

**North East Derbyshire District Council**

**Audit Committee**

**2 December 2020**

<b>Treasury Management Update</b>
-----------------------------------

**Report of the Head of Finance and Resources**

This report is public

**Purpose of the Report**

- To update the Audit and Corporate Governance and Scrutiny Committee on the Council's treasury management activities.

**1 Report Details**

- 1.1 This monitoring report details at **Appendix 1** the treasury management activity during the first half year. This is in line with best practice as outlined in the CIPFA Treasury Management Code of Practice.
- 1.2 The treasury management function covers the borrowing and investment of Council money. This includes both the management of the Council's day to day cash position and the management of its long term debt. All transactions are conducted in accordance with the Council's approved strategy and the CIPFA Code of Practice. Good treasury management plays an important role in the sound financial management of the Council's resources.
- 1.4 The Council uses external treasury advisors, Arlingclose Ltd, who provide a range of services which include:
  - Technical support on treasury matters, capital finance issues and the drafting of Member reports;
  - Economic and interest rate analysis;
  - Debt services which includes advice on the timing of borrowing;
  - Debt rescheduling advice surrounding the existing portfolio;
  - Generic investment advice on interest rates, timing and investment instruments;
  - Training events offered on a regular basis.
  - Credit ratings/market information service comprising the three main credit rating agencies.
- 1.5 The 2021/22 suite of Treasury Management Strategies will be presented to the Committee at its next meeting on 20 January 2021. Arlingclose will also be in attendance at this meeting to discuss this and any other matters arising.

## 1.6 Update on Current Activity

In addition to the reporting detailed in Appendix 1, there are two matters that have arisen to report to the Committee:

- 1.7 Investment with Croydon Council - the Committee may be aware that the S151 Officer at Croydon Council recently issued a S114 notice prohibiting all but essential spend. We have a medium term investment of £3m with Croydon but can assure the Committee that following advice from Arlingclose this is at no greater risk than it was prior to the S114 notice being issued and continues to meet the requirements of our Investment Strategy.
- 1.8 Negative Interest Rate Risk – a number of institutions are considering moving to negative interest rates and some have already done so. Currently the Council has no investments affected. This will be closely monitored through our treasury management processes and we will continue to update the Committee accordingly.

## 2 Conclusions and Reasons for Recommendation

- 2.1 The report details the Council's treasury management activities in line with the CIPFA Treasury Management Code of Practice.

## 3 Consultation and Equality Impact

- 3.1 There are no consultation and equality impact implications from this report.

## 4 Alternative Options and Reasons for Rejection

- 4.1 It is considered good practice by the CIPFA Treasury Management Code of Practice that monitoring reports are provided therefore there are no alternative options to consider.

## 5 Implications

### 5.1 Finance and Risk Implications

- 5.1.1 These are considered throughout the report.

### 5.2 Legal Implications including Data Protection

- 5.2.1 Having a Treasury Management Strategy in place complies with the requirements of the Local Government Act 2003 and updated advice and guidance from the Government and CIPFA.

### 5.3 Human Resources Implications

- 5.3.1 These are covered throughout the report.

## 6 Recommendations

- 6.1 That Council note the treasury management activities undertaken during the first half of the year as outlined in Appendix 1.

## 7 Decision Information

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: BDC: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> Please indicate which threshold applies	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>Has the relevant Portfolio Holder been informed</b>	Yes
<b>District Wards Affected</b>	None directly
<b>Links to Corporate Plan priorities or Policy Framework</b>	Providing Excellent customer focussed services

## 8 Document Information

Appendix No	Title
1	Treasury Management Activity
<b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Jayne Dethick – Head of Finance and Resources	(01246) 217078

**Treasury Management Activity April – September 2020/21****PWLB Borrowing**

The Council's total outstanding PWLB debt amounted to £149.541m at 1<sup>st</sup> April 2020. During the first quarters of 2020/21 £0.152m has been repaid to the PWLB so the balance at 30<sup>th</sup> June 2020 is £149.389m. During the current financial year no new loans have been taken out with the PWLB. The profile of the outstanding debt is analysed as follows: -

<b>PWLB Borrowing</b>	<b>Maturity Profile 31 March 2020 £'000</b>	<b>Maturity Profile 30 September 2020 £'000</b>
<b>Term</b>		
12 Months	304	152
1 - 2 years	2,205	2,205
2 - 5 years	10,332	10,332
5 - 10 years	23,377	23,377
10 - 15 years	32,233	32,233
Over 15 years	81,090	81,090
<b>Total PWLB Debt</b>	<b>149,541</b>	<b>149,389</b>

**PWLB Interest**

The interest cost to the Council of the PWLB debt for 2020/21 is shown in the table below. The cost is split between the HRA and General Fund based on the level of debt outstanding within the CFR.

<b>Date</b>	<b>Amount Paid to PWLB £'000</b>
Accrued Interest re 2019/20	(46)
22 <sup>nd</sup> September 2020	108
23 <sup>rd</sup> September 2020	33
28 <sup>th</sup> September 2020	2,135
29 <sup>th</sup> September 2020	363
Accrued Interest re 2020/21	45
<b>Total Paid</b>	<b>2,638</b>

**Temporary Borrowing**

Cash flow monitoring and management serves to identify the need for short term borrowing to cover delays in the receipt of income during the course of the year. During the current year to date short term borrowing from the Council's own bank hasn't incurred any interest charges. At the 30<sup>th</sup> September 2020 the Council had no temporary borrowing in place.

## Temporary Investments

The tables below detail the short term investments made during the first two quarters of 2020/21: -

Bank Name	Duration of Loan	B/Fwd 01/04/20 £000's	Amount Invested 2020/21 £000's	Amount Returned 2020/21 £000's	Balance Invested 30/09/20 £000's	Interest Received 30/09/20 £000's
Santander	Call	3,000	2,003	(5,003)	0	(3)
Handelsbanken	Call	5,000	3	(5,003)	0	(3)
Barclays	Call	0	5,000	(5,000)	0	(0)
NatWest	Call	0	5,001	(5,001)	0	(1)
Federated Fund 3	Call	3,000	3	(3)	3,000	(3)
Federated GBP 3	Call	2,000	3	(3)	2,000	(3)
Aberdeen Standard	Call	5,000	5	(5)	5,000	(5)
CCLA Public Sector Deposit Fund	1 Day Call	5,000	6	(6)	5,000	(6)
Aviva	Call	0	5,003	(3)	5,000	(3)
Invesco	Call	0	5,002	(2)	5,000	(2)
JP Morgan	Call	0	7,000	(3,000)	4,000	(0)
Debt Management Account Deposit Facility	Various	0	33,000	(30,000)	3,000	(0)
Gosport Borough Council	12 Months	1,000	5	(5)	1,000	(5)
Slough Borough Council	1 Year	2,000	8	(8)	2,000	(8)
<b>Total</b>		<b>26,000</b>	<b>62,042</b>	<b>(53,042)</b>	<b>35,000</b>	<b>(42)</b>

## Overnight Investments

The balance of the daily surplus funds can be placed as overnight investments with the Councils bank which is Lloyds. The maximum amount invested with Lloyds in the first quarter of the financial year was £4.964m. There has been no breach of the £5m limit set in the Treasury Management Strategy. For clarity, this limit relates to the amount invested and doesn't include interest accruing as a result.

## Compliance with Treasury Limits

During the financial year the Council continued to operate within the treasury limits set out in the Council's Borrowing and Investment Strategy.

	Actual 2020/21 £'000	Set Limits 2020/21 £'000
Authorised Limit (total Council external borrowing limit)	192,439	199,485
Operational Boundary	187,439	194,485