

**PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS FOR 2021-22**

Prudential Indicators	2019-20	2020-21	2020-21	2021-22	2022-23	2023-24
	Actual	Original Estimate	Revised Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
<b>Capital Expenditure</b>						
General Fund	128.144	180.420	119.390	199.192	128.691	67.588
HRA	57.121	138.761	77.401	151.601	79.494	-
<b>TOTAL</b>	<b>185.265</b>	<b>319.181</b>	<b>196.791</b>	<b>350.793</b>	<b>208.185</b>	<b>67.588</b>
<b>Ratio of Financing Costs to Net Revenue Stream</b>						
General Fund	0.61%	2.83%	3.55%	4.48%	6.45%	7.75%
HRA	7.58%	4.87%	4.82%	3.60%	4.59%	4.71%
	£m	£m	£m	£m	£m	£m
<b>Gross Debt and Capital Financing Requirement</b>						
Gross Debt	195.634	126.691	201.153	277.825	190.654	142.150
Capital Financing Requirement	411.991	580.174	476.709	622.118	683.022	696.093
Over/(Under) Borrowing	(216.357)	(453.483)	(275.556)	(344.293)	(492.368)	(553.943)
<b>Capital Financing Requirement as at 31 March</b>						
General Fund	303.597	388.083	338.423	401.563	433.151	451.718
HRA	108.394	192.091	138.286	220.555	249.871	244.375
<b>TOTAL</b>	<b>411.991</b>	<b>580.174</b>	<b>476.709</b>	<b>622.118</b>	<b>683.022</b>	<b>696.093</b>

Treasury Management Indicators	2019-20	2020-21	2020-21	2021-22	2022-23	2023-24
	Actual	Original Estimate	Revised Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
<b>Authorised Limit for External Debt -</b>						
Borrowing & Other long-term liabilities	411.991	580.174	476.709	622.118	683.022	696.093
Headroom	30.000	30.000	30.000	30.000	30.000	30.000
<b>TOTAL</b>	<b>441.991</b>	<b>610.174</b>	<b>506.709</b>	<b>652.118</b>	<b>713.022</b>	<b>726.093</b>
<b>Operational Boundary for External Debt -</b>						
Borrowing	353.340	524.336	420.871	569.649	634.429	652.026
Other long-term liabilities (PFI & Fin Leases)	58.651	55.838	55.838	52.469	48.593	44.067
<b>TOTAL</b>	<b>411.991</b>	<b>580.174</b>	<b>476.709</b>	<b>622.118</b>	<b>683.022</b>	<b>696.093</b>
<b>Gross Borrowing</b>	<b>72.289</b>	<b>71.534</b>	<b>71.534</b>	<b>69.872</b>	<b>68.709</b>	<b>68.709</b>
<b>Upper limit for total principal sums invested for over 364 days (per maturity date)</b>	<b>£150m</b>	<b>£150m</b>	<b>£150m</b>	<b>£150m</b>	<b>£125m</b>	<b>£100m</b>

Maturity structure of new fixed rate borrowing during 2020-21	Upper Limit	Lower Limit
under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	60%	0%
5 years and within 10 years	75%	0%
10 years and within 20 years	100%	0%
20 years and within 30 years	100%	0%
30 years and within 40 years	100%	0%
40 years and within 50 years	100%	0%

## Treasury Management Policy Statement

The London Borough of Tower Hamlets defines the policies and objectives of its treasury management activities as follows: -

1. This organisation defines its treasury management activities as:  
“The management of the Council’s 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. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.”

## Policy on use of an External Treasury Advisor

The Council shall employ an external treasury advisor to provide treasury management advice and cash management support services. However, the Council shall control the credit criteria and the associated counter-party list for investments.

The Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

## Treasury Management Scheme of Delegation

### 1. Council / Cabinet

- receiving reports from the Audit Committee on treasury management policies, practices and activities
- approval of annual Treasury Management and Investment Strategy
- approval of annual Capital Strategy

### 2. Cabinet / Section 151 Officer

- approval of/amendments to the organisation's adopted clauses and Treasury Management Policy Statement
- budget consideration and approval
- approval of the division of responsibilities
- approving the selection of external service providers and agreeing terms of appointment

### 3. Audit Committee

- reviewing the treasury management policies, practices and activities and making recommendations to the responsible body
- receiving the mid-year and annual outturn reports
- receiving and reviewing regular monitoring reports and acting on recommendations

**Treasury Management Reporting Arrangement**

Area of Responsibility	Council/Committee/ Officer	Frequency
Treasury Management Strategy Statement / Annual Investment Strategy / Minimum Revenue Provision Policy / Capital Strategy Report	Council	Annually before the start of the financial year to which policies relate
Mid-Year Treasury Management Report	Audit Committee or Council	Annually during the financial year to which the report relates
Updates or revisions to the Treasury Management Strategy Statement / Annual Investment Strategy / Minimum Revenue Provision Policy / Capital Strategy Report	Audit Committee or Council	As necessary
Annual Treasury Outturn Report	Audit Committee or Council	Annually after the year end to which the report relates
Treasury Management Practices	Corporate Director, Resources	Annually
Scrutiny of Treasury Management Strategy Statement / Annual Investment Strategy / Capital Strategy	Overview and Scrutiny Committee (if called in) / Audit Committee	Annually before the start of the financial year to which the report relates
Scrutiny of Treasury Management Performance	Audit Committee	Quarterly

**GLOSSARY**

Asset Life	How long an asset, e.g. a Council building is likely to last.
Borrowing Portfolio	A list of loans held by the Council.
Borrowing Requirements	The principal amount the Council requires to borrow to finance capital expenditure and loan redemptions.
Capitalisation direction or regulations	Approval from central government to fund certain specified types of revenue expenditure from capital resources.
CIPFA Code of Practice on Treasury Management	A professional code of Practice which regulates treasury management activities.
Capital Financing Requirement (CFR)	Capital Financing Requirement- a measure of the Council's underlying need to borrow to fund capital expenditure.
Certificates of Deposits	A certificate of deposit (CD) is similar to a fixed deposit with a bank but is more liquid as it can be sold to another counterparty should the need arise.
Commercial paper	Commercial paper is a discounted security issued by large corporations to obtain funds to meet short-term debt obligations.
Counterparties	Organisations or Institutions the Council lends money to e.g. Banks; Local Authorities and MMF.
Corporate bonds	A corporate bond is a bond issued by a corporation to raise debt funding.
Covered bonds	A covered bond is a corporate bond with one important enhancement: recourse to a pool of assets that secures or "covers" the bond if the originator (usually a financial institution) becomes insolvent. These assets act as additional credit cover.
Consumer Prices Index & Retail Prices Index (CPI & RPI)	The main inflation rate used in the UK is the CPI. The Chancellor of the Exchequer bases the UK inflation target for the Bank of England on the CPI. The CPI inflation target is set at 2%. The CPI differs from the RPI in that CPI excludes housing costs.
Credit Default Swap (CDS)	A derivative providing protection against counterparty

	default.
Credit Arrangements	Methods of Financing such as finance leasing
Credit Ratings	A scoring system issued by credit rating agencies such as Fitch, Moody's and Standard & Poors to indicate the financial strength of a counterparty.
Creditworthiness	The strength of a counterparty with regard to its chances of becoming insolvent and therefore defaulting.
Debt Management Office (DMO)	The DMO is an agency of the HM Treasury which is responsible for carrying out the Government's Debt Management Policy.
Debt Rescheduling	The refinancing of loans at different terms and rates to the original loan.
Depreciation Method	The spread of the cost of an asset over its useful life.
Gilts	Gilt-edged securities are bonds issued by the UK government to raise funding from investors to meet the fiscal deficit.
Interest Rate exposure	A measure of the impact movements in interest rates will have on the Council's debt cost and investment income budgets.
Impaired investment	An investment that has had a reduction in value to reflect changes that could impact significantly on the benefits expected from it.
LIBID	The London Interbank Bid Rate – it is the interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Money Market Fund (MMF)	A 'pool' of investments managed by a fund manager that invests in highly liquid short-term financial instruments. The Council can invest in these funds to maintain liquidity and gain the creditworthiness benefits of the diversified structure.
Monetary Policy Committee (MPC)	Committee designated by the Bank of England whose main role is to set monetary policy.
Minimum Revenue Provision (MRP)	This is the amount which must be set aside from the revenue budget each year to cover future repayment of the CFR.
Premium	Cost of early repayment of loan to PWLB to compensate for any losses that they may incur
Prudential Indicators	Set of rules providing local authorities borrowing for funding capital projects under a professional code of practice

	developed by CIPFA and providing measures of affordability and prudence reflecting the Council's Capital Expenditure, Debt and Treasury Management.
PWLB	Public Works Loan Board, a statutory body whose function is to lend money to Local Authorities (LAs) and other prescribed bodies.
Treasury bills (or T-bills)	Treasury bills (or T-bills) are short-term debt securities issued by the UK government to manage its cash position.
Unrated institution	An institution that does not possess a credit rating from one of the main credit rating agencies.
Unsupported Borrowing	Borrowing where costs are wholly financed by the Council.