
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM:11
DATE OF MEETING:	26th NOVEMBER 2020	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
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SUBJECT:	TREASURY MANAGEMENT UPDATE 2020/21	REF
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM08

1.0 Recommendation

- 1.1 That the latest Treasury Management Update for quarter 2 2020/21 as detailed in **Appendix 1** is considered and approved.
- 1.2 That the updated Counterparty List for investments and bank deposits as detailed in **Appendix 2** is approved.

2.0 Purpose of the Report

- 2.1 To provide an update on the Council's treasury management activities for the second quarter of 2020/21.
- 2.2 To provide an update on external economic factors and how these may affect treasury management in the future.
- 2.3 To report that the counterparty limits were breached on one occasion during quarter 2.

3.0 Detail

- 3.1 The Council is required to manage its treasury activities under the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code).
- 3.2 Alongside this, the Council follows the 2017 Prudential Code which requires a Capital Strategy to be updated and approved.

- 3.3 The aims of the Codes are to ensure that the Council's capital investment plans are affordable and sustainable, that treasury management decisions are taken in accordance with best practice and that financial planning and asset management are integrated into the corporate planning arrangements.
- 3.4 The Council reports the treasury activities quarterly and the Treasury Strategy annually to this Committee. The Capital Strategy was last reported to Council in January 2019.
- 3.5 Details of the treasury activities for quarter 2 are attached in Appendix 1 but a summary of key local information is also contained in the following paragraphs.

Treasury Management Summary

- 3.6 The following table shows the level of cash balances held and the borrowing liability in March 2020 and September 2020.

	31.03.20 Balance £m	Movement £m	30.09.20 Balance £m	Average Rate %
Long-term borrowing:				
Fixed	47,423	0	47,423	3.19%
Variable	10,000	0	10,000	0.48%
Short-term borrowing	28	0	28	0.00%
Total borrowing	57,451	0	57,451	
Long-term investments	4,000	0	4,000	4.44%
Short-term investments	43,371	8,179	51,550	0.01%
Cash and cash equivalents	2,388	3,919	6,307	0.00%
Total investments	49,759	12,098	61,857	
Net borrowing	7,692	12,098	-4,406	

- 3.7 The table above shows that the cash balances have increased in the year, mainly due to additional Government grants received and less capital expenditure due to the pandemic.
- 3.8 Average rates of return on investments is currently very low and there is a risk that interest rates may be negative over the coming months. The CCLA fund is a longer-term investment fund that is currently returning an average of over 4%. The budget does not include a return at this level and therefore it is a benefit in year to the General Fund and HRA.
- 3.9 HRA debt is profiled for repayment over a twenty-year period and money is being set-aside each year in the Debt Repayment Reserve. The profiled repayment is listed in the following table.

	Value £'000	Rate %	Maturity
Variable	10,000	0.92	2021/22
Fixed	10,000	2.70	2023/24
Fixed	10,000	3.01	2026/27
Fixed	10,000	3.30	2031/32
Fixed	10,000	3.44	2036/37
Fixed	7,423	3.50	2041/42
Long-term Borrowing	<u>57,423</u>		

Counterparty Investment Limits

- 3.9 The Council utilises a Treasury Adviser to provide updates on the financial markets and guide on the most secure financial institutions to invest surplus cash with.
- 3.10 A counterparty investment limit is approved by this Committee quarterly and the Council must report any breaches. A summary table is included within Appendix 1 to show the maximum balances on deposit during the quarter.
- 3.11 On 30th September, the S151 Officer was advised that a breach of approved investment limits was due to occur and approved that the counterparty breach was to be contained within the Council's current account with Barclays. This was a one-day breach totaling £279,171.
- 3.12 The counterparty limits have been breached on a couple of occasions during October and November due to the high levels of cash deposits that the Council has accumulated, and a revised counterparty investment list is attached at Appendix 2 which requests increased limits as follows:
- An increased limit from £2m to £3m on Barclays Bank. Although the counterparty list includes Natwest, Royal Bank of Scotland and Ulster Bank within the same category as Barclays, the Council does not have an open account with these three banks.
 - An increase in the number of Money Market Funds from four to seven all at £2m each.

4.0 Financial Implications

- 4.1 As detailed in the report

5.0 Corporate Implications

- 4.1 None directly

6.0 Community Implications

- 6.1 None directly

7.0 Background Papers

- 7.1 Treasury Management in the Public Services Code of Practice
(CIPFA Publication - December 2017)