

# Mid-Year Treasury Performance 2020/21

**Cabinet**

**Date: 2<sup>nd</sup> December 2020**

---

Author: Cabinet Member for Commercialisation, Education and Skills  
Corporate Director of Finance and Assets

Wards: All

Parishes Affected: All

---

## **1. Purpose and Reasons**

- 1.1 This report sets out the mid-year Treasury Management performance for 2020/21.
- 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 that the original report was presented to and noted by the Audit Committee on the 27th October 2020 as part of the scrutiny process.
- 2.2 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 2020.
- 3.2 The Treasury Management Strategy for 2020/21 was approved by this Council on 20th February 2020 (Council minute 80, 2019/20 refers).
- 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 1 new long term loan of £10m for a period of 3 years from the West of England Combined Authority at a rate of 1.68%. This replaced a maturing long

# Mid-Year Treasury Performance 2020/21

Cabinet

Date: 2<sup>nd</sup> December 2020

term loan from PWLB that had been taken out on the 4/11/13 at a rate of 2.79% and provided a saving of £111k per year.

- 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 30th September 2020, the Council had £5m 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 decreased slightly from £350.8m on 31st March 2020 to £350.2m on 30th September 2020. This was due to a combination of £10.6m of maturing loans plus £10m of new loans having been taken out. The overall average long-term borrowing rate has reduced by 0.08% to 3.16% from the 31st March 2020 position. The table below provides more details of these new loans.

Table 1 – New Long term loans

Lender	NEW LOANS				
	Date of Loan	Principal	Type	Interest Rate	Maturity
West of England Combined Authority	29/05/2020	£10.00m	Fixed interest rate	1.68%	3 years
<b>Total</b>		<b>£10.00m</b>		<b>1.68%</b>	<b>3 years</b>

- 3.8 There is a 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.

## Investments - Lending

- 3.9 As at the 30th September 2020, total investments stood at £64.0m. The average investment balance over the 6 months was £82.2m returning an average rate of 0.49%.
- 3.10 There are three main categories of investment:
- 3.10.1 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 ("call") accounts, short notice deposit accounts and any balances in our own bank account. The average balance on these funds was £49.5m over the first 6 months of the year achieving an average investment rate of 0.07%.

# Mid-Year Treasury Performance 2020/21

Cabinet

Date: 2<sup>nd</sup> December 2020

3.10.2 Fixed Term investments – (Primarily with Local Authorities) – these are locked in for a specific period of time. These investments are made with other local authorities for a fixed term up to 2 years. The average balance of these investments over the first 6 months was £18.5m, achieving an average rate of 0.58% comparing favourably with the benchmark 3 Month LIBOR rate of 0.06%.

3.10.3 Local Authority Property Fund (“LAPF”) - £15m is invested in this fund with an indicative rate of return of **3.89%** over the 6 months to September 2020.

3.10.4 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.

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

3.11 The Council’s overall debt and investment position as at 30th September 2020 compared with 31st March 2020 is shown in the table below:

Table 2 – Treasury Investment Portfolio

TREASURY INVESTMENT PORTFOLIO				
Treasury investments	31/03/2020		30/09/2020	
	£m	%	£m	%
Local authorities	12.0	21%	20.0	31%
Call Accounts	10.0	18%	10.0	16%
Money market funds	20.0	35%	20.0	31%
<b>Total managed in house</b>	<b>42.0</b>	<b>74%</b>	<b>50.0</b>	<b>78%</b>
Property funds	14.7	26%	14.0	22%
<b>Total managed externally</b>	<b>14.7</b>	<b>26%</b>	<b>14.0</b>	<b>22%</b>
<b>Total treasury investments</b>	<b>56.7</b>	<b>100%</b>	<b>64.0</b>	<b>100%</b>

# Mid-Year Treasury Performance 2020/21

Cabinet

Date: 2<sup>nd</sup> December 2020

Table 3 - Treasury Borrowing Portfolio

TREASURY BORROWING PORTFOLIO						
	31-Mar-20 Principal £m	Rate/ Return %	Average Maturity, Years	30-Sep-20 Principal £m	Rate/ Return %	Average Maturity, Years
<b><u>Long Term Borrowing (Fixed rate)</u></b>						
- Local authorities	0.0			10.0	1.68%	2.66
- Other Financial Institutes	31.0	4.16%	21.8	31.2	4.14%	17.06
- PWLB	319.8	3.15%	17.1	309.0	3.16%	16.84
<i>of which</i>						
- HRA	104.0			104.0		
- General Fund	246.8			246.2		
<b>Total long term borrowing</b>	<b>350.8</b>	3.24%	17.3	<b>350.2</b>	3.16%	16.59
PFI liabilities	47.6			47.6		
<b>Total long term debt incl. PFI</b>	<b>398.4</b>			<b>397.8</b>		
<b><u>Short Term Borrowing</u></b>						
- Local authorities	24.5	1.13%	0.5	5.0	1.15%	0.00
<b>Gross debt</b>	<b>422.9</b>			<b>402.8</b>		
<b>Total investments</b>	<b>(56.7)</b>	<b>1.87%</b>		<b>(64.0)</b>	<b>0.38%</b>	
<b>Net debt</b>	<b>366.2</b>			<b>338.8</b>		

## Compliance with Treasury Limits

- 3.12 During the 2020/21 Financial Year to date, with the exception of the detail outlined below 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.
- 3.13 On the 27th March and 1st April the Government transferred at short notice additional grants of £9.4m and £31m respectively as part of the emergency response package to deal with Covid19. Due to the existing levels of deposits the Council had to temporarily increase the level placed with an individual counterparty above the established £20m limit, up to 14<sup>th</sup> April. The Council proceeded to select and approve additional counterparties to manage exceptional cashflows in the future.

Further information on the subject of this report can be obtained from Ian Burbidge on Direct Dial No. 07769 281641 or Email [iburbidge@swindon.gov.uk](mailto:iburbidge@swindon.gov.uk)

# Mid-Year Treasury Performance 2020/21

Cabinet

Date: 2<sup>nd</sup> December 2020

---

## Housing Revenue Account (HRA) current position

- 3.14 The table below provides a summary of the HRA debt position together with the debt and reserves position as at 31/3/20. The HRA budget assumes a £5m repayment of its outstanding loans at the end of March 2021. The HRA loans attract interest at 3.32%. HRA reserves attract interest based on the pooled investment income rate for the entire Council portfolio.

Table 4 – HRA Portfolio

HRA Portfolio		
	31/03/2020 (£m)	30/09/2020 (£m)
HRA CFR 31st March	104.0	104.0
HRA Average investment balance	22.5	20.0
Number of HRA dwellings	10,299	10,257
Debt per dwelling	£10,100	£10,141

## **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.

### Climate Change Impact

- 5.3 The proposals would not bring a change in service delivery and Officers believe that there is no expected effect on the Council's carbon footprint.

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

- 5.4 There are no such direct implications.

### Diversity Impact Assessment

- 5.5 A Diversity Impact Assessment (DIA) has not been done as this report does not make any new recommendations that would affect services.

# Mid-Year Treasury Performance 2020/21

**Cabinet**

**Date: 2<sup>nd</sup> December 2020**

---

## Risk Management

5.6 There are no direct risks arising from this report.

## **6. Consultees**

6.1 The Corporate Director of Finance and Assets (s151 officer) 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 2020.