

REPORT OF **Finance Manager & Section 151 Officer**

To: **Full Council**

Subject: **Annual Report on Treasury Management 2020-21**

Date: **20th September 2021**

PURPOSE OF REPORT:

To report on the treasury management activity in the year and actual prudential indicators for 2020/21.

1. INTRODUCTION

The Council has adopted the CIPFA Code of Practice in Treasury Management in the Public Sector, which requires that a report should be presented on Treasury Management activity for the previous financial year. This report also includes the actual Prudential Indicators for the year.

2. REPORT

Background

The Council operates its treasury management service in compliance with the code and other statutory requirements. These require that the prime objective of the treasury management activity is the effective management of risk, and that borrowing activity is undertaken on a prudent, affordable, and sustainable basis.

Impact of Covid-19

The Bank of England Base Rate was cut from 0.75% to 0.25% on the 11th March 2020.

A further cut was subsequently made on the 19th March 2020, reducing the base rate to 0.1%.

These cuts were prior to the year and therefore have significantly impacted the council's return on investments for 2020/21.

In 2019/20 £116K of interest was earned, which fell to £31K in 2020/21 (a reduction of £85K). This reduction in rates will impact the current year (2021/22) even more as longer term placements have expired, resulting in a further decline in interest received to around £11K (a reduction of £20K).

On top of this, in 2019/20 the council earned £31K interest on its current account. Our current account pays 0.1% below the bank of England Base Rate, which equates to £0 for last year (2020/21 a loss of £31K), this is expected to remain the case for 2021/22.

This totals an further reduction in interest of £20K for 2021/22.(or £136K compared to pre-pandemic interest rates).

Performance for the year 2020/21

The average rate of return achieved by the Council on its short term investments was 0.24% which compared with 1.05% in 2019/20.

The return from short term investments in 2020/21 was £31k, which compared with a return of £116k in 2019/20.

As at the 31st March 2021 the Council had short term investments of £7m lodged with financial institutions, the comparable figure for the 31st March 2020 being £6m.

During 2020/21 the Council repaid £153k of long term Public Loans Board debt, the balance outstanding at the close of 2020/21 being £661k.

The Prudential indicators for the year are attached at Appendix 1.

3. Implications

Legal Implications

There are no specific legal implications

Financial Implications

All treasury management activity carries a level of risk, but adherence to the approved strategy minimises this. However, minimising risk needs to be balanced with the income generated and the expenditure incurred through treasury management activities.

The Council's treasury strategy can be best summarised in order of priority as

- Security of investment
- Liquidity
- Return on investment.

The Council employs Link Asset Services as its external Treasury advisors.

Human Resource Implications

There are no specific substantiality implications

Equality / Diversity

There are no specific equality / Diversity issues

Risk Management

The risk that borrowers may default is minimised by adherence to the Treasury Management Strategy, the credit rating of counter parties being checked prior to making the investments, all financial institutions with which the Council contracts are UK registered and have a Fitch F1 rating.

Compliance with Policies and Strategies

The report fits in within the Council's Treasury Management framework.

Lead Member View

Date of Consultation 6th September 2021 - Councillor Hodson

Torridge District Council has fulfilled its obligations in accordance with Treasury Management Code of Practice. The Prudential Indicators show the impact on the Council's financial position and provide re-assurance that risks are being managed and activity has been undertaken within agreed limits.

4. CONCLUSIONS

Returns on the Council's investments remain low, as the Bank of England has maintained its policy of low interest rates.

5. RECOMMENDATIONS

To comply with the requirements of the CIPFA Code of Practice in Treasury Management in the public sector; Members are asked:

- To note the Treasury Management Report for 2020/21
- To note the actual Prudential Indicators for 2020/21

SUPPORTING INFORMATION

Consultations:	Date of Consultation – 06 September 2021 Officers Consulted – Chief Executive Finance Manager and S151 Officer Head of Legal and Governance (& Monitoring Officer)
Contact Officer:	Peter Hudson – Senior Capital Accountant & Deputy S151 Officer
Background Papers:	Prudential Indicator calculations