

**Eden District Council**  
**Budget Planning Committee**  
**10 November 2020**

**Council**  
**26 November 2020**

## **Treasury Management Strategy and Plan 2020/21 Six-Monthly Review**

<b>Portfolio:</b>	Resources
<b>Report from:</b>	Interim Director of Corporate Services
<b>Wards:</b>	All Wards
<b>OPEN PUBLIC ITEM</b>	

### **1 Purpose**

- 1.1 To provide Members with a half-yearly report on the Strategy and Plan for Treasury Management during the financial year 2020/21.

### **2 Recommendation**

That the report be noted.

### **3 Report Details**

- 3.1 At Council on 27 February 2020, the Treasury Management Strategy Statement for 2020/21 was approved (F11/20). Members should be briefed at least twice a year on the Council's Treasury Management Strategy. The requirement to do this is in line with the CIPFA Treasury Management Code (2018) and is included in the Council's Treasury Management Policy Document (available via the Council's website).
- 3.2 The five year Capital Programme for the period 2020/21 to 2024/25 is currently being prepared, including a review of the profiling of existing approved schemes. Any changes required to borrowing limits will be reflected in the Treasury Strategy for 2021/22, to be approved by Council in February 2021.
- 3.3 There are no other material changes to the Strategy or Plan required following the first six months of 2020/21. All investment activity has been in line with the approved strategy. As already noted, no further borrowing has been required, or is anticipated to be required, to support the Capital Programme.
- 3.4 Detailed reports on treasury activity will be presented to meetings of the Budget Planning Committee and Council. The audit of the Statement of Accounts for 19/20 has not yet been completed and the final outturn against the prudential indicators presented in Appendix A has been prepared using the draft outturn figures which were presented to Executive on 21 July 2020 .

### **4 Policy Framework**

- 4.1 The Council has four corporate priorities which are:
- Sustainable
  - Healthy, Safe and Secure;
  - Connected; and
  - Creative.

4.2 This report supports the sustainable corporate priority.

## **5 Consultation**

5.1 The report is for noting and does not contain any decisions that require wider consultation.

## **6 Implications**

### **6.1 Financial and Resources**

6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2019/23 as agreed at Council on 7 November 2019.

6.1.2 Determining and pursuing a suitable Strategy will ensure that the expected budget income from interest on investments for the year 2020/21 is achieved.

### **6.2 Legal**

6.2.1 There are no Legal implications.

### **6.3 Human Resources**

6.3.1 There are no Human Resources implications.

### **6.4 Statutory Considerations**

<b>Consideration:</b>	<b>Details of any implications and proposed measures to address:</b>
Equality and Diversity	No implications
Health, Social Environmental and Economic Impact	No implications
Crime and Disorder	No implications
Children and Safeguarding	No implications

### **6.5 Risk Management**

<b>Risk</b>	<b>Consequence</b>	<b>Controls Required</b>
The main risks in treasury management are financial ones. These are identified in the Council's Treasury Management Practices and the main risks in these activities are: <ul style="list-style-type: none"><li>• liquidity;</li><li>• markets or investment;</li><li>• inflation;</li><li>• credit and counterparty;</li><li>• legal and regulatory.</li></ul>	Poor practices implemented, diminished interest returns, loss of capital invested, poor liquidity (funds available when required).	The Council's strategies guard against most of these risks.

## **7 Other Options Considered**

7.1 No other options have been considered.

## **8 Reasons for the Decision/Recommendation**

8.1 The reasons for the recommendations are to make any updates required to the approved 2019/20 Treasury Management Strategy to ensure the controls around investment and borrowing activity remain appropriate.

**Background Papers:** Treasury Management Strategy, approved at Council, 27 February 2020, available via the Council agenda, report Reference F11/20  
CIPFA's Treasury Management and Prudential Codes  
Treasury Management Practices document available via the website

**Appendices:** Appendix A - Prudential and Treasury Indicators 2019/20 Outturn

**Contact Officer:** Paul Sutton, Interim Director of Corporate Services, 01768 212207

## Prudential and Treasury Indicators 2019/20 Outturn

### 1. Background

- 1.1 There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Treasury Management Code and Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. Authorities are required to report actual performance against these indicators and this is presented below.

### 2. Gross Debt and the Capital Financing Requirement

- 2.1 This is a key indicator of prudence. In order to ensure that, over the medium term, borrowing will only be for a capital purpose, the Council should ensure that the external borrowing does not, except in the short term, exceed the total of the capital financing requirement (CFR) in the preceding year, plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

Table 1: Gross debt and the Capital Financing Requirement

	2018/19 Actual £000	2019/20 Estimate £'000	2019/20 Actual £'000
CFR closing	375	351	363
Gross Borrowing	28	0	0
Under/over borrowed (-/+)	-347	-351	-363

- 2.2 Table 1 shows that the Council had no difficulty meeting this requirement in 2019/20, nor are there any difficulties envisaged for future years.

### 3. Capital Expenditure

- 3.1 This indicator is set to ensure that the level of proposed capital expenditure is reflected within the Council's Treasury strategy:

Table 2: Capital Expenditure

	2018/19 Actual £000	2019/20 Estimate £'000	2019/20 Actual £'000
Capital Expenditure	1,739	5,733	1,613

The full details of the capital expenditure and the variances against the capital budgets for 2019/20 are included within the capital outturn report (F22/20), presented to Executive on 21 July 2020.

### 4. Ratio of Financing Costs to Net Revenue Stream

- 4.1 This is an indicator of affordability and highlights the revenue implications of capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

- 4.2 The ratio is based on costs net of investment income:

Table 3: Ratio of financing costs to net revenue stream

	<b>2018/19 Actual £000</b>	<b>2019/20 Estimate %</b>	<b>2019/20 Actual £'000</b>
Ratio of Financing Costs to Net Revenue Stream	-3.8%	-5.0%	-5.6%

## 5. Authorised Limit and Operational Boundary for External Debt

- 5.1 The authorised limit and operational boundary set maximum level of external borrowing for the Council. There was no new borrowing during 2019/20; the level of external debt (maximum balance during the period of £28,000) was within these limits (authorised limit £5,351,000, operational boundary £351,000).

## 6. Adoption of the CIPFA Treasury Management Code

- 6.1 This indicator demonstrates that the Council has adopted the principles of best practice. The Council approved the adoption of the CIPFA Treasury Management Code for 2019/20.

## 7. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- 7.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on net principal outstanding sums (fixed rate debt net of fixed rate investments).
- 7.2 The indicators provide freedom to manage the portfolio in line with the needs of the Council and the instruments available in the market. Borrowings were all fixed interest instalment type loans. Investments were a mixture of fixed and variable instruments.

Table 4: Interest rate exposure

<b>Interest Rate Exposures</b>	<b>2018/19 Actual £000 %</b>	<b>2019/20 Actual £000 %</b>	<b>2019/20 Estimate £000 %</b>
Upper Limit for Fixed Interest Rate Exposure on Debt	100	100	100
Upper Limit for Fixed Interest Rate Exposure on Investments	-100%	-100	-100
<b>Net Fixed Exposure</b>	<b>0%</b>	<b>0%</b>	<b>0</b>
Upper Limit for Variable Interest Rate Exposure on Debt	0	0	100
Upper Limit for Variable Interest Rate Exposure on Investments	-100%	-100	-100
<b>Net Variable Exposure</b>	<b>-0%</b>	<b>-0%</b>	<b>0</b>

## 8. Maturity Structure of Fixed Rate Borrowing

- 8.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular, in the course of the next ten years.
- 8.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment. The total level of external debt outstanding at 31 March 2020 was £0, so this is not judged to present a significant risk in terms of cash flow.

Table 5: Maturity structure of external borrowing

<b>Maturity Structure of Fixed Rate Borrowing</b>	<b>At 31/3/19</b>	<b>At 31/3/20</b>	<b>Lower Limit for 2020/21</b>	<b>Upper Limit for 2020/21</b>
Under 12 months	100%	0%	0%	100%
12 months and within 24 months	0%	0%	0%	100%
24 months and within 5 years	0%	0%	0%	100%
5 years and within 10 years	0%	0%	0%	100%
10 years and above	0%	0%	0%	100%

## 9. Upper Limit for Total Principal Sums Invested over 364 Days

- 9.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Table 6: Sums invested for more than 364 days:

	<b>2018/19 Actual £000</b>	<b>2019/20 Limit £'000</b>	<b>2019/20 Actual £'000</b>
Upper Limit for total principal sums invested over 364 days	4,355	7,000	4,199