APPENDIX 'A'

Annual Treasury Management Review 2021/22

For scrutiny by Audit and Governance Committee on 28th July 2022

For Approval by Council on 28th September 2022

ANNUAL TREASURY MANAGEMENT REVIEW 2021/22

1. INTRODUCTION

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 2021/22. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2021/22 the following reports have been submitted:

- an annual treasury strategy in advance of the year (Council 3rd March 2021)
- a mid year (minimum) treasury update report (Governance and Audit 11th November 2021)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

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.

This Council also 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 Audit and Governance Committee. Member training on treasury management has not been undertaken during the financial year.

The Treasury Management function is administered by Public Sector Partnership Services Ltd on behalf of the Council.

2. THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2021/22

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.

The actual capital expenditure forms one of the required prudential indicators.

The following table summarises actual capital expenditure and how this was financed. Full details of the 2021/22 expenditure can be found at **Appendix 'A1'.**

£'000 General Fund	2020/21 Actual	2021/22 Approved Budget	2021/22 Actual
Capital expenditure	7,661	4,643	10,946
Financed in year	(6,760)	(3,376)	(9,694)
Unfinanced capital expenditure	901	1,267	1,252

The large increase between the budget and actual was as a result of the £6.5m expenditure relating to the South Western Relief Road which was fully funded from grants.

£'000 Housing Revenue Account (HRA)	2020/21 Actual	2021/22 Approved Budget	2021/22 Actual
Capital expenditure	4,912	5,703	5,130
Financed in year	(4,912)	(5,703)	(5,130)
Unfinanced capital expenditure	-	-	-

3. THE COUNCIL'S OVERALL BORROWING NEED

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2021/22 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board (PWLB) or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council's (nonHRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum

Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2021/22 MRP Policy, (as required by Ministry of Housing, Communities and Local Government (MHCLG) Guidance), was approved as part of the Treasury Management Strategy Report for 2021/22 on 3rd March 2021.

The Council's CFR is shown below, and represents a key prudential indicator.

CFR (£'000): General Fund	**31 March 2021 Actual**	**31 March 2022 Budget**	**31 March 2022 Actual**
Opening Balance	6,565	7,466	7,466
Add unfinanced capital expenditure (as above)	901	1,267	1,252
Other adjustments (MRP)	-	-	(14)
Closing Balance	**7,466**	**8,733**	**8,704**

CFR (£'000): HRA	**31 March 2021 Actual**	**31 March 2022 Budget**	**31 March 2022 Actual**
Opening Balance	68,427	68,427	68,427
Add unfinanced capital expenditure (as above)	-	-	-
Other adjustments	-	-	-
Closing Balance	**68,427**	**68,427**	**68,427**

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year

(2020/21) plus the estimates of any additional capital financing requirement for the current (2021/22) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2021/22. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2021 Actual £000's	31 March 2022 Estimate £000's	31 March 2022 Actual £000's
Gross Borrowing Position	67,456	67,456	67,456
CFR	75,893	77,160	77,131

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 2021/22 the Council has maintained gross borrowing within its authorised limit.

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 is acceptable subject to the authorised limit not being breached.

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.

	2021/22
Authorised limit	£91m
Maximum gross borrowing position	£67.456m
Operational boundary	£87m
Average gross borrowing position	£67.456m
Financing costs as a proportion of net revenue stream – Non HRA HRA	-1.55% 42.85%

4. TREASURY POSITION AS AT 31 MARCH 2022

The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2021/22 the Council's treasury position including accrued interest was as follows:

	31/3/21 Amount £'000	Rate/ Return %	Average Life	31/3/22 Amount £'000	Rate/ Return %	Average Life
Fixed rate funding						
PWLB	67,456	3.48	41 years	67,456	3.48	40 years
Leases	-	n/a		-	n/a	
Total debt	**67,456**	**3.48**	**41 years**	**67,456**	**3.48**	**40 years**
CFR	75,893			77,131		
Over/(under) borrowing	(8,437)			(9,675)		
Cash and investments:						
long term equity and service loans	(7,673)	n/a	n/a	(8,579)	n/a	n/a
short term	(34,524)	0.20	167 days	(36,028)	0.66	127 days
instant access deposits	(10,057)	0.01	1 day	(11,786)	0.45	1 day
Total cash and investments	**(52,254)**	**0.16**	**129 days**	**(56,393)**	**0.61**	**96 days**
Net debt	**15,202**			**11,063**		

Investments and Cash and Cash Equivalents held as at 31st March 2022 including accrued interest were as follows:

INVESTMENT PORTFOLIO	**Actual 31/03/21 £000's**	**Actual 31/03/21 %**	**Actual 31/03/22 £000's**	**Actual 31/03/22 %**
Treasury Investments				
Banks	34,054	76	42,211	88
Building Societies	2,000	5	0	0
Local Authorities	5,027	11	0	0
Total managed in house	**41,081**	**92**	**42,211**	**88**
Money Market Funds	3,500	8	5,603	12
Total managed externally	**3,500**	**8**	**5,603**	**12**
Total Treasury Investments	**44,581**	**100**	**47,814**	**100**
Non-Treasury Investments (at fair value)				
Equity	3,963	52	4,841	56
Service Loans (long term debtors)	3,710	48	3,738	44
Total Non-Treasury Investments	**7,673**	**100**	**8,579**	**100**

SUMMARY	Actual 31/03/21 £000's	Actual 31/03/21 %	Actual 31/03/22 £000's	Actual 31/03/22 %
Total Treasury Investments	44,581	85	47,814	85
Total Non-Treasury Investments	7,673	15	8,579	15
Total of all Investments	**52,254**	**100**	**56,393**	**100**

The maturity structure of the investment portfolio was as follows:

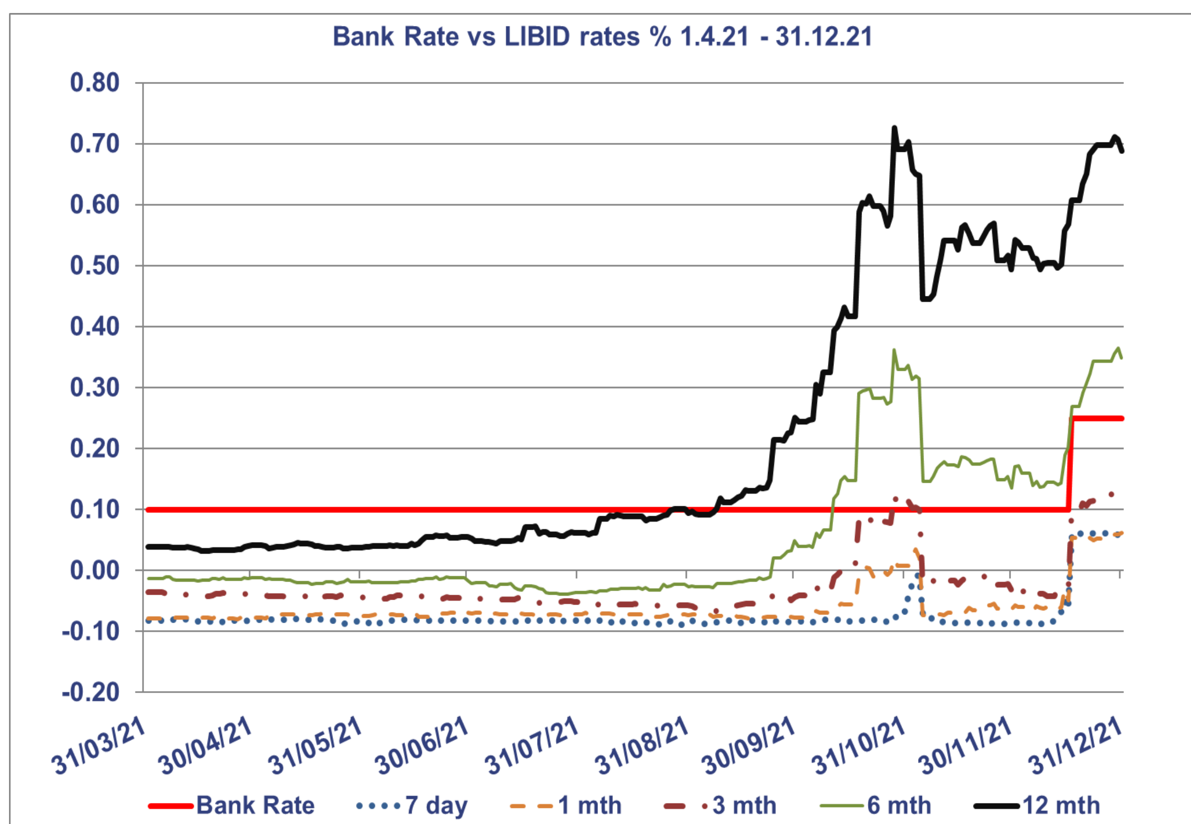
	2020/21 Actual £'000	2021/22 Actual £'000
Investments		
Longer than 1 year	7,673	8,579
Under 1 year	44,581	47,814
Total	52,254	56,393

The exposure to fixed and variable rates on investments was as follows:

	31/3/21 Actual £'000	31/3/22 Actual £'000
Fixed rate	33,240 (64%)	34,770 (62%)
Variable rate	19,014 (36%)	21,623 (38%)

5. THE STRATEGY FOR 2021/22

5.1 Investment strategy and control of interest rate risk



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

The Bank of England and the Government also maintained various monetary and fiscal measures, supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the various lockdowns/negative impact on their cashflow. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates remained low until towards the turn of the year when inflation concerns indicated central banks, not just the Bank of England, would need to lift interest rates to combat the second-round effects of growing levels of inflation (CPI was 6.2% in February).

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

institutions are now far more able to cope with extreme stressed market and economic conditions.

Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing counterparty risk exposure, by having fewer investments placed in the financial markets.

5.2 Borrowing strategy and control of interest rate risk

During 2021/22, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were very low and minimising counterparty risk on placing investments also needed to be considered.

A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Section 151 Officer therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks*:*

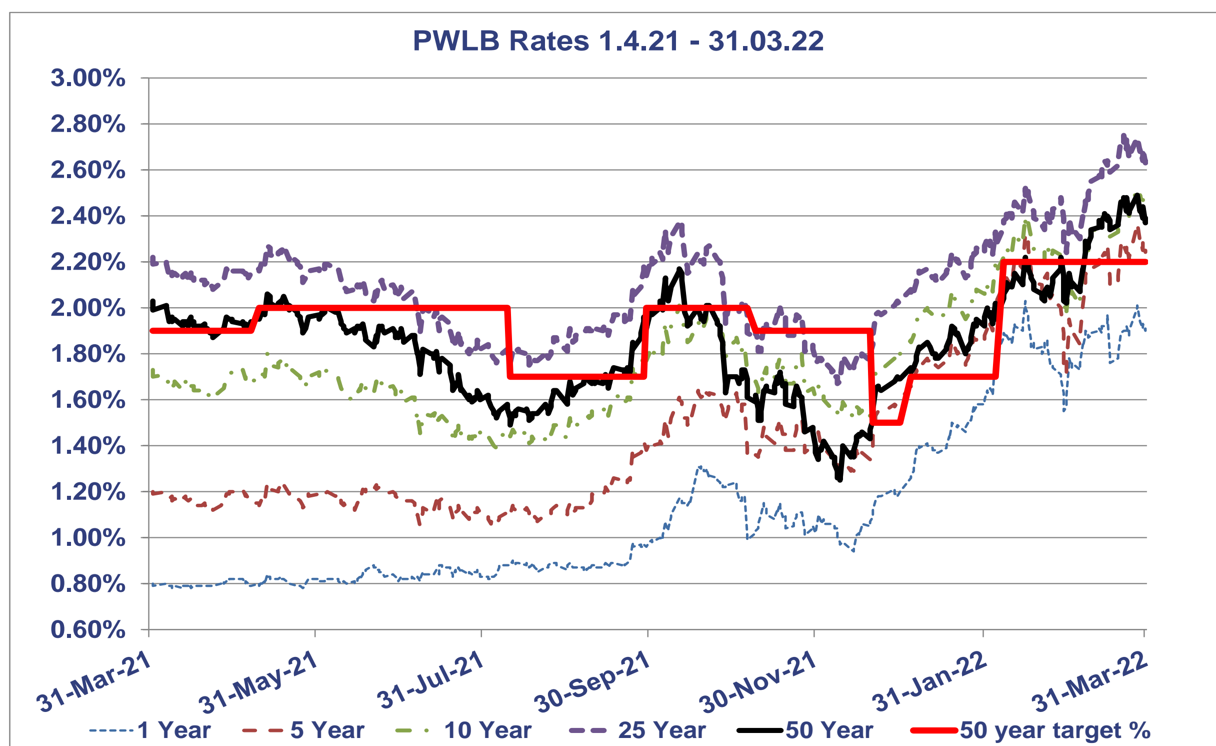
- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

Interest rate forecasts expected only gradual rises in medium and longer-term fixed borrowing rates during 2021/22 and the two subsequent financial years until the turn of the year, when inflation concerns increased significantly.

Internal, variable, or short-term rates, were expected to be the cheaper form of borrowing until well in to the second half of 2021/22.

Interest rate forecasts in the table below expected only gradual rises in medium and longer term fixed borrowing rates during 2021/22 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

Link Group Interest Rate View	7.2.22												
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3 month av. earnings	0.80	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
6 month av. earnings	1.00	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
12 month av. earnings	1.40	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40
5 yr PWLB	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
10 yr PWLB	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
25 yr PWLB	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
50 yr PWLB	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40



PWLB rates are based on gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have seen, over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would

struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. Recently, yields have risen since the turn of the year on the back of global inflation concerns.

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

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

Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)
- 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)

There is likely to be a further rise in short dated gilt yields and PWLB rates over the next three years as Bank Rate is forecast to rise from 0.75% in March 2022 to 1.25% later this year, with upside risk likely if the economy proves resilient in the light of the cost-of-living squeeze. Medium to long dated yields are driven primarily by inflation concerns but the Bank of England is also embarking on a process of Quantitative Tightening when Bank Rate hits 1%, whereby the Bank's £895bn stock of gilt and corporate bonds will be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, is an unknown at the time of writing.

6. Borrowing Outturn

Treasury borrowing – The Council has not undertaken any new Treasury borrowing during the financial year 2021/22.

The Council's external borrowing from the PWLB at 31 March 2022 remained at £67.456m at a fixed rate of 3.48% and matures on 28 March 2062.

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

Rescheduling – No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

7. INVESTMENT OUTTURN FOR 2021/22

Investment Policy – the Council's investment policy is governed by DHLUC guidance, which was been implemented in the annual investment strategy approved by the Council on 3rd March 2021. 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, credit default swaps, bank share prices etc.

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

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 2021**	**31 March 2022**
Balances	25,206	26,954
Earmarked Reserves	11,615	9,737
Major Repairs Reserve	4,356	3,944
Capital Grants and Contributions	3,184	4,152
Usable capital receipts	3,220	4,335
Total	**47,581**	**49,122**

The Council held average treasury investment balances of £51m which were internally managed, achieving an average rate of return of 0.167% compared with the average 3 Month Sterling Overnight Index Average (SONIA) rate of 0.087%.

The Council also held average non-treasury investment balances (excluding equity) of £3.7m. The Council has issued five loans totalling £3.7m to Welland Homes Limited, which is the Council's wholly owned Housing Development Company. These are service loans (classified as long term debtors) and the Council receives interest of 3.5% on these loans which is payable on a quarterly basis. Total interest earned during the year was £130k.

The combined rate of return on all investments averaged 0.39%.

Actual investment interest earned during 2021/22 was £213k against a budget of £194k. This interest was split £193k to the General Fund and £20k to the HRA. This can be attributed to higher interest rates in the market during the second half of the financial year.

8. THE ECONOMY AND INTEREST RATES (Commentary provided by Link Group)

UK. Economy. Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it

left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022.

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

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

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

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

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

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

While inflation has hit the headlines recently, the risk of recession has also been rising. Among the bigger countries, Germany is most likely to experience a

"technical" recession because its GDP contracted in Q4 2021, and its performance has been subdued in Q1 2022. However, overall, Q1 2022 growth for the Eurozone is expected to be 0.3% q/q with the y/y figure posting a healthy 5.2% gain. Finishing on a bright note, unemployment fell to only 6.8% in February.

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

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

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

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

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

Table 6 - General Fund 2021/22 Capital Program and Outturn			
Service Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (Underspend)/ Overspend £'000
ICT Infrastructure	85	100	15
Public Protection Software	15	11	(4)
South Holland Centre Projects	71	82	11
Priory Road Projects	-	21	21
Swimming Pool Boiler	78	89	11
Castle Sports Pool Fire Alarm	31	48	17
West Marsh Road Fire Alarm	13	-	(13)
West Marsh Road Electrical Rewiring	43	-	(43)
Ayscoughfee Hall	186	146	(40)
Temporary Accommodation	20	19	(1)
Spalding Cemetery	159	159	-
Peele Leisure Lighting	19	18	(1)
NSAP Property Acquisitions	277	290	13
RSAP Property Acquisitions	698	662	(36)
Kings Road Land Acquisition	116	11	(105)
Grants for Growth	703	673	(30)
Food Enterprise Zone	2	6	4
South Western Relief Road *		6,508	6,508
Garden Waste	184	240	56
Grounds Maintenance	25	16	(9)
Environmental Services Operational	1,138	1,138	-
Fleet Maintenance Vehicles	38	-	(38)
Disabled Facilities Grants	639	681	42
Decent Homes	75	-	(75)
Welland Homes	28	28	-
Total	**4,643**	**10,946**	**6,303**

Table 6a - General Fund 2021/22 Capital Funding and Outturn			
Service Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (Underspend)/ Overspend £'000
Borrowing	(1,267)	(1,252)	15
Grants & Contributions	(1,419)	(8,142)	(6,723)
Capital Reserves		(685)	(685)
Direct Revenue Financing	(1,957)	(867)	1,090
Total	**(4,643)**	**(10,946)**	**(6,303)**

APPENDIX 'A'

Table 10 - HRA 2021/22 Capital Program and Outturn			
Service Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (Underspend)/ Overspend £'000
Central Heating	942	954	12
Kitchen/Bathroom	1,191	1,167	(24)
Renewable Energy	52	47	(5)
Smoke Alarms	118	108	(10)
Electrical Upgrade	90	115	25
Roofs and Gutters	960	936	(24)
Doors and Windows	7	-	(7)
Chimneys	182	160	(22)
Paths and Drives	43	50	7
Boundary Walls	154	80	(74)
Fees	233	233	-
Sewerage Treatment Plant	33	-	(33)
The Square	11	7	(4)
ICT Strategy / Infrastructure	45	49	4
Housing IT Systems Upgrade	168	168	-
Major Adaptions	623	590	(33)
Sheltered Alarm Upgrade	40	40	-
Housing Repairs Vehicles	50	48	(2)
Grounds Maintenance	7	9	2
Weston Development Scheme	5	5	-
Purchase of Units	6	4	(2)
Wignals Gate S106	392	360	(32)
Albion street Crowland	9	-	(9)
Scheme Subject to detailed approval	342	-	(342)
Total	**5,703**	**5,130**	**(573)**

Table 10a - HRA 2021/22 Capital Funding and Outturn			
Service Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (Underspend)/ Overspend £'000
Capital Receipts	(1,350)	(457)	893
Major Repairs Reserve	(4,353)	(4,673)	(320)
Direct Revenue Financing	-	-	-
			-
Total	**(5,703)**	**(5,130)**	**573**