

		
Audit & Governance Committee		28 January 2021
Report of the Chief Finance Officer		

Scrutiny of Treasury Management Mid year Review and Prudential Indicators 2020/21

Summary

1. Audit & Governance Committee are responsible for ensuring effective scrutiny of the treasury management strategy and policies, as stated in the Treasury Management Strategy 2020/21 approved by full Council on 27 February 2020. The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (“the Code”) stipulates that:
 - There needs to be, at a minimum, a mid year review of treasury management strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved
 - Those charged with governance are also personally responsible for ensuring they have the necessary skills and training.

2. Attached at annex one is the Treasury Management Mid Year Review and Prudential Indicators 2020/21 report as presented to November 2020 Executive. This information provides Members with an update of treasury management activity for the first six months of 2020/21.

Recommendations

3. (a) Audit & Governance Committee note and scrutinise the Treasury Management Mid year Review and Prudential Indicators 2020/21 at Annex 1A

Reason: That those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

Analysis

4. The coronavirus outbreak has clearly had a huge impact on the UK economy and 2020/21 has been an exceptionally challenging year for treasury management due to uncertainty in the financial markets caused by COVID-19 and the Brexit negotiations.
5. In terms of day to day treasury management activity, the impact of additional Government funding at short notice, new responsibilities for paying various grants to businesses on behalf of Government along with the additional expenditure and reduction in income receipts across all services has meant that cashflow has been unpredictable.
6. Short term interest rates for investment opportunities continue to be low and the counterparty list, where the council's surplus funds can be invested, is limited. The average rate of return achieved to date in 2020/21 is lower than in 2019/20 but is higher than the benchmark of LIBID rates and the current Bank Rate of 0.10%. Given the fact that any increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are expected to remain low.
7. As previously identified, cash balances have decreased as profiled and therefore the Council has begun to take on long term debt to finance the Councils capital programme.
8. The Councils long term borrowing started the year at just over £256m. On 5th May 2020 a £5m PWLB loan was repaid taking long term borrowing to £251m. Two new £5m loans were taken on 28th May 2020 and 29th September 2020 taking long term borrowing to £261m as at 30th September 2020.
9. As part of the 1 year Spending Review published on the 20th November 2020 Government announced that they will reform the Public Works Loans Board (PWLB) lending terms to end the use of PWLB for investment property bought primarily for yield. Alongside this the rates were reduced to gilts +100bps for standard rate and gilts +80bps for the certainty rate, reversing the increase that was brought in towards the end of 2019. In future, before borrowing the Council will need to demonstrate that our capital plans do not include any borrowing to buy assets purely for yield. As the Council has not made any investments purely for yield, and has no plans to do so, this has no impact but does ensure that we can continue to access this source of funding to support the capital programme.

Consultation

10. Not applicable

Options

11. It is a statutory requirement under Local Government Act 2003 for the council to operate in accordance with the CIPFA prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice “the Code”. No alternative options are available.

Council Plan

12. Treasury management is an integral part of the council’s finances providing for cash flow management and financing of capital schemes. It aims to ensure that the council maximises its return on investments, (whilst the priority is for security of capital and liquidity of funds) and minimises the cost of its debts. This allows more resources to be freed up to invest in the Council’s priority areas as set out in the council plan. It therefore underpins all of the council’s aims.

Implications

13. The implications are
- Financial – the security of the Councils capital funds is a priority, maximising returns on investments is still key along with minimising the finance costs of debt.
 - Human Resources - there are no human resource implications to this report.
 - Equalities - there are no equality implications to this report.
 - Legal - there are no legal implications to this report.
 - Crime and Disorder - there are no crime and disorder implications to this report.
 - Information Technology - there are no information technology implications to this report.
 - Property –there are no property implications to this report.
 - Other – there are no other implications to this report.

Risk Management

14. The treasury management function is a high-risk area because of the volume and level of large money transactions. As a result of this the Local Government Act 2003 (as amended), the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required.

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		Report approved	x 19.1.21
Specialist Implications Officer(s) None			
Wards Affected:		All	√

For further information please contact the author of this report
Background Working Papers
None

Annexes

1. Treasury Management Mid Year Review and Prudential Indicators 2020/21
2. Annex A to above report – Prudential Indicators 2020/21