

BRECKLAND DISTRICT COUNCIL

Report of: Maxine O'Mahony, Executive Director Strategy & Governance

To: Governance and Audit Committee 17th December 2020

Author: Alison Chubbock, Chief Accountant

Subject: Annual Report on the Treasury Management Service and Actual Prudential Indicators 2019/20

Purpose: The Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2019/20. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

Recommendation(s):

Recommend to Full Council:

- 1) To approve the actual 2019/20 prudential indicators within this report;
- 2) To note the Treasury Management stewardship report for 2019/20 at Appendix B and Appendix C

1.0 BACKGROUND

- 1.1 During 2019/20 the minimum reporting requirements were that Governance and Audit Committee should receive the following reports:
- An annual treasury strategy in advance of the year (Governance and Audit Committee 15th February 2019)
 - A mid year (minimum) treasury update report (Governance and Audit Committee 16th January 2020)
 - An annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

To support Members scrutiny role, Member training on treasury management takes place annually. 2019/20 training took place on 3rd October 2019.

An update from Link Asset Services, the Councils Treasury Management Advisors, on the economy and interest rates as at 31st March 2020 is attached to this report.

As reported to Audit Committee 14th December 2018 and 15th February 2019, new guidance was implemented in 2018/19 effective in full from 1st April 2019. The Council's Treasury Management Policies and Prudential Indicators were more closely aligned to the Council's Capital strategy and were amended to include both a definition of and a schedule of

financial and non-financial investments. New indicators were added to the Treasury Management Strategy for 19/20 to ensure the same robust procedures for the consideration of risk and return are applied to both financial and non-financial investments. These new indicators are therefore reported on in this outturn report.

Based on the time delay since 31st March 2020, the Link Services narrative as at 30th March 2020 is included at Appendix A which was the update at that time. However, the mid year report also being presented to this committee contains more up to date information on the latest forecast from Link.

2.0 OVERALL TREASURY POSITION AT 31ST MARCH 2020

During 2019/20, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2018/19 Actual £m	2019/20 Estimate £m	2019/20 Actual £m
Actual capital expenditure	5.031	6.439	4.579
Capital Financing Requirement (CFR):			
Net borrowing	Nil	Nil	Nil
External debt	Nil	Nil	Nil
Investments			
• Longer than 1 year	0.027		0
• Under 1 year	<u>23.379</u>		<u>23.828</u>
• Total	<u>23.406</u>		<u>23.828</u>

NB: The 19/20 investments total excludes loans to Breckland Bridge which fall outside of the treasury reporting requirement. These loans enhance the Council's investment return. (Further details in Appendix B).

Other prudential and treasury indicators can be found at Appendix B. The Executive Director Commercialisation also confirms that no borrowing was undertaken for a capital purpose and the statutory borrowing limit (the authorised limit) was not breached.

The financial year 2019/20 continued the challenging investment environment of previous years; low investment returns and higher levels of counterparty risk. At 31 March 2020, the Council's external debt was Nil (Nil at 31 March 2019) and its investments totalled £23.828m (£23.406 at 31 March 2019).

3.0 OPTIONS

- 3.1 Recommend to Full Council to approve the actual 2019/20 prudential indicators within the report and note the treasury management stewardship report for 2019/20.
- 3.2 Make changes before recommending to Full Council to approve the actual 2019/20 prudential indicators within the report and note the treasury management stewardship report for 2019/20 as presented and make changes.

4.0 **REASONS FOR RECOMMENDATION(S)**

4.1 To meet the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

5.0 **EXPECTED BENEFITS**

5.1 The Council is required through regulation to report the outturn position for last year. By approving the outturn report, this will ensure the Council has confirmed compliance with regulations and has identified the starting position for treasury activity in the forthcoming year.

6.0 **IMPLICATIONS**

In preparing this report, the report author has considered the likely implications of the decision - particularly in terms of Carbon Footprint / Environmental Issues; Constitutional & Legal; Contracts; Corporate Priorities; Crime & Disorder; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Transformation Programme; Other. Where the report author considers that there may be implications under one or more of these headings, these are identified below.

6.0 **Constitutional & Legal**

6.1.1 Local Government Act 2003

6.2 **Corporate Priorities**

6.2.2 This is a report required by regulation and is financial in nature

6.3 **Financial**

6.3.1 This is a report required by regulation and is financial in nature

6.4 **Reputation**

6.4.1 This is a report required by regulation and is financial in nature

6.5 **Risk Management**

6.5.2 Risks are included in the report and appendices

6.6 **Stakeholders / Consultation / Timescales**

6.6.2 This is a report required by regulation and is financial in nature

7 **ACRONYMS**

7.2 CIPFA – Chartered Institute of Public Finance & Accountancy

7.3 CFR – Capital Financing Requirement

7.4 MHCLG – Ministry for Housing, Communities & Local Government

7.5 LIBID – London Interbank Bid rate

7.6 MRP – Minimum Revenue Provision

7.7 PFI – Public Finance Initiative

Background papers:- None

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Key Decision: No

Exempt Decision: No

This report refers to a Mandatory Service

Appendices attached to this report:

Appendix A – The economy and interest rates (as at 30/3/2020)

Appendix B – Annual Report on the Treasury Management Service 2019/20 (Incorporating Outturn Prudential Indicators)

Appendix C - March 2020 Treasury Performance Report