East Northamptonshire Council

Finance and Performance Sub Committee – 19th October 2020

Treasury Management Report to 30 June 2020

Purpose of report

The purpose of this report is to note the current position for Treasury Management for the period to 30 June 2020 in financial year 2020/21.

Attachment(s)

Appendix 1: Q1 2020/21 World Economic Summary
Appendix 2: Prudential and Treasury Management Indicators as at 30 June 2020

1. Introduction

1.1 The Treasury Management Strategy for 2020/21 was approved as part of the Medium Term Financial Strategy (MTFS) in March 2020. It is underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2017.

1.2 An amendment to the Treasury Management Strategy for 2020/21 was approved by Full Council on 13 May 2020 to provide a delegation to the Chief Finance Officer (or their nominee), following consultation with the Chairmen of the Finance and Performance Sub Committee and the Governance and Audit Committee to temporarily increase the HM Treasury (Debt Management Office) counterparty limit from £10m to unlimited if required due to exceptional circumstances.

1.3 The CIPFA Code of Practice recommends that Members be informed of treasury management activities at least twice a year; this report therefore embraces best practice.

1.4 This report provides:
- A summary of the economic conditions affecting the council's investment strategy
- Details of investments made during the year
- A summary of the council's current investment portfolio

1.5 The council's investment priorities are:
- Security of capital invested
- Liquidity of capital invested
- Return on investment

2. Economic Background

2.1 Commentary on the economic background is provided by the Council's treasury advisor, Link Group.

2.2 **UK Economic Summary**

2.3 2020 started with optimistic business surveys pointing to an upswing in growth after the ending of political uncertainty as a result of the decisive result of the general election in December settled the Brexit issue. However, the three monthly GDP statistics in January were disappointing, being stuck at 0.0% growth. Since then, the whole world has changed as a result of the coronavirus outbreak. The overall growth rate in quarter 1 was -2.2%, -1.7% year on year. However, the main fall in growth did not occur until April when it came in at -24.5% year on year after the closedown of whole sections of the economy. What is uncertain, however, is the extent of the damage that will have been done to businesses by the end of the lockdown period, how consumer confidence and behaviour may be impacted afterwards, whether there could be a second wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover to what was formerly regarded as normality. However, some changes during lockdown are likely to be long lasting e.g. a shift to online purchasing, working from home, etc. The lockdown has also had a sharp effect in depressing expenditure by consumers which means their level of savings have increased and debt has fallen. This could provide fuel for a potential surge in consumer expenditure once some degree of normality returns.

2.4 Although the UK left the EU on 31 January 2020, we still have much uncertainty as to whether there will be a reasonable trade deal achieved by the end of 2020. At the end of June, the UK government rejected extending the transition period beyond 31 December 2020. This has increased the chances of a no-deal Brexit. However, the most likely outcome is expected to be a slim deal on trade in order to minimise as much disruption as possible. However, uncertainty is likely to prevail until the deadline date which will act as a drag on recovery.

2.5 After the Monetary Policy Committee left Bank Rate unchanged at 0.75% in January 2020, the onset of the coronavirus epidemic in March forced it into making two emergency cuts in Bank Rate first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in quantitative easing (QE), essentially the purchases of gilts (mainly) by the Bank of England of £200bn. In June, the MPC decided to add a further £100bn of QE purchases of gilts, but to be implemented over an extended period to the end of the year. The total stock of QE purchases will then amount to £745bn. It is not currently thought likely that the MPC would go as far as to cut Bank Rate into negative territory, although the Governor of the Bank of England has said all policy measures will be considered. The Governor also recently commented about an eventual tightening in monetary policy – namely that he favours unwinding QE before raising interest rates. Some forecasters think this could be as far away as five years.

2.6 The Government and the Bank were also very concerned to stop people losing their jobs during this lockdown period. Accordingly, the Government introduced various schemes to subsidise both employed and self-employed jobs for three months to the end of June while the country is locked down. It also put in place a raft of other measures to help businesses access loans from their banks, (with the Government providing guarantees to the banks against losses), to tide them over the lockdown period when some firms may have little or no income. However, at the time of writing, this leaves open a question as to whether some firms will be solvent, even if they take out such loans, and some may also choose to close as there is, and will be, insufficient demand for their services. The furlough scheme was subsequently extended for another three months to October, but with employers having to take on graduated increases in paying for employees during that period. The Bank of England expects the unemployment rate to double to 8%.

2.7 The Government measures to support jobs and businesses will result in a huge increase in the annual budget deficit for the current year, from about 2% to nearly 17%. The ratio of debt to GDP is also likely to increase from 80% to around 105%. In the Budget in March, the Government also announced a large increase in spending on infrastructure; this will also help the economy to recover once the lockdown is ended. Economic statistics during June were giving a preliminary indication that the economy was recovering faster than previously expected. However, it may be a considerable time before economic activity recovers fully to its previous level.

2.8 The annual inflation rate dropped to 0.5% in May from 0.8% in April and could reach zero by the end of the year. Inflation rising over 2% is unlikely to be an issue for the MPC over the next two years as the world economy will be heading into a recession; this has caused a glut in the supply of oil which initially fell sharply in price, although the price has recovered somewhat more recently. Other UK domestic prices will also be under downward pressure; wage inflation was already on a downward path over the last half year and is likely to continue that trend in the current environment where unemployment will be rising significantly. In May's Monetary Policy Report, the Bank of England predicted that inflation would hit their 2% target by 2022. This was in the context of its forecast that GDP would rise by 3% in 2022 after a recovery during 2021. While inflation could even turn negative in the Eurozone, this is currently not likely in the UK.

2.9 A summary of the economic position of other World economies during Quarter 1 2020/21 which has been provided by the Council's treasury advisor, Link Group, is set out in Appendix 1.

2.10 **Interest Rates**

2.11 The Council's treasury advisor, Link Group, provided the following forecast on 31 March 2020.

Link Asset Services Interest Rate View	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month LIBID	0.45	0.40	0.35	0.30	0.30	0.30	0.30	0.30
6 Month LIBID	0.60	0.55	0.50	0.45	0.40	0.40	0.40	0.40
12 Month LIBID	0.75	0.70	0.65	0.60	0.55	0.55	0.55	0.55
5yr PWLB Rate	1.90	1.90	1.90	2.00	2.00	2.00	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50

The above table is based on PWLB certainty rates – gilt yields plus 180bps.

2.12 Uncertainty over Brexit caused the MPC to leave Bank Rate unchanged during 2019 and at its January 2020 meeting. However, since then the coronavirus outbreak has transformed the economic landscape: in March, the MPC took emergency action twice to cut Bank Rate first to 0.25%, and then to 0.10%. It is now unlikely to rise for the next two years pending a protracted recovery of the economy from this huge set back.

2.13 **Gilt Yields and PWLB Rates**

2.14 There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020, and a general background of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued; these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, 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 therefore seen, over the last year, many bond yields up to 10 years in the Eurozone turn negative. 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. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

2.15 Gilt yields had therefore already been on a falling trend during the last year up until the coronavirus crisis hit western economies. Since then, we have seen gilt yields fall sharply to unprecedented lows as investors panicked during March in selling shares in anticipation of impending recessions in western economies and moved cash into safe haven assets i.e. government bonds. However, major western central banks started massive quantitative easing purchases of government bonds which has acted to maintain downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds; in normal times this would have caused bond yields to rise sharply. At the close of the day on 30 June, all gilt yields from 1 to 5 years were slightly negative while even 25-year yields were at only 0.71 and 50 year at 0.54%. Equity markets have enjoyed a rebound since the lows of March as confidence has started to return among investors that the worst is over and recovery is now on the way.

2.16 However, HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019-20 without any prior warning; the first on 9 October 2019, added an additional 1% margin over gilts to all PWLB rates. That increase was then at least partially reversed for some forms of borrowing on 11 March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased spending on infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this was to end on 4 June but the date has since been put back to 31 July. It is clear that the Treasury will no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).

2.17 Following the changes on 11 March 2020 in margins over gilt yields, the current situation is as follows: -

- **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
- **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

2.18 As the interest forecast table for PWLB certainty rates (gilts plus 180bps) above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies a prolonged period to recover all the momentum they will lose in the sharp recession that will be caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020-21.

3. Annual Investment Strategy

3.1 The Treasury Management Strategy Statement (TMSS) for 2020/21, which includes the Annual Investment Strategy, was approved by the Council on 2 March 2020. It sets out the Council's investment priorities as being:

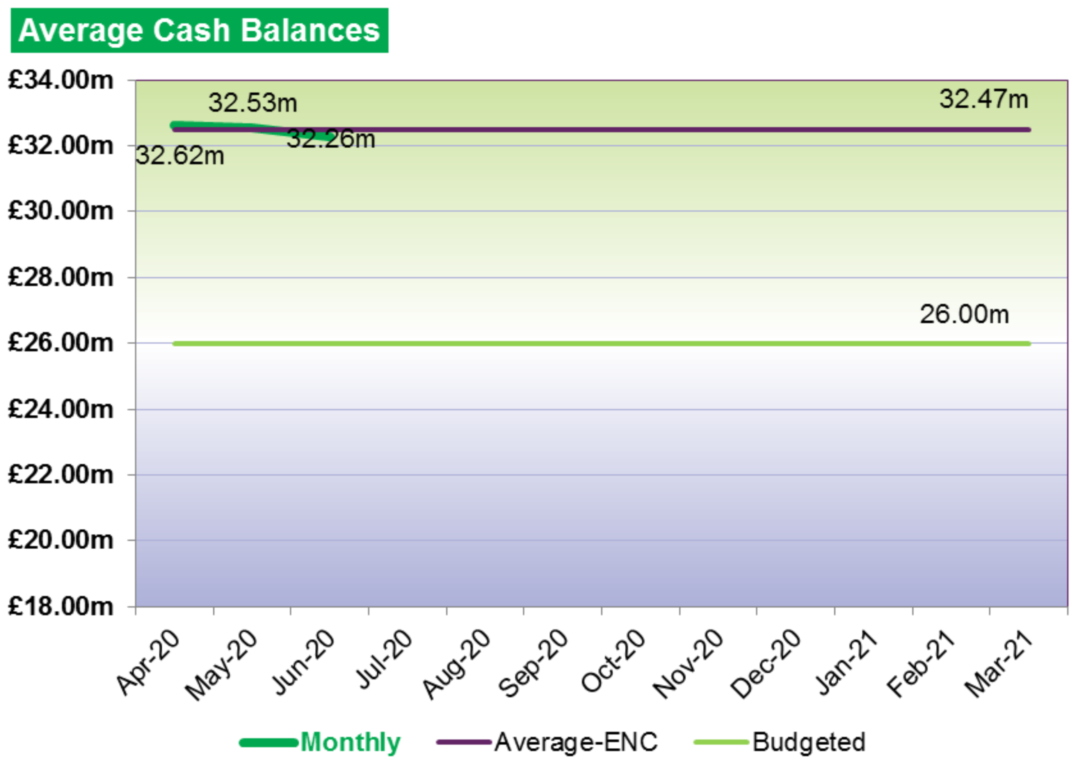
- Security of capital;
- Liquidity; and
- Yield.

3.2 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions.

3.3 Although the credit rating agencies changed their outlook on many UK banks from stable to negative outlook during this quarter, due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of UK banks.

3.4 Although Credit Default Swap (CDS) prices, (these are market indicators of credit risk), for UK banks spiked upwards at the end of March due to the liquidity crisis throughout financial markets, those CDS prices have returned to more average levels since then.

3.5 The average level of funds available for investment purposes during the quarter was £32.47m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The average level of funds available for investment at 30 June 2020 was significantly over the budget of £26m due to a step change in the level of cash balances held by the council on a temporary basis due to unprecedented levels of support for businesses and individuals during the coronavirus pandemic from Central Government which has been administered by Local Authorities.



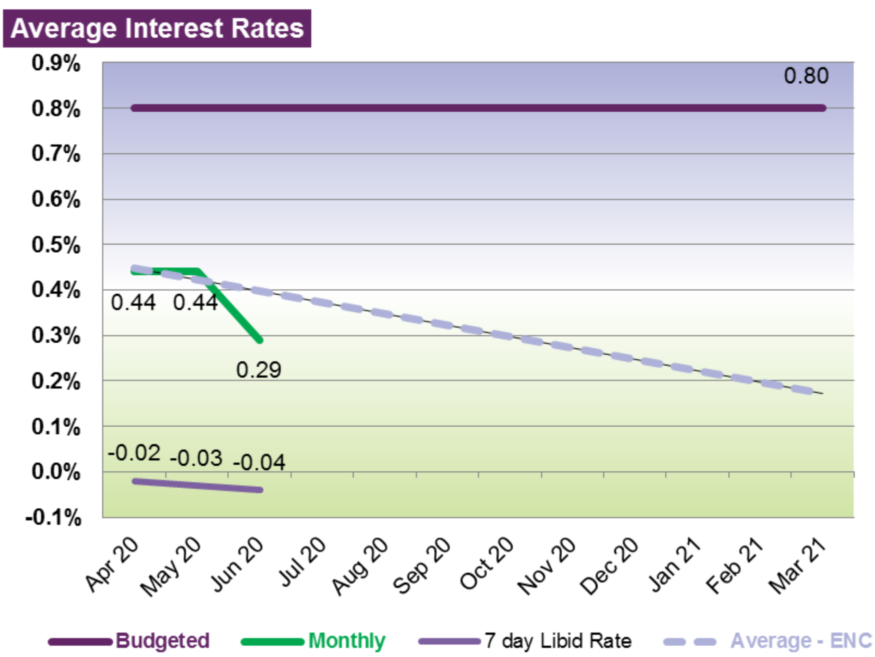
3.6 The chart below demonstrates the change in investment by type up to 30 June 2020. Call accounts and Money Market Funds (MMF) are very short term, liquid investments. They are generally overnight deposits or short term notice accounts where the balance invested can be withdrawn immediately. Withdrawals from short term notice accounts attract a penalty if the required period of notice is not given and the council avoids withdrawing funds from these accounts without giving sufficient notice. Fixed term deposits are investments with a longer duration, where cash is invested for a contractually agreed period with no opportunity to withdraw cash prior to the maturity date of the deposit.

4. Investment Performance at 30 June 2020

4.1 The table below summarises the council's portfolio of investments as at 30 June 2020:

Investment	£000	Rate	Maturity Date (if applicable)
Santander UK - 95 day Notice	1,500	0.45	
Santander UK - 180 day Notice	1,500	0.55	
Goldman Sach's - 180 day Notice	3,000	0.66	
Barclays Current Account	2,409	0.00	
Fixed Term Deposits			
Debt Management Account Deposit Facility (HM Treasury)	1,000	0.01	01/07/2020
Wirral Metropolitan Borough Council	3,000	0.10	18/08/2020
Surrey County Council	3,000	0.28	15/09/2020
Monmouthshire County Council	3,000	0.10	15/09/2020
London Borough of Barking and Dagenham	2,000	0.60	28/07/2020
Luton Borough Council	3,000	0.87	19/08/2020
Lloyds	3,000	0.10	03/07/2020
Money Market Funds			
Deutsche Bank Sterling Liquidity Fund	2,900	0.15	
Prime Rate Sterling Liquidity Fund - Instant Access	2,951	0.24	
Grand Total	**32,261**		

4.2 The average return on the council's portfolio for the period to 30 June 2020 is 0.39%. This is 0.42 percentage points above the average 7 day London Interbank Bid Rate (LIBID) of -0.03% but significantly below the budgeted rate of 0.8%. The performance to date is shown below:



4.3 The forecast investment return for 2020/21 is set out below. The estimated outturn is based on the current forecast that Bank Rate will remain at the historic low of 0.10% for the duration of the 2020/21 financial year. Although the average return on the council's portfolio for the period to 30 June 2020 is 0.39%, maturing investments will have to be re-invested at much lower rates of return due to profound changes in the market as a result of the reduction in Bank Rate.

Investment Return Budget vs. Estimated Outturn			
	Budget	Estimated Outturn	(Surplus)/Deficit
	£	£	£
Investment income	£150,000	£75,000	£75,000

4.4 The council continues to make use of its surplus monies, meaning there has been no requirement to undertake any external borrowing in the quarter ended 30 June 2020. Consequently, no interest payable has been incurred during this period.

4.5 Work has been ongoing during 2020/21 to set up access to a Money Market Fund trading portal. Access to the portal will widen the amount of counterparties available to the council. This will assist in managing both counterparty risk and liquidity risk.

5. Compliance with Prudential Indicators

5.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators, (affordability limits), are included in the approved TMSS.

5.2 During the quarter ended 30 June 2020, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The prudential and treasury Indicators are shown in Appendix 2.

6. Breach of Counterparty Limits

6.1 As reported to Finance and Performance Committee on 6 July 2020 as part of the Annual Treasury Management Review 2019/20 the council breached its counterparty limits from 27 March for 20 days to 15 April 2020. This breach occurred as a result of unprecedented levels of Government support for businesses and individuals, which led to a step change in the level of cash balances held by the council on a temporary basis. The counterparty limits set out in the Investment Strategy included in the Treasury Management Strategy approved by council on 2 March 2020 were unable to support the elevated cash balances.

6.2 An amendment to the Treasury Management Strategy for 2020/21 was approved by Full Council on 13 May 2020 to provide a delegation to the Chief Finance Officer (or their nominee), following consultation with the Chairmen of the Finance and Performance Sub Committee and the Governance and Audit Committee to temporarily increase the HM Treasury (Debt Management Office) counterparty limit from £10m to unlimited if required due to exceptional circumstances.

6.3 The delegation was invoked once in Quarter 1 2020/21 on 8 June 2020. Following consultation with the Chairmen of the Finance and Performance Sub Committee and the Governance and Audit Committee the HM Treasury (Debt Management Office) counterparty limit was temporarily increased from £10m to £12m for the period from 8 June to 22 June 2020.

6.4 The counterparty limit of £3m with the council's bank Barclays plc was breached for one day on 29 June 2020 when the overnight balance was £3.56m due to technical operational reasons. The balance with Barclays was returned to within counterparty limits on 30 June 2020.

7. Equality and Diversity Implications

7.1 This report is for information. There are no equality and diversity implications arising from the content.

8. Privacy Implications

8.1 This report is for information. There are no privacy implications arising from the content.

9. Health Implications

9.1 This report is for information. There are no privacy implications arising from the content.

10. Legal Implications

10.1 This report is for information. There are no legal implications arising from the content.

11. Risk Management

11.1 The risks arising from treasury management activity are recorded in the Corporate Risk Register. The risks are subject to regular review and update.

12. Resource and Financial Implications

12.1 This report is for information. There are no financial implications arising from this report.

13. Constitutional Implications

13.1 This report does not require any amendment to the council's Constitution.

14. Implications for our Customers

14.1 There are no implications for our customers arising directly from this report.

15. Corporate Outcomes

- ***Good Value for Money*** - *This report demonstrates that the council is ensuring it effectively manages its surplus cash to achieve good value for money for the council*

- ***Effective Management*** - *Treasury Management allows the council to manage its surplus cash balances to ensure the main principles (Security, Liquidity, and Yield) are maintained, contributing to effective management of the council*

16. Recommendations

16.1 Finance and Performance Sub Committee is recommended to note the Treasury Management performance for the period to 30 June 2020 in financial year 2020/21.

(Reason – In accordance with CIPFA guidance and best practice in Treasury Management)

Legal	Power:	Local Government Act 2003
	Other considerations:	CIPFA Treasury Management in the Public Services: Code of Practice

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<tr><td colspan="2">Background Papers:</td><td colspan="4">Agendas, reports and minutes | East Northamptonshire Council
Treasury Management Strategy | East Northamptonshire Council</td></tr>
<tr><td colspan="2">Person Originating Report:</td><td colspan="4">Katherine Hayward, Finance Manager, 01832 742090
khayward@east-northamptonshire.gov.uk</td></tr>
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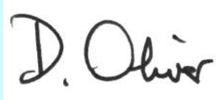
07/10/20</td><td></td></tr>
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Appendix 1

Quarter 1 2020/21 World Economic Summary Provided by the Council's Treasury Advisor, Link Group

1. USA Economic Summary

Growth in quarter 1 of 2020 fell by an annualised 5.0% and will fall sharply in quarter 2. Once coronavirus started to impact the US in a big way, the Fed took decisive action by cutting rates twice by 0.50%, and then 1.00%, in March, all the way down to 0.00 – 0.25%. Near the end of March, Congress agreed a $2trn stimulus package (worth about 10% of GDP) and new lending facilities announced by the Fed which could channel up to $6trn in temporary financing to consumers and firms over the coming months. Nearly half of the first figure is made up of permanent fiscal transfers to households and firms, including cash payments of $1,200 to individuals.

The loans for small businesses, which convert into grants if firms use them to maintain their payroll, will cost $367bn and 100% of the cost of lost wages for four months will also be covered. In addition there was $500bn of funding from the Treasury's Exchange Stabilization Fund which will provide loans for hard-hit industries, including $50bn for airlines.

Non-farm payrolls unexpectedly increased by 2.5 million jobs in May, beating market expectations of an 8 million fall, and after declining by a record 20.7 million in April. The figures suggest that the economic recovery in the US may happen much faster than initially expected. Some states started reopening in mid-May after a two-month shutdown but a few have had to re-impose localised lockdowns since then.

2. Eurozone Economic Summary

The Eurozone economy shrank by 3.6% on quarter in the first three months of 2020. So far, the ECB has been by far the most important institution in helping to contain the impact of coronavirus and the crisis on financial markets. Since 12th March, it has implemented a range of new policies including providing additional cheap loans for commercial banks and easing capital requirements for the banking sector. But most importantly, the ECB has stepped up and reformed its asset purchase programmes. So far, it has increased its planned asset purchases for this year by €1,470bn on top of the €20bn per month which it was already committed to. The new purchases consist of an additional €120bn within the existing Public Sector Purchase Programme (PSPP), and €1,350bn in the Pandemic Emergency Purchase Programme (PEPP). At its 4 June monetary policy meeting, the ECB Governing Council also committed to continue net asset purchases under the PEPP until at least the end of June 2021 and to continue to reinvest maturing principal payments under the PEPP until at least end-2022. It has also made clear that it would not hesitate to top up PEPP as much as needed to contain the risk of a crisis.

Just as important as the size of the PEPP is its flexibility. Whereas previous asset purchase programmes adhered to strict issuer limits, the PEPP was designed to be flexible across "time, asset classes and jurisdictions". This means that the ECB can act in the interests of the euro-zone as a whole rather than having to treat each national bond market equally. However, while this overall programme will provide protection over the next year or so, some vulnerable countries, particularly Italy, already started the crisis with a high level of debt to GDP and the crisis will make that level even worse at the same time as GDP growth prospects will have worsened. This leaves a big question over ‘what happens after then when financial markets will be concerned that those debt levels are unsustainable?’

What is currently missing is a major coordinated EU response of fiscal action by all national governments to protect jobs, support businesses directly and promote economic growth by expanding government expenditure on e.g. infrastructure. The EU’s recently-proposed rescue fund, (officially designated “Next Generation EU”), is a major first step towards financial integration in the EU. However, it is striking just how small this package is as the proposed €500 billion of grants amount to about 0.6% of average annual euro-zone GDP (over the seven-year budget period). It will therefore supply relatively little support to the weaker and more vulnerable countries within the EU. This has therefore left individual national governments to implement a patchwork of support measures within each country. This shows up how far away the EU is from being an effective fiscal union.

3. China Economic Summary

Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium-term risks have also been increasing. The major feature of 2019 was the trade war with the US. However, this has been eclipsed by being the first country to be hit by the coronavirus outbreak; this resulted in a lockdown of the country and a major contraction of economic activity in February-March 2020. The Chinese economy shrank 6.8% y/y in Q1 2020, following 6% y/y growth in Q4 of 2019. Ongoing economic issues remain, in needing to make major progress to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. It also needs to address the level of non-performing loans in the banking and credit systems. The post Covid government measures to stimulate more infrastructure investment are likely to result in an increase in inefficient low reward investment.

4. Japan Economic Summary

Japan has been struggling to stimulate consistent significant GDP growth for years and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. Japan appears to have escaped the worst effects of the virus - as yet.

5. World Growth

The trade war between the US and China on tariffs was a major concern to financial markets and was depressing worldwide growth during 2019. This year, coronavirus is the inevitable big issue which is going to sweep around most countries in the world and have a major impact in causing a world recession in growth in 2020.

Appendix 2

Prudential and Treasury Management Indicators – as at 30 June 2020

1. Prudential Indicators

PRUDENTIAL INDICATORS	2020/21	31.03.20	30.06.20
	budget	actual	estimate
Capital Expenditure*	£2,444,000	£7,028,000	£4,789,000
Ratio of financing costs to net revenue stream	1.09%	0.00%	1.09%
Incremental impact of capital investment decisions (increase in council tax (band D charge) per annum)	£0.004	£0.008	£0.004
In year borrowing requirement	£537,000	£2,785,000	£3,322,000
CFR	£3,322,000	£2,785,000	£3,322,000
Annual change in Capital Financing Requirement	£537,000	£2,785,000	£537,000

* *Capital expenditure for 2019/20 is shown as per the draft outturn position. This may be subject to change during the audit of the financial statements. If there is any change to the figure as a result of the audit this will be reported to the Finance and Performance Sub Committee in a future Treasury Management update report.*

2. Treasury Management Indicators

TREASURY MANAGEMENT INDICATORS	2020/21	31.03.20	30.06.20
	budget	actual	estimate
	£'000	£'000	£'000
Authorised Limit for external debt			
borrowing	5,000	5,000	5,000
other long term liabilities	0	0	0
TOTAL	5,000	5,000	5,000
Operational Boundary for external debt			
borrowing	3,750	3,000	3,750
other long term liabilities	0	0	0
TOTAL	3,750	3,000	3,750
Actual external debt	0	0	0
Investments	26,000	25,824	32,261
Net borrowing	(26,000)	(25,824)	(32,261)
Upper limit for principal sums invested over 365 days	3,000	3,000	3,000

3. Summary

The council is maintaining an affordable and sustainable capital programme in the medium term. At 30 June 2020 the council did not have any external debt and had not breached either the operational or authorised borrowing limits as set out in the 2020/21 Treasury Strategy.