REPORT OF THE CORPORATE COMMITTEE No. 1, 2020/21

COUNCIL 16 November 2020

Chair: Councillor Isidoros Diakides	Deputy Chair: Councillor Zena Brabazon

INTRODUCTION

1.1 This report to Full Council arises from the report on the Treasury Management 2019/20 Outturn, considered by the Corporate Committee at their meeting on the 30th July 2020. The report provides an update on the Council's treasury management activities and performance in the year to 31st March 2020 in accordance with the CIPFA Treasury Management Code of Practice.

1.2 Overall responsibility for the Council's treasury management remains with Full Council and the Council approved the Treasury Management Strategy Statement on 25 February 2019. The Corporate Committee is responsible for monitoring treasury management activity and we monitor this through the receipt of quarterly reports.

SUMMARY

Treasury Management 2019/20 Outturn

2.1 We considered a report on the Treasury Management 2019/20 Outturn, which provided an update on the Council's treasury management activities and performance in the year to 31st March 2020, in accordance with the CIPFA Treasury Management Code of Practice. The Treasury Management Outturn report indicated that the Council had not breached any of its treasury management or prudential indicators in 2019/20. The presentation covered the general definition of treasury management, borrowing, investments, roles and responsibilities and the key aspects of the outturn report. We noted that all treasury activities were undertaken in line with the approved Treasury Management Strategy.

2.2 At 31st March 2020 the Authority held £531.7m of loans, (an increase of £142.9m from 31st March 2019), we noted that this increase was part of the authorities strategy for funding previous and current years' capital programmes, including the Council's programme for building 1000+ new Council homes.

2.3 We were advised that the Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and a wide-ranging consultation had been launched on the PWLB's future direction. The key announcement was a reduction in the margin on new HRA loans to 0.80% above equivalent gilt yields. This would equate to a discount of 1% below the rate at which the authority usually borrowed from the PWLB.

2.4 We sought assurances around contrasting figures in the report on the rate of return on investments. In response, officers clarified that the average rate of return on investments across the year was 0.7% and that other figures may refer to a snapshot at a particular period in time. In response to further questions, the Committee noted that the average rate of return on investments was lower than the cost of inflation and that this had been the case for a number of years. We were advised that this was the same for most authorities, as well as individual investors during this period

2.5 In response to a discussion around the possibility of the Council being able to use additional income from investments to offset pressures on the revenue budget, we were advised that any chance of developing a saving to the Council by increasing the income on investments had effectively been wiped out by decreasing interest rates. In response to further questions, we noted that the Council should meet its income target for the year for investments, but there was very little chance of exceeding it.

2.6 We also sought clarification around the nature of loans to third parties including local charities, referred to in this report. In response, we noted that the balances in the report were largely historical and that any loan that was not repaid would become a cost to the General Fund.

WE RECOMMEND

That Full Council note the Treasury Management 2019/20 Outturn as attached.