

## Appendix C Treasury Management Interim Report (31 July 2021)

This report ensures the council demonstrates best practice in accordance with CIPFA's recommendations in their Code of Practice for Treasury Management, by keeping members informed of treasury management activity.

### 1. The UK Economy

- The dominating factor continues to be the Covid-19 pandemic. In order to minimise the risk of transmission, we have seen individuals subjected to 'lockdown', staff working from home, and shops, restaurants and businesses having to cease trading for a period of time. All of this has had a major effect on the UK economy and economies worldwide, and with only those classed as 'essential' retailers being able to sell goods from their shops, there has been a major reduction in consumer expenditure.
- The anticipated releasing of restrictions on 21 June was postponed due to an upsurge in a 'Delta' variant of the virus and the need to have a greater number of people at least partially vaccinated against it. Restrictions were lifted on 19 July, however there are continuing limitations around overseas travel.
- The Bank of England Monetary Policy Committee (MPC) made two emergency rate reductions in March 2020 in direct response to the Covid pandemic, from 0.75% to 0.25% on 11<sup>th</sup> and a further cut to 0.10% on 19<sup>th</sup>. At their meeting of 24<sup>th</sup> June 2021 the consensus was that they expect the UK to recover to pre-Covid levels over this year but that inflation is likely to rise and exceed 3% for a temporary period before easing down to 2%.

### 2. The Council's Investments

2.1 At 31 July 2021 the council held the following investments:

Investment	Term	Maturity Date	Interest Rate	Amount £m
<u>Instant access bank accounts:</u>				
NatWest	N/A	N/A	0.01%	0.96
Handelsbanken	N/A	N/A	0.02%	5.00
<u>Instant Access Money Market Funds:</u>				
Federated	N/A	N/A	0.01%	10.00
Aberdeen Standard	N/A	N/A	0.01%	10.00
Deutsche	N/A	N/A	0.00%	8.79
Blackrock	N/A	N/A	0.01%	9.47
Morgan Stanley	N/A	N/A	0.03%	10.00
Invesco	N/A	N/A	0.01%	5.00
CCLA	N/A	N/A	0.02%	5.00

<b><u>95 Day Notice Bank Accounts:</u></b>				
Santander	N/A	N/A	0.40%	5.00
Natwest	N/A	N.A	0.15%	3.00
Barclays	N/A	N/A	0.15%	5.00
<b><u>Fixed Term Deposits:</u></b>				
Goldman Sachs	181 days	11/08/21	0.18%	5.00
Standard Chartered	94 days	04/10/21	0.10%	5.00
Coventry Building Society	122 days	15/10/21	0.04%	5.00
<b>Total and average interest rate</b>			<b>0.06%</b>	<b>92.22</b>

2.2 The council continues to select counterparties suitable for investment based on the credit worthiness service provided by their treasury advisors, Link Asset Services. The service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies. The modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system to which Capita Asset Services allocate a series of colour coded bands with suggested maximum durations for investments as shown below;

- Yellow 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or part nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

2.3 The council has earned interest on its investments as follows:

Month	Average amount invested		Average rate of interest earned		Amount of interest earned / Forecast £000	Budget £000	(Surplus) /Deficit £'000
	Actual / Forecast £m	Budget £m	Actual / Forecast %	Budget %			
Apr-21	69.0	40	0.11	0.01	6	-	(6)
May-21	76.4	40	0.09	0.01	6	-	(6)
Jun-21	83.3	40	0.08	0.01	5	-	(5)
Jul-21	90.6	40	0.07	0.01	5	-	(5)
Aug-21	40.0	40	0.01	0.01	-	-	-
Sep-21	40.0	40	0.01	0.01	-	-	-
Oct-21	40.0	40	0.01	0.01	-	-	-
Nov-21	40.0	40	0.01	0.01	-	-	-
Dec-21	40.0	40	0.01	0.01	-	-	-
Jan-22	40.0	40	0.01	0.01	-	-	-
Feb-22	40.0	40	0.01	0.01	-	-	-
Mar-22	40.0	40	0.01	0.01	-	-	-
<b>Total</b>					<b>22</b>	<b>-</b>	<b>(22)</b>

2.4 Interest income earned has been higher than budgeted due to the receipt of COVID-19 grants before incurring spend increasing the value of cash balances held and the interest rate received exceeding the expected interest rate.

2.5 In addition to investment income the council earns interest on the provision of loan finance to the waste disposal PFI provider, this is expected to generate loan interest payable to us of £2.1m in 2021/22, this will be recharged through the waste disposal PFI arrangement.

### 3. The Council's Borrowing

#### Short-term borrowing

3.1 The council has a policy of using short-term borrowing (if required) from other local authorities for short-term liquidity needs. Short-term interest rates are significantly below levels available from other sources avoiding a large cost of carry when comparing fixed interest debt to current (variable) investment rates.

3.2 The council can only borrow up to its Capital Financing Requirement, which represents the need to borrow for capital spend, and cannot borrow beyond this to finance the revenue budget. This is approved as part of the budget setting process in the Treasury Management Policy.

3.3 At the end of July 2021 there were no short-term loans outstanding.

#### Long-term borrowing

3.4 At 31 July 2021 the council held long-term borrowing of £126.3m, no new long-term borrowing has been secured since June 2016. Rates are monitored and discussed with our treasury advisors to determine the optimum timing of securing any new long-term borrowing.

3.5 The current capital financing budget position is summarised below:

Summary of Borrowing Budget	Budget	Forecast	(Surplus) /Deficit
	£m	£m	£m
Minimum revenue provision	8.5	8.1	(0.4)
Interest payable on all loans	5.4	5.4	(0)
<b>Total</b>	<b>13.9</b>	<b>13.5</b>	<b>(0.4)</b>

### 4. Summary of forecast outturn

4.1 The current net treasury forecast outturn is expected to be a surplus (underspend) of £0.4m, the main reason being the delayed need to borrow, following lower capital investment in 2020/21 compared to the projected spend in 2020/21.