

## Summary of action taken in the period April 2021 to September 2021

### ***New borrowing***

New borrowing to support the HRA Capital Programme of £25.0 was undertaken in the first half of 2021/22.

### ***Debt maturity***

PWLB Annuity repayments of £0.523m were made on 30 June 2021.

Lender options (where the lender has the exclusive option to request an increase in the loan interest rate and the council has the right to reject the higher rate and repay instead) on two loans were due in the 6 month period but no option was exercised.

### ***Weighted average maturity of debt portfolio***

The weighted average maturity period of the portfolio has increased from 27.5 years to 28.9 years. This is the result of a combination of a natural decrease of the maturity by six months and the change resulting from the new long-term HRA debt of £25.0m undertaken during the period.

### ***Debt rescheduling***

Opportunities to restructure PWLB debt are severely restricted under changes introduced by the Public Works Loan Board in October 2007.

### ***Capital financing requirement***

The prudential code introduces a number of indicators that compare borrowing with the capital financing requirement (CFR) – the CFR being the amount of capital investment met from borrowing that is outstanding. Table 1 compares the CFR with actual borrowing.

***Table 1 – Capital financing requirement compared to debt outstanding***

	1 April 2021	30 Sept 2021	Movement in period
Capital financing requirement (CFR)	£394.8m		
Less PFI element	(£43.9m)		
Net CFR	£350.9m	£350.9m	£0.0m
Long-term debt	£278.6m	£303.1m	£24.5m
O/s debt to CFR (%)	79.4%	86.4%	+7.0%

Traditionally, the level of borrowing outstanding is at or near the maximum permitted in order to reduce the risk that demand for capital investment (and hence resources) falls in years when long-term interest rates are high (i.e. interest rate risk). However given the uncertainty within the financial markets, the council has maintained the strategy of keeping borrowing at much lower levels (as investments have been used to repay debt).

Currently, outstanding debt represents 86.4% of the capital financing requirement.

### ***Cash flow debt / investments***

The TMSS states the profile of any short-term cash flow investments will be determined by the need to balance daily cash flow surpluses with cash flow shortages.

An analysis of the cash flows reveals a net surplus for the first half of the year of £70.4m. This is higher than in previous years as it includes the net cash movements as

a result of being the accountable body for Coast to Capital LEP from 1 April 2021, which resulted in £61.0m being transferred to the council.

**Table 2 – Cash flow April to September 2021**

April 21 to Sept 21			
	Payments	Receipts	Net cash
Total cash for period	(£578.0m)	£648.4m	(£70.4m)
Represented by:			
(Increase)/Decrease in investments			(£97.1m)
Increase in long-term borrowing			£24.5m
Increase in Short term borrowing (including SDNPA <sup>1</sup> )			£2.0m
Movement in balance at bank			£0.2m
			(£70.4m)

***Prudential indicators***

Budget Council approved a series of prudential indicators for 2021/22 at its meeting in February 2021. Taken together the indicators demonstrate that the council’s capital investment plans are affordable, prudent and sustainable.

In terms of treasury management, the main indicators are the ‘authorised limit’ and ‘operational boundary’. The authorised limit is the maximum level of borrowing that can be outstanding at any one time. The limit is a statutory requirement as set out in the Local Government Act 2003. The limit includes ‘headroom’ for unexpected borrowing resulting from adverse cash flow movements.

The operational boundary represents the level of borrowing needed to meet the capital investment plans approved by the council. Effectively it is the authorised limit minus the headroom and is used as an in-year monitoring indicator to measure actual borrowing requirements against budgeted forecasts.

Table 3 compares both indicators with the maximum debt outstanding in the first half year.

**Table 3 – Comparison of outstanding debt with Authorised Limit and Operational Boundary 2021/22**

	Authorised limit	Operational boundary
Indicator set	£541.0m	£531.0m
Less PFI & other long-term liabilities	-£44.0m	-£44.0m
Indicator re: Underlying borrowing	£497.0m	£487.0m
Maximum amount o/s in first half of year	£303.1m	£303.1m
Variance	(*)£193.9m	£183.9m

(\*) Cannot be less than zero

Table 4 shows the limits set for the maturity structure of the debt portfolio along with the actual maturity profile as at 30 September 2021.

<sup>1</sup> SDNPA (South Downs National Park Authority) cash/investments are managed on their behalf under contract with Brighton & Hove City Council.

**Table 4 – Maturity structure of fixed interest rate borrowing as at 30 September 2021**

	Lower Limit Set	Upper Limit Set	Actual as at 30 September 2021
Under 12 months	0.0%	40.0%	0.5%
12 months to 2 years	0.0%	40.0%	4.0%
2 years to 5 years	0.0%	50.0%	11.2%
5 years to 10 years	0.0%	75.0%	9.2%
Over 10 years	40.0%	100.0%	75.1%

**Approved organisations – investments**

No new organisations were added to the list approved in the Annual Investment Strategy (AIS) 2021/22.

**Debt Portfolio as at 30 September 2021**

Table 5 shows the debt portfolio as at 30 September 2021, analysed by fund.

**Table 5 – Debt External Portfolio as at 30 September 2021 by fund**

Fund	Debt Outstanding
General Fund – General	£109.139m
General Fund – i360	£28.137m
Total General Fund	£137.276m
HRA	£165.832m
<b>Total Debt</b>	<b>£303.108m</b>

The total debt portfolio is made up of borrowing from the Public Works Loans Board (PWLB), and market lenders. Table 6 illustrates the amount outstanding and average rate of borrowing of each of these parts of the portfolio as at 31 March 2021.

**Table 6 – amount outstanding as at 30 September 2020 and average rate by loan type**

Lender	Loan Type	Amount Outstanding at 30 September 2021	Average rate
PWLB	Fixed Maturity	£229.971m	3.45%
PWLB	Annuity	£28.137m	2.78%
Market Lenders	LOBOs	£25.000m	4.43%
Market Lenders	Fixed Maturity	£20.000m	4.49%
<b>Total Borrowing</b>		<b>£303.108m</b>	<b>3.38%</b>

The debt outstanding to market lenders is made up of LOBO instruments (Lender Option Borrower Option) of £25.0m, and fixed market loans of £20.0m. The interest rates of these loans vary between 3.90% and 4.88%.

