

<b>Meeting:</b>	<b>Council</b>
<b>Meeting date:</b>	<b>Friday 9 October 2020</b>
<b>Title of report:</b>	<b>2019/20 Treasury Management Outturn</b>
<b>Report by:</b>	<b>Cabinet member finance and corporate services</b>

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

(All Wards);

## **Purpose**

To approve the treasury management outturn for 2019/20.

The 2019/20 net treasury budget outturn was a surplus (underspend) of £0.7m, the main reason being the lower interest cost payable compared to budget, at £0.3m, due to no new additional borrowing being secured in 2019/20.

Cabinet reviewed the outturn at its meeting on 25 June and recommended it for approval.

An annual report is presented to Council in line with the CIPFA's Code of Practice on Treasury Management.

## **Recommendation(s)**

**That:**

- (a) The treasury management outturn for 2019/20, as detailed in appendix 1, be approved.**

## Alternative options

1. There are no alternative options, the council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management. Before the start of every year the Code requires local authorities to produce Prudential Indicators and a Treasury Management Strategy Statement detailing the policies and objectives of the council's treasury management activities for the forthcoming year, report on this performance during the year and the treasury management outturn after the year end. This outturn report compares actual activity to the Council approved strategy's policies and objectives.

## Key considerations

2. Treasury management is where the council manages the cashflow position, through investments and borrowings, with the security of funds being the paramount objective.
3. The net treasury budget outturn was a surplus (underspend) of £0.7m, this is detailed in Appendix 1 and summarised below.

Treasury Management Budget	Budget £m	Outturn £m	Variance £m
Interest receivable	(0.2)	(0.4)	(0.2)
Interest payable	5.7	5.4	(0.3)
Minimum revenue provision (provision for repayment of loan principal)	6.9	6.7	(0.2)
<b>Totals</b>	<b>12.4</b>	<b>11.7</b>	<b>(0.7)</b>

4. The main reason for the underspend being no new borrowing, short or long term, being secured in 2019/20. External borrowing decreased by £7.2m in 2019/20 from £137.5m to £130.3m. The expectation to borrow did not happen following an underspend in capital investment in 2019/20.
5. In addition, during 2019/20 the council's investment balances averaged at £44m. A combination of higher investment balances and higher interest returns, the average interest rate achieved during 2019/20 was 0.82%, delivered an underspend.
6. The council's borrowing strategy is determined each year within the treasury management strategy, which is approved as part of the budget setting process. External borrowing is taken out to support the council's capital programme and borrowing limits are set in accordance with the Prudential Code for Capital Finance in Local Authorities.
7. Appendix 1 provides the detailed outturn report and includes an analysis in line with the CIPFA code of practice on treasury management. Herefordshire Council has adopted the recommendations made in CIPFA's Treasury Management in the Public Services: Code of Practice, which was revised in 2017. One of the clauses (identified in Section 5 of the code) is that full Council will receive reports on treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year; a mid-year review; and an annual report after its close.
8. The Council complied with its Prudential Indicators, Treasury Management Policy Statement and Treasury Management Practices for 2019/20 as detailed in Annex 1

contained in Appendix 1. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

## **Community impact**

9. The effective management of resources enables the council to direct those resources to support corporate plan priorities.
10. In accordance with the code of corporate governance, Herefordshire Council must ensure that it has an effective performance management system that facilitates effective and efficient delivery of planned services. Effective financial management, risk management and internal control are important components of this performance management system. To support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner. Providing a report on the performance of our treasury management activity ensures openness and transparency is maintained.

## **Equality duty**

11. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
12. A public authority must, in the exercise of its functions, have due regard to the need to -
  - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
13. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a factual summary of the performance in 2019/20, we do not believe that it will have an impact on our equality duty.

## **Resource implications**

14. None arising from the recommendations, the outturn report is a factual summary of performance in 2019/20.

## **Legal implications**

15. Regulation 24 of the Local Authorities (Capital Finance and Accountancy) (England) Regulations 2003 states that a local authority shall have regard to the Code of Practice on Treasury Management in the Public Services: published by CIPFA, as amended or reissued from time to time.
16. There are no direct legal implications arising from the recommendations in this report which are not covered in the body of the report. The council has complied with its statutory obligations arising from the Local Government Act 2003, and all relevant CIPFA guidance.

17. The constitution states that approval of the Treasury Management Policy, Treasury Management Practices and prudential indicators including the Minimum Revenue Provision are the function of council. This approval of the outturn forms part of the annual approval process.

## **Risk management**

18. Council approves the treasury management strategy for the year ahead as part of the annual budget setting process which details the risk mitigation processes. Council is then required to approve the treasury management outturn position under financial reporting requirements with monitoring reported to cabinet throughout the year.

## **Consultees**

19. None.

## **Appendices**

Appendix 1 Treasury Management Outturn 2019/20

## **Background papers**

None identified