

EAST STAFFORDSHIRE BOROUGH COUNCIL

REPORT COVER SHEET

Title of Report:	Annual Treasury Management Report 2020-21	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 – 24 th June 2021	
	Council – 28 June 2021	

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

28 June 2021

TITLE:	Annual Treasury Management Report 2020/21	
PORTFOLIO:	Leader/Finance	
HEAD OF SERVICE:	Sal Khan	
CONTACT OFFICER:	Geoff Bagnall Principal Accountant	ext. x1131
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 24th June 2021 and the Committee did not have any comments or observations that they wanted to highlight to Council. The attached report covers:

- The strategy for 2020/21 - a summary (Section 3)

- The Council's treasury position as at 31st 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 31st 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 underlying 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 £45.7m¹ as at 31st 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.

¹ 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 approve the Annual Treasury Management Report for 2020-21 (and associated Prudential Code Indicators).

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.