ITEM No …16……..…..

REPORT TO: **POLICY AND RESOURCES COMMITTEE – 16 NOVEMBER 2020**

REPORT ON: **TREASURY MANAGEMENT STRATEGY 2020/2021**

REPORT BY: **EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

REPORT NO: **280-2020**

1 PURPOSE OF REPORT

This report introduces the Dundee City Council Treasury Management Strategy Statement and Annual Investment Strategy for 2020-2021, the preparation of which is a requirement of the Council's Treasury Policy Statement and the CIPFA Code of Practice on Treasury Management.

2 RECOMMENDATION

The Committee are asked to:

1 note that in terms of the Treasury Policy Statement, the Executive Director of Corporate Services is obliged to present the annual Treasury Management Strategy at the start of each financial year.

2 approve the strategy proposed by the Executive Director of Corporate Services for 2020/2021 as set out in the attached document "Treasury Management Strategy 2020/2021".

3 FINANCIAL IMPLICATIONS

There are no direct financial implications arising from the recommendations in this report. However, decisions made within the Treasury Management function will affect the cost of the Council's long and short-term borrowing in 2020/2021 and future years. The 2020/2021 Revenue Budget has been set including a provision of £20.786m for General Fund and £18.742m for HRA capital financing costs, both are based on an average Loans Fund interest rate of 3.50%.

4 BACKGROUND

The Council's Treasury Policy Statement (Article XVI of the Minute of Meeting of the Policy and Resources Committee of 22 April 2019, Report No 165-2019 refers) requires that the Policy and Resources Committee will receive and consider the Treasury Management Strategy at the start of each new financial year.

5 TREASURY MANAGEMENT STRATEGY 2020/2021

The Council's Treasury Management Strategy for 2020/2021 is set out in detail in the attached document. The net new borrowing required in 2020/2021 is £41m. In light of this there is expected to be phased borrowing during the year. This will be based on cash flow and interest rate monitoring to determine the term and value of each loan taken.

In light of the continuing uncertainties in the finance market, lending transactions will be closely monitored to achieve maximum security of capital. This will involve using all available sources of information to assess the financial strength of any counterparties.

6 POLICY IMPLICATIONS

This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

7 CONSULTATION

The Council Management Team have been consulted in the preparation of this report.

8 **BACKGROUND PAPERS**

None

GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **5 NOVEMBER 2020**

Corporate Services

DUNDEE CITY COUNCIL

TREASURY MANAGEMENT STRATEGY 2020-2021

Executive Director of Corporate Services
October 2020

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1. INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.2 Treasury Management Strategy for 2020/21

The strategy for 2020/21 covers two main areas:

Capital Planning

- the capital plans and the prudential indicators.

Treasury Management

- current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- borrowing strategy;
- debt rescheduling;
- investment strategy;

These elements cover requirements of the Local Government in Scotland Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and Scottish Government Investment Regulations not included in the Treasury Policy.

2. CAPITAL PRUDENTIAL INDICATORS 2020/21 – 2024/25

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans. The figures below are based on the latest approved version of the updated Capital Plan 2020-2025 (Article XI of the Policy and Resources Committee of 28th September 2020, report 223-2020 refers).

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Capital Programme Thematic Summary - Capital Plan 2020-2025 (£000's)									
Capital Investment Theme	**Overall Project Cost**	**Prior to 31/3/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**Later Years**
Work and Enterprise	115,581	75,542	3,004	9,466	3,206	18,900	3,363	100	2,000
Children & Families	165,531	66,723	6,463	4,488	3,818	2,500	24,000	32,000	25,500
Health, Care & Wellbeing	92,800	31,185	12,630	5,218	11,487	5,646	4,176	3,911	18,547
Community Safety & Justice	140,416	77,682	9,310	22,811	10,311	8,100	6,843	5,275	180
Service Provision	215,308	92,904	11,482	22,939	19,964	13,159	11,054	13,806	30,000
Building Strong Communities	180,248	24,198	28,384	25,270	33,263	25,060	19,051	22,022	3,000
Total Gross Expenditure	**909,884**	**368,234**	**71,273**	**90,192**	**82,049**	**73,365**	**68,487**	**77,114**	**79,227**

Other long term liabilities - The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital Resources Summary - Capital Plan 2020-2025 (£000's)					
Resource Descriptor	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Capital expenditure funded from borrowing	60,369	49,996	49,229	45,842	55,469
Capital element of General Capital Grant (net of Private Sector Housing Grant)	15,560	17,000	17,000	17,000	17,000
Capital grants & contributions - project specific	9,269	8,933	2,784	1,795	1,795
Capital Receipts - Sale of Assets	3,994	6,120	4,352	3,850	2,850
Capital financed from current revenue & programme slippage	-	-	-	-	-
Total	**90,192**	**82,049**	**73,365**	**68,487**	**77,114**

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as prudent annual repayments from revenue need to be made which reflect the useful life of capital assets financed by borrowing. As agreed within the Loans Fund Policy Review (Article VII of the Minute of the Meeting of the Policy & Resources Committee of 30th September 2019, Report No. 279-2019 refers), the Council has revised the method of calculation of loan repayments to ensure that its underlying debt liability reflects the consumption of the assets associated with that debt, and also reflects the period to which benefits are provided to the community now and in the future.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

The following table annotates the CFR projections*:

Capital Financing Requirement (£000's)			
Year	**Non-HRA**	**HRA**	**Total**
2019/20	401,000	189,000	590,000
2020/21	437,000	197,000	634,000
2021/22	459,000	207,000	666,000
2022/23	485,000	214,000	699,000
2023/24	511,000	216,000	727,000
2024/25	541,000	221,000	762,000

* The table above excludes PFI and finance leases

Analysis will be undertaken following the Loan Charge Review, and the CFR projections will be updated and reported to Committee if significantly impacted.

3. BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2020, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£000s	2018/19 Actual	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
External Debt					
Debt at 1 April	606,700	721,567	746,851	803,916	832,597
Expected change in Debt	38.890	(12,581)	40,963	32,769	32,615
Expected change in Other long-term liabilities	52,607	37,865	16,102	(4,088)	(4,194)
Total Gross debt at 31st March	721,567	746,851	803,916	832,597	861,018

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Executive Director of Corporate Services reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

Operational boundary

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational Boundary (£000's)			
Year	**Borrowing**	**Other**	**Total**
2019/20	586,000	161,000	747,000
2020/21	627,000	177,000	804,000
2021/22	660,000	173,000	833,000
2022/23	693,000	169,000	862,000
2023/24	721,000	164,000	885,000
2024/25	755,000	160,000	915,000

Authorised limit for external debt

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

a) This is the statutory limit (Affordable Capital Expenditure Limit) determined under section 35 (1) of the Local Government in Scotland Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

b) The Council is asked to approve the following authorised limit:

Authorised Limit (£000's)			
Year	**Borrowing**	**Other**	**Total**
2019/20	616,000	161,000	777,000
2020/21	657,000	177,000	834,000
2021/22	690,000	173,000	863,000
2022/23	723,000	169,000	892,000
2023/24	751,000	164,000	915,000
2024/25	785,000	160,000	945,000

3.3 Prospects for interest rates

A more detailed interest rate forecast and economic commentary are set out in appendix 5.2.

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The table overleaf gives their central view.

Link Asset Services Interest Rate View							
	Mar '20	**Jun '20**	**Sep '20**	**Dec '20**	**Mar '21**	**Jun '21**	**Sep '21**
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00
3 Month LIBID	0.70	0.70	0.80	0.80	0.90	1.00	1.00
6 Month LIBID	0.80	0.80	0.90	1.00	1.00	1.10	1.20
12 Month LIBID	0.90	0.90	1.00	1.10	1.20	1.30	1.40
5yr PWLB Rate	2.30	2.30	2.40	2.40	2.50	2.60	2.70
10yr PWLB Rate	2.50	2.50	2.60	2.60	2.70	2.80	2.90
25yr PWLB Rate	3.00	3.00	3.10	3.20	3.30	3.40	3.50
50yr PWLB Rate	2.90	2.90	3.00	3.10	3.20	3.30	3.40
	Dec '21	**Mar '22**	**Jun '22**	**Sep '22**	**Dec '22**	**Mar '23**	
Bank Rate View	1.00	1.00	1.25	1.25	1.25	1.25	
3 Month LIBID	1.00	1.20	1.30	1.30	1.30	1.30	
6 Month LIBID	1.30	1.40	1.50	1.50	1.50	1.50	
12 Month LIBID	1.50	1.60	1.70	1.70	1.70	1.70	
5yr PWLB Rate	2.80	2.90	2.90	3.00	3.00	3.10	
10yr PWLB Rate	3.00	3.10	3.10	3.20	3.20	3.30	
25yr PWLB Rate	3.60	3.70	3.80	3.80	3.90	3.90	
50yr PWLB Rate	3.50	3.60	3.70	3.70	3.80	3.80	

The above forecasts assumed that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a comprehensive trade deal within the short time to December 2020, as the prime minister has pledged. It is unclear what impact the coronavirus outbreak may have on Brexit negotiations.

2019 was a year of weak UK economic growth as political and Brexit uncertainty depressed confidence. It was therefore little surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% during the year. However, during January 2020, financial markets were predicting a 50:50 chance of a cut in Bank Rate at the time of the 30 January MPC meeting. Admittedly, there had been plenty of downbeat UK economic news in December and January which showed that all the political uncertainty leading up to the general election, together with uncertainty over where Brexit would be going after that election, had depressed economic growth in quarter 4 of 2019. However, that downbeat news was backward looking; economic statistics during January and February, prior to the coronavirus outbreak, pointed in the direction of a robust bounce in economic activity and a recovery of confidence after the decisive result of the general election removed political and Brexit uncertainty. The January MPC meeting clearly decided to focus on the more recent forward-looking news, rather than the earlier downbeat news, and so left Bank Rate unchanged.

Coronavirus. The Coronavirus outbreak caused major disruption to the economy of China in quarter 1 of 2020; it looks likely that the economy will have contracted by about 20% during the quarter and recovery looks like being slow. The outbreak is now beginning to do the same in the UK, Europe and the US with whole sections of the economy likely to close down as a result of policies of social isolation. This poses a major risk to employment, people earning incomes, and businesses going bust with insufficient cash flow to keep them going.

In March, the Bank of England has cut Bank Rate twice, first from 0.75% to 0.25% and then on 19 March, to 0.1%. It has also restarted quantitative easing with an increase of £200bn of purchases and introduced a series of measures to support bank lending and financing for small and medium enterprises. The Budget, on the same day as the first cut in Bank Rate, similarly included a raft of measures to stimulate economic growth and to support the cash flows of businesses.

While governments are beginning to put in place major support measures to try to stop businesses going bust and support workers who lose their incomes, it remains to be seen how effective these will prove both in terms of quantity of support and the practical speed of implementation. In addition, there is a major question mark over how the self-employed will manage, a key issue when the gig economy has taken off in the UK over the last ten years or so. Investor fears have resulted in a number of days of major crashes in share values during March. Whereas government bonds are normally the safe haven that investors move into, the size of government support programmes to be financed by additional borrowing, and fund managers being forced into selling holdings of their most liquid assets, i.e. government bonds, in order to meet investor demands for immediate cash, have caused bond yields to start rising from previously unheard of lows. All that can be said in summary at the time of writing (20.3.20) is that we are in uncharted waters and no one knows where this will all end. The only thing that is clear is that UK economic growth could well contract by something like 15% in quarter 2 and that recovery after then is unlikely to be sharp due to the extent of economic damage that is likely to have been done. One major risk is that a sharp economic downturn morphs into a financial crash; but that is why western governments are mounting major support programmes to avert that happening.

Bond yields / PWLB rates.

Once the coronavirus outbreak ends and the economy gets back to some sort of normality, then it would be expected that the overall longer run future trend would be for gilt yields, and consequently PWLB rates, to rise, albeit gently. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

Investment and borrowing rates

- **Investment returns** are likely to remain exceptionally low during 2020/21 with little increase in the following two years.

- **Borrowing interest rates** were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9.10.19. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for amending the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure. *(There are concerns over this approach, as the fundamental principle of local authority borrowing is that borrowing is a treasury management activity and individual sums that are borrowed are not linked to specific capital projects.)* It also introduced the following rates for borrowing for different types of capital expenditure: -

  PWLB Standard Rate is still gilt plus 200 basis points (G+200bps)

  PWLB Certainty Rate is still gilt plus 180 basis points (G+180bps)

  PWLB HRA Standard Rate is now gilt plus 100 basis points (G+100bps)

  PWLB HRA Certainty Rate is now gilt plus 80bps (G+80bps)

  Local Infrastructure Rate is still gilt plus 60bps (G+60bps)

- In view of the consultation process which ended on 4th June 2020, local authorities may wish to exercise caution and delay any new long-term General Fund borrowing until new borrowing rates and regulations have been finalised unless there is a desire for certainty in respect of long-term funding rates from a budgetary perspective.

- **Borrowing not for HRA or infrastructure capital expenditure.** As Link Asset Services' long-term forecast for Bank Rate is 2.25%, and all PWLB non-HRA certainty rates (i.e. gilts plus 180bps), are close to or above 2.25%, there is little value in borrowing from the PWLB at present. Accordingly, the Council will reassess its risk appetite in terms of either seeking cheaper alternative sources of borrowing or switching to short term borrowing in the money markets until such time as the Government reconsiders the margins charged over gilt yields for non-HRA capital expenditure. Longer-term borrowing could also be undertaken for the purpose of certainty, where that is desirable, or for flattening the profile of a heavily unbalanced maturity profile.

- **Borrowing for HRA and infrastructure capital expenditure.** As Link Asset Services' long-term forecast for Bank Rate is 2.25%, and all PWLB HRA and infrastructure certainty rates are below 2.25%, there is value in borrowing from the PWLB, especially as current rates are at historic lows.

3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The Executive Director of Corporate Services will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- ***if it was felt that there was a significant risk of a further FALL in long and short term rates*** (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- ***if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast***, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years. All relevant activities will be reported to Committee.

3.5 Debt rescheduling

As short term borrowing rates vary against longer term fixed interest rates, there may be potential opportunities to generate savings by moving between long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:
- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt. All relevant activities will be reported to Committee.

4. ANNUAL INVESTMENT STRATEGY

4.1 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations. Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising so it may be best to assume that investment earnings will be sub 0.50% for the foreseeable future.

For its cash flow generated balances, the Council will seek to utilise money market funds and short-dated deposits (overnight to100 days) in order to benefit from the compounding of interest.

4.2 Investment interest risk

The Council holds relatively low levels of cash which helps limit borrowing costs. The table below details projections for investment cash balance (31 March), the average investment cash balance, investment interest.

£000s	Actual 2018/19	Actual 2019/20	Estimate 2020/21	Estimate 2021/22	Estimate 2022/23
Investment cash balance (31 March)	23,000	23,685	5,000	5,000	5,000
Average investment cash balance	14,138	17,383	20,000	10,000	10,000
Investment interest	93	123	10	5	5
Average interest rate	0.65%	0.71%	0.05%	0.05%	0.05%

The above investment interest is generated from call accounts and Money Market Funds. We are currently budgeting for £10,000 of income each year based on an average interest rate of 0.05% and an average cash balance of £20m.

5. APPENDICES

5.1 CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2020/21 – 2024/25

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital expenditure

Capital expenditure values used to prepare indicators are based on the latest approved Capital Plan 2020-2025 (Article XI of the Policy and Resources Committee of 28th September 2020, report 223-2020 refers) as shown in section 2.1 of this report.

Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream.

	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Non-HRA	5.7%	6.1%	5.9%	6.5%	7.2%
HRA	35.6%	36.8%	36.6%	36.4%	36.4%

The estimates of financing costs include current commitments and the proposals in this budget report.

Treasury indicators for debt

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Interest rate exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	30%	30%	30%

Maturity structure of fixed interest rate borrowing 2020/21		
	Lower	**Upper**
Under 12 months	0%	10%
12 months to 2 years	0%	15%
2 years to 5 years	0%	25%
5 years to 10 years	0%	25%
10 years plus	50%	95%
Upper limit for total principal sums invested for longer than 365 days	n/a	No sums will be invested longer than 365 days

5.2 INTEREST RATE FORECASTS 2020-2023

The table below shows Link Asset Services view on UK Interest Rates on 14th October 2020.

Bank Rate	NOW	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
Link Group	**0.10%**	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	-
Capital Economics	**0.10%**	0.10%	0.10%	0.10%	0.10%	0.10%	-	-	-	-	-	-
5yr PWLB Rate	**NOW**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**Jun-23**
Link Group	**1.78%**	1.90%	2.00%	2.00%	2.00%	2.00%	2.00%	2.10%	2.10%	2.10%	2.10%	-
Capital Economics	**1.78%**	1.90%	1.90%	1.90%	1.90%	1.90%	-	-	-	-	-	-
10yr PWLB Rate	**NOW**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**Jun-23**
Link Group	**2.10%**	2.10%	2.10%	2.10%	2.10%	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	-
Capital Economics	**2.10%**	2.00%	2.00%	2.00%	2.00%	2.00%	-	-	-	-	-	-
25yr PWLB Rate	**NOW**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**Jun-23**
Link Group	**2.68%**	2.50%	2.50%	2.50%	2.60%	2.60%	2.60%	2.70%	2.70%	2.70%	2.70%	-
Capital Economics	**2.68%**	2.30%	2.30%	2.30%	2.30%	2.30%	-	-	-	-	-	-
50yr PWLB Rate	**NOW**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**Jun-23**
Link Group	**2.52%**	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	-
Capital Economics	**2.52%**	2.20%	2.20%	2.20%	2.20%	2.20%	-	-	-	-	-	-

Please note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction from the new Standard Loan rate of 200bps over Gilts effective as of the 9th October 2019.

5.3 MATURITY PROFILE OF EXTERNAL BORROWING

The tables below shows a maturity profile of the Council's external borrowing portfolio as at 31 March 2020. The profile comprises of loans from Public Works Loan Board (PWLB), Lender Option Borrower Option loans (LOBOs) from Banks and temporary loans from other Local Authorities.