

Governance, Risk and Best Value Committee

10.00am, Tuesday 21 September 2021

Treasury Management: Annual Report 2020/21 – referral from the Finance and Resources Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

- 1.1 The Finance and Resources Committee has referred a report on Treasury Management activity in 2020/21 to the Governance, Risk and Best Value Committee for scrutiny.

Stephen S Moir
Executive Director of Corporate Services

Contact: Louise Williamson, Assistant Committee Officer
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Referral Report

Treasury Management: Annual Report 2020/21

2. Terms of Referral

- 2.1 On 12 August 2021, the Finance and Resources Committee considered a report which provided an update on Treasury Management activity in 2020/21. The Council had adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, an Annual Report on Treasury Management must be submitted to the Council after the end of each financial year.
- 2.2 The Finance and Resources Committee agreed:
 - 2.2.1 To note the Annual Report on Treasury Management for 2020/21.
 - 2.2.2 To refer the report to Council for approval.
 - 2.2.3 To refer the report to the Governance, Risk and Best Value Committee for scrutiny.

3. Background Reading/ External References

- 3.1 [Finance and Resources Committee – 12 August 2021 - Webcast](#)
- 3.2 Minute of the Finance and Resources Committee of 12 August 2021

4. Appendices

- 4.1 Appendix 1 – report by the Executive Director of Corporate Services

Finance and Resources Committee

10:00am, Thursday, 12th August 2021

Treasury Management: Annual Report 2020/21

| | |
|---|-----------|
| Executive/routine Wards Council Commitments | Executive |
|---|-----------|

1. Recommendations

- 1.1 It is recommended that the Committee:
- 1.2 Notes the Annual Report on Treasury Management for 2020/21;
- 1.3 Remits the report to Council for approval; and,
- 1.4 Refers the report to the Governance, Risk and Best Value Committee for their scrutiny.

Stephen S. Moir

Executive Director of Corporate Services

Contact: Innes Edwards, Principal Treasury and Banking Manager,
Finance and Procurement Division, Corporate Services Directorate

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Report

Treasury Management: Annual Report 2020/21

2. Executive Summary

- 2.1 The purpose of this report is to give an update on Treasury Management activity in 2020/21.

3. Background

- 3.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, an Annual Report on Treasury Management must be submitted to the Council after the end of each financial year. A separate mid-term report will also be produced during the financial year.

4. Main report

Prudential Indicators

- 4.1 Treasury Management is undertaken with regard to the CIPFA Code of Practice for Treasury Management in the Public Services and CIPFA's Prudential Code. Appendix 1 contains Prudential Indicators showing the actual out-turn for 2020/21.

Borrowing Out-turn

- 4.2 Appendix 2 gives a short economic review of the year, including a commentary from the Council's Treasury Advisors.
- 4.3 Appendix 3 gives an overview of the Council's borrowing for 2020/21. The Council borrowed £10m from the PWLB towards the end of the financial year utilising the infrastructure rate available and completed the drawdown of the £60m forward borrowing in October 2020.
- 4.4 The Council's debt outstanding increased slightly during the year due to the offset of the drawdown of the pre-borrowing and small amount of PWLB borrowed towards the end of the financial year and maturing debt. Interest costs for the year were broadly similar to 2019/20. At year end, the Council's debt was £134m below

its Capital Financing Requirement (its underlying need to borrow). A list of the Council's borrowing at 31 March 2021 is included in Appendix 5.

Investment Out-turn

- 4.5 Appendix 4 shows the Investment Out-turn for 2020/21.
- 4.6 The Council's money is invested via the Treasury Cash Fund. The Cash Fund encompasses a number of organisations, including Lothian Pension Fund. Interest is accrued on a monthly basis and performance is evaluated against a benchmark, which going forward will be 7-day compounded SONIA (sterling overnight index average) less 6.25 basis points, this was changed at the end of the 20/21 financial year from 7-day LIBID (London Interbank Bid Rate) as it's calculated from LIBOR (London Interbank Offered Rate) which is being phased out.
- 4.7 The average interest rate on the fund for the year was 0.25%. This continued to show outperformance against the benchmark which was 0.001% for the year.

Post Year End Activity

- 4.8 Appendix 6 notes that £140m in new PWLB borrowing has been taken early in the 2021/22 financial year to mitigate the Council's interest rate risk.

Conclusions

- 4.9 The Council undertook £10m borrowing from the PWLB and the drawdown of the £60m advance borrowing was completed in October 2020.
- 4.10 The investment return for 2020/21 continued to show out-performance against the Fund's benchmark, although low in absolute terms, while maintaining the security of the investments.

5. Next Steps

- 5.1 The Treasury team will continue to operate its Treasury Cash Fund with the aim of out-performing its benchmark of 7-day compounded SONIA less 6.25 basis points and manage the Council's debt portfolio to minimise the cost to the Council while mitigating risk.

6. Financial impact

- 6.1 The Treasury Cash Fund has generated significant additional income for the Council.

7. Stakeholder/Community Impact

- 7.1 There are no adverse stakeholder/community impacts arising from this report.

8. Background reading/external references

8.1 None

9. Appendices

9.1 Appendix 1: Prudential Indicators Out-turn

9.2 Appendix 2: Economic Review of 2020/21

9.3 Appendix 3: Borrowing Out-turn 2020/21

9.4 Appendix 4: Investment Out-turn 2020/21

9.5 Appendix 5: Outstanding Debt as at 31st March 2021

9.6 Appendix 6: Post Year End Activity

Appendix 1

Prudential Indicators Out-turn

(a) Prudential Indicator 1 - Estimate of Capital Expenditure

This gives a breakdown of the actual capital expenditure incurred during 2020/21.

| | 2019/20 Actual £'000 | 2020/21 Original £'000 | 2020/21 Revised £'000 | 2020/21 Actual £'000 |
|---|----------------------------|------------------------------|-----------------------------|----------------------------|
| General Fund | | | | |
| Communities and Families | 64,321 | 114,331 | 96,026 | 87,439 |
| Place | 109,606 | 201,611 | 138,457 | 131,292 |
| Place - Tram York Place to Newhaven | 25,187 | 70,721 | 59,648 | 53,071 |
| Place - Lending | 28,138 | 56,139 | 31,329 | 19,313 |
| Resources - Asset Management Works | 48,547 | 16,704 | 9,014 | 14,517 |
| Resources - Other | 2,873 | 6,051 | 1,682 | 478 |
| Contingency | | 4,242 | 0 | 0 |
| Total General Services Capital Expenditure | 278,562 | 469,799 | 336,441 | 306,110 |
| Housing Revenue Account | 111,854 | 96,468 | 56,969 | 41,456 |
| Total | 390,416 | 566,267 | 393,410 | 347,567 |

Table A1.1 – Capital Expenditure 2020/21

The capital programme is re-phased annually once the unaudited out-turn of the previous year is known. The original estimates above reflect the budget position as reported in the Treasury Strategy in March 2020, with the revised figures representing the projected position reported to the Finance and Resources Committee in August 2020 following the re-phasing of the programme. The 2020/21 Actual is the capital outturn reported in the Capital Report.

The following table shows how the £347.6m of capital expenditure incurred in 2020/21 was funded and the movement in the Net Capital Advances outstanding:

| | General Fund £'000 | HRA £'000 | CEC Total £'000 | Police £'000 | Total £'000 |
|-------------------------------|-----------------------|----------------|--------------------|-----------------|------------------|
| Net Cap Adv (01/04/20) | 968,770 | 395,163 | 1,363,933 | 10,667 | 1,374,600 |
| Gross Cap Ex | 306,110 | 41,456 | 347,566 | 0 | 347,566 |
| Cap Income | -155,504 | -43,035 | -198,539 | 0 | -198,539 |
| Net Cap Ex | 150,606 | -1,579 | 149,027 | 0 | 149,027 |
| Capital Repaid | -33,617 | -8,771 | -42,388 | -544 | -42,932 |
| Net Cap Adv (01/04/21) | 1,085,759 | 384,813 | 1,470,572 | 10,123 | 1,480,695 |

Table A1.2 – Source of Funding for Capital Expenditure 2020/21

The CEC Total column shows expenditure of £347.6m being partly funded by capital grants and capital receipts, leaving £149.0m to be funded by borrowing. The Council repaid principal of £42.4m for previous capital advances, giving net increase in the need to borrow of £106.6m. In addition, previous capital advances of £0.5m were repaid on behalf of the former Police Joint Board, giving a total net increase in the need to borrow of £106.1.

(b) Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

This gives an indication of the cost of the Council's debt relative to its income.

| | 2019/20 Actual % | 2020/21 Estimate % | 2020/21 Actual % |
|-------------------------|---------------------------------|-----------------------------------|---------------------------------|
| General Services | 10.50 | 10.48 | 6.82 |
| Housing Revenue Account | 37.65 | 35.57 | 32.92 |

Table A1.3 – Ratio of Financing Costs to Net Revenue Stream

(c) Indicator 3 - Capital Financing Requirement (CFR)

This shows the Council underlying need to borrow / take on other forms of Capital funding.

| | 2019/20 Actual £'000 | 2020/21 Estimate £'000 | 2020/21 Actual £'000 |
|---|-------------------------------------|---------------------------------------|-------------------------------------|
| General Services (incl. finance leases) | 1,133,084 | 1,453,000 | 1,227,367 |
| Edinburgh Living LLP | 19,023 | 66,000 | 38,076 |
| NHT LLPs | 94,264 | 108,000 | 87,551 |
| Housing Revenue Account | 395,163 | 418,000 | 384,813 |
| Total | 1,641,534 | 2,045,000 | 1,737,807 |

Table A1.4 – Capital Financing Requirement

In preparing Tables A1.4 and A1.5, all finance lease liabilities have been included for both current and prior year figures as required by the new Borrowing Regulations in Scotland, rather than other long-term liabilities as defined by CIPFA's Prudential Code.

| | 2019/20 Actual £'000 | 2020/21 Actual £'000 |
|-----------------------------------|-------------------------------------|-------------------------------------|
| General Services Capital Advances | 968,770 | 1,085,759 |
| HRA Capital Advances | 395,163 | 384,813 |
| Total CEC Borrowing CFR | 1,363,933 | 1,470,572 |
| Other Finance Lease Liabilities | 277,601 | 267,237 |
| Total CEC Debt CFR | 1,641,534 | 1,737,809 |

Table A1.5 – Split of CEC Capital Financing Requirement

The Council operated within both the Authorised Limit and the Operational Boundary at all times during the year and there were no breaches of the Council's Treasury Management Policy.

Appendix 2

Economic Review of 2020/21

The Council's treasury advisor, Arlingclose, has provided the following economic review of the year:

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

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

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

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

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

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.

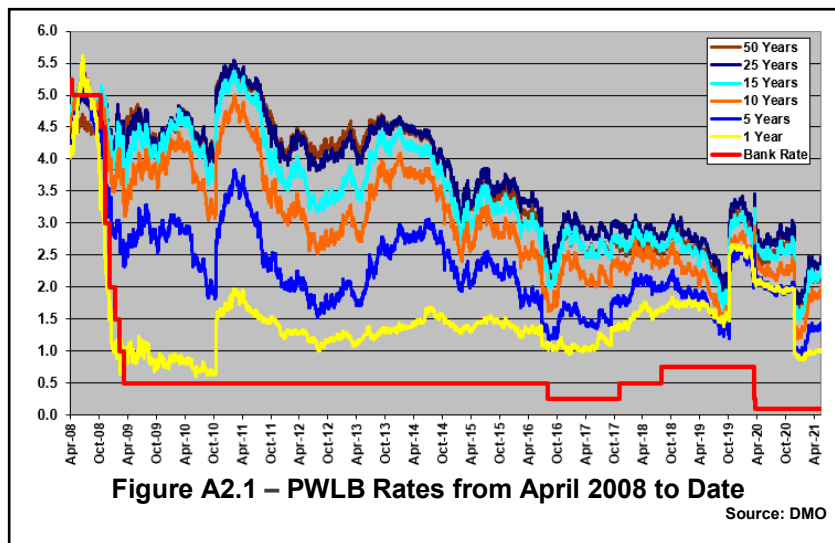
Inflation has remained low over the 12 month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. The ONS' preferred measure of CPIH which includes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

After collapsing at an annualised rate of 31.4% in Q2, the US economy rebounded by 33.4% in Q3 and then a further 4.1% in Q4. The US recovery has been fuelled by three major pandemic relief stimulus packages totalling over \$5 trillion. The Federal Reserve cut its main interest rate to between 0% and 0.25% in March 2020 in response to the pandemic and it has remained at the same level since. Joe Biden became the 46th US president after defeating Donald Trump.

The European Central Bank maintained its base rate at 0% and deposit rate at -0.5% but in December 2020 increased the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

Figure A2.1 below shows PWLB borrowing rates since 2008. This clearly shows an increase in borrowing rates mainly due to the COVID-19 vaccine roll out and expected economic recovery.



Appendix 3

Borrowing Out-turn 2020/21

Background to 2020/21 Borrowing

The strategy for 2020/21 approved in March 2020 was, subject to appropriate rates being available, to:

- Fund the 2020/21 requirement by reducing cash deposits further;
- Borrow for each tranche of LLP housing subject to with meeting the viability test for the tranche;
- Seek to mitigate risk on major projects as the requirement becomes more certain.

On the 26th November 2020, the UK Treasury decreased the margin applied to all PWLB loans by 100 basis points with immediate effect provided the Local Authority borrowing can confirm that it does not plan to purchase 'investment assets primarily for yield'. This comes after the margin was increased by the same amount in October 2019. The authority is now required to provide more detailed capital expenditure details when applying for the PWLB's Certainty Rate to give access to the reduced rate.

Due to grant income and therefore increased cash balances and the drawdown of advance borrowing the Council did not require to borrow from the PWLB. The only borrowing completed was £10m in March 2021 for 30 years. This was to utilise the Councils allocation to the lower interest rate available through the Infrastructure Rate for financial year 2020/21.

Table A3.1 below summarises the movements in the Council's borrowing during the year.

| Type of Loan | Balance 01.04.2020 £m | Borrowing Raised £m | Borrowing Repaid £m | Balance 31.03.2021 £m |
|-------------------|-----------------------------|---------------------------|---------------------------|-----------------------------|
| PWLB - fixed | 1,100.21 | 10.00 | -58.81 | 1,051.40 |
| Salix Finance Ltd | 1.06 | | -0.32 | 0.74 |
| Market | 234.90 | 60.00 | | 294.90 |
| | <u>1,336.17</u> | <u>70.00</u> | <u>-59.13</u> | <u>1,347.04</u> |
| Capital Advances | <u>1,373.37</u> | | | <u>1,480.80</u> |
| Under-borrowed | <u>37.20</u> | Under-borrowed | | <u>133.76</u> |

Table A3.1 – Outstanding Debt Portfolio 2020/21

The following chart gives the following sources of the Council's borrowing at the end of the financial year:

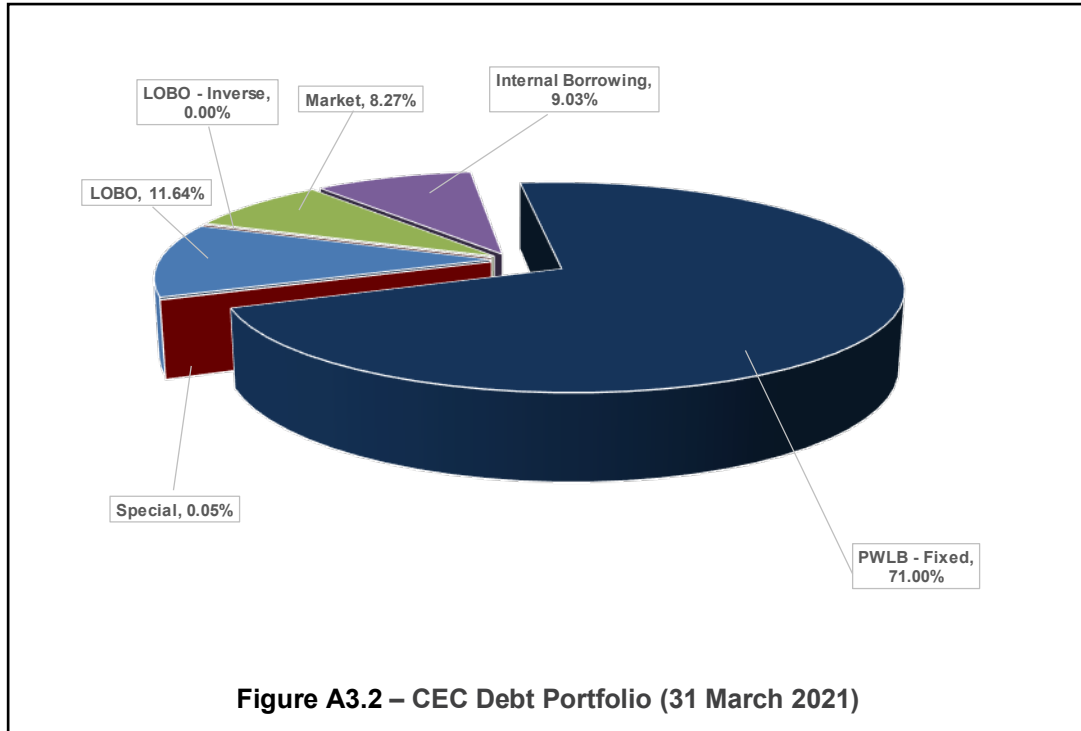
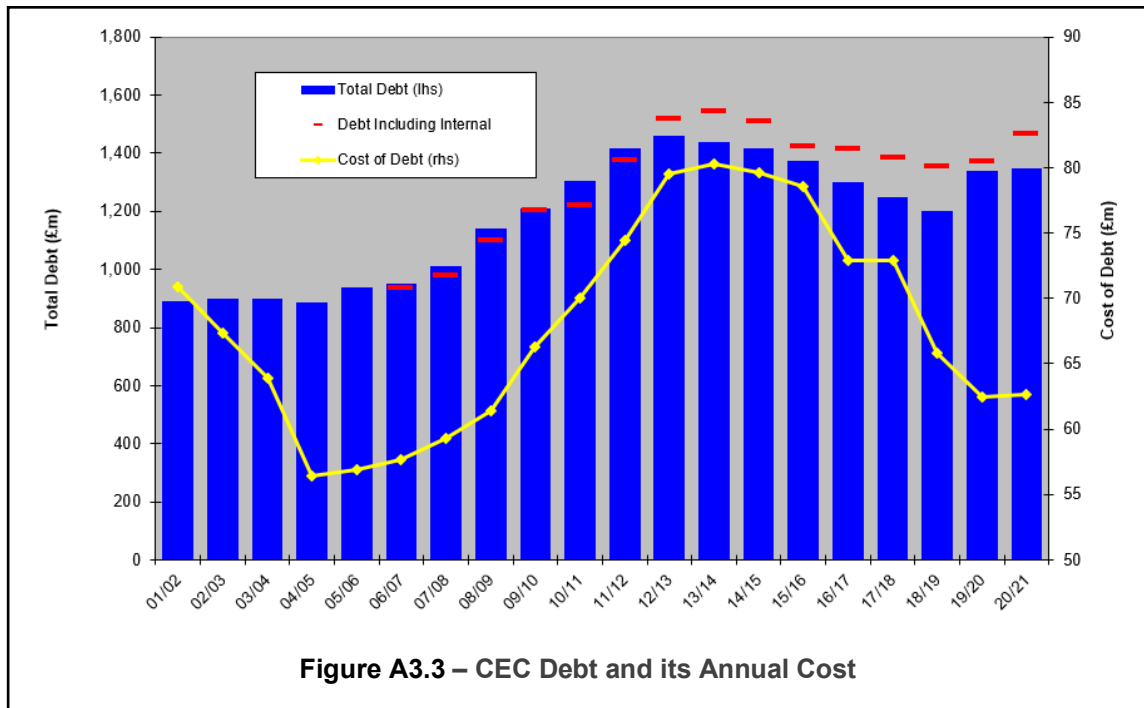


Figure A3.3 below shows the Council’s borrowing and the annual interest cost of that borrowing. The cost of borrowing has edged up. This is due to the full year cost of the 2019/20 borrowing and falling out of the one-off revenue element of the savings achieved by the LOBO restructuring in 2019/20.



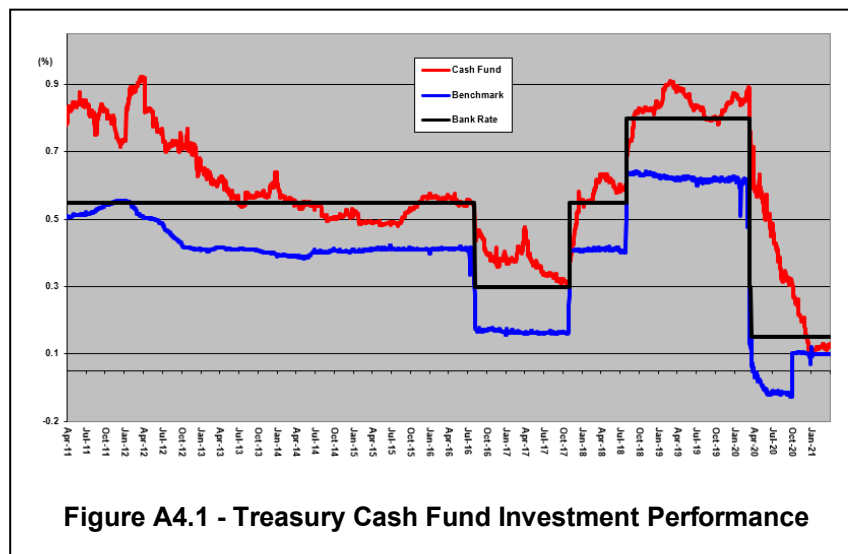
Appendix 4

Investment Out-turn 2020/21

The Council’s money is invested via the Treasury Cash Fund. The Cash Fund encompasses a number of organisations, including Lothian Pension Fund. Interest is accrued on a monthly basis and performance is evaluated against a benchmark, which is 7-day compounded SONIA less 6.25 basis points.

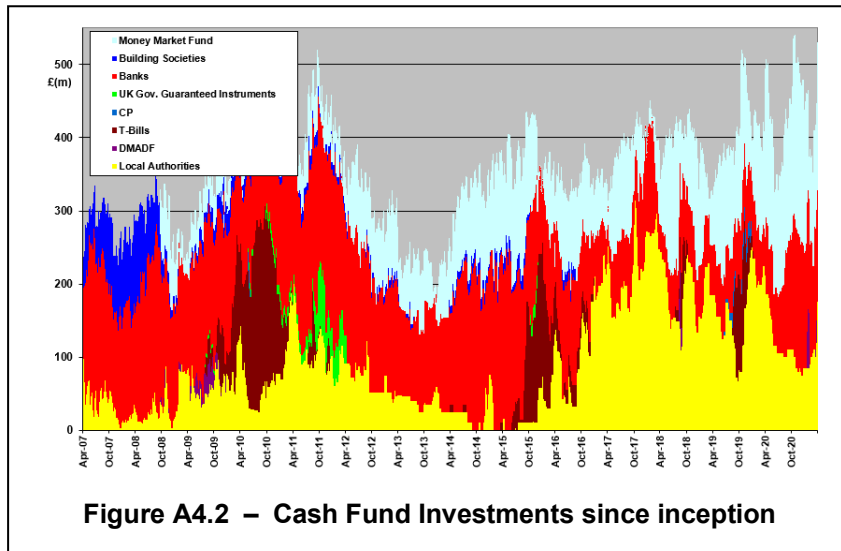
As COVID-19 continues to cause disruption to economies the Bank of England’s Monetary Policy Committee (MPC) has maintained UK Bank Rate at 0.10% since the 19th March 2020. The annual CPI rate of inflation was 1.4% in February 2021.

Figure A4.1 below shows investment performance since April 2011.

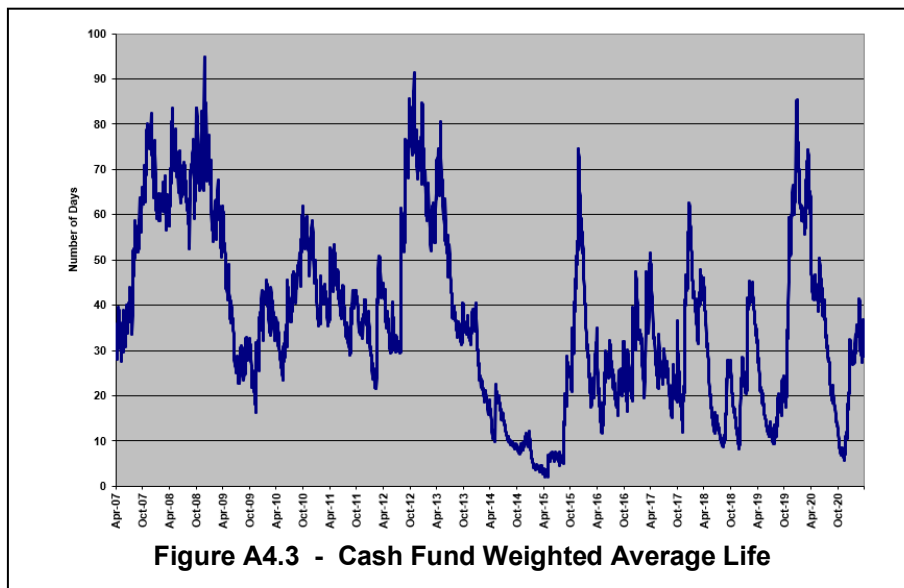


The average interest rate on the Cash Fund for the year was 0.25%, which continued to outperform the benchmark of 0.001%. The fund generated income of just over £585k for the financial year to CEC.

The emphasis remained on security during the financial year with the return of the principal sum being the main concern. With the Strategy being around the security of the investments, Cash Fund money has been invested with banking institutions which was held on instant access call and a 31 day notice account with a highly credit rated institution, money market funds and a large percentage of the fund was held with other Local Authorities on short term fixed deposits and notice accounts. Figure A4.2 below shows the distribution of the Cash Fund investments since April 2007.



The strategy remains to seek trades which add value relative to MMF/Bank rates and make a positive contribution towards out-performance while maintaining the security of funds.



As can be seen in Figure A4.3 the weighted average life of the fund increased to above 40 days towards the end of the financial year. The inter local authority market tightened for a while in the middle of March and advantage was taken of this to make further loans to other local authorities.

Appendix 5

Outstanding Debt as at 31st March 2021

| PWLB PROFILE | START DATE | MATURITY DATE | PRINCIPAL OUTSTANDING £ | INTEREST RATE % | ANNUAL INTEREST £ |
|-----------------|---------------|------------------|-------------------------------|-----------------------|-------------------------|
| A | 10/05/2010 | 10/05/2021 | 265,710.97 | 3.09 | 4,105.23 |
| M | 21/10/1994 | 15/05/2021 | 10,000,000.00 | 8.625 | 431,250.00 |
| M | 10/03/1995 | 15/05/2021 | 11,900,000.00 | 8.75 | 520,625.00 |
| M | 12/06/1995 | 15/05/2021 | 10,000,000.00 | 8.00 | 400,000.00 |
| M | 02/06/2010 | 02/06/2021 | 5,000,000.00 | 3.89 | 97,250.00 |
| M | 16/08/1994 | 03/08/2021 | 2,997,451.21 | 8.50 | 127,391.68 |
| M | 28/04/1994 | 25/09/2021 | 5,000,000.00 | 8.125 | 203,125.00 |
| M | 23/04/2009 | 23/04/2022 | 5,000,000.00 | 3.76 | 188,000.00 |
| M | 12/06/1995 | 15/05/2022 | 10,200,000.00 | 8.00 | 816,000.00 |
| M | 14/06/2010 | 14/06/2022 | 10,000,000.00 | 3.95 | 395,000.00 |
| M | 31/03/1995 | 25/09/2022 | 6,206,000.00 | 8.625 | 535,267.50 |
| M | 16/02/1995 | 03/02/2023 | 2,997,451.21 | 8.625 | 258,530.17 |
| M | 24/04/1995 | 25/03/2023 | 10,000,000.00 | 8.50 | 850,000.00 |
| M | 05/12/1995 | 15/05/2023 | 5,200,000.00 | 8.00 | 416,000.00 |
| M | 20/09/1993 | 14/09/2023 | 2,997,451.21 | 7.875 | 236,049.28 |
| M | 20/09/1993 | 14/09/2023 | 584,502.98 | 7.875 | 46,029.61 |
| M | 08/05/1996 | 25/09/2023 | 10,000,000.00 | 8.375 | 837,500.00 |
| M | 13/10/2009 | 13/10/2023 | 5,000,000.00 | 3.87 | 193,500.00 |
| M | 05/12/1995 | 15/11/2023 | 10,000,000.00 | 8.00 | 800,000.00 |
| M | 10/05/2010 | 10/05/2024 | 10,000,000.00 | 4.32 | 432,000.00 |
| M | 28/09/1995 | 28/09/2024 | 2,895,506.10 | 8.25 | 238,879.25 |
| M | 14/05/2012 | 14/11/2024 | 10,000,000.00 | 3.36 | 336,000.00 |
| A | 14/12/2009 | 14/12/2024 | 3,218,399.79 | 3.66 | 138,009.52 |
| M | 17/10/1996 | 25/03/2025 | 10,000,000.00 | 7.875 | 787,500.00 |
| M | 10/05/2010 | 10/05/2025 | 5,000,000.00 | 4.37 | 218,500.00 |
| M | 16/11/2012 | 16/05/2025 | 20,000,000.00 | 2.88 | 576,000.00 |
| M | 13/02/1997 | 18/05/2025 | 10,000,000.00 | 7.375 | 737,500.00 |
| M | 20/02/1997 | 15/11/2025 | 20,000,000.00 | 7.375 | 1,475,000.00 |
| A | 01/12/2009 | 01/12/2025 | 5,645,240.95 | 3.64 | 214,778.35 |
| M | 21/12/1995 | 21/12/2025 | 2,397,960.97 | 7.875 | 188,839.43 |
| M | 21/05/1997 | 15/05/2026 | 10,000,000.00 | 7.125 | 712,500.00 |
| M | 28/05/1997 | 15/05/2026 | 10,000,000.00 | 7.25 | 725,000.00 |
| M | 29/08/1997 | 15/11/2026 | 5,000,000.00 | 7.00 | 350,000.00 |
| M | 24/06/1997 | 15/11/2026 | 5,328,077.00 | 7.125 | 379,625.49 |
| M | 07/08/1997 | 15/11/2026 | 15,000,000.00 | 6.875 | 1,031,250.00 |
| M | 13/10/1997 | 25/03/2027 | 10,000,000.00 | 6.375 | 637,500.00 |
| M | 22/10/1997 | 25/03/2027 | 5,000,000.00 | 6.50 | 325,000.00 |
| M | 13/11/1997 | 15/05/2027 | 3,649,966.00 | 6.50 | 237,247.79 |
| M | 17/11/1997 | 15/05/2027 | 5,000,000.00 | 6.50 | 325,000.00 |
| M | 13/12/2012 | 13/06/2027 | 20,000,000.00 | 3.18 | 636,000.00 |

| | | | | | |
|---|------------|------------|----------------|-------|--------------|
| M | 12/03/1998 | 15/11/2027 | 8,677,693.00 | 5.875 | 509,814.46 |
| M | 06/09/2010 | 06/09/2028 | 10,000,000.00 | 3.85 | 385,000.00 |
| M | 14/07/2011 | 14/07/2029 | 10,000,000.00 | 4.90 | 490,000.00 |
| E | 14/07/1950 | 03/03/2030 | 2,274.85 | 3.00 | 73.94 |
| M | 14/07/2011 | 14/07/2030 | 10,000,000.00 | 4.93 | 493,000.00 |
| E | 15/06/1951 | 15/05/2031 | 2,460.69 | 3.00 | 75.58 |
| M | 06/09/2010 | 06/09/2031 | 20,000,000.00 | 3.95 | 790,000.00 |
| M | 15/12/2011 | 15/06/2032 | 10,000,000.00 | 3.98 | 398,000.00 |
| M | 15/09/2011 | 15/09/2036 | 10,000,000.00 | 4.47 | 447,000.00 |
| M | 22/09/2011 | 22/09/2036 | 10,000,000.00 | 4.49 | 449,000.00 |
| M | 10/12/2007 | 10/12/2037 | 10,000,000.00 | 4.49 | 449,000.00 |
| M | 08/09/2011 | 08/09/2038 | 10,000,000.00 | 4.67 | 467,000.00 |
| M | 15/09/2011 | 15/09/2039 | 10,000,000.00 | 4.52 | 452,000.00 |
| M | 06/10/2011 | 06/10/2043 | 20,000,000.00 | 4.35 | 870,000.00 |
| M | 09/08/2011 | 09/02/2046 | 20,000,000.00 | 4.80 | 960,000.00 |
| M | 23/01/2006 | 23/07/2046 | 10,000,000.00 | 3.70 | 370,000.00 |
| M | 23/01/2006 | 23/07/2046 | 10,000,000.00 | 3.70 | 370,000.00 |
| M | 19/05/2006 | 19/11/2046 | 10,000,000.00 | 4.25 | 425,000.00 |
| M | 07/01/2008 | 07/01/2048 | 5,000,000.00 | 4.40 | 220,000.00 |
| A | 24/03/2020 | 24/03/2050 | 14,609,352.77 | 1.64 | 237,972.00 |
| A | 26/03/2020 | 26/03/2050 | 4,866,712.87 | 1.49 | 72,011.97 |
| A | 26/03/2021 | 26/03/2051 | 10,000,000.00 | 1.75 | 173,884.91 |
| M | 27/01/2006 | 27/07/2051 | 1,250,000.00 | 3.70 | 46,250.00 |
| M | 16/01/2007 | 16/07/2052 | 40,000,000.00 | 4.25 | 1,700,000.00 |
| M | 30/01/2007 | 30/07/2052 | 10,000,000.00 | 4.35 | 435,000.00 |
| M | 13/02/2007 | 13/08/2052 | 20,000,000.00 | 4.35 | 870,000.00 |
| M | 20/02/2007 | 20/08/2052 | 70,000,000.00 | 4.35 | 3,045,000.00 |
| M | 22/02/2007 | 22/08/2052 | 50,000,000.00 | 4.35 | 2,175,000.00 |
| M | 08/03/2007 | 08/09/2052 | 5,000,000.00 | 4.25 | 212,500.00 |
| M | 30/05/2007 | 30/11/2052 | 10,000,000.00 | 4.6 | 460,000.00 |
| M | 11/06/2007 | 11/12/2052 | 15,000,000.00 | 4.70 | 705,000.00 |
| M | 12/06/2007 | 12/12/2052 | 25,000,000.00 | 4.75 | 1,187,500.00 |
| M | 05/07/2007 | 05/01/2053 | 12,000,000.00 | 4.80 | 576,000.00 |
| M | 25/07/2007 | 25/01/2053 | 5,000,000.00 | 4.65 | 232,500.00 |
| M | 10/08/2007 | 10/02/2053 | 5,000,000.00 | 4.55 | 227,500.00 |
| M | 24/08/2007 | 24/02/2053 | 7,500,000.00 | 4.50 | 337,500.00 |
| M | 13/09/2007 | 13/03/2053 | 5,000,000.00 | 4.50 | 225,000.00 |
| A | 14/10/2019 | 10/04/2053 | 107,942,304.56 | 2.69 | 2,889,530.19 |
| M | 12/10/2007 | 12/04/2053 | 5,000,000.00 | 4.60 | 230,000.00 |
| M | 05/11/2007 | 05/05/2057 | 5,000,000.00 | 4.60 | 230,000.00 |
| M | 15/08/2008 | 15/02/2058 | 5,000,000.00 | 4.39 | 219,500.00 |
| A | 25/01/2019 | 25/01/2059 | 2,655,284.60 | 2.65 | 71,164.31 |
| A | 11/06/2019 | 11/06/2059 | 1,253,893.84 | 2.23 | 27,846.24 |
| A | 01/10/2019 | 01/10/2059 | 1,320,070.03 | 1.74 | 22,865.72 |
| A | 02/10/2019 | 02/10/2059 | 39,309,771.67 | 1.80 | 704,427.87 |
| A | 05/11/2019 | 05/11/2059 | 7,048,165.68 | 2.96 | 207,906.10 |
| A | 28/11/2019 | 28/11/2059 | 1,289,237.57 | 3.03 | 38,931.27 |

| | | | | | |
|---|------------|------------|------------------|------|------------|
| A | 02/12/2019 | 02/12/2059 | 2,775,526.71 | 3.03 | 83,812.94 |
| A | 20/01/2020 | 20/01/2060 | 1,965,263.65 | 1.77 | 34,629.41 |
| A | 20/01/2020 | 20/01/2060 | 452,227.68 | 2.97 | 13,384.94 |
| M | 04/10/2019 | 04/04/2060 | 40,000,000.00 | 1.69 | 676,000.00 |
| M | 02/12/2011 | 02/12/2061 | 5,000,000.00 | 3.98 | 199,000.00 |
| M | 26/03/2020 | 26/03/2070 | 10,000,000.00 | 1.29 | 129,000.00 |
| | | | 1,051,403,958.56 | | |

| Non LOBO Profile | Start Date | Maturity Date | Principal Outstanding £ | Interest Rate % | Annual Interest £ |
|---------------------------------|-----------------------|--------------------------|--|--------------------------------|----------------------------------|
| M | 30/06/2005 | 30/06/2065 | 5,000,000.00 | 4.40 | 220,000.00 |
| M | 07/07/2005 | 07/07/2065 | 5,000,000.00 | 4.40 | 220,000.00 |
| M | 21/12/2005 | 21/12/2065 | 5,000,000.00 | 4.99 | 249,500.00 |
| M | 28/12/2005 | 24/12/2065 | 12,500,000.00 | 4.99 | 623,750.00 |
| M | 14/03/2006 | 15/03/2066 | 15,000,000.00 | 5.00 | 750,000.00 |
| M | 18/08/2006 | 18/08/2066 | 10,000,000.00 | 5.25 | 525,000.00 |
| M | 01/02/2008 | 01/02/2078 | 10,000,000.00 | 3.95 | 395,000.00 |
| M | 08/10/2020 | 08/10/2045 | 60,000,000.00 | | |
| | | | 122,500,000.00 | | |

| LOBO Profile | Start Date | Maturity Date | Principal Outstanding £ | Interest Rate % | Annual Interest £ |
|-------------------------|-----------------------|--------------------------|--|--------------------------------|----------------------------------|
| M | 12/11/1998 | 13/11/2028 | 3,000,000.00 | 4.75 | 142,500.00 |
| M | 15/12/2003 | 15/12/2053 | 10,000,000.00 | 5.25 | 525,000.00 |
| M | 18/02/2004 | 18/02/2054 | 10,000,000.00 | 4.54 | 454,000.00 |
| M | 28/04/2005 | 28/04/2055 | 12,900,000.00 | 4.75 | 612,750.00 |
| M | 01/07/2005 | 01/07/2065 | 10,000,000.00 | 3.86 | 386,000.00 |
| M | 24/08/2005 | 24/08/2065 | 5,000,000.00 | 4.40 | 220,000.00 |
| M | 07/09/2005 | 07/09/2065 | 10,000,000.00 | 4.99 | 499,000.00 |
| M | 13/09/2005 | 14/09/2065 | 5,000,000.00 | 3.95 | 197,500.00 |
| M | 03/10/2005 | 05/10/2065 | 5,000,000.00 | 4.375 | 218,750.00 |
| M | 23/12/2005 | 23/12/2065 | 10,000,000.00 | 4.75 | 475,000.00 |
| M | 06/03/2006 | 04/03/2066 | 5,000,000.00 | 4.625 | 231,250.00 |
| M | 17/03/2006 | 17/03/2066 | 10,000,000.00 | 5.25 | 525,000.00 |
| M | 03/04/2006 | 01/04/2066 | 10,000,000.00 | 4.875 | 487,500.00 |
| M | 03/04/2006 | 01/04/2066 | 10,000,000.00 | 4.875 | 487,500.00 |
| M | 03/04/2006 | 01/04/2066 | 10,000,000.00 | 4.875 | 487,500.00 |
| M | 07/04/2006 | 07/04/2066 | 10,000,000.00 | 4.75 | 475,000.00 |
| M | 05/06/2006 | 07/06/2066 | 20,000,000.00 | 5.25 | 1,050,000.00 |
| M | 05/06/2006 | 07/06/2066 | 16,500,000.00 | 5.25 | 866,250.00 |
| | | | 172,400,000.00 | | |

| SPECIAL FIXED/ VAR | START DATE | MATURITY DATE | PRINCIPAL OUTSTANDING £ | INTEREST RATE % | ANNUAL INTEREST £ |
|-----------------------------------|-----------------------|--------------------------|--|--------------------------------|----------------------------------|
| F | 07/01/2015 | 01/09/2021 | 39,478.57 | 0 | 0 |
| F | 31/03/2015 | 01/04/2023 | 450,724.35 | 0 | 0 |
| F | 22/09/2015 | 01/10/2023 | 131,879.82 | 0 | 0 |
| F | 29/03/2019 | 01/04/2029 | 118,981.81 | 0 | 0 |
| | | | 741,064.56 | | |

Appendix 6

Post Year End Activity

The 2021/22 Treasury Management Strategy showed that if the capital programme is delivered as forecast over £1bn of new borrowing will be required over the next four years. With interest rates at historic lows, there is a balance to be struck between the cost of carry of new borrowing which is not yet needed to finance capital expenditure and the wish to lock out the low rates.

As interest rate came down, three packages of interest rate risk were taken off the table. The borrowing undertaken was:

June:

£50m 32Year Annuity 1.98%

July:

£40m 30Year Annuity 1.78%

£50m 50Year Maturity 1.74%

The first of these closed out the interest rate risk on the remaining tranche of borrowing required for the capital advances in respect of the Trams to Newhaven project at an interest rate which was over 0.25% below the assumption in the final financial model. To allow the Council to take advantage of the PWLB's HRA Interest Rates in 2020/21 when those rates were not available to the Council's General Fund, the Council's Loans Pool was frozen and two new pools – one for the HRA and one for the General Fund were created. This necessitates that separate borrowing decisions are taken for the HRA in a way that was not required before. The 30Year annuity loan has been borrowed and applied to the HRA pool, and the 50Year maturity loan has been borrowed for and applied to the General Fund pool.

Further detail on this will be included in the Mid-Year Report which reviews the activity in the first half of 2021/22.