

# Crawley Borough Council

## Report to Overview and Scrutiny Commission 28 June 2021

### Report to Cabinet 30 June 2021

#### Treasury Management Outturn 2020-2021

Report of the Head of Corporate Finance – FIN/527

---

#### 1. Purpose

- 1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. 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).
- 1.2 During 2020/21 the minimum reporting requirements were that the Full Council should receive the following reports:
  - an Annual Treasury Strategy in advance of the year (Council 24/02/2020, FIN/493)
  - a mid-year treasury update report (Council 16/12/2020, FIN/512)
  - an annual review following the end of the year describing the activity compared to the Strategy (this report)
- 1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, 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.
- 1.4 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Overview and Scrutiny Commission before they were reported to the Full Council.

#### 2. Recommendations

- 2.1 To the Overview and Scrutiny Commission:

That the Commission consider the report and decide what comments, if any, it wishes to submit to the Cabinet.

- 2.2 To the Cabinet

The Cabinet is recommended to:

- a) To approve the actual 2020/21 Prudential and Treasury Indicators as set out in the report;
- b) To note the Annual Treasury Management Report for 2020/21.

### 3. Reasons for the Recommendations

- 3.1 The Council's financial regulations, in accordance with the CIPFA Code of Practice for Treasury Management, requires an annual review following the end of the year describing the activity compared to the Strategy. This report complies with these requirements.

### 4. The Council's Capital Expenditure and Financing

- 4.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:
- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions, etc.), which has no resultant impact on the Council's borrowing need; or
  - If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
- 4.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

General Fund £'000	2019/20 Actual	2020/21 Budget	2020/21 Actual
<b>Capital expenditure</b>	<b>13,691</b>	<b>44,045</b>	<b>19,514</b>
<b>Non-financial investments</b>	<b>7,487</b>	<b>6,000</b>	<b>0</b>
Financed in year	21,178	44,224	19,514
<b>Unfinanced capital expenditure</b>	<b>0</b>	<b>5,821</b>	<b>0</b>

HRA £'000	2019/20 Actual	2020/21 Budget	2020/21 Actual
<b>Capital expenditure</b>	<b>32,079</b>	<b>28,771</b>	<b>22,703</b>
Financed in year	32,079	28,771	22,703
<b>Unfinanced capital expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 5. The Council's Overall Borrowing Need

- 5.1 On 31<sup>st</sup> March 2021, the Council had net borrowing of £151.231m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in the table below.

£'000	31 March 2021 Actual
CFR General Fund	0
CFR HRA	260,325
<b>Total CFR</b>	<b>260,325</b>
External borrowing	260,325

£'000	31 March 2021 Actual
<b>Internal borrowing</b>	0
Less: Usable reserves	95,687
Less: Working capital	13,407
<b>Net borrowing</b>	151,231

- 5.2 Lower official interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing.
- 5.3 **The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2019/20 the Council has maintained gross borrowing within its authorised limit.
- 5.4 **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.
- 5.5 **Actual financing costs as a proportion of 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.

<b>General Fund</b> £'000	2020/21
Authorised limit	10,000
Maximum gross borrowing position during the year	0
Operational boundary	0
Average gross borrowing position	0
Financing costs as a proportion of net revenue stream	-4.23%

<b>HRA</b> £'000	2020/21
Authorised limit	260,325
Maximum gross borrowing position during the year	260,325
Operational boundary	260,325
Average gross borrowing position	260,325
Financing costs as a proportion of net revenue stream	16.03%

## 6. Treasury Position as at 31 March 2021

- 6.1 The treasury management position at 31<sup>st</sup> March 2021 and the change during the year is shown in the table below.

Treasury Management Summary	31.3.20 Balance £000	Movement £000	31.3.21 Balance £000	31.3.21 Rate %
Long-term borrowing	260,325	0	260,325	3.2
Short-term borrowing	0	0	0	0
<b>Total borrowing</b>	<b>260,325</b>	<b>0</b>	<b>260,325</b>	<b>3.2</b>
Long-term investments	10,000	5,000	0	0
Short-term investments	71,900	5,100	92,000	0.47
Cash and cash equivalents	15,911	1,183	17,094	0.02
<b>Total investments</b>	<b>97,811</b>	<b>11,283</b>	<b>109,094</b>	<b>0.4</b>
<b>Net borrowing</b>	<b>162,514</b>	<b>(11,283)</b>	<b>151,231</b>	

The maturity structure of the debt portfolio was as follows:

	31 March 2020 Actual £000	2020/21 Original Limits	31 March 2021 Actual £000
Under 12 months	0	10%	0
12 months and within 24 months	0	10%	11,000 (4%)
24 months and within 5 years	36,000 (14%)	20%	38,000 (15%)
5 years and within 10 years	80,000 (31%)	40%	86,000 (33%)
10 years and within 20 years	144,325 (55%)	55%	125,325 (48%)
20 years and within 30 years	0	10%	0
30 years and within 40 years	0	10%	0
40 years and within 50 years	0	10%	0

## 7. Borrowing Update and Outturn for 2020/21

- 7.1 In November 2020 the PWLB published its response to the consultation on 'Future Lending Terms'. From 26th November the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing authority can confirm that it is not planning to purchase 'investment assets primarily for yield' in the current or next two financial years. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. As part of the borrowing process authorities will now be required to submit more detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the Section 151 Officer. The PWLB can now also restrict local authorities from borrowing in unusual or large amounts.

Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management. Misuse of PWLB borrowing could result in the PWLB requesting that Authority unwinds problematic transactions, suspending access to the PWLB and repayment of loans with penalties.

Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders.

The Council is not planning to purchase any investment assets primarily for yield within the next three years and so is able to take advantage of the reduction in the PWLB borrowing rate.

- 7.2 Municipal Bonds Agency (MBA): The MBA revised its standard loan terms and framework agreement. Guarantees for the debt of other borrowers are now proportional and limited and a requirement to make contribution loans in the event of a default by a borrower has been introduced. The agency has issued 5-year floating rate and 40-year fixed rate bonds in 2020, in both instances Lancashire County Council is the sole borrower and guarantor. A planned third bond issuance by Warrington Borough Council was withdrawn in early December 2020 after the reduction in PWLB borrowing rates.

If the Council intends future borrowing through the MBA, it will first ensure that it has thoroughly scrutinised the legal terms and conditions of the arrangement and is satisfied with them.

- 7.3 UK Infrastructure Bank: In his March 2021 budget the Chancellor confirmed that a UK Infrastructure Bank will be set up with £4bn in lending earmarked for local authorities from the summer of 2021. Loans will be available at gilt yield plus 0.60%, 0.20% lower than the PWLB certainty rate. A bidding process to access these loans is likely with a preference to projects likely to help the government meet its Net Zero emissions target. However other “high value and complex economic infrastructure projects” may also be considered.
- 7.4 At 31st March 2021 the Council held £260.325m of loans, no change from 31st March 2020, which was all for the HRA self-financing settlement.
- 7.5 The Council’s chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council’s long-term plans change being a secondary objective.
- 7.6 In keeping with these objectives, no new borrowing was undertaken.

## **8. Investment strategy and control of interest rate risk**

- 8.1 Through 2020/21 the Council received central government funding to support small and medium businesses during the Coronavirus pandemic through grant schemes. £28m was received, temporarily invested in short-dated, liquid instruments such as call accounts and Money Market Funds. £20m was disbursed by the end of March 2021.
- 8.2 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council’s investment balances ranged between £97.8 and £147.5 million due to timing differences between income and expenditure. The investment position is shown in the table below.

<b>INVESTMENT PORTFOLIO</b>	Actual 31 March 2020 £000	Net Movement £000	Actual 31 March 2021 £000	31 March 2021 Income Return %	31 March 2021 Weighted Average Maturity Days
<b>Treasury investments</b>					
UK Banks	6,301	(5,807)	494	0%	1
Overseas Banks	20,900	(20,900)	0	0%	0
Local authorities	61,000	31,000	92,000	0.47%	169
Money Market Funds	9,610	6,990	16,600	0.02%	1
<b>TOTAL TREASURY INVESTMENTS</b>	97,811	11,283	109,094	0.40%	143

- 8.3 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 8.4 Continued downward pressure on short-dated cash rate brought net returns on sterling low volatility net asset value money market funds (LVNAV MMFs) close to zero even after some managers have temporarily lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee waivers should maintain positive net yields, but the possibility cannot be ruled out.
- 8.5 Deposit rates with the Debt Management Account Deposit Facility (DMADF) have continued to fall and are now largely around zero.
- 8.6 The net return on Money Market Funds net of fees, which had fallen after Bank Rate was cut to 0.1% in March 2020, are now at or very close to zero; fund management companies have temporarily lowered or waived fees to avoid negative net returns.
- 8.7 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in the table below.

<b>Investments managed in-house</b>	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2020	3.94	AA-	30%	151	1.00
31.03.2021	4.56	A+	16%	143	0.40
<b>Similar Las</b>	4.63	A+	65%	40	0.13
<b>All LAs</b>	4.63	A+	63%	14	0.15

- 8.8 Following the cut in Bank rate from 0.75% to 0.10% in March 2020, the Council had expected to receive significantly lower income from its cash and short-dated money

market investments, including money market funds in 2020/21, as rates on cash investments are close to zero percent.

## 9. Non-Treasury Investments

9.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in the Investment Guidance issued by Ministry of Housing, Communities and Local Government's (MHCLG), in which the definition of investments is further broadened to also include all such assets held partially for financial return.

9.2 The Council also held £20.898m of such investments.

A full list of the Council's non-treasury investments is available in Appendix 2.

9.3 These investments generated £1.121m of investment income for the Council after taking account of direct costs, representing a rate of return of 5.36%.

## 10. Investment Outturn for 2020/21

10.1 **Investment Policy** – the Council's investment policy is governed by Government guidance, which was been implemented in the annual investment strategy approved by the Council on 24 February 2020. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data such as rating outlooks and credit default swaps.

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

10.3 **Resources** – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows.

Balance Sheet Resources (£'000)	31 March 2020	31 March 2021
General Fund Balance	5,239	5,239
HRA Balance	3,198	3,198
Earmarked reserves (Appendix 3)	13,927	33,222
Major Repairs Reserve	15,875	22,868
Usable capital receipts	37,103	31,160
Working capital	22,469	13,407
<b>Total</b>	<b>97,811</b>	<b>109,094</b>

10.4 **Investments held by the Council** - the Council maintained an average balance of £117,647,298 of internally managed funds. The internally managed funds earned an average rate of return of 0.58%. The comparable performance indicator is the average 7-day LIBID rate + 0.2, which was 0.15%. This compares with a budget assumption of £64,521,000 investment balances earning an average rate of 0.95%. See appendix 2 for a list of investments held at 31 March 2021. Revisions of the capital programme in the year (see 4.2) led to higher investment balances than budgeted. The lower rates of return are discussed in paragraph 5.2 and appendix 1.

## **11. Implications**

- 11.1 The financial and legal implications are addressed throughout this report. The Council's investments were managed in compliance with the Code and the Prudential Code through the year.

## **12. Background Papers**

[Treasury Management Strategy for 2020/2021 – Cabinet, 5 February 2020; OSC, 3 February 2020 \[FIN/493 refers\]](#)

[Treasury Management Mid-Year Review 2020/21 – Cabinet, 25 November 2020; OSC, 23 November 2020 \[FIN/512 refers\]](#)

Report author and contact officer: Carey Manger, Finance Business Partner (01293 438021)



## **Economic background**

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 31<sup>st</sup> 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 46<sup>th</sup> 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.

### **Financial markets**

Monetary and fiscal stimulus helped provide support for equity markets which rose over the period, with the Dow Jones beating its pre-crisis peak on the back of outperformance by a small number of technology stocks. The FTSE indices performed reasonably well during the period April to November, before being buoyed in December by both the vaccine approval and Brexit deal, which helped give a boost to both the more internationally focused FTSE 100 and the more UK-focused FTSE 250, however they remain lower than their pre-pandemic levels.

Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.

The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.

1-month, 3-month and 12-month SONIA bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.

The yield on 2-year US treasuries was 0.16% at the end of the period, up from 0.12% at the beginning of January but down from 0.21% at the start of the financial year. For 10-year treasuries the end of period yield was 1.75%, up from both the beginning of 2021 (0.91%) and the start of the financial year (0.58%).

German bund yields continue to remain negative across most maturities.

### **Credit review**

After spiking in March 2020, credit default swap spreads declined over the remaining period of the year to broadly pre-pandemic levels. The gap in spreads between UK ringfenced and non-ringfenced entities remained, albeit Santander UK is still an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 57bps and Standard Chartered the lowest at 32bps. The other ringfenced banks were trading around 33 and 34bps while Nationwide Building Society was 43bps.

Credit rating actions to the period ending September 2020 have been covered in previous outturn reports. Subsequent credit developments include Moody's downgrading the UK sovereign rating to Aa3 with a stable outlook which then impacted a number of other UK

## **APPENDIX 1**

institutions, banks and local government. In the last quarter of the financial year S&P upgraded Clydesdale Bank to A- and revised Barclay's outlook to stable (from negative) while Moody's downgraded HSBC's Baseline Credit Assessment to baa3 whilst affirming the long-term rating at A1.

The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Council's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

## Detailed holdings at 31 March 2021

## APPENDIX 2

Counter Party	Deal Ref	Issue	Maturity	Days to Mature	Interest Rate	Nominal (£m)	Total (£m)	Limit (£m)	Rating
<b>UK BANKS</b>									
Lloyds Bank plc	20		01/04/2021	1	0.000%	0.494	0.494	10.000	A+
<b>LOCAL AUTHORITIES</b>									
Ashford Borough Council	2631	21/01/2021	21/04/2021	21	0.070%	5.000	5.000	15.000	A+
Babrergh District Council	2646	26/03/2021	26/05/2021	56	0.090%	4.000	4.000	15.000	A+
Blackburn with Darwen BC	2617	28/01/2021	28/07/2021	119	0.200%	5.000	5.000	15.000	A+
Cambridgeshire CC	62	03/01/2020	04/01/2022	279	1.600%	3.000			
	2627	18/01/2021	17/01/2022	292	0.400%	2.000	5.000	15.000	A+
Cheshire West and Chester Council	2604	02/11/2020	01/11/2021	215	0.300%	5.000	5.000	15.000	A+
Derbyshire County Council	2605	29/10/2020	28/10/2021	211	0.250%	5.000	5.000	15.000	A+
Dumfries & Galloway Council	60	02/12/2019	02/12/2021	246	1.350%	5.000	5.000	15.000	A+
London Borough Of Hillingdon	2623	21/12/2020	20/12/2021	264	0.250%	5.000	5.000	15.000	A+
Kingston-Upon-Hull City Council	36	02/12/2013	02/12/2021	246	2.750%	5.000	5.000	15.000	A+
Kirklees Metropolitan Council	2622	15/01/2021	07/05/2021	37	0.080%	5.000	5.000	15.000	A+
London Borough of Barking and Dagen	2640	22/02/2021	23/08/2021	145	0.100%	5.000	5.000	15.000	A+
Merthyr Tydfil County BC	2630	27/11/2020	27/05/2021	57	0.100%	3.000	3.000	15.000	A+
Monmouthshire County Council	2632	23/12/2020	23/06/2021	84	0.110%	5.000	5.000	15.000	A+
North Lanarkshire Council	2625	09/11/2020	09/08/2021	131	0.200%	3.000			
	2639	05/03/2021	06/12/2021	250	0.080%	2.000	5.000	15.000	A+
Redcar & Clevedon Borough Council	2626	02/12/2020	02/12/2021	246	0.300%	5.000	5.000	15.000	A+
Slough Borough Council	2620	30/10/2020	29/10/2021	212	0.300%	2.000			
	2621	19/11/2020	19/11/2021	233	0.300%	3.000	5.000	15.000	A+
South Ayresshire Council	2633	11/12/2020	13/09/2021	166	0.250%	5.000	5.000	15.000	A+
Surrey Heath Borough Council	2628	14/12/2020	14/06/2021	75	0.100%	3.000	3.000	15.000	A+
Woking Borough Council	2619	19/10/2020	18/10/2021	201	0.300%	5.000	5.000	15.000	A+
Wyre Forest District Council	61	10/12/2019	10/12/2021	254	1.400%	2.000	2.000	15.000	A+
<b>MONEY MARKET FUNDS</b>									
Aberdeen Liquidity Fund	5		01/04/2021	1	0.010%	3.300	3.300	6.000	AAA
The Public Sector Deposit Fund	6		01/04/2021	1	0.039%	7.000	7.000	15.000	AAA
Federated Prime Rate Cash Man	1		01/04/2021	1	0.010%	6.300	6.300	6.000	AAA
				-----			-----		
				<b>143</b>			<b>109.094</b>		
				-----			-----		

Counter Party	Deal Ref	Issue	Maturity	Days to Mature	Interest Rate	Nominal (£m)	Total (£m)	Limit (£m)	Rating
---------------	----------	-------	----------	----------------	---------------	--------------	------------	------------	--------

**INVESTMENT PROPERTIES**

Ashdown House							9.170		
Ask High Street							1.183		
Atlantic House							4.909		
Kingsgate Car Park							5.636		

-----  
**129.992**  
 -----

## Earmarked Reserves

	Balance at 31 March 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance at 31 March 2021 £'000
<b>General Fund:</b>				
Capital Programme	3,555	(3,555)	2,242	2,242
Restructuring Impact Reserve	695	(295)	-	400
Vehicles and Plant	443	(203)	775	1,015
Insurance Fund	378	-	-	378
ICT Replacement	70	-	100	170
Specialist Equipment at K2 Crawley and Hawth	66	-	100	166
Risk Management	182	(82)	75	175
Quick Wins	18	(18)	-	-
Heritage Strategy	28	(10)	-	18
Pathfinder	24	-	-	24
Local Development Framework	396	(153)	200	443
Health & Wellbeing Grant	156	(8)	22	170
Connecting Communities	56	(8)	-	48
Homeless grant	81	-	60	141
Town Centre and Regeneration Reserve	96	-	28	124
Waste Collection	226	-	-	226
Worth Park HLF	33	-	-	33
Grant to voluntary organisations	75	(75)	24	24
Welfare Reform	200	(131)	194	263
Transparency	11	(11)	9	9
Shore gap fund	7	-	-	7
Tilgate Park Investment	8	(8)	-	-
New Museum	80	(20)	-	60
Town Centre Partnership	25	(25)	-	-
Town Centre Markets	14	(14)	-	-
EU Exit Funding	338	-	-	338
Park Improvement Fund	-	-	87	87
Business Rates Pool Cycling	60	-	55	115
Homeless Accommodation Acquisition	699	-	830	1,529
Queen Square	381	-	-	381

## APPENDIX 3

	Balance at 31 March 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance at 31 March 2021 £'000
Supported Accommodation	120	-	-	120
Town Funds	173	(1,039)	1,000	134
Covid Expenses	41	(604)	1,208	645
HMO Licenses	-	-	21	21
<b>CBC Earmarked Reserves</b>	<b>8,735</b>	<b>(6,259)</b>	<b>7,030</b>	<b>9,506</b>
Business Grants and Isolation Payments	-	-	1,813	1,813
Council Tax Income Guarantee	-	(52)	133	81
Business Rates Equalisation	5,192	-	16,629	21,821
<b>Total Earmarked Reserves</b>	<b>13,927</b>	<b>(6,311)</b>	<b>25,605</b>	<b>33,221</b>

## Other Information

**CIPFA consultations:** In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These follow the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. These are principles-based consultations and will be followed by more specific proposals later in the year.

In the Prudential Code the key area being addressed is the statement that "local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed". Other proposed changes include the sustainability of capital expenditure in accordance with an authority's corporate objectives, i.e. recognising climate, diversity and innovation, commercial investment being proportionate to budgets, expanding the capital strategy section on commercial activities, replacing the "gross debt and the CFR" with the liability benchmark as a graphical prudential indicator.

Proposed changes to the Treasury Management Code include requiring job specifications and "knowledge and skills" schedules for treasury management roles to be included in the Treasury Management Practices (TMP) document and formally reviewed, a specific treasury management committee for MiFID II professional clients and a new TMP 13 on Environmental, Social and Governance Risk Management.

**IFRS 16:** The implementation of the new IFRS 16 Leases accounting standard has been delayed for a further year until 2022/23.