

**EAST STAFFORDSHIRE BOROUGH COUNCIL**

**REPORT COVER SHEET**

<b>Title of Report:</b>	Annual Treasury Management Report 2020-21	To be marked with an 'X' by Democratic Services after report has been presented
<b>Meeting of:</b>	Scrutiny Audit and Value for Money Council Services Committee – 24 June 2021	

<b>Is this an Executive Decision:</b>	NO	<b>Is this a Key Decision:</b>	NO
<b>Is this in the Forward Plan:</b>	YES	<b>Is the Report Confidential:</b>	NO
<b>If so, please state relevant paragraph from Schedule 12A LGA 1972:</b>			

**Essential Signatories:**

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

Monitoring Officer: **Angela Wakefield**

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

Chief Finance Officer: **Sal Khan**

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

**EAST STAFFORDSHIRE BOROUGH COUNCIL**

Report to Scrutiny Audit and Value for Money Council Services Committee

24 June 2021

<b>TITLE:</b>	Annual Treasury Management Report 2020/21	
<b>PORTFOLIO:</b>	Leader/Finance	
<b>HEAD OF SERVICE:</b>	Sal Khan	
<b>CONTACT OFFICER:</b>	Geoff Bagnall Principal Accountant	ext. x1131
<b>WARD(S) AFFECTED:</b>	All	

**1. Purpose of the Report**

- 1.1 The Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report. This report fulfils this requirement, providing a review of treasury activities during the year against the approved Treasury Management Strategy Statement (TMSS).

**2. Contribution to Corporate Priorities**

- 2.1 To support all corporate priorities by minimising the cost to the Council of borrowing to finance its Capital Programme, whilst at the same time maximising the Council's income from the investment of surplus funds whilst maintaining the security and liquidity of investments.

**3. Annual Treasury Management Report**

- 3.1 This is one of three Statutory Treasury Management Reports which are required to be presented to Council each year. The attached report covers:

- The strategy for 2020/21 - a summary (Section 3)
- The Council's treasury position as at 31<sup>st</sup> March 2021 (Section 4)

- Borrowing and Investments outturn (Sections 5 & 6)
- An update on the economy and interest rates (Section 7)
- Compliance with treasury limits and prudential indicators (Section 8)
- An update on other treasury matters (Section 9)

3.2 Overall, the Council's treasury management activities during 2020/21 have been in line with the approved strategy. The highlights from the attached report are as follows:

3.2.1 The Council's external borrowing is £11.172m as at 31<sup>st</sup> March 2021. No additional external borrowing was undertaken during the financial year. External loan debt was repaid as individual annuity loan repayments (from PWLB) were due and the balance on all finance leases were repaid in the year.

3.2.2 The Capital Financing Requirement (the under-lying need to borrow) reduced by £1.977m during the year as a result of the statutory minimum revenue provision (MRP), finance lease repayments and the set aside of a capital receipt for debt repayment. This will reduce the cost of borrowing to the revenue budget in future years. This reduction is lower than had originally been anticipated due to the timing of capital receipts that have been committed towards a reduction in the underlying need to borrow. The CFR level (£13.070m) remains above the external borrowing level; this reflects an under-borrowed position which is cost effective in the current market conditions.

3.2.3 Core Investments stood at £45.7m<sup>1</sup> as at 31<sup>st</sup> March 2021. Average returns during the year were 0.21%, exceeding the base rate and other benchmarks, despite our continued cautious low risk approach to investment decisions in the current climate.

3.2.4 The average rate of investment return that was assumed in the 2020/21 budget was 0.65%, which at the time was a very prudent forecast. Due to the Covid-19 Pandemic there have been two emergency cuts to the bank base rate by the Bank of England during March 2020, which means the rate was reduced and has remained at 0.10% for all of 2020/21. The impact is a shortfall of £137k against the investment income budget for the year. The bank rate is not expected to increase in the short to medium term.

#### **4. Risk Assessment and Management**

4.1 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 cover interest rate risk, inflation risk, market/credit risks and liquidity risk.

4.2 These risks are recorded within the risk register and monitored in accordance with the risk strategy.

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<sup>1</sup> Excludes outstanding Icelandic investments.

## **5. Financial Considerations**

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

- 5.1 The report is solely related to financial matters.
- 5.2 Borrowing and investments throughout the year have been managed in accordance with the approved Treasury Management Strategy for 2020-21.

## **6. Legal Considerations**

*This section has been approved by the following member of the Legal Team: Angela Wakefield*

- 6.1 There are no direct significant legal issues arising from this Report. This report meets the requirements under the Local Government Act 2003.

## **7. Equality and Health**

- 7.1 The Report does not involve the public, including staff, or have consequences for them.

## **8. Human Rights**

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

## **9. Recommendation(s)**

- 9.1 To review the Annual Treasury Management Report for 2020-21 (and associated Prudential Code Indicators), and to make any comments or observations to full Council as the Committee may see fit.

## **10. Background papers**

- 10.1 Treasury Management Strategy Statement 2020/21 – approved by full Council on 24th February 2020.

## **11. Appendices**

- 11.1 Annual Treasury Management Report – Appendix A.