AUDIT COMMITTEE 23 OCTOBER 2020

TREASURY MANAGEMENT MID-YEAR MONITORING REPORT 2020/21

1. PURPOSE

1.1. New Forest District Council adopts the key recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice, last updated in 2017. The CIPFA code requires the Council to approve a treasury management strategy before the start of the year and semi-annual and annual treasury management reports.

2. SUMMARY

2.1. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

2.2. The Council's Treasury Management Strategy (TMS) for 2020/21 was approved at a meeting of the Council in February 2020. The Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

2.3. Treasury management in the context of this report is defined as:

"The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.4. This mid-year report sets out the performance of the treasury management function for the period April – September 2020, to include the effects of the decisions taken and the transactions executed within this period.

2.5. Hampshire County Council's Investments & Borrowing Team has been contracted to manage the Council's treasury management balances since March 2014 but overall responsibility for treasury management remains with the Council. No treasury management activity is without risk and the effective identification and management of risk are integral to the Council's treasury management objectives.

2.6. All treasury activity has complied with the Council's revised Treasury Management Strategy and Investment Strategy for 2020/21, and all relevant statute, guidance and accounting standards. In addition, support in undertaking treasury management activities has been provided by the Council's treasury advisers, Arlingclose.

3. EXTERNAL CONTEXT

3.1. The following sections outline the key economic themes against which investment and borrowing decisions have been made so far in 2020/21.

Economic commentary

3.2. Coronavirus dominated the news during the period as countries around the world tried to manage the delicate balancing act of containing transmission of the virus whilst also supporting their economies. A national lockdown in the UK was followed by the gradual easing of restrictions and the introduction of various support packages, including the job retention scheme and the Eat Out to Help Out (EOHO) offer.

3.3. The Bank of England's (BoE) Monetary Policy Committee maintained Bank Rate at 0.1% throughout the period and increased its Quantitative Easing programme to £745 billion. It has also not ruled out the use of negative interest rates in future, which has had an impact on interest rates available in the money markets.

3.4. Gross Domestic Product (GDP) contracted by 19.8% in Quarter 2 according to the Office for National Statistics (ONS), pushing the annual growth rate down to -21.5%. Recent monthly estimates of GDP have shown growth recovering although output is still significantly below pre-coronavirus levels. A potential second wave of the virus and the impending end of the transition period for the UK's exit from the EU may have a further impact on GDP and the economy over the remainder of the year.

3.5. The headline rate of UK Consumer Price Inflation (CPI) fell to 0.2% year on year in August, significantly below the BoE's 2% target. Inflation was slightly higher at 0.5% year on year using the CPIH measure, which is preferred by the ONS and includes owner-occupied housing.

3.6. In the three months to July, the unemployment rate increased from 3.9% to 4.1% while wages fell in both real and nominal terms. The unemployment rate may pick up sharply in the coming months as the furlough scheme ends and the BoE has forecast unemployment could hit a peak of between 8% and 9%.

Financial markets

3.7. After selling off sharply in March 2020, world equity markets started recovering in April and have continued to regain value during Quarters 2 and 3. Not all sectors and geographies have rebounded to the same extent and the recovery has largely been driven by a small number of US technology stocks, while in the UK the FTSE 100 and 250 have only made up around half of their pre-crisis losses. Central bank and government stimulus packages continue to support asset prices, but volatility and uncertainty remain.

3.8. Ultra-low interest rates and the flight to quality continued during the period, with the yield on some shorted-dated UK government bonds turning negative and yields on longer-dated bonds remaining low.

Credit review

3.9. After rising sharply in late March, credit default swap (CDS) spreads slowly eased over Quarters 2 and 3 to slightly above their pre-crisis levels suggesting the pandemic has not had a significant lasting impact on confidence in UK banks across the market. That being said, Fitch downgraded the UK sovereign credit rating to AA- in March, which was followed by revising the outlook for all UK banks approved for use by the Council by Arlingclose either to negative or rating watch negative, although the long term rating for HSBC was increased. Fitch and S&P also downgraded the long-term rating for Transport for London.

3.10. The extent of the losses that banks and building societies will suffer as a result of the coronavirus pandemic remains uncertain but is expected to be substantial. Arlingclose have therefore conducted a stress testing exercise and in June 2020 suspended a number of UK banks and building societies from the counterparty list for unsecured deposits as a result. Arlingclose also continue to recommend a maximum duration of 35 days for investments with the remaining counterparties. Although far better capitalised than during the Great Financial Crisis there remains significant uncertainty about the impact of the pandemic, with the added unknown of what the final Brexit trade deal may look like. Arlingclose are therefore recommending a prudent approach and the institutions on Arlingclose's counterparty list remain under constant review.

4. LOCAL CONTEXT

4.1. At 31 March 2020 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £140.1m, while usable reserves and working capital which are the underlying resources available for investment were £56.8m (principal invested plus gains on investments with a variable net asset value). These factors are summarised in Table 1:

Table 1: Capital Financing Summary

	31/03/20 Balance £m
General Fund CFR Housing Revenue Account CFR HRA Settlement	7.8 1.9 130.4
Total CFR	140.1
Financed By:	
External Borrowing Internal Borrowing	131.2 8.9
Total Borrowing	140.1

4.2. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 30 September 2020 and the year-on-year change is shown in Table 2.

Table 2: Treasury Management Summary

	31/03/2020 Balance £m	Movement £m	30/09/2020 Balance £m	30/09/2020 Rate %
Long-term borrowing	(126.9)	0.1	(126.8)	3.3
Short-term borrowing	(4.3)	0.0	(4.3)	2.2
Total borrowing	(131.2)	0.1	(131.1)	3.3
Long-term investments	18.4	(2.9)	15.6	3.4
Short-term investments	20.0	4.5	24.5	0.6
Cash and cash equivalents	18.3	21.0	39.3	0.1
Total investments	56.8	22.6	79.4	0.9
Net borrowing	(74.4)	22.7	(51.7)	

Note: the figures in the table above at 31 March 2020 are from the balance sheet in the Council's statement of accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments, but does include market value adjustments.

4.3. The reduction in net borrowing of £22.7m shown in Table 2 above reflects an increase in investment balances of £22.6m as well as a reduction in borrowing balances of £0.1m. The increase in total investments since 31 March 2020 is expected as it reflects the typical movement in the cash position that is seen by the Council through the course of a financial year and the fact that the balance at 31 March is typically the lowest of the year. In addition, the Council is currently holding around £15m of government funds in relation to the coronavirus pandemic, which are due to be returned to Central Government shortly.

5. BORROWING ACTIVITY

5.1. As shown in Table 2, as at 30 September 2020 the Council held £131.1m of loans with the vast majority of loans being in relation to the resettlement of the HRA in 2012/13. The mid-year treasury management borrowing position and movement since 31 March 2020 is shown in Table 3.

Table 3: Borrowing Position

	31/03/2020 Balance £m	Movement £m	30/09/2020 Balance £m	30/09/2020 Rate %	30/09/2020 WAM* years
Public Works Loan Board	(131.2)	0.1	(131.1)	3.3	15.9
Total borrowing	(131.2)	0.1	(131.1)	3.3	15.9

* Weighted average maturity

Note: the figures in the table above at 31 March 2020 are from the balance sheet in the Council's statement of accounts but adjusted to exclude accrued interest.

5.2. 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.

5.3. Short-term interest rates have remained much lower than long-term rates and the Council has therefore considered it to be more cost effective in the near term to use internal resources than to use additional borrowing.

5.4. With the assistance of Arlingclose, the benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing costs may be higher.

5.5. During the period April to September 2020 the Council repaid £0.1m of maturing PWLB debt and did not replace this borrowing. This will reduce the future cost of interest payments on the Council's debt.

6. INVESTMENT ACTIVITY

6.1. The Council holds invested funds representing income received in advance of expenditure plus balances and reserves held. The Council's investment holding was £84.4m principal at 30 September 2020, which was £12.7m (17.7%) higher than the same time last year.

6.2. During the six month period from 1 April to 30 September 2020, the Council's investment balance ranged between £77.3m and £126.4m due to timing differences between income and expenditure. The balance was unusually high during the early part of April as government grants to address the impact of Covid-19 were received prior to being paid to local businesses.

6.3. Table 4 shows investment activity for the Council as at 30 September 2020 in comparison to the reported activity as at 31 March 2020. The increase in total investments since 31 March 2020 reflects the fact that the balance at 31 March is typically the lowest of the year and that the Council is currently holding around £15m of government funds in relation to the coronavirus pandemic, which are due to be returned to Central Government shortly.

Table 4: Investment Position (Treasury Investments)

Investments	31/03/2020 Balance £m	Movement £m	30/09/2020 Balance £m	30/09/2020 Rate %	30/09/2020 WAM* years
Short term Investments					
Banks and Building Societies:					
- Unsecured	4.0	4.9	8.9	0.1	0.1
- Secured	4.0	(4.0)	-	N/A	N/A
Money Market Funds	15.3	22.6	37.9	0.1	0.0
Local Authorities	9.0	6.0	15.0	0.7	0.4
Registered Providers	4.0	-	4.0	1.9	0.5
Cash Plus Funds	2.0	-	2.0	1.2	0.0
	38.3	**29.5**	**67.8**	**0.3**	**0.1**
Long term investments					
Banks and Building Societies:					
- Secured	3.0	-	3.0	0.7	2.4
Local Authorities	3.0	(3.0)	-	N/A	N/A
	6.0	**(3.0)**	**3.0**	**0.7**	**2.4**
Higher yield investments					
Pooled Property Funds**	7.6	-	7.6	4.0	N/A
Pooled Equity Funds**	3.0	-	3.0	4.2	N/A
Pooled Multi-Asset Funds**	3.0	-	3.0	4.2	N/A
	13.6	**-**	**13.6**	**4.1**	**N/A**
TOTAL INVESTMENTS	**57.9**	**26.5**	**84.4**	**0.9**	**0.2**

* Weighted average maturity, excluding pooled funds
** The rates provided for pooled fund investments are reflective of annualised income returns over the year to 30 September 2020.

Note: the figures in the table above at 31 March 2020 are from the balance sheet in the Council's statement of accounts but adjusted to exclude operational cash, market value adjustments and accrued interest.

6.4. The CIPFA Code and government guidance both require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the highest rate of return, or yield. The Council's objective when investing money is therefore 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.

6.5. Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2020/21.

6.6. Counterparty credit quality has been assessed and monitored with reference to credit ratings, analysis of funding structures and susceptibility to bail-in of financial institutions, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

6.7. The Council also makes use of secured investment products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.

6.8. Over the six month period, the Council has continued to feel the effects of the Coronavirus pandemic and has experienced reducing money market rates, higher investment balances than normal due to government grant, a reduced number of suitable counterparties and a reduction in advised investment durations.

6.9. In light of this and the limited opportunities for investing for the longer term and within Arlingclose's advice, the Council kept more cash available at very short notice than normal. Liquid cash was diversified over several counterparties, including the Debt Management Office and Money Market Funds (MMFs) to manage both credit and liquidity risks.

6.10. The Council has used the Debt Management Account Deposit Facility (DMADF) frequently throughout this period as it provides a secure deposit facility which is vital during uncertain times. However, on 25 September the overnight, 1- and 2-week deposit rates on DMADF deposits dropped below zero percent to -0.03%, which discourages local authorities from using this facility for short-term cash. The Council has not used the DMADF at negative rates and has therefore maintained a positive net return.

6.11. The return on MMFs net of fees also fell over the six month period and for many funds net returns now range between 0% and 0.1%. In many instances, the fund management companies have temporarily lowered or waived fees to maintain a positive net return.

6.12. To reduce risk, 32% of the Council's internally invested cash is invested so that it is not subject to bail-in risk, as it is invested in local authorities, registered providers and secured bank bonds. Of the remaining balance, the majority is invested in overnight money market funds which are subject to reduced bail in risk.

6.13. Against this backdrop, the Council has sought to optimise returns commensurate with the objectives of security and liquidity, achieving an average rate of return of 0.36% on internally managed funds as at 30 September 2020 whilst also maintaining sufficient liquidity through the use of call accounts, money market funds and the DMADF.

6.14. The progression of credit risk and return metrics for the Council's investments managed in-house (excluding external pooled funds) are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5. This compares the data for the quarter ended 30 June 2020 with data for the quarter ended 31 March 2020. Arlingclose's quarterly investment benchmarking at 30 September 2020 was not available in time for publication of this report but a verbal update will be provided at the meeting of the Audit Committee.

Table 5: Investment Benchmarking (excluding pooled funds)

	Credit Rating	Bail-In Exposure	Weighted Average Maturity (days)	Internal Investment Return
31/03/2020	AA	46%	159	0.85%
30/06/2020	AA-	73%	91	0.43%
Similar LAs	AA-	59%	51	0.42%
All LAs	AA-	59%	18	0.39%

6.15. During the three-month period from 31 March to 30 June 2020, the impact of the two Bank Rate cuts in March was felt across the money markets, which resulted in the investment return on internally managed investments in the portfolio reducing and being broadly in line with returns seen by other Arlingclose clients.

6.16. The Council also held increased liquidity due to money received from central government as a result of the Coronavirus pandemic and slower than originally anticipated capital programme expenditure as the Council reacted to the pandemic. This increased liquidity meant higher bail-in exposure as a greater proportion of the Council's funds were invested in money market funds, which invest in instruments that are liable to bank bail-in but which are highly diversified therefore reducing this risk.

6.17. The increased liquidity also required the Council to make use of bank call accounts to enable diversification between counterparties, which resulted in a reduction in credit rating from AA to AA-. This is however still a strong credit rating and the Council only invests with banks on Arlingclose's approved list of counterparties and currently only holds unsecured investments with these institutions for short durations to mitigate risk. The AA- rating is also in line with the average achieved by Arlingclose's other local authority clients.

6.18. In order to minimise the risk of receiving unsuitably low investment income, the Council has continued to invest a proportion of steady core balances in externally managed pooled funds as part of its higher yield strategy.

6.19. These pooled fund investments are likely to be more volatile than cash in the short-term but generate regular revenue income whilst also providing diversification and the potential for enhanced returns over the longer term. By holding these investments for the longer term, the Council is able to ride out periods of volatility that result in falls in value and manage the security of the Council's original investment. Investing only steady core balances also means the Council should not ever need to be a forced seller for liquidity reasons.

6.20. The Council's investments in pooled property, equity and multi-asset funds allow diversification into asset classes other than cash without the need to own and manage the underlying investments, with £13.6m now invested. The Council also invests a further £2m into an externally managed cash plus pooled fund, which forms part of its short-term cash portfolio.

6.21. These investments have no defined maturity date but are available for withdrawal after a notice period and their performance and continued suitability in meeting the Council’s investment objectives is monitored regularly and discussed with Arlingclose.

6.22. The impact of the COVID-19 pandemic on financial markets at the end of the financial year meant that the Council’s investments in these pooled funds suffered a £1.3m fall in capital value (9.82%) over the year to 31 March 2020, however such losses are only realised if the assets are sold before they have the chance to regain value.

6.23. Since March there has been improvement in market sentiment which is reflected in increases in capital values of the multi-asset income funds and one (of two) equity income funds in the Council’s portfolio. The change in capital values of the pooled fund investments is summarised in Table 6.

Table 6 – Pooled fund capital values

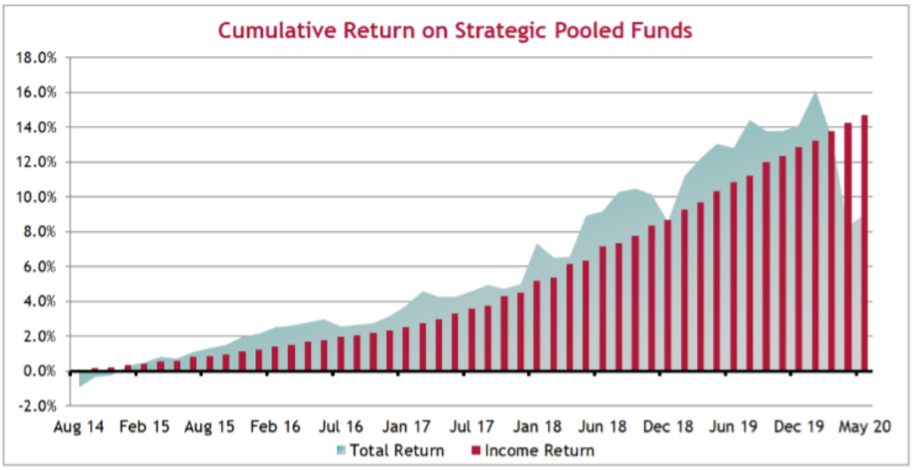
	Principal invested £m	31/03/2020 Capital value £m	Movement £m	30/09/2020 Capital value £m
Pooled property	7.6	7.5	(0.3)	7.2
Pooled equity	3.0	2.3	0.2	2.5
Pooled multi asset	3.0	2.6	0.2	2.8
Total	**13.6**	**12.4**	**0.1**	**12.5**

6.24. Dealing in the CCLA Local Authorities Property Fund was suspended by the fund in March 2020. The relative infrequency of property transactions as the pandemic intensified meant that it was not possible for valuers to be confident that their valuations correctly reflected prevailing conditions. To avoid material risk of disadvantage to buyers, sellers, and holders of units in the property fund, the management company was obliged to suspend transactions until the required level of certainty was re-established. The dealing suspension was lifted in September 2020. There has also been a change to redemption terms for this property fund; from September 2020 investors are now required to give at least 90 calendar days’ notice for redemptions. The Lime Property Fund, in which the Council has a smaller investment, also suspended dealing for the same reasons; the dealing suspension was lifted in July 2020.

6.25. In 2020/21, the Council expects to receive significantly lower income from both its internally managed cash and its higher yielding portfolio than it did in previous years. This has been reflected in the Council’s Emergency 2020/21 Budget, approved by the Council in September. Dividends and income paid will depend on many factors including the ongoing impact of the pandemic and the individual strategies of each pooled fund, such as their sectoral allocations and investment decisions. Equity income funds will also be affected by enforced or voluntary dividend cuts and deferrals.

6.26. Given the impact on capital values and income described above, the investments in pooled funds have been reviewed with Arlingclose, whose advice remains that these investments continue to be appropriate for the Council. Capital values should recover over time and in the meantime these investments will continue to generate income returns significantly in excess of what could be achieved on traditional cash investments, to benefit the revenue budget.

6.27. The chart below shows the positive impact of regular income returns from these pooled funds and the positive cumulative total return (income + capital values) over time.



7. OTHER NON-TREASURY HOLDINGS AND ACTIVITY

7.1. 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 MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

7.2. This could include service investments for operational and/or regeneration reasons as well as commercial investments which are made mainly for financial reasons.

7.3. The Council's existing non-treasury investments are listed in Table 7.

Table 7 – Non-Treasury Investments

	30/09/2020 Asset value £m	30/09/2020 Annual Rate of Return
Hythe Marina	2.70	5.82%
Saxon Inn Calmore	0.18	7.0%
Meeting House Lane	0.13	-
New Milton Health Centre	2.33	5.91%
Ampress Car Park	2.10	4.48%
The Parade Salisbury Road Totton	1.45	8.54%
1-3 Queensway New Milton	1.10	8.70%
Total Investment Properties	**9.99**	**6.22%**
Lymington Town Hall	3.00	4.67%
Hardley Industrial Estate	3.43	6.87%
Total Income Earning Properties	**6.43**	**5.84%**
Grand Total	**16.42**	**6.08%**

7.4. Two investment property purchases were made during the first half of 2020/21 pursuant to the Council's adoption of the Asset Investment Strategy in February 2017. Both are included above as they are immediately income earning (with the Rate of Return reflecting an annualised calculation). A further acquisition made in 2019/20 (Land at Crow Lane) is not shown within Table 7 as it is not currently income earning as it is a bare land site that the Council intends to develop out into an industrial park.

8. COMPLIANCE REPORT

8.1. The Council confirms compliance of all treasury management activities undertaken during the period with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

8.2. Compliance with the authorised limit and operational boundary for external debt is demonstrated in Table 8.

Table 8: Debt Limits

	2020/21 Maximum £m	30/09/2020 Actual £m	2020/21 Operational Boundary £m	2020/21 Authorised Limit £m	Complied
Total debt	131.2	131.1	200.3	216.5	✓

8.3. Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

9. TREASURY MANAGEMENT INDICATORS

9.1. The Council measures and manages its exposures to treasury management risks using the following indicators.

Interest rate exposures

9.2. The following indicator shows the sensitivity of the Council's current investments and borrowing to a change in interest rates:

Table 9: Investment Rate Risk Indicator

	30 September 2020	Impact of +/-1% interest rate change
Sums subject to variable interest rates:		
Investment	£70.8m	+/- £0.7m
Borrowing	£0.0m	n/a

9.3. Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity structure of borrowing

9.4. This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits show the maximum and minimum maturity exposure to fixed rate borrowing as agreed in the Treasury Management Strategy Statement.

Table 10: Refinancing rate risk indicator

	30/09/2020 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	3%	25%	0%	✓
12 months and within 24 months	3%	25%	0%	✓
24 months and within 5 years	10%	25%	0%	✓
5 years and within 10 years	16%	25%	0%	✓
10 years and above	68%	100%	0%	✓

Principal sums invested for periods longer than a year

9.5. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

Table 11: Price risk indicator

	2020/21	2021/22	2022/23
Actual principal invested beyond year end	£17m	£17m	£14m
Limit on principal invested beyond year end	£40m	£40m	£40m
Complied	✓	✓	✓

9.6. The table includes investments in strategic pooled funds of £13.6m as although these can usually be redeemed at short notice, the Council intends to hold these investments for at least the medium-term.

10. OTHER

10.1. IFRS 16: The implementation of the new IFRS 16 Leases accounting standard has been delayed until 2021/22.

11. ARLINGCLOSE'S OUTLOOK FOR THE REMAINDER OF 2020/21

11.1. The medium-term global economic outlook is weak. While the strict initial lockdown restrictions have eased, the coronavirus has not been supressed and second waves have prompted more restrictive measures on a regional and national basis. This ebb and flow of restrictions on normal activity will continue for the foreseeable future, at least until an effective vaccine is produced and importantly, distributed.

11.2. The global central bank and government responses have been significant and are in many cases on-going, maintaining more stable financial, economic and social conditions than otherwise. This has supported a sizeable economic recovery in Quarter 3.

11.3. However, the scale of the economic shock to demand, on-going social distancing measures, regional lock downs and reduced fiscal support will mean that the subsequent pace of recovery is limited. Early signs of this are already evident in UK monthly GDP and PMI data, even before the latest restrictions.

11.4. This situation will result in central banks maintaining low interest rates for the medium term. In the UK, Brexit is a further complication. Bank Rate is therefore likely to remain at low levels for a very long time, with a distinct possibility of being cut to zero. Money markets have already priced in a chance of a negative Bank Rate.

11.5. Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or if the UK leaves the EU without a deal.

11.6. Arlingclose expects Bank Rate to remain at the current 0.10% level and additional monetary loosening in the future most likely through further financial asset purchases (QE). While Arlingclose's central case for Bank Rate is no change from the current level of 0.1%, further cuts to Bank Rate to zero or even into negative territory cannot be completely ruled out.

11.7. Gilt yields are expected to remain very low in the medium term. Shorter-term gilt yields are currently negative and will remain around zero or below until either the Bank of England expressly rules out negative Bank Rate or growth/inflation prospects improve.

11.8. Downside risks remain in the near term, as the government dials down its fiscal support measures, reacts to the risk of a further escalation in infection rates and the Brexit transition period comes to an end.

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50

12. CRIME AND DISORDER AND ENVIRONMENTAL IMPLICATIONS

12.1. None arising directly from this report.

13. RECOMMENDATIONS

Members are recommended to:

13.1. consider the performance of the treasury function detailed in this report.

Further information	Background papers
Please contact Rob Sarfas (HCC), or Alan Bethune email: rob.sarfas@hants.gov.uk alan.bethune@nfdc.gov.uk	The Prudential Code, CIPFA Guidance Notes and ODPM Investment Guidance Local Government Act 2003 SI 2003/3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 Treasury Management Strategy Report 2020/21 Audit Committee – 24 January 2020 Council – 24 February 2020 Treasury Management Mid-Year Monitoring Report 2019/20 Audit Committee – 25 October 2019 Treasury Management Annual Outturn Report 2019/20 Audit Committee – 10 July 2020