

REPORT COVER SHEET

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| Title of Report: | Annual Treasury Management Report 2019-20 | To be marked with an 'X' by Democratic Services after report has been presented |
| Meeting of: | Scrutiny Audit and Value for Money Council Services Committee – 25 th June 2020 | X |
| | Council – 17 th August 2020 | |

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|---|-----|------------------------------------|----|
| Is this an Executive Decision: | NO | Is this a Key Decision: | NO |
| Is this in the Forward Plan: | YES | 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: **Angela Wakefield**

Date Signature

Chief Finance Officer: **Sal Khan**

Date Signature

EAST STAFFORDSHIRE BOROUGH COUNCIL

Report to Council

Date: 17th August 2020

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| TITLE: | Annual Treasury Management Report 2019/20 |
| PORTFOLIO: | Leader/Finance |
| HEAD OF SERVICE: | Sal Khan |
| CONTACT OFFICER: | Lisa Turner – Chief Accountant ext. x1399 |
| WARD(S) AFFECTED: | 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 report was considered by the Scrutiny (Audit and Value for Money Council Services) Committee on the 25th June 2020 and the Committee did not have any comments or observations that they wanted to highlight to Council. The attached report covers:

- The Council's treasury position as at 31st March 2019 (Section 3)
- The strategy for 2019/20 - a summary (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 2019/20 have been in line with the approved strategy. The highlights from the attached report are as follows:

3.2.1 Core Investments stood at £32.7m¹ as at 31st March 2020. Average returns during the year were 0.80%, exceeding the base rate and other benchmarks, despite our continued low risk approach to investment decisions.

3.2.3 When the treasury strategy was adopted the expectation was that the bank rate would stay at 0.75% during 2019/20 as it was not expected that the MPC would be able to deliver on an increase in Bank Rate until the Brexit issue was finally settled. However, there was an expectation that Bank Rate would rise after that issue was settled, but would only rise to 1.0% during 2020. However during March 2020 it was abundantly clear that the coronavirus outbreak posed a huge threat to the economy of the UK. Two emergency cuts in Bank Rate from 0.75% occurred in March, first to 0.25% and then to 0.10%. There is no expectation of a bank rate rise for the foreseeable future and therefore despite a cautious approach to setting the investment income budget for 2020/21, this will be a significant financial pressure moving forward.

3.2.4 The Council's external borrowing stood at slightly in excess of £11m as at 31st March 2020, with a small tranche of annuity loans repaid during the course of the year. This reflects an under-borrowed position, which is cost effective in the current market conditions.

3.2.5 The Capital Financing Requirement (our under-lying need to borrow) reduced during the year as a result both statutory and approved voluntary sums set aside 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. This was highlighted in earlier reports and an established risk within the MTFS for 2020/21.

¹ Excludes outstanding Icelandic investments.

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.

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 2019-20.

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 approve the Annual Treasury Management Report for 2019-20 (and associated Prudential Code Indicators).

10. Background papers

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

11. Appendices

- 11.1 Annual Treasury Management Report – Appendix A.