

CEREDIGION COUNTY COUNCIL

Report to:	Cabinet
Date of meeting:	13th July, 2021
Title:	Treasury Management Performance for 2020/21
Purpose of the report:	To report on the 2020/21 Treasury Management Performance
For:	INFORMATION
Cabinet Portfolio:	Finance & Procurement Services and Public Protection Services
Cabinet Member:	Cllr Gareth Lloyd

1. INTRODUCTION

This report is presented in accordance with the CIPFA Code of Practice on Treasury Management in the Public Services (the code). It is a requirement of the code to report to Cabinet on both the expected treasury activity for the forthcoming year and subsequently the performance of the Council's treasury management activities in that year.

Treasury management is defined by CIPFA as:

“The management of the authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of the optimum performance consistent with those risks.”

2. STRATEGY

The Council's Treasury Management strategy for 2020/21 was approved by Full Council in March 2020.

The Council's Investment Strategy outlined the Council's investment priorities as being security of capital and liquidity, with the aim of achieving the optimum return on investments commensurate with the proper levels of security and liquidity. Generally it was anticipated that investments for core cash flow requirements would be for periods of up to 3 months, but with scope to invest for longer periods (up to 1 year) if surplus investment balances are available.

No new borrowing has been undertaken during 2020/21 as the Council continues to maintain an internal borrowing position which is helping to deliver short term revenue savings.

Covid-19 Pandemic

Due to the outbreak of the Covid-19 pandemic the Corporate Lead Officer for Finance & Procurement (s151 officer), using delegated powers, amended the Treasury Management Strategy to increase the limit for balances held with the Council's corporate banking provider (Barclays) from £7m to £13m. This was to facilitate increased liquidity throughout the crisis. This change to the strategy was still effective at year end.

3. TREASURY ADVISORS

The Council employs Link Treasury Solutions Ltd as the Council's external Treasury advisor on a contract that runs until 31/08/2021.

4. BANKING CONTRACT

The Council has a contract with Barclays for the delivery of banking services, which runs until 29/02/2024.

5. PORTFOLIO POSITION

The Council's debt and investment position at the beginning and end of the year was as follows:

	<u>Principal outstanding at</u>	
	<u>31/03/20</u>	<u>31/03/21</u>
	<u>£m</u>	<u>£m</u>
<u>External Borrowing</u>		
PWLB loans	116.2	110.0
Barclays Market loan	5.8	5.8
WG Repayable Loan funding	0.8	0.8
<i>Total Debt</i>	<u>122.8</u>	<u>116.6</u>
<u>Investments</u>		
In-house	22.5	29.2
<i>Total Investments</i>	<u>22.5</u>	<u>29.2</u>
<i>Net Debt</i>	<u>100.3</u>	<u>87.4</u>

A breakdown of the Council's Investments held at year end is shown in Appendix A and a breakdown of the Council's external debt at year end is shown in Appendix B.

6. INTEREST RATES

Short term interest rates

The Bank of England base rate is currently 0.1% where it has remained since it was reduced to this level in March 2020 at the start of the Covid-19 outbreak.

Our Treasury Advisors view is that rates will remain unchanged at 0.10% for the foreseeable future.

Long term borrowing interest rates

(For new maturity loans excluding PWLB Certainty/Project rate)

The 49½ to 50 year PWLB rate started the year at 2.54% and increased to 2.75% by the 25th November 2020. On the 26th November, upon the conclusion of the PWLB consultation, the Treasury removed the additional 100 basis points (1%) introduced in October 2019 for new PWLB borrowing. From the 26th November 2020 the rate ranged between 1.52% and 2.33% and finished the year at 2.19%.

The 24½ to 25 year PWLB rate followed a similar pattern (including the 1% decrease in November 2020). It started the year at 2.80% and ranged between 1.73% and 3.07% during the year, before finishing the year at 2.39%.

7. BORROWING

During 2020/21 there were two PWLB Maturity loan maturities and no new PWLB Maturity loans taken out, details of which are shown below:

Loan No	Interest Rate	Start Date	End Date	Loan Amount
PWLB Loan Maturities				
475886	8.50%	03-May-95	10-Jul-20	3,110,799
476613	8.00%	30-Nov-95	21-Jul-20	2,000,000

In addition there were various scheduled annuity loan repayments totalling £1.0m.

In budgetary terms, the actual interest paid on external borrowing for 2020/21 was £4.997m compared to the Latest budget of £5.671m, resulting in a favourable variance of £674k.

8. INVESTMENTS

The internally managed investments were invested only with institutions listed in the Council’s approved lending list at the point the investment was made. The Council invested predominantly for short term periods to cover cashflow requirements (e.g. creditor payment runs, payroll runs), but taking advantage of added valuing by investing for longer periods where cashflows allowed. The investment strategy focussed in summary on:

- No investments for longer than a 1 year duration.
- No investments with any counterparty that does not meet a minimum credit rating criteria defined as ‘Green’ by Link with the exception of Government supported banks (defined as ‘Blue’ by Link’)
- Fixed counterparty list (still subject to meeting credit rating criteria) of: Barclays Bank, Lloyds Banking group, HSBC, Nationwide BS, Santander UK, Royal Bank of Scotland group, Coventry BS, Leeds BS, Yorkshire BS,

Skipton BS, Standard Chartered Bank, UBS Ltd, Other Local Authorities and the UK Government DMO Account.

The results of the investments undertaken (all internally managed by the Treasury team) during 2020/21 are as follows:

<u>Average Investment Balances</u>	<u>Rate of Return</u>	<u>Benchmark Return</u> *
Investments - £40.07m	0.12%	0.05%

* Average 7 day GBP LIBOR Rate

In budgetary terms, overall actual investment income was £46k compared with the Latest budget of £58k, resulting in a unfavourable variance of £12k.

9. DEBT RESCHEDULING

No premature repayment of debt or debt rescheduling took place in 2020/21.

10. COMPLIANCE WITH TREASURY LIMITS

During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Management Strategy report.

	Has an Integrated Impact Assessment been completed? If, not, please state why
Wellbeing of Future Generations:	Summary: Not applicable Long term: Integration: Collaboration: Involvement: Prevention:
Recommendation(s):	To note the contents of the report
Reasons for decision:	None required
Overview and Scrutiny:	Considered during the Strategy approval process
Policy Framework:	2020/21 Treasury Management Strategy
Corporate Priorities:	Treasury Management underpins all Corporate Priorities
Financial Implications:	Finance & Procurement Budgets: Investment Income/External interest paid

Statutory Powers: Local Government Act 2003

Background Papers: 2020/21 Treasury Management Strategy report
to Full Council (March 2020)

Appendices: Appendix A - Investment Portfolio
Appendix B - Debt Portfolio

Corporate Lead Officer: Stephen Johnson (Finance & Procurement)

Reporting Officer: Mark Bridges (Service Manager - Projects and Accounts)

Date: 22nd June 2021

INVESTMENTS

DETAILS	VALUE	INVESTMENT	
	£	FROM	TO
<u>Investments held</u>			
Debt Management Account Deposit Facility (DMADF)	1,000,000	24/03/2021	16/04/2021
Debt Management Account Deposit Facility (DMADF)	1,000,000	25/03/2021	19/04/2021
Debt Management Account Deposit Facility (DMADF)	1,500,000	25/03/2021	22/04/2021
Debt Management Account Deposit Facility (DMADF)	1,500,000	25/03/2021	23/04/2021
Coventry Building Society	<u>1,500,000</u>	29/03/2021	30/04/2021
	<u>6,500,000</u>		
<u>Deposits in Barclays Reserve a/c</u>			
Barclays Bank	<u>12,219,037</u>	31/03/2021	-
<u>Deposits in Instant Access Call Accounts</u>			
Nat West Liquidity Select	<u>-10,834</u>	31/03/2021	-
(offset against Nat West Account Below)	<u>-10,834</u>		
<u>Deposits in Notice Account</u>			
Santander 95 Day Notice	4,001,699	31/03/2021	-
Bank of Scotland 32 Day Notice	4,000,000	31/03/2021	-
Nat West 35 Day Notice Account	<u>2,491,392</u>	31/03/2021	-
	<u>10,493,092</u>		
Total Investments as at 31/03/21	<u>29,201,294</u>		

EXTERNAL DEBT

Appendix B

Loan Ref	Repayment Method	Start Date	Maturity Date	Original Interest rate	Balance as at 31/03/21
PWLB Loans					
417195	A	24-Dec-71	02-Dec-31	8.000%	20,415
419325	A	21-Mar-72	02-Dec-31	7.750%	14,318
427730	A	12-Jun-73	02-Jun-33	9.875%	21,070
478179	M	26-Sep-96	31-Mar-56	8.125%	5,000,000
478585	M	10-Dec-96	30-Sep-56	7.500%	3,000,000
480055	M	13-Oct-97	30-Sep-57	6.375%	6,000,000
480689	M	27-Mar-98	30-Sep-52	5.875%	2,000,000
481159	M	20-Jul-98	31-Mar-53	5.500%	3,500,000
490819	M	24-Nov-05	31-Mar-31	4.250%	2,000,000
490981	M	11-Jan-06	31-Mar-51	3.900%	2,000,000
491703	M	07-Jun-06	30-Sep-41	4.350%	2,700,000
491819	M	07-Jul-06	30-Sep-31	4.500%	5,300,000
491837	M	12-Jul-06	02-Jun-39	4.450%	2,000,000
492936	M	20-Feb-07	06-Aug-32	4.550%	6,000,000
493401	M	22-Jun-07	30-Sep-22	5.400%	6,700,000
493733	M	10-Aug-07	30-Sep-37	4.750%	9,551,120
501411	A	10-Jul-12	31-Mar-32	2.860%	1,424,070
501928	A	01-Mar-13	31-Mar-29	2.630%	1,615,795
502054	A	28-Mar-13	06-Feb-33	2.860%	1,532,810
502477	A	13-Aug-13	30-Sep-28	3.110%	1,630,413
502596	M	10-Oct-13	09-Oct-36	4.210%	5,000,000
502827	M	06-Feb-14	10-Jan-25	3.660%	3,000,000
502828	M	06-Feb-14	10-Jan-27	3.840%	2,000,000
502981	A	09-Apr-14	31-Mar-34	3.680%	1,677,051
502982	A	09-Apr-14	30-Sep-28	3.230%	2,299,341
503489	M	25-Nov-14	31-Mar-45	3.670%	5,000,000
503490	A	25-Nov-14	31-Mar-44	3.400%	1,207,212
503728	M	09-Feb-15	31-Mar-60	2.750%	4,000,000
503729	M	09-Feb-15	31-Mar-61	2.750%	4,000,000
504645	A	04-Feb-16	30-Sep-45	2.760%	2,283,223
506318	M	06-Sep-17	01-Sep-28	1.970%	2,000,000
506319	M	06-Sep-17	01-Sep-46	2.560%	6,000,000
507963	M	30-Oct-18	31-Mar-34	2.500%	2,000,000
507964	M	30-Oct-18	30-Sep-48	2.460%	1,800,000
508214	M	13-Dec-18	30-Sep-39	2.520%	2,000,000
509622	M	08-Aug-19	30-Sep-58	1.970%	2,000,000
509623	M	08-Aug-19	30-Sep-34	1.730%	1,800,000
					110,076,838
Market Loan					
BBFRML	M	20-Jun-16	13-Sep-66	3.660%	5,750,000
WG Repayable Loan funding					
HIELPL1	M	06-Mar-15	31-Mar-30	0.000%	556,075
HIELPL2	M	27-Mar-20	31-Mar-35	0.000%	250,000
					806,075
TOTAL					116,632,913

Key
A – Annuity
M - Maturity