenuous 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's General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

The headline rate of UK Consumer Price Inflation UK Consumer Price Inflation fell to 1.7% y/y in February, below the Bank of England's target of 2%. Labour market data remained positive. The 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.

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%.
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.

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.

The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20, moved in March to cut rates to 0.25% from 0.75% and then swiftly thereafter brought them down further to the record low of 0.1%. 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.

The US economy grew at an annualised rate of 2.1% in Q4 2019. After escalating trade wars and a protracted standoff, the signing of Phase 1 of the trade agreement between the US and China in January was initially positive for both economies, but COVID-19 severely impacted sentiment and production in both countries. Against a slowing economic outlook, the US Federal Reserve began cutting rates in August. Following a series of five cuts, the largest of which were in March 2020, the Fed Funds rate fell from of 2.5% to range of 0% - 0.25%. The US government also unleashed a raft of COVID-19 related measures and support for its economy including a $2 trillion fiscal stimulus package. With interest rates already on (or below) the floor, the European Central Bank held its base rate at 0% and deposit rate at -0.5%.
Financial markets: Financial markets sold off sharply as the impact from the coronavirus worsened. After starting positively in 2020, the FTSE 100 fell over 30% at its worst point with

stock markets in other countries seeing similar huge falls. In March sterling touch its lowest level against the dollar since 1985. The measures implemented by central banks and governments helped restore some confidence and financial markets have rebounded in recent weeks but remain extremely volatile. The flight to quality caused gilts yields to fall substantially. The 5-year benchmark falling from 0.75% in April 2019 to 0.26% on 31st March. The 10-year benchmark yield fell from 1% to 0.4%, the 20-year benchmark yield from 1.47% to 0.76% over the same period. 1-month, 3-month and 12-month bid rates averaged 0.61%, 0.72% and 0.88% respectively over the period.

Since the start of the calendar 2020, the yield on 2-year US treasuries had fallen from 1.573% to 0.20% and from 1.877% to 0.61% for 10-year treasuries. German bund yields remain negative.

Credit review: In Q4 2019 Fitch affirmed the UK's AA sovereign rating, removed it from Rating Watch Negative (RWN) and assigned a negative outlook. Fitch then affirmed UK banks' long-term ratings, removed the RWN and assigned a stable outlook. Standard & Poor's also affirmed the UK sovereign AA rating and revised the outlook to stable from negative. The Bank of England announced its latest stress tests results for the main seven UK banking groups. All seven passed on both a common equity Tier 1 (CET1) ratio and a leverage ratio basis. Under the test scenario the banks' aggregate level of CET1 capital would remain twice their level before the 2008 financial crisis.

After remaining flat in January and February and between a range of 30-55bps, Credit Default Swap spreads rose sharply in March as the potential impact of the coronavirus on bank balance sheets gave cause for concern. Spreads declined in late March and through to mid-April but remain above their initial 2020 levels. NatWest Markets Plc (non-ringfenced) remains the highest at 128bps and National Westminster Bank Plc (ringfenced) still the lowest at 56bps. The other main UK banks are between 65bps and 123bps, with the latter being the thinly traded and volatile Santander UK CDS.
While the UK and Non-UK banks on the Arlingclose counterparty list remain in a strong and well-capitalised position, the duration advice on all these banks was cut to 35 days in mid-March.

Fitch downgraded the UK sovereign rating to AA- in March which was followed by a number of actions on UK and Non-UK banks. This included revising the outlook on all banks on the counterparty list to negative, with the exception of Barclays Bank, Rabobank, Handelsbanken and Nordea Bank which were placed on Rating Watch Negative, as well as cutting Close Brothers long-term rating to A-. Having revised their outlooks to negative, Fitch upgraded the long-term ratings on Canadian and German banks but downgraded the long-term ratings for Australian banks. HSBC Bank and HSBC UK Bank, however, had their long-term ratings increased by Fitch to AA-.

APPENDIX C

PRUDENTIAL, TREASURY AND COMMERCIAL INVESTMENT INDICATORS 2019/20

PRUDENTIAL INDICATORS

1) Capital Expenditure

The Council's capital expenditure and financing is summarised as follows:

Capital Expenditure and Financing	2019/20 Revised £'000	2019/20 Actual £'000	Difference £'000
Streetscene	276	247	29
Leisure & Community	767	726	41
Housing	757	454	303
Policy & Resources	15,524	15,069	455
Total General Fund	**17,324**	**16,496**	**828**
HRA	**7,362**	**5,746**	**1,616**
Total Expenditure	**24,686**	**22,242**	**2,444**
Capital Receipts	450	525	(75)
Capital Grants/Contributions	2,950	2,530	420
Capital Reserves	5,279	3,218	2,061
Revenue	1,693	1,944	(251)
Borrowing	14,314	14,025	289
Total Financing	**24,686**	**22,242**	**2,444**

2) Capital Financing Requirement

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

£'000	2018/19 Actual	2019/20 Revised	2019/20 Actual	2019/20 Difference
General Fund	39,382	52,864	52,649	-215
HRA	51,141	51,141	51,141	0
Total CFR	**90,523**	**104,005**	**103,790**	**-215**

The CFR increased by £13,267 year on year as capital expenditure financed by debt was higher than the in-year minimum revenue provision payment.

3) 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. This is a key indicator of prudence.

£'000	2019/20 Revised	2019/20 Actual	Difference
Capital Financing Requirement	104,005	103,790	-215
Less: Gross Debt	62,710	57,659	5,051
Under/(Over) Borrowing	**41,295**	**46,131**	**4,836**

Total debt remained below the Capital Financing Requirement during the period.

4) Operational Boundary and Authorised Limit for External Debt

The **operational boundary** is based on the Council's estimate of the 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.

The **authorised limit** is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is 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.

£'000	2019/20 Revised	2019/20 Actual	Complied
Operational Boundary	75,000	60,105	✓
Authorised Limit	83,000	60,105	✓

5) Financing Costs as % of 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.

	2019/20 Revised	2019/20 Actual	Difference
General Fund	3%	1%	-2%
HRA	14%	14%	0%
Total	**9%**	**8%**	**-1%**

6) Housing Revenue Account (HRA) Rations

As a result of the HRA Reforms in 2012, the Council moved from a subsidy system to self-financing and was required to take on £49.3 million of debt. The table below shows additional local indicators relating to the HRA in respect of this debt.

	2019/20 Revised	2019/20 Actual	Difference
HRA Debt £'000	49,268	49,268	-
HRA Revenues £'000	12,338	12,344	6
Number of HRA Dwellings	2,391	2,384	-7
Ratio of Debt to Revenues %	3.99:1	3.99:1	-
Debt per Dwelling £	£20,606	£20,666	£60
Debt Repayment Fund £'000	£3,420	£3,420	-

TREASURY MANAGEMENT INDICATORS

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

1) Interest Rate Exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed was:

Upper limits on interest rate exposures	2019/20 Revised	2019/20 Actual	Complied
	%	%	
- **Upper limit on variable interest rate exposures**	25	25	✓
- **Upper limit on fixed interest rate exposures**	100	75	✓

2) Maturity Structure of Borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper limits on the maturity structure of fixed rate borrowing were:

Maturity structure of borrowing	Upper Limit	2019/20 Actual	Complied
	%	%	
- Loans maturing within 1 year	50	31	✓
- Loans maturing within 1 - 2 years	50	0	✓
- Loans maturing within 2 - 5 years	50	0	✓
- Loans maturing within 5 - 10 years	50	0	✓
- Loans maturing in over 10 years	100	69	✓

3) Principal Sums Invested for 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 insured to final maturities beyond the period end were:

£M	2019/20 Revised	2019/20 Actual	Complied
Principal sums invested > 364 days	15	12	✓

COMMERCIAL INVESTMENT INDICATORS

The Council measures and manages its exposures to commerical investments using the following indicators.

1) Proportionality

The Council is dependent on profit generating investment activity to achieve a balanced revenue budget. The table below shows the proportion of expenditure funded by investment income.

£'000	2018/19 Actual	2019/20 Forecast	2019/20 Actual
Gross service expenditure	44,754	47,851	50,017
Investment income	3,988	4,266	4,442
Proportion	**8.9%**	**8.9%**	**9.5%**

2) Total Risk Exposure

This indicator shows the Council's total exposure to potential investment losses.

Total Investment Exposure	2018/19 Actual £'000	2019/20 Forecast £'000	2019/20 Actual £'000
Treasury Management Investments	13,100	12,000	16,300
Commercial Investments	56,662	69,872	64,068
Total	**69,762**	**81,872**	**80,368**

The variation in the forecast to actual for the commercial investments is partly due to the delay in the purchase of new commercial property acquisition in the capital programme.

3) How Investments are Funded

Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

Investments Funded by Borrowing	2018/19 Actual £'000	2019/20 Forecast £'000	2019/20 Actual £'000
Treasury Management Investments	0	0	0
Commercial Investments	18,412	31,997	31,336
Total	**18,412**	**31,997**	**31,336**