

COUNCIL

Treasury Management Mid-Year Review 2020/21 16 December 2020

Report of the Chief Finance Officer

PURPOSE OF REPORT

This report seeks Council's consideration of various matters in connection with the Treasury Management Mid-Year Review 2020/21.

Key
Decision

Non-Key Decision

Referral from Cabinet
Member

Date of notice of forthcoming
key decision

This report is Public

RECOMMENDATIONS

That Council:

- (1) Consider the various matters in connection with the Treasury Management Mid-Year Review 2020/21.

1.0 INTRODUCTION

- 1.1 The Council's Treasury Management Activities are regulated the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) issued under the Local Government Act 2003
- 1.2 During 2020/21 the minimum reporting requirements are that the Full Council should receive the following reports:
 - An annual treasury strategy in advance of the year (Council 26 February 2020)
 - A mid-year (minimum) treasury update report (This report).
 - An annual review following the end of the year describing the activity compared to the strategy
- 1.3 In addition, Members will receive treasury management update reports on which are presented to Cabinet and Budget and Performance Panel.

2.0 BACKGROUND

- 2.1 The Mid-Year Review (Appendix A) sets out the performance of treasury operations for the first six months of the 2020/21 financial year in terms of long- and short-term borrowing, investment activities and relevant borrowing limits and prudential indicators.
- 2.2 Under CIPFA's Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) it is a requirement that an information report on these matters be presented to Cabinet and Full Council.

3.0 SUMMARY DETAILS

Investments

- 3.1 The average level of funds available for investment purposes over the six-month period was £41.0M. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept and business rate related payments, the receipt of grants and progress on the Capital Programme.
- 3.2 The Council's investments returned an average rate 0.05% on deposit generating c£51K of interest against a budget of c£54K.

Borrowing

- 3.3 The Council has not undertaken any new borrowing which currently stands at £61.084M. This figure is split between the General Fund (£39.215M) and Housing Revenue Account (£22.869M). All current borrowing is via the Public Works Loan Board (PWLb) and is a mixture of Maturity and Equal Interest & Principal (EIP) loans with interest rates ranging from 3.03% - 7.87%.
- 3.4 Although COVID-19 has impacted the Council's capital programme it may be necessary to undertake some new borrowing during this financial year to deliver on its Priorities and Outcomes. This will be considered when the need arises and will be in consultation with the Council's external advisors.

Changes to Prudential Indicators

- 3.5 In compliance with the Prudential Framework the Council sets an annual Treasury Management Strategy including key indicators, determined under regulation, to assist Members in assessing the affordability of borrowing and in determining that it is prudent and sustainable.

3.6 This table shows the current estimates for the General Fund and Housing Revenue Account capital programmes, compared to the original estimates.

Capital Expenditure by Service	2020/21	
	Original Estimate £m	Quarter 2 Position £m
Communities and Environment	9.57	3.58
Economic Growth and Regeneration	6.26	7.01
Corporate Services	0.28	0.30
Development Pool	13.13	0.30
Total for General Fund	29.24	11.18
Council Housing (HRA)	4.12	3.54
Commercial activities/non-financial investments	16.00	16.00
Total Capital Expenditure	49.36	30.72

3.7 Capital Expenditure by service is in line with figures provided with the published Q2 monitoring (Delivering our Ambitions Q2). The reduction in capital expenditure reflects programmes placed on hold due to COVID-19.

3.8 This table shows the changes in the financing of the capital programmes, and the level of borrowing required.

Capital Expenditure	2020/21	
	Original Estimate £m	Quarter 2 Position £m
Total capital expenditure	49.36	30.72
Financed by:		
Capital receipts	0.57	0.56
Capital grants	12.09	7.56
Capital reserves	4.51	3.27
Revenue	0.00	0.01
Total Financing	17.17	11.40
Borrowing Requirement	32.19	19.33

- 3.9 The Capital Financing Requirement (CFR) measures the Council's underlining need to borrow for capital purpose, i.e. its borrowing requirement. The CFR is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.

Capital Financing Requirement	2020/21	
	Original Estimate £m	Quarter 2 Position £m
General Fund	57.67	45.05
HRA	37.25	37.25
Commercial activities/non-financial investments	30.75	20.93
Total Capital Financing Requirement	125.67	103.23
Net movement in CFR	38.97	-22.45

- 3.10 The table shows that the capital financing requirement (CFR) is £22.42M lower than the original estimate due to the 2020/21 Budget being set prior to the coronavirus outbreak and subsequent lockdowns which have prevented progress and restricted spending on non-urgent works.
- 3.11 A key control over treasury management activity is to ensure that over the medium term, net borrowing (borrowings less investments) will only be for capital purposes. Gross external borrowing should not, except in the short term, exceed the total capital financing requirement.
- 3.12 The table below shows compliance with this control as the Council's external borrowing £61.09M compared to its CFR £103.23M.

External Debt v Borrowing Need (CFR)	2020/21	
	Original Estimate £m	Quarter 2 Position £m
External Debt	62.13	62.13
Other long term liabilities	-1.04	-1.04
Expected Change in Other long term liabilities	33.00	0.00
Total Debt	94.09	61.09
Compared to current :		
Capital Financing Requirement	125.67	103.23
Operational Boundary:-		
Debt	125.67	125.67
Authorised Limit:-		
Debt	142.00	142.00

4.0 CONSULTATION

- 4.1 In accordance with regulations the Treasury Management Mid Year Review 2020/21 has been presented to Cabinet and Budget & Performance Panel.

- 4.2 Consultation has been undertaken with the Council's external Treasury Management Advisors.

5.0 OPTIONS AND OPTIONS ANALYSIS

- 5.1 As the report is for consideration and noting of performance by Council no alternative options are put forward, but Council could make supplementary recommendations regarding any matters arising.

6.0 CONCLUSION

- 6.1 Consideration of Treasury Management Mid-Year Review by Full Council will ensure the Council complies with CIPFA's Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

RELATIONSHIP TO POLICY FRAMEWORK

Treasury Management forms part of the Councils budget framework.
Effective Treasury Management and use of the Councils' resources is fundamental to the delivery of its priorities and outcomes

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

There are no immediate implications for consideration.

LEGAL IMPLICATIONS

There are no legal implications stemming from this report.

FINANCIAL IMPLICATIONS

As this report is for consideration and the noting of performance there are no immediate financial considerations arising.

OTHER RESOURCE IMPLICATIONS

There are no additional resource or risk implications

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has written this report in his role as Chief Finance Officer.

MONITORING OFFICER'S COMMENTS

Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

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