

# Mid-Year Treasury Performance 2019/20

Cabinet

Date: 4<sup>th</sup> December 2019

---

Author: Cabinet Member for Finance, Education and Skills  
Corporate Director of Finance and Assets (Section 151 Officer)

Wards: All

Parishes Affected: All

---

## 1. Purpose and Reasons

- 1.1 This report sets out the mid-year Treasury Management performance for 2019/20.
- 1.2 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.

## 2. Recommendations

Cabinet is recommended to:

- 2.1 Note the mid-year Treasury Management performance.

## 3. Detail

- 3.1 The CIPFA Treasury Code of Practice recommends that Treasury Management performance is reported at least twice a year. This report sets out the mid-year performance for the Council to the end of September 2019.
- 3.2 The Treasury Management Strategy Statement, (TMSS), for 2019/20 was approved by this Council on 21<sup>st</sup> February 2019 (Council minute 85 refers). There are no policy changes to the TMSS.
- 3.3 The Council is involved in two types of treasury activity, both of which are affected by the economic environment:
  - 3.3.1 Borrowing **long-term** (greater than 1 year) for capital investment purposes, and **short-term** (less than 1 year) for temporary cash flow purposes;
  - 3.3.2 Investment of surplus cash.
- 3.4 The performance in respect of each of these two activities is summarised below.

Borrowing
- 3.5 The Council has taken out 3 new long term Public Works Loan Board (PWLB) loans in the first 6 months of this financial year.

# Mid-Year Treasury Performance 2019/20

Cabinet

Date: 4<sup>th</sup> December 2019

- 3.6 In addition to long-term borrowing, the Council also undertakes short-term borrowing in order to smooth out peaks and troughs in its daily cash flow. As at the 30<sup>th</sup> September 2019, the Council had £7m worth of short-term borrowing. It should be emphasised that as short-term borrowing is undertaken in respect of daily cash flow activities, this figure can fluctuate significantly from day to day dependent on income received or payments due out.
- 3.7 The Council's total long-term borrowing increased from £326.3m on 31<sup>st</sup> March 2019 to £340.5m on 30<sup>th</sup> September 2019. This was due to a combination of £750k of loans maturing plus £15m of new loans having been taken out. The overall average long-term borrowing rate has dropped by 0.07% to 3.29% from the 1<sup>st</sup> April 2019 position. The table below provides more details of these new loans.

NEW LOANS					
Lender	Date of Loan	Principal	Type	Interest Rate	Maturity
PWLB	12/6/19	£5.00m	Fixed interest rate	1.94%	14 years
PWLB	12/6/19	£5.00m	Fixed interest rate	1.99%	15 years
PWLB	5/9/19	£5.00m	Fixed interest rate	1.48%	15.5 years
<b>Total</b>		<b>£15.00m</b>		<b>1.80%</b>	<b>14.8 years</b>

- 3.8 There is a significant further long-term borrowing requirement to fund the capital programme and any further loans will be taken out in accordance with the approved Treasury Management Strategy taking into account prevailing interest rates and future projections.
- 3.9 On the 9<sup>th</sup> October the Government announced an immediate increase of 1% on the cost of borrowing from the PWLB. As a result other sources of funding may be more cost effective in the future and the Council will consider all appropriate options to meet borrowing requirements.

## Investments - Lending

- 3.10 As at the 30<sup>th</sup> September 2019, total investments stood at £51.59m. The average investment balance over the 6 months was £57.34m returning an average rate of **1.84%**.
- 3.11 There are three main categories of investment:
- 3.11.1 Liquid Investments – investments that are accessible with no penalty and are used primarily to smooth the peaks and troughs in the Council's daily cash flow. These include money market funds, instant access accounts, short notice deposit accounts and any balances in our own bank account. The average balance on these funds was £12.3m over the first 6 months of the year achieving an average investment rate of 1.00%.

# Mid-Year Treasury Performance 2019/20

Cabinet

Date: 4<sup>th</sup> December 2019

3.11.2 Fixed Term investments – these are locked in for a specific period of time. These investments are made with banks for a fixed term up to 2 years. The average balance of these investments over the first 6 months was £29.8m, achieving an average rate of 0.98% comparing favourably with the benchmark 3 Month LIBOR rate of 0.76%.

3.11.3 Local Authority Property Fund (“LAPF”) - £15m is invested in this fund with an average rate of return of **4.23%** over the 6 months to September 2019.

3.11.4 The LAPF gives local authorities an exposure to a diversified portfolio of commercial property throughout the UK and its objectives are to generate long-term growth in capital and an attractive income over time (5 years or more). The trustees of the fund are the Local Authorities' Mutual Investment Trust (LAMIT), a body controlled by representatives of the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers' Superannuation Committee and investors in the Fund.

3.11.5 The Council also has 1 investment property that is held within the general property portfolio. The rental income is shown within the property budget.

3.12 The Council's overall debt and investment position as at 30<sup>th</sup> September 2019 compared with 31<sup>st</sup> March 2019 is shown in the table below:

## Analysis of Borrowing and Investments

<b>BORROWING PORTFOLIO</b>	31-Mar-19 Principal	Rate/ Return	Average Life yrs.'	30-Sep-19 Principal	Rate/ Return	Average Life yrs.'
Fixed rate funding:	£m			£m		
-PWL	£296.25	3.26%	17.7	£310.50	3.19%	17.0
-Market	£30.00	4.30%	30.6	£30.00	4.30%	30.1
<i>Of which</i>				£m		
-HRA	£115.53			£115.53		
-General Fund	£210.72			£224.97		
<b>Long Term Borrowing</b>	<b>£326.25</b>	<b>3.36%</b>		<b>£340.50</b>	<b>3.29%</b>	
PFI liabilities	£49.56			£49.56		
<b>Total long term debt incl. PFI</b>	<b>£375.81</b>			<b>£390.06</b>		
-Short Term Borrowing	£15.00	0.90%	0.2	£7.00	0.63%	0.1
Total Investments	(£45.70)	2.06%		(£51.59)	0.96%	
<b>Net Borrowing</b>	<b>£315.11</b>			<b>£345.47</b>		

Further information on the subject of this report can be obtained from Ian Burbidge on Direct Dial No.07769 281 641, or Email [imburbidge@swindon.gov.uk](mailto:imburbidge@swindon.gov.uk).

# Mid-Year Treasury Performance 2019/20

Cabinet

Date: 4<sup>th</sup> December 2019

---

## Compliance with Treasury Limits

- 3.13 During the 2019/20 Financial Year to date, all Treasury activity has been carried out within the Council's Treasury limits and Prudential Indicators, as set out in the Council's Treasury Management Strategy.

## Housing Revenue Account (HRA) current position

- 3.14 The table below provides a summary of the HRA debt position together with the estimated debt and reserves position as at 31/3/19. The HRA budget assumes a £5m repayment of its outstanding loans at the end of March 2019. The HRA loans attract interest at 3.32%. HRA reserves attract interest based on the pooled investment income rate for the entire Council portfolio.

HRA INDICATORS	31-Mar-19 Original £m	30-Sep-19 Actual £m
HRA CFR 31st March	£109.02	£109.02
HRA Average investment balance	£19.00	£16.48
Number of HRA dwellings	10,300	10,287
<b>Debt per dwelling</b>	<b>£10,584.47</b>	<b>£10,597.84</b>

- 3.15 Members will be aware that HRA borrowing should be carried out in a prudent manner.

## **4. Alternative Options**

- 4.1 Any alternative options for specific areas are set out within the report.

## **5. Implications, Diversity Impact Assessment and Risk Management**

### Financial and Procurement Implications

- 5.1 These have been reflected in the body of the report.

### Legal and Human Rights Implications

- 5.2 All legal and human rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with Convention rights.

# Mid-Year Treasury Performance 2019/20

Cabinet

Date: 4<sup>th</sup> December 2019

---

## All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 There are no such direct implications.

## Diversity Impact Assessment (DIA)

- 5.4 There is no impact on DIA associated with management of the Councils cash balances.

## Risk Management

- 5.5 There are no direct risks arising from this report.

## **6. Consultees**

- 6.1 The Corporate Director of Finance and Assets (Section 151 Officer)s and Chief Legal Officer (Monitoring Officer) are consulted in respect of all reports.

## **7. Background Papers**

- 7.1 None

## **8. Appendices**

- 8.1 None

## **9. Key Decision/Decision in Cabinet Work Programme and Forward Plan**

- 9.1 This is not a key decision and is included in the Cabinet Work Programme / Forward Plan for December 2019.