

Committee:	Cabinet	Date:	9 July 2020
Title:	Treasury Management Outturn 2019/20		
Portfolio Holder:	Portfolio Holder for Finance and Budget		
Report Author:	Angela Knight, Assistant Director - Resources aknight@uttlesford.gov.uk	Key decision:	No

Summary

1. The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code).
2. Treasury risk management at the Authority is conducted within the framework of the CIPFA Code, which requires the Authority to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. The attached report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
3. The Authority's treasury management strategy for 2019/20 was approved at a meeting on 28 February 2019. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remain central to the Authority's treasury management strategy.
4. Treasury Management is the activity of the Council's finance function which manages cash flows, bank accounts, deposits, investments and borrowing. The objective is to manage risk effectively in order to ensure the security of funds, sufficient liquidity to enable commitments to be met, to generate income and minimise cost.

Recommendations

5. The Cabinet is recommended to approve the 2019/20 Treasury Management Outturn attached as Appendix A

Financial Implications

6. These are included in the body of the report and the associated Appendices

Background Papers

7. None

Impact

8.

Communication/Consultation	CMT have been consulted
Community Safety	N/A
Equalities	N/A
Health and Safety	N/A
Human Rights/Legal Implications	N/A
Sustainability	N/A
Ward-specific impacts	N/A
Workforce/Workplace	N/A

Situation

9. Treasury management is defined as: “The management of the local 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 optimum performance consistent with those risks.”
10. The Council’s treasury management activity is underpinned by CIPFA’s Code of Practice on Treasury Management (“The Code”), which requires local authorities to produce annual Prudential Indicators and a Treasury Management Strategy on the likely financing and investment activity.
11. The Treasury Management Strategy is approved by the Council as part of the annual budget setting process. Monitoring reports relating to investments are submitted to the Cabinet as part of the quarterly budget monitoring process.
12. The Council is supported in its treasury management activity by our independent financial advisers Arlingclose Limited.
13. All responsibility for decision making rests with the Council. Under the Council’s constitution the Director of Finance and Corporate Services and the Assistant Director of Resources are authorised to make investment and borrowing decisions in line with the Treasury Management Strategy and the Treasury Management Practices – Principles and Schedules approved by the Council.
14. The Treasury Management Outturn Report is attached as Appendix A and provides more detail on the performance of Treasury Management from both the external and internal context. The report also compares actual in year activity to the 2019/20 Strategy set as part of the approved budget in February 2020.

15. Total net borrowing at 31 March 2020 was £106.4 million and a breakdown of this has been set out in the table below;

31 March 2020	Balance £m
Housing Revenue Account	82.4
Pheonix Loan for Aspire (CRP) Ltd investment	10
Total Long Term Borrowing	92.4
Short Term Borrowing	24.5
Total Borrowing	116.9
Short Term Investments	10
Cash and Cash Equivalents	0.5
Total Investments	10.5
NET BORROWING	106.4

16. The following table sets out the investment income and interest charges for the investments and borrowing treasury activities for 2019/20.

Investment Income and Interest Charges 2019/20		£'000
General Fund		
Investment Income		(2,167)
Interest charges		417
Broker Fees		10
Net Total - General Fund		(1,740)
Housing Revenue Account		
Investment Income		(13)
Interest charges		2,624
Net Total - HRA		2,611

17. The average rate of interest achieved for short term investments was 0.53% and for short term borrowing was 0.76% for the 2019/20 financial year.

18. A full list of all the short term investments and borrowing for the year are detailed in appendix B.

19. The council has two long term loans;

- Housing Revenue Account - £82.407million outstanding balance (initial loan £88.407 million) to fund the purchase of the council's housing stock; this is a mix of fixed and variable rate loans. The annual interest payment is £2.604 million with a current annual principal repayment of £2.000 million.

- General Fund - £37 million forward starting loans with Phoenix Life Limited at a fixed rate of 2.86% over 40 years, with no principal repayments until 5 January 2022 to fund part of the investment of £47.25 million in Aspire (CRP) Ltd. The loan profile is set to be drawn down in three separate stages:
 - £10 million on 3 July 2017
 - £12 million on 3 July 2020
 - £15 million on 3 July 2021

20. The council's long term investments relate to the loan to Aspire (CRP) Ltd for the purchase of the 50% share of Chesterford Research Park and the ongoing development of the park. The table below provides details of the investments to date;

Drawdown Date	Amount £'000	Loan Term	Interest Rate %	Loan Basis	Annual Interest Receivable £'000
03/05/2017	47,250	50 years	4	Interest only	1,890
26/03/2018	223	49 years 1 month	4	Interest only	9
02/01/2019	2,518	48 years 4 months	4	Interest only	101
20/08/2019	3,000	20 years	4.5	Principal and interest	135
09/06/2020	1,250	Ends on 20/08/2039	4.5	Principal and interest	56

21. The additional funds to Aspire (CRP) Ltd are for the refurbishment and refit of unoccupied building/s.

Risk Analysis

22.

Risk	Likelihood	Impact	Mitigating actions
Loss of councils funds	1 – minimal risk due to the policy, procedures and guidance in place	4 – significant sums	multi-function/level checking, authorisation and monitoring of all activities

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.