Summary of action taken in the period October 2020 to March 2021

New borrowing

The council undertook £10.0m of new long-term debt in the second half of 2020/21. This was to fund the HRA Capital Programme.

Debt maturity

PWLB Annuity repayments of £0.516m were made on 31 December 2020. Additionally, £0.682m of PWLB fixed maturity debt matured on 31 March 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 decreased from 27.7 years to 27.5 years. This is the result of a combination of a natural decrease of the maturity by six months and the change resulting from debt repayments of £1.2m and new debt undertaken of £10.0m.

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 2020	31 March 21	Movement in period
Capital financing requirement (CFR)	£379.4m		
Less PFI element	(£44.4m)		
Net CFR	£335.0m	£351.8m	£16.8m
Long-term debt	£271.0m	£278.6m	+£7.6m
O/s debt to CFR (%)	80.9%	79.2%	-1.7%

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 79.2% 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 deficit for the second half of the year of £4.0 million.

Table 2 – Cash flow October 2020 to March 2021

	Oct 20 to Mar 21			Apr 20 to Mar 21 (full year)
	Payments	**Receipts**	**Net cash**	**Net Cash**
Total cash for period	(£578.3m)	£574.3m	(£4.0m)	(£11.3m)
Represented by:				
(Increase)/Decrease in investments			(£4.3m)	£2.7m
(Decrease)/Increase in long-term borrowing			£8.8m	£7.6m
Decrease in Short term borrowing (including SDNPA[1])			£0.0m	£1.5m
Movement in balance at bank			(£0.5m)	(£0.5m)
			£4.0m	£11.3m

Prudential indicators

Budget Council approved a series of prudential indicators for 2020/21 at its meeting in February 2020. 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 2020/21

	Authorised limit	Operational boundary
Indicator set	£465.0m	£455.0m
Less PFI & other long-term liabilities	-£54.0m	-£54.0m
Indicator re: Underlying borrowing	£411.0m	£401.0m
Maximum amount o/s in second half of year	£279.3m	£279.3m
Variance	(*)£131.7m	£121.7m

(*) 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 31 March 2021.

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

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Table 4 – Maturity structure of fixed interest rate borrowing as at 31 March 2021

	Lower Limit Set	Upper Limit Set	Actual as at 31 March 2021
Under 12 months	0.0%	40.0%	0.8%
12 months to 2 years	0.0%	40.0%	4.4%
2 years to 5 years	0.0%	50.0%	12.2%
5 years to 10 years	0.0%	75.0%	10.0%
Over 10 years	40.0%	100.0%	72.7%

Approved organisations – investments

No new organisations were added to the list approved in the Annual Investment Strategy (AIS) 2020/21.

Debt Portfolio as at 31 March 2021

Table 5 shows the debt portfolio as at 31 March 2021, analysed by fund.

Table 5 – Debt External Portfolio as 31 March 2021 by fund

Fund	Debt Outstanding
General Fund – General	£109.139m
General Fund – i360	£28.660m
Total General Fund	£137.779m
HRA	£140.832m
Total Debt	**£278.631m**

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 31 March 2021 and average rate by loan type

Lender	Loan Type	Amount Outstanding at 31 March 2021	Average rate
PWLB	Fixed Maturity	£204.971m	3.67%
PWLB	Annuity	£28.660m	2.78%
Market Lenders	LOBOs	£25.000m	4.43%
Market Lenders	Fixed Maturity	£20.000m	4.49%
Total Borrowing		**£278.631m**	**3.71%**

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%.