

REPORT OF: CHIEF FINANCE OFFICER
TO: POLICY AND RESOURCES COMMITTEE
DATES: 17th SEPTEMBER 2020

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TREASURY MANAGEMENT OUTTURN 2019/20

PURPOSE OF REPORT

This report informs the Policy and Resources Committee of the performance of the Council's Treasury Management function for the 2019/20 financial year.

RECOMMENDATION

The Policy and Resources Committee is recommended to note the outturn position on the Council's treasury management activities for 2019/20.

REASON FOR RECOMMENDATION

For the Committee to receive details of the Council's treasury management activities for the financial year 2019/20 in compliance with the Council's Treasury Management Policy.

ISSUE

1. The Council's Treasury Management function is concerned with the management of the Council's debts, investments, cashflow and banking arrangements. These activities are regulated by a variety of professional codes, statute and guidance.
2. This report has been produced to comply with the requirements of the Code of Practice on Treasury Management, as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
3. The Code states that an annual report on the performance of the treasury management function and on the effects of the decisions taken and the transactions executed in the past year and of any circumstances of non-compliance with policy or Treasury Management Practices be presented to Committee.
4. Attached at [Appendix A](#) is the Treasury Management Annual Report for 2019/20. The report sets out details of the Council's borrowing and investment activity for the year. It compares actual performance against estimates included in the approved 2019/20 Treasury

Management Strategy and Annual Investment Strategy, assessing affordability and prudence in terms of the Council's Capital plans and its treasury management activity.

5. In addition it includes economic commentary on the year in respect of factors influencing borrowing and investment rates.
6. Some of the key issues are summarised below:-
 - **Borrowing** – The Council's borrowing was £20.359m at the beginning of the financial year. This increased to £23.359m by the end of the financial year reflecting net additional borrowing of £3.0m. The Council's long-term loan debt is comprised wholly of loans from the Public Works Loan Board (PWLB). This scale of borrowing was within the limits contained in the 2019/20 Annual Treasury Management Strategy as approved by Council in September 2019. The overall cost of debt at 31st March 2020, based on long-term borrowing of £23.359m, was 2.91%.
 - **Borrowing Limits** – The Council's Authorised Borrowing Limit of £35.5m (including £5m separately identified for commercial investments) was not breached during the year, nor was the Operational Boundary of £33.5m (including the same £5m headroom referred to above);
 - **Investments** – The balance of investments at 31st March 2020 was £20.0m (compared to £16.0m at the beginning of the financial year). The investment return achieved for the year was 0.79% which is in line with recognised benchmark returns (e.g. 3 month LIBID rate). The Bank of England reduced the bank rate twice in March 2020 (to which investment returns are closely linked) from 0.75% to 0.25% and again to the current level of 0.10%.
7. In response to the then emerging Coronavirus pandemic, at the special MPC meeting on 19th March 2020 the committee voted unanimously to cut the Bank Rate by a further 15 basis points, down to 0.10%, from the reduction to 0.25% agreed on 11th March 2020. This is likely to impact the revenue budget more significantly in 2020/21.
8. Counterparty risk considerations remained a focus of treasury activity during the year against a backdrop of political and economic uncertainty as the UK continued to negotiate its exit from the EU (BREXIT). As a consequence, the Council's range of counterparties with whom it was authorised to transact with as per the approved 2019/20 Treasury Management Strategy was restricted. During the year investments were limited primarily to other local authorities including the County Council, HM Treasury via the Debt Management Office (DMO), the Council's bankers, Lloyds Bank plc, and the Nationwide Coventry and Leeds Building Societies. In addition, the Council made separate deposits with Santander. No use was made during the year of Certificates of Deposit, Gilts or Treasury bills which remain approved forms of investment.
9. Treasury activity is reported quarterly in the year to the Accounts and Audit Committee. During 2019/20, the Committee received quarterly updates, although the March 2020 meeting was cancelled in the wake of the Coronavirus outbreak.

IMPLICATIONS

Policy

10. This report has been produced in compliance with the requirements of the Council's Treasury Management Policy.

Financial

11. The two key budgets related to the Council's Treasury Management Function are interest payable on external debt (or debt charges) and interest receivable on investments made.
12. The General Fund revised budget for debt charges in 2019/20 was £1,194,570 comprising £702,310 for interest on debt, £476,040 for the Minimum Revenue Provision (MRP) and £16,220 for premia payable as a result of debt restructuring exercises in previous years. Actual debt charges for the year were £1,187,330 (including MRP and premia), an underspend of £7,240 when compared to the budget. This variance relates to the impact of delayed borrowing relative to the timing and value assumptions made when revising the 2019/20 budget estimates.
13. The Approved Budget for interest and investment income for 2019/20 on the General Fund was £221,050 whilst the actual level achieved was £267,470, which includes interest earned from non-treasury management activity eg interest receivable on loan advances.

Legal

14. There are no direct legal implications arising from the contents of this report.

Risk Management

15. Treasury Risk Management is a key element of the Council's Treasury Management Strategy. In the light of this, and in accordance with best practice, the Council's has a specific Treasury Management Practice (TMP) Note specifically covering Treasury Risk Management. In particular, this covers areas such as liquidity risk, interest rate risk and credit/counterparty risk.
16. Given the arrangements the Council currently has in place in relation to Treasury Risk Management, treasury issues do not currently feature on the Council's Risk Register.

Health and Safety

17. There are no health and safety implications arising directly from the contents of this report.

Sustainability Implications

18. There are no sustainability implications arising directly from this report.

Community Safety:

19. There are no community safety issues arising directly from the contents of this report.

Equality and Diversity:

20. There are no equality and diversity implications arising from the contents of this report.

APPENDICES

[Appendix A](#) – Annual Treasury Management Review 2019/20.

LIST OF BACKGROUND PAPERS

None