

Annual Treasury Management Report 2021/22

as at 31/5/22 - LT



1. Introduction and Background

This Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2021/22. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2021/22 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council - February 2021)
- a mid year (minimum) treasury update report (Council – December 2021)
- an annual report following the year describing the activity compared to the strategy (this report)

In addition, the Cabinet and Scrutiny (Audit and Value for Money Council Services) Committee has received quarterly treasury management updates as part of the overall financial reporting during the course of the year.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny of treasury management reports by the Scrutiny (Audit and Value for Money Council Services) Committee and latterly by the Audit Committee before they were reported to the full Council.

2. This Annual Treasury Report Covers

- the strategy for 2021/22 – a summary;
- the council's treasury position as at 31 March 2022;
- borrowing and investments outturn
- the economy and interest rates in 2021/22;
- compliance with treasury limits and prudential indicators;
- other treasury related issues.

3. The Strategy for 2021-22 - Summary

The Treasury Management Strategy Statement and Annual Investment Strategy for 2021/22 was approved by the Council on 22nd February 2021.

Capital Programme and Borrowing

The approved capital programme for 2021-22 included the use of prudential borrowing in relation to the replacement of the fleet of vehicles, although it was not envisaged that there would be a need to undertake external borrowing. Therefore no additional external borrowing was undertaken during the financial year. External loan debt of £56k was repaid as individual annuity loan repayments (from PWLB). The level of external debt of the Council at 31 March 2022 was £11.115m.

Capital Financing Requirement (CFR)

The approved strategy included the utilisation of capital receipts to support the reduction in the underlying debt requirement and generate savings to the revenue budget. This strategy was maintained, although receipts have not materialised as originally anticipated with £0.1m from capital receipts being used to reduce the CFR in the year. In addition, following an options appraisal a decision was made to utilise prudential borrowing to replace the vast majority of the fleet. Whilst this has taken place, due to delivery delays, not all the expenditure had been incurred by financial year end. This increased the CFR during the year and will be charged to the revenue budget over the expected life of the assets in lieu of the leasing charges (under previous arrangements). Overall, the CFR is therefore temporarily higher than originally anticipated at 31 March 2022.

Borrowing Limits

The Council maintained its borrowing position within all set limits for the financial year.

Investments

Investment returns remained close to zero for much of 2021/22. Our investments, like most local authorities managed to avoid negative rates and one feature of the year was continued growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2021/22 was that Bank Rate would remain at 0.1% until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessitated.

The Bank of England and the Government also maintained various monetary and fiscal measures, supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the various lockdowns/negative impact on their cash flow. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates remained low until towards the

turn of the year when inflation concerns indicated central banks, not just the Bank of England, would need to lift interest rates to combat the second-round effects of growing levels of inflation (CPI was 6.2% in February 2022).

While the Council has taken a prudent approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates. Such an approach has also provided benefits in terms of reducing counterparty risk exposure, by having fewer investments placed in the financial markets. However, overall cash balances have remained higher than would usually be the case due to the ongoing facilitation reliefs and grants that have been administered in response to the pandemic and latterly the council tax energy rebate scheme.

The following sections of the report provide further detail and analysis of the treasury management.

4. Treasury Position as at 31 March 2022

The Council's debt and investment portfolio is organised by the financial management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks with all treasury management activities. Procedures and controls to achieve these objectives are well established through member reporting detailed in the introduction, and through officer activity detailed in the Council's treasury management practices.

The Council's treasury portfolio position (excluding borrowing from finance leases) and the average interest rates on the portfolio as at the beginning and end of the year were as follows:

Table 1

2020/21 £000	Average Rate		2021/22 £000	Average Rate
<u>Borrowing</u>				
6,261		- PWLB	6,204	
4,911		- Market and other	4,911	
11,172	5.4%	Total Borrowing	11,115	5.4%
<u>Investments</u>				

45,686	0.2%	Core Deposits*	59,385	0.1%
(910)		Cash and Bank	(1,965)	
44,776		Total Investments	57,420	

*excludes Icelandic deposits

The maturity structure of the **borrowing** was as follows:-

Table 2

2020/21 £000		2021/22 £000
565	Under 1 Year*	565
57	Maturing in 1-2 Years	60
6,753	Maturing in 2-5 Years	6,727
3,766	Maturing in 5-10 Years	3,746
31	Maturing in 10-15 Years	17
0	Maturing in excess of 15 Years	0
11,172	Total	11,115

*This includes accrued interest as at 31st March, consistent with the financial statements.

The Councils **investment** position as at 31st March, can be further analysed within Table 3 below:

Table 3



5. Borrowing Outturn for 2021/22

5.1 Capital Financing Requirement

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the council's debt position. The CFR results from the capital activity of the council and what resources have been used to pay for the capital spend. It represents unfinanced capital expenditure as at the year end.

The Council's CFR is not allowed to rise indefinitely. Statutory controls are in place that require the authority to make an annual revenue charge, called the Minimum Revenue Provision (MRP) to reduce the CFR. This is effectively a repayment of non-housing borrowing.

The Council's 2021/22 MRP policy (as required by DHLUC - Department for Housing, Levelling Up and Communities guidance) was approved as part of the Treasury Management Strategy Statement for 2021/22.

The CFR position is set out in the table below:-

Table 4: Capital Financing Requirement

CFR	2021/22 Actual £'000	2020/21 Actual £'000
Opening Balance	13,070	15,047
Add unfinanced capital expenditure	3,334	0
Less MRP	(497)	(284)
Less Debt Repayment from Capital Receipt	(100)	(1,375)
Less finance lease repayments	0	(318)
Change in long term debtors	(16)	0
Closing Balance	15,791	13,070

The actual CFR at £15.8m is higher than had originally been anticipated (£14.2m), due to the timing of capital receipts being received. Overall the CFR has increased by £2,721m, which is largely linked to the use of prudential borrowing to replace the fleet which, following an options appraisal, represented better value for money than continuing to lease, which would have also increased the CFR.

It can be seen from table 2 and above that the Council's total external borrowing remains below the CFR by £4.676m (£15.791m less £11.115m) indicating the temporary use of internal reserves and balances to effectively finance some capital expenditure thereby saving on external borrowing costs.

The Council's borrowing activity is constrained by affordability, and prudential indicators including the CFR, operational boundary and the authorised limit.

5.2 The Authorised Limit and Operational Boundary

The authorised limit is the “affordable borrowing limit” required by Section 3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table below demonstrates that during 2021/22 the Council has maintained gross borrowing within its authorised limit.

The operational boundary level is set at £17.5m to allow some headroom. Periods where the actual position is either above or below the boundary are acceptable subject to the authorised limit not being breached.

Table 5

2020/21 £'000	Borrowing Limits and Boundaries	2021/22 £'000
19,500	Authorised Limit	19,500
17,500	Operational Boundary	17,500
11,172	Gross Borrowing at 31 st March	11,115
13,070	Capital Financing Requirement	15,791

5.3 In-Year Borrowing

Consistent with the approved strategy, no new external borrowing was undertaken during the year, as the Council is seeking to reduce its underlying need to borrowing. Scheduled repayments were made during the year in relation to historical annuity loans amounting to £55,810.

5.4 Short-term Borrowing

No short term borrowing was necessary during the year.

5.5 Debt Rescheduling

During the year debt rescheduling opportunities were explored but these have proven to be financially uneconomical in the current climate and consequently there has not been any restructuring undertaken during 2021/22.

5.6 Borrowing in advance of need

The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

6. Investments Outturn 2021/22

6.1 Investment Policy

The Council's investment policy is governed by DHLUC guidance, which has been implemented in the annual investment strategy approved by the Council in February 2021. The policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit agencies supplemented by additional market data (such as credit outlooks, credit default swaps, bank share prices).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

6.2 Investments as at 31st March 2022

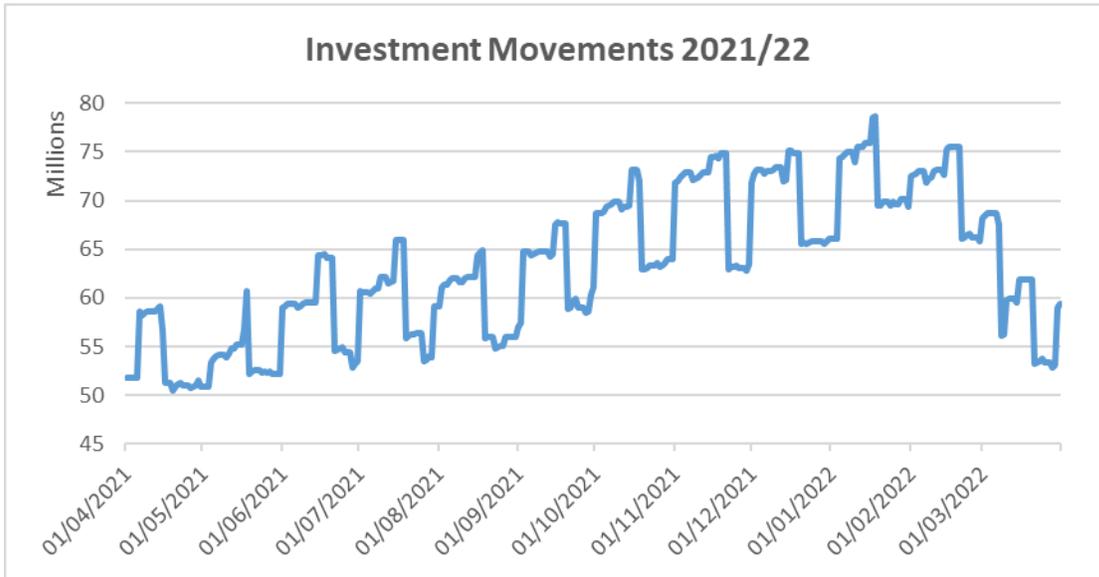
The Council's Investments totalling £59.4m as at 31st March 2022 are summarised in the table below, with further details shown in **Appendix 2**. This position reflects a continuation of the Council's prudent approach in relation to its investments – particularly in light of the current economic uncertainties in relation to the Covid-19 Pandemic and geo-political considerations.

Table 6: Investment Summary

Investments	31 st March 2021		31 st March 2022	
	£'000	%	£'000	%
Banks	10,686	24%	3,560	6%
Certificate of Deposit	5,000	11%	13,000	22%
Money Market Funds	7,000	15%	7,925	13%
UK Treasury Bills	0	0%	5,500	9%
UK Debt Management	2,000	4%	19,400	33%
Other Local Authorities	21,000	46%	10,000	17%
Total	45,686	100%	59,385	100%

The chart below illustrates the movement in the level of investments held by the Council throughout the year, with the peak being £78.6m in January and the average being £63.1m (Average in 2020/21 - £51.5m).

Table 6



The “usual” graph for the investment pattern has once again been affected by the movements arising from grant allocations by the Government to support business and individuals from the impact of the pandemic during 2021/22.

6.3 Investment Rates

The average rate of investment return that was assumed in the 2021/22 budget was 0.1%, which reflected the historically low bank rate following the emergency cuts implemented due to the Pandemic and wide expectations that rates would remain low for the foreseeable future. However, since quarter 2 there have been increases in the bank rate, primarily due to pressures in relation to inflation. The most recent of these taking place in March 2022 raising the bank rate to 0.75%, with prospects for further increases. A comparison with other benchmarks of the rate of return on investments achieved by ESBC in the year to 31 March 2022 is shown below:

Table 7

	Average Rate Year to 31/03/22
ESBC	0.10%
3 Month SONIA*	0.09%
6 Month SONIA*	0.07%
12 Month SONIA*	0.06%
Base Rate	0.20%
Budget	0.10%

***SONIA = Sterling Overnight Index Average*

**uncompounded and backward looking*

The ESBC average return for the year whilst below the average base rate remains consistent with most benchmarks. A full schedule of investments is set out in **Appendix 2**.

7. The Economy and Interest Rates

A commentary on the economy and interest rates is provided by our Treasury Management advisors (Link) and is detailed in **Appendix 1**.

8. Compliance with Treasury Limits

During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Strategy Statement. The outturn for the Prudential Indicators is shown in **Appendix 3**.

9. Other Treasury Matters

a) Icelandic Bank Defaults

The administration process in relation to the remaining Icelandic investment with KSF was finalised during the course of the year. This resulted in recovery of 87.03% of our original investment, which had already been factored into our accounts.

Appendix 1: The Economy and Interest Rates

UK. Economy. Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022.

The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% and is likely to exceed 8% in April.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher. There is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contract prices, are strong headwinds for any economy to deal with. In addition, from 1st April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

Average inflation targeting. This was the major change in 2020/21 adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August 2020 was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and *achieving the 2% target sustainably*". That mantra now seems very dated. Inflation is the "genie" that has escaped the bottle, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

USA. The flurry of comments from Fed officials following the mid-March FOMC meeting – including from Chair Jerome Powell himself – hammering home the hawkish message from the mid-March meeting, has had markets pricing in a further 225bps of interest rate increases in 2022 on top of the initial move to an interest rate range of 0.25% - 0.5%.

In addition, the Fed is expected to start to run down its balance sheet.

The upward pressure on inflation from higher oil prices and potential knock-on impacts on supply chains all argue for tighter policy (CPI is estimated at 7.8% across Q1), but the hit to real disposable incomes and the additional uncertainty points in the opposite direction.

More recently, the inversion of the 10y-2y Treasury yield spread at the end of March led to predictable speculation that the Fed's interest rate hikes would quickly push the US economy into recession. Q1 GDP growth is likely to be only between 1.0% and 1.5% annualised (down from 7% in Q4 2021). But, on a positive note, the economy created more than 550,000 jobs per month in Q1, a number unchanged from the post-pandemic 2021 average. Unemployment is only 3.8%.

EU. With euro-zone inflation having jumped to 7.5% in March it seems increasingly likely that the ECB will accelerate its plans to tighten monetary policy. It is likely to end net asset purchases in June – i.e., earlier than the Q3 date which the ECB targeted in March. And the market is now anticipating possibly three 25bp rate hikes later this year followed by more in 2023. Policymakers have also hinted strongly that they would re-start asset purchases if required. In a recent speech, Christine Lagarde said “we can design and deploy new instruments to secure monetary policy transmission as we move along the path of policy normalisation.”

While inflation has hit the headlines recently, the risk of recession has also been rising. Among the bigger countries, Germany is most likely to experience a “technical” recession because its GDP contracted in Q4 2021, and its performance has been subdued in Q1 2022. However, overall, Q1 2022 growth for the Eurozone is expected to be 0.3% q/q with the y/y figure posting a healthy 5.2% gain. Finishing on a bright note, unemployment fell to only 6.8% in February.

China. After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of the year; however, 2021 has seen the economy negatively impacted by political policies that have focussed on constraining digital services, restricting individual freedoms, and re-establishing the power of the One-Party state. With the recent outbreak of Covid-19 in large cities, such as Shanghai, near-term economic performance is likely to be subdued. Official GDP numbers suggest growth of c4% y/y, but other data measures suggest this may be an overstatement.

Japan. The Japanese economic performance through 2021/22 is best described as tepid. With a succession of local lockdowns throughout the course of the year, GDP is expected to have risen only 0.5% y/y with Q4 seeing a minor contraction. The policy rate has remained at -0.1%, unemployment is currently only 2.7% and inflation is sub 1%, although cost pressures are mounting.

World growth. World growth is estimated to have expanded 8.9% in 2021/22 following a contraction of 6.6% in 2020/21.

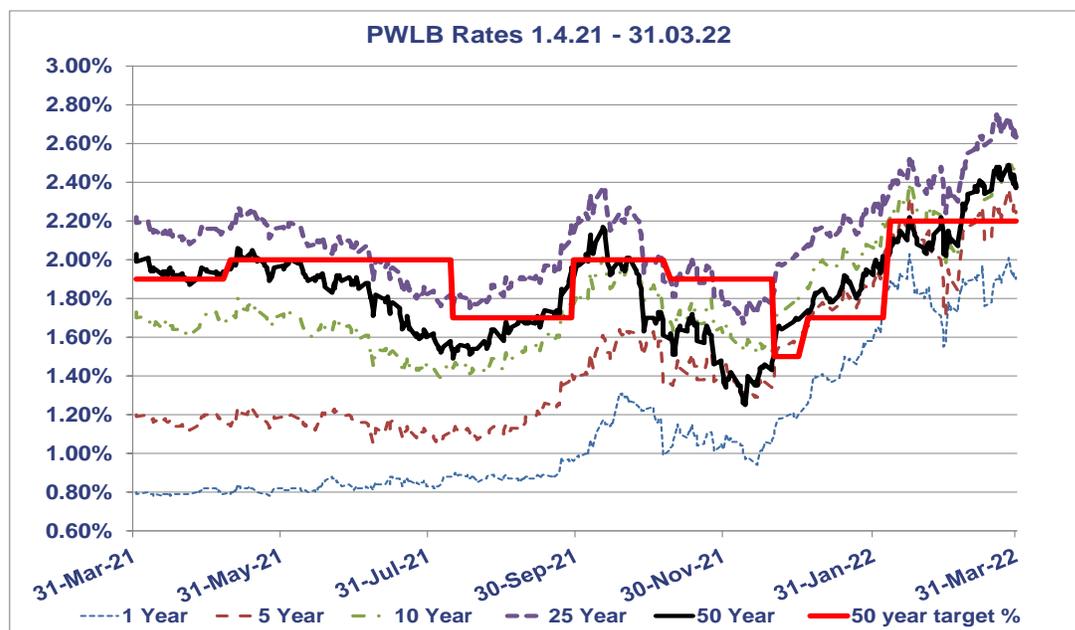
Deglobalisation. Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and

growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for 18% of total world GDP (the USA accounts for 24%), and Russia's recent invasion of Ukraine, has unbalanced the world economy. In addition, after the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China (and to a much lesser extent Russia) to supply products and vice versa. This is likely to reduce world growth rates.

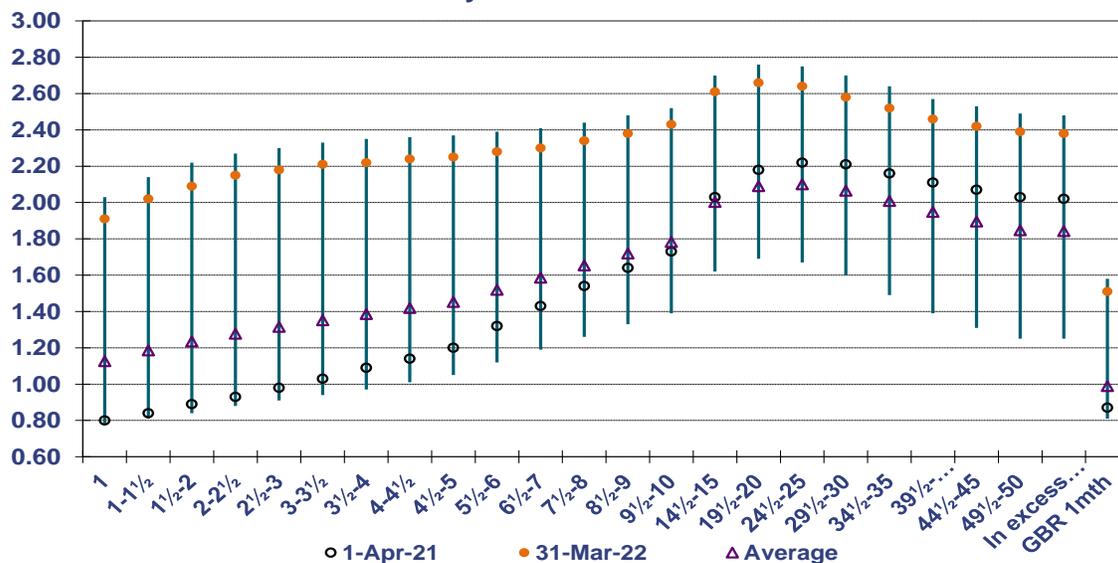
Central banks' monetary policy. During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

Interest Rates

The following graphs chart the movements in rates during the year:



PWLB Certainty Rate Variations 1.4.21 to 31.3.2022

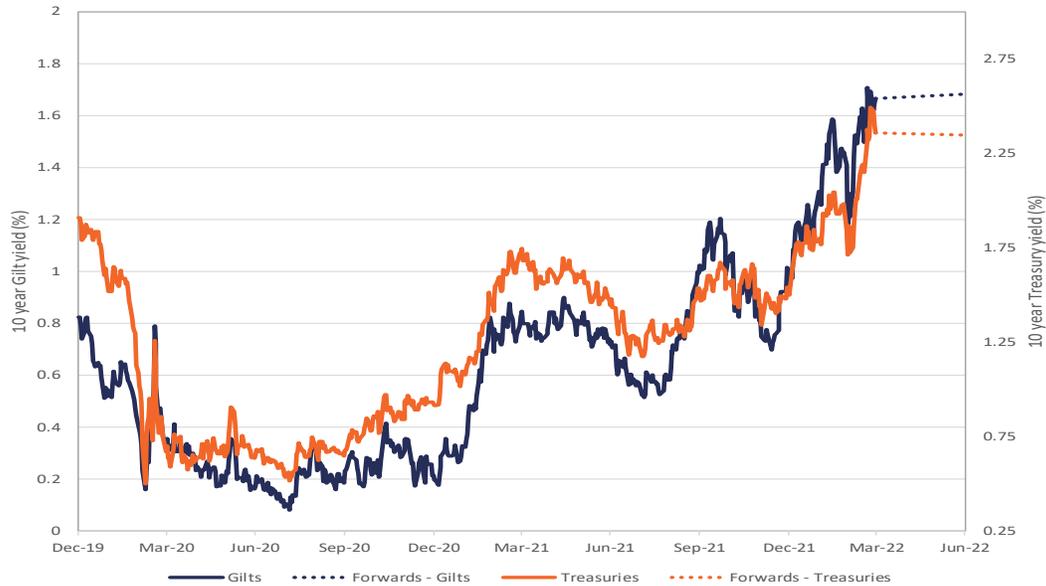


HIGH/LOW/AVERAGE PWLB RATES FOR 2021/22

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2021	0.80%	1.20%	1.73%	2.22%	2.03%
31/03/2022	1.91%	2.25%	2.43%	2.64%	2.39%
Low	0.78%	1.05%	1.39%	1.67%	1.25%
Low date	08/04/2021	08/07/2021	05/08/2021	08/12/2021	09/12/2021
High	2.03%	2.37%	2.52%	2.75%	2.49%
High date	15/02/2022	28/03/2022	28/03/2022	23/03/2022	28/03/2022
Average	1.13%	1.45%	1.78%	2.10%	1.85%
Spread	1.25%	1.32%	1.13%	1.08%	1.24%

PWLB rates are based on gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have seen, over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. Recently, yields have risen since the turn of the year on the back of global inflation concerns.

Graph of UK gilt yields v. US treasury yields



Gilt yields fell sharply from the spring of 2021 through to September and then spiked back up before falling again through December. However, by January sentiment had well and truly changed, as markets became focussed on the embedded nature of inflation, spurred on by a broader opening of economies post the pandemic, and rising commodity and food prices resulting from the Russian invasion of Ukraine.

At the close of the day on 31 March 2022, all gilt yields from 1 to 5 years were between 1.11% – 1.45% while the 10-year and 25-year yields were at 1.63% and 1.84%.

Appendix 2 – Investment Schedule: 31st March 2022

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date
Call Accounts and Money Market Funds				
RBS SIBA	59,597	0.01%		
Barclays	13	0.20%		
Santander 95 day notice account	3,500,000	0.25%		95 day notice
MMF Insight	3,925,000	0.56%		Call
MMF CCLA	4,000,000	0.58%		Call
Fixed Deposits / Certificates of Deposit				
Lloyds Bank CD	3,500,000	0.51%	01/02/2022	03/05/2022
National Westminster Bank CD	1,000,000	0.19%	19/08/2021	18/08/2022
National Westminster Bank CD	1,000,000	1.30%	30/03/2022	30/09/2022
National Westminster Bank CD	1,000,000	0.65%	24/11/2021	23/11/2022
National Westminster Bank CD	1,000,000	0.82%	14/01/2022	13/01/2023
National Westminster Bank CD	1,000,000	1.71%	17/03/2022	17/03/2023
DZ Bank CD	1,500,000	1.12%	25/03/2022	25/07/2022
Toronto Dominion Bank CD	1,500,000	1.02%	31/01/2022	31/01/2023
Nordea CD	1,500,000	0.99%	10/02/2022	10/08/2022
UK Treasury Bill	1,000,000	0.15%	01/11/2021	03/05/2022
UK Treasury Bill	1,500,000	0.20%	17/01/2022	19/04/2022
UK Treasury Bill	1,000,000	0.23%	01/11/2021	03/05/2022
UK Treasury Bill	1,000,000	0.25%	31/01/2022	03/05/2022
UK Treasury Bill	1,000,000	0.42%	31/01/2022	03/05/2022
Basildon BC	5,000,000	0.10%	22/06/2021	21/06/2022
Merseyside PCC	5,000,000	0.07%	20/09/2021	15/07/2022
DMO (UK Debt Management)	2,600,000	0.55%	25/03/2022	07/04/2022
DMO (UK Debt Management)	3,500,000	0.16%	24/01/2022	14/04/2022
DMO (UK Debt Management)	2,200,000	0.55%	21/03/2022	14/04/2022
DMO (UK Debt Management)	3,600,000	0.55%	30/03/2022	20/04/2022
DMO (UK Debt Management)	4,000,000	0.18%	27/01/2022	27/04/2022
DMO (UK Debt Management)	2,000,000	0.09%	03/12/2021	01/06/2022
DMO (UK Debt Management)	1,500,000	0.79%	30/03/2022	30/08/2022

Investments rate of interest as at 31 Mar 2022	Principal (£)	Interest Rate
Total Investments	59,384,610	0.44%

Average rate of interest (Year to date)	Principal (£)	Interest Rate
Total Investments	63,104,608	0.10%

Appendix 3: Prudential Indicators

PRUDENTIAL INDICATOR	2020/21	2021/22	2021/22
	£'000	£'000	£'000
	Actual outturn	Original Estimate	Actual outturn
Capital Expenditure (a)	5,916	9,239	5,026
Ratio of financing costs to net revenue stream (b)	9.98%	7.60%	8.68%
Capital Financing Requirement as at 31 March (c)	13,070	14,240	15,791
External Debt (including leasing) (d)	11,172	10,706	11,115

- (a) This reflects the timing of capital spend/commitments in the capital programme. Including Washlands enhancements and DFGs. This includes £151k of Towns Fund cessation costs charged to the CIES but funded from Towns Fund Grant.
- (b) A combination of the higher MRP charge due to the timing of receipts towards debt repayment and a reduction in net spending, as reflected in the revenue outturn, as resulted in the ratio being higher than originally anticipated.
- (c) The outturn is higher than the original estimate due to the timing of the capital receipts committed towards the repayment of debt.
- (d) Reflects the timing of capital receipts and the repayment of the GBSLEP loan in relation to Pennycroft Lane

PRUDENTIAL INDICATOR	2020/21	2021/22	2021/22
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£'000	£'000	£'000
	Actual Outturn	Original	Actual Outturn
Authorised Limit for external debt -			
Borrowing	16,500	18,000	18,000
other long term liabilities*	3,000	1,500	1,500
TOTAL	19,500	19,500	19,500
Operational Boundary for external debt -			
Borrowing	15,500	17,000	17,000
other long term liabilities*	2,000	500	500
TOTAL	17,500	17,500	17,500
Upper limit for total principal sums invested for over 1 year	5,000	5,000	5,000

*This provides an allowance for on-balance sheet finance leases, as set out in previous reports.