

**EAST STAFFORDSHIRE BOROUGH COUNCIL**

**REPORT COVER SHEET**

Title of Report:	<b>Mid-Year Treasury Management Review Report 2019-20</b>
Meeting of:	Scrutiny (Audit and Value for Money Council Services) Committee
Date:	20th November 2019
Is this an Executive Decision:	NO
Is this a Key Decision:	NO
Is the report Confidential:	NO
If so, please state relevant paragraph from Schedule 12A LGA 1972:	-

**Essential Signatories:**

**ALL REPORTS MUST BE IN THE NAME OF A HEAD OF SERVICE**

Monitoring Officer

Date ..... Signature .....

Head of Service and Chief Finance Officer

Date ..... Signature .....



**EAST STAFFORDSHIRE BOROUGH COUNCIL**

Report to Scrutiny (Audit and Value for Money Council Services) Committee

Date 20<sup>th</sup> November 2019

<b>TITLE:</b>	<b>Mid-Year Treasury Management Review Report 2019-20</b>
<b>PORTFOLIO:</b>	Finance
<b>HEAD OF SERVICE:</b>	Sal Khan
<b>CONTACT OFFICER:</b>	Lisa Turner – Chief Accountant      ext. No. 1399
<b>WARD(S) AFFECTED:</b>	All

**1. Purpose of the Report**

- 1.1 The Council has a duty to comply with the Treasury Management Code of Practice, published by the Chartered Institute of Public Finance and Accountancy. The code requires authorities to present a mid-year report on their treasury management activities. This report fulfils this requirement, providing an update against the Treasury Management Strategy Statement (TMSS), setting out current investment and borrowing portfolios and outlining any other treasury related matters.

**2. Contribution to Corporate Priorities**

- 2.1 By minimising the cost to the Council of borrowing associated with capital spending, whilst at the same time maximising the Council's income from the investment of surplus funds and maintaining the security and liquidity of those funds, this provides underlying support to all corporate priorities.

### **3. Mid-Year Treasury Management Report – Executive Summary**

#### **3.1 An economic update**

3.1.1 Economic growth in the UK has fallen in the first half of 2019/20 as Brexit uncertainty took its toll. The Bank of England have expressed their concerns about the downturn in world growth and the prolonged Brexit uncertainty impacting on the UK economy, which is also mirrored in investor confidence. In light of this the Monetary Policy Committee (MPC) left the bank rate at 0.75% and is expected to hold of any changes until there is more clarity over Brexit.

3.1.2 CPI inflation has been hovering around the Bank of England's target rate of 2% during 2019. It is likely to remain close to the 2% mark over the next few years and so does not pose any immediate concerns. However if there was a no deal Brexit, inflation could rise to 4%, primarily due to imported inflation on the back of a weakening pound. Further information on the economy is set out within section 3 of the attached report.

#### **3.2 A review of the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy**

3.2.1 The TMSS was approved in February 2019 and establishes the Council's investment priorities as being the security of capital, liquidity and the achievement of the optimum returns commensurate with the proper levels of security and liquidity.

3.2.2 Borrowing and investments have been in line with the approved strategy and there have been no deviations. Despite the continued difficult economic conditions the approved strategy remains fit for purpose.

#### **3.3 The Council Investment portfolio for 2019/20**

3.3.1 Investments stood at £36.4m as at 30th September 2019, with a daily average of £37m for the first six months of the year. Despite investment returns being at an historical low, the authority exceeded both the base rate and the average 6 month LIBID in the first half of 2019/20. The investment portfolio includes fixed deposits and call accounts held with a number of UK banks, as well as UK Government Treasury Bills and AAA rated money market funds. These instruments offer significant counterparty strength as well as diversification of the portfolio. Average returns for the first six months stand at 0.82% (0.76% 30th September 2018). This slightly below the level set within the budget of 0.9%, when interest rates were expected to rise, although investment income levels are forecast to exceed the budget due to higher levels of underlying cash balances.

#### **3.4 The Council Borrowing Strategy and debt rescheduling for 2018/19**

3.4.1 The latest forecasts indicate that the Council's Capital Financing Requirement (CFR) or underlying need to borrow is expected to be higher than when the budget was set.

3.4.2 This primarily relates to the latest information in relation to the timing of capital receipts which are partially being utilised (£3.8m) to repay debt and deliver savings to the revenue budget. As set out within the quarterly finance reports, this can largely be mitigated by forecast investment income being higher than anticipated. However, there remains the risk that this could impact on the MTFS in 2020/21 and beyond.

3.4.3 The report highlights that HM Treasury have unexpectedly announced an increase in new PWLB borrowing rates. Whilst at present this council has no plans for external borrowing this change could nevertheless impact on future investment plans.

### 3.5 An update on Treasury and Prudential limits for 2019/20

3.5.1 During the first half of year the council has operated within the treasury limits and prudential indicators set out within the TMSS.

## 4. **Financial Considerations**

*This section has been approved by the following member of the Finance Team: (Lisa Turner).*

4.1 The report is solely related to financial matters.

## 5. **Risk Assessment and Management**

5.1 The main risks associated with this report and the Council achieving its objectives are the same as those contained within the Treasury Management Strategy Statement, these are monitored and managed by the finance team throughout the year.

## 6. **Legal Considerations**

This section has been approved by the following member of the Legal Team: (Angela Wakefield).

6.1 The Local Government Act 2003 requires local authorities “to have regard” to the Prudential Code for capital finance. This report supports this requirement.

## 7. **Equality and Health**

7.1 Equality impacts: The subject of this Report is not a policy, strategy, function or service that is new or being revised. An equality and health impact assessment is not required.

## 8. **Human Rights**

8.1 There are no Human Rights issues arising from this Report.

**9. Sustainability** (including climate change & change adaptation measures)

9.1 There are no related issues within this report.

**10. Recommendation**

10.1 To consider the mid-year Treasury Management Report as set out in Appendix A and make comments and observations to full Council as the Committee sees fit.

**11. Background papers**

11.1 Treasury Management Strategy Statement 2019/20 – approved by full Council on 25th February 2019.

**12. Appendix**

12.1 Mid- Year Treasury Management Report – Appendix A.