

# Financial Resilience Sub- Committee



<b>Title:</b>	<b>Agenda</b>	
<b>Date:</b>	<b>Monday 13 July 2020</b>	
<b>Time:</b>	<b>10.30 am</b>	
<b>Venue:</b>	<b>Facilitated by Microsoft Teams</b>	
<b>Full Members:</b>	<p style="text-align: right;"><b>Chair</b> Ian Houlder</p> <p><u>Conservative Group (2)</u> Ian Houlder Elaine McManus</p> <p><u>The Independent Group (1)</u> Victor Lukaniuk</p>	
<b>Substitutes:</b>	<u>Conservative Group (1)</u>	Robert Nobbs
<b>By Invitation</b>	Sarah Broughton	<b>Portfolio Holder for Resources and Performance</b>
<p style="text-align: center;"><b><i>Note: This Sub-Committee is not governed by the normal Access to Information rules (The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012) in the Council. Therefore, these meetings are not open to attendance by the public.</i></b></p>		
<b>Quorum:</b>	Three Members	
<b>Committee administrator:</b>	<p><b>Christine Brain</b> Democratic Services Officer (Scrutiny) <b>Tel:</b> 01638 719729 <b>Email:</b> <a href="mailto:christine.brain@westsuffolk.gov.uk">christine.brain@westsuffolk.gov.uk</a></p>	

# Agenda

***Note: Whilst these agenda papers are not covered by the normal Access to Information Rules (see agenda front), where items are listed as containing exempt/confidential information, members of the Sub-Committee are requested to treat them as such.***

**1. Substitutes**

Any Member who is substituting for another Member should so indicate, together with the name of the relevant absent Member.

**2. Apologies for Absence**

**3. Minutes**

**1 - 4**

To confirm the minutes of the meeting held on 18 November 2019 (copy attached.)

**4. Annual Financial Resilience Report (2019-2020)**

**5 - 14**

Report No: **FRS/WS/20/001**

**5. Financial Resilience - June 2020**

**15 - 18**

Report No: **FRS/WS/20/002**

**6. Dates of Future Meetings**

The following dates for future meetings of the Sub-Committee are listed below. All dates are Mondays starting at 10.30 am as indicated:

- 9 November 2020; and
- 18 January 2021.

# Financial Resilience Sub-Committee



**Minutes** of a meeting of the **Financial Resilience Sub-Committee** held on **Monday 18 November 2019** at **10.30 am** in the **Mayor's Parlour (FR1-12), West Suffolk House**, Western Way, Bury St Edmunds IP33 3YU

Present: **Councillors**

**Chair** Ian Houlder

Richard Alecock

Victor Lukaniuk

**In attendance:**

Sarah Broughton, Cabinet Member for Resources and Performance

8. **Substitutes**

No substitutions were declared.

9. **Apologies for Absence**

No apologies for absence were received.

10. **Minutes**

The minutes of the meeting held on 15 July 2019 were confirmed as a correct record and signed by the Chair.

11. **Treasury Management - September 2019**

Prior to presenting the report, the Service Manager (Resources and Performance) introduced Ben Fiske (Projects and Capital Manager) who managed the Council's Treasury Team and would be attending future meetings.

The Sub-Committee received Report No: **FRS/WS/19/004**, which reported on the treasury management activities for the period 1 April 2019 to 30 September 2019.

The total amount invested at 1 April 2019 was £42,750,000 and at 30 September 2019 it was £46,900,000.

The 2019-2020 Annual Treasury Management and Investment Strategy Statements approved on 19 February 2019, sets out the Council's projections for the current financial year. The budget for investment income for 2019-2020 was £142,141 which was based on a 0.90% target average rate of return on investments.

At the end of September 2019, interest earned during the first six months of the financial year amounted to £194,249 (average rate of return 0.793%) against a profiled budget for the period of £71,070 (average rate of return 0.90%) creating a budgetary surplus of £123,179. The surplus related to higher than expected cash balances due to slippages in the Capital programme and favourable interest rates secured on investments carried over from the previous councils.

As at the end of September 2019, a total of £14.5m had been borrowed internally from available cash balances. This had meant the Council had not had any additional borrowing over the long-term £4m Barclays loan.

The report also included assumptions on borrowing for the capital projects included within it, alongside the current £4m external borrowing in respect of the previous Newmarket Leisure Centre building. This new borrowing requirement was based around three specific projects, as per their agreed business cases:

- West Suffolk Operational Hub, Bury St Edmunds
- Mildenhall Hub
- Investing in our Growth Fund.

The report also included a summary of the capital borrowing budget for 2019-2020; a summary of capital borrowing for quarter two; borrowing and income – proportionality; current borrowing and other market considerations (central government's announcement on 9 October 2019 to raise the margin applied to Public Works Loans Board (PWLB) loans by 1%).

At the beginning of the year it was assumed that the council would need to borrow £63.4m for investments. However, the forecasted borrowing assumption had decreased to £39m for the financial year 2019-2020.

The Sub-Committee scrutinised the report in detail and asked a number of questions to which comprehensive responses were provided.

Councillor Victor Lukaniuk referred to the summary of capital borrowing table and suggested the word "investments" be replaced with "borrowing", so the row at the bottom of the tables reads "total value of *borrowing*", as he felt how it was currently worded was misleading.

In response to a question raised regarding the PWLB loan increase, members were informed that even with the 1%, the councils business cases were still valid as contingencies had been built-in, just in case there was a change in interest rates.

Officers explained that the reason for Central Government increasing the margin applied to PWLB was to curtail councils from borrowing. The council was lobbying the Treasury for the creation of a separated source of funding with a reduced rate for projects that would deliver a bended return of regeneration and social and economic factors, such as the councils development plans for Western Way.

Councillor Victor Lukaniuk felt the council needed to be careful with borrowing as the income margins were small.

Officers explained that the council's strategy was to invest in its communities but also needed to understand the financial considerations/risk. Therefore, each business case developed for a project was considered on a case by case basis and was done so on a prudent basis with risks articulated within those business cases.

It was then proposed by Councillor Ian Houlder, seconded by Councillor Victor Lukaniuk, and with the vote being unanimous, it was:

**RECOMMENDED:**

**That the Treasury Management Report (September 2019), being Report No: FRS/WS/19/004, be approved.**

**12. Dates of Future Meetings**

The Sub-Committee **noted** the date(s) for future meetings, as listed below. All dates were Mondays starting at 10.30 am and would be held in the venues, as indicated:

- 20 January 2020 at Mildenhall

The meeting concluded at 11.30 am

**Signed by:**

**Chair**

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# Annual Financial Resilience Report 2019-2020

<b>Report No:</b>	<b>FRS/WS/20/001</b>	
<b>Report to and dates:</b>	<b>Financial Resilience Sub Committee</b>	13 July 2020
	<b>Performance and Audit Scrutiny Committee</b>	30 July 2020
	<b>Council</b>	29 September 2020
<b>Cabinet Member:</b>	Councillor Sarah Broughton Cabinet Member for Resources and Performance <b>Tel:</b> 07929 305787 <b>Email:</b> <a href="mailto:sarah.broughton@westsuffolk.gov.uk">sarah.broughton@westsuffolk.gov.uk</a>	
<b>Lead officer:</b>	Gregory Stevenson Service Manager – Finance and Performance <b>Tel:</b> 01284 757264 <b>Email:</b> <a href="mailto:gregory.stevenson@westsuffolk.gov.uk">gregory.stevenson@westsuffolk.gov.uk</a>	

**Decisions Plan:** This item is included in the Decisions Plan.

**Wards impacted:** All Wards

**Recommendation:** It is recommended that, the Financial Resilience Sub-Committee:

- (1) **Notes the Annual Financial Resilience Report – 2019/2020; and**
- (2) **Makes recommendations as appropriate via the Performance and Audit Scrutiny Committee to Cabinet and Council.**

**1. Annual Report 2019 – 2020**

1.1 The purpose of this report is to report on the Investment Activities of West Suffolk Council from 1 April 2019 to 31 March 2020.

**1.2 Interest Earned from Treasury Investments during the year**

1.3 The 2019/20 Annual Treasury Management and Investment Strategy Statements (TMS/SE/19/002/PAS/FH/19/007 approved 19 February 2019) sets out the Council’s projections for the current financial year. The budget for investment income in 2019/20 was £142,141 which was based on a 0.90% target average rate of return on investments.

1.4 At the end of March 2020 interest actually earned during the financial year amounted to £389,892 (average rate of return of 0.828%) against a budget for the year of £142,141 (average rate of return of 0.90%); a budgetary surplus of £247,751.

1.5 The table below summaries the interest earned and the average rate of return achieved and compares with the LIBOR 3 month average at 31 March 2020.

<b>INTEREST EARNED &amp; AVERAGE RATE OF RETURN SUMMARY</b>			
<b>Investment Category</b>	<b>Total Average Investment</b>	<b>Average Rate of Return (%)</b>	<b>Interest Earned</b>
Temporary Investments (Term Deposits)	1,625,666	0.807%	161,747
Lloyds 95 Day Account	2,412,223	1.014%	28,933
Santander 365 Day Account	8,000,000	1.150%	92,252
Santander 180 Day Account	1,000,000	0.950%	9,526
Santander 95 Day Account	500,000	0.850%	4,262
Lloyds Treasury Account	5,426,798	0.629%	33,869
Barclays Deposit Account	5,287,021	0.452%	23,984
Local Authorities	4,543,379	0.768%	20,928
CCLA	3,601,036	0.756%	14,391
<b>Total Overall Average Return on Investments %</b>			<b>0.828%</b>
<b>Total Interest Earned - 1 April 2019 to 31 March 2020</b>			<b>£389,892</b>
<b>LIBOR 3 month Average</b>			<b>0.652%</b>



1.6 The table below summarises the investment activities during the period:

<b>TREASURY MANAGEMENT – INVESTMENT ACTIVITY SUMMARY</b>	
	<b>2019/20</b>
<b>Opening Balance 01 April 2019</b>	<b>42,750,000</b>
Investments made during the year (including transfers to business reserve accounts)	123,400,000
<b>Sub Total</b>	<b>166,150,000</b>
Investments realised during the year (including withdrawals from business reserve accounts)	136,250,000
<b>Closing Balance 31 March 2020</b>	<b>29,900,000</b>

1.7 The table below shows the list of investments held as at 31 March 2020:

<b>Investments held as at 31 March 2020</b>				
<b>Counterparty</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Date Loaned</b>	<b>Date Returned</b>
Lloyds 95 Day Account	2,400,000	0.45%	01/04/19	notice
Santander 365 Day Acc	8,000,000	1.15%	01/04/19	notice
Santander 180 Day Acc	1,000,000	0.95%	01/04/19	notice
Santander 90 Day Acc	500,000	0.85%	01/04/19	notice
Lloyds Treasury Account	6,000,000	0.65%	05/04/19	call
Barclays Deposit Account	6,000,000	0.45%	01/04/19	call
CCLA Money Market Fund	6,000,000	0.90%	03/09/19	call
<b>TOTAL</b>	<b>29,900,000</b>			

- *Note: No fixed term deposits were held at 31 March 2020*

## **2. Borrowing and Capital Costs - Affordability**

2.1 The 2019/2020 Budget had, assumptions on borrowing for capital projects included within it. This borrowing was based around three main projects:

- West Suffolk Operational Hub
- Mildenhall Hub
- Investing in our Growth Fund

There is also the long-standing £4.0m loan relating to the Newmarket Leisure Centre and £2.29m of internal borrowing relating to the purchase of the Toggam Solar Farm.

2.2 The details of these Budgets is laid out below:

<b>SUMMARY OF CAPITAL BORROWING BUDGET 2019/2020</b>			
<b>Project</b>	<b>External Borrowing Requirement (Budget + 18/19 C/Fwd)</b>	<b>Servicing Costs</b>	
		<b>Minimum Revenue Provision (MRP)</b>	<b>Interest Payable</b>
Investing in our Growth Fund	£27,211,713	£316,500	£144,000
Mildenhall Hub	£18,391,029	£0*	£0*
West Suffolk Operational Hub	£7,436,208	£72,000	£79,000
Newmarket Leisure Centre (FHDC)	£4,000,000	£113,000	£169,600
Toggam Solar Farm	£0**	£91,000	£51,000
20 High St Haverhill	£0**	£49,300	£14,000
113 High St Newmarket	£0**	£24,930	£5,000
Olding Road DHL Depot	£0**	£197,750	£32,000
Vicon House, Western Way	£3,375,059	£46,500	£105,000
Unallocated Capital	£3,000,000	£75,000	£82,500
<b>Total borrowing and associated servicing costs</b>	<b>£63,414,009</b>	<b>£985,980</b>	<b>£682,100</b>
<b>% of Gross Revenue Income Budget ***</b>		<b>2.1%</b>	<b>1.4%</b>

\* Mildenhall Hub will not be completed within 2019/20. Borrowing costs are not planned until the site is active.

\*\* Business cases assessed on the basis of borrowing. These purchases were made in 2018/19 using available cash reserves. A full year of MRP is budgeted but interest only from the planned borrowing date of January 2020.

\*\*\* Referred to as Net Revenue Budget in previous reports and capital strategy – title amend to make relationship to West Suffolk gross revenue income budget (£52.0m) clearer.

2.3 The affordability of borrowing and capital costs is a key metric in our financial planning and resilience assessments. Current and future financial affordability and resilience to such costs is key when evaluating any new opportunities. As set out in the approved West Suffolk Capital Strategy we are using the % of the Gross Revenue Income Budget for both MRP and Interest Payable to assess the Councils affordability position. In other words, how much (in % terms) of our gross revenue income budget is committed to servicing our external debt.

2.4 The position on each of these projects for the full year of 2019/20 is as below:

<b>SUMMARY OF CAPITAL BORROWING FOR 2019/20</b>				
<b>Project</b>	<b>External Borrowing</b>	<b>Use of Available Revenue Reserves (in place of External Borrowing)</b>	<b>Minimum Revenue Provision (MRP)</b>	<b>Interest Payable</b>
Investing in our Growth Fund	£0	£4,601,877	£22,392	£0
Mildenhall Hub	£0	£11,119,696	£0	£0
West Suffolk Operational Hub	£0	£9,643,115	£59,611	£0
Newmarket Leisure Centre (FHDC)	£4,000,000	£0	£42,523	£170,994
Toggam Solar Farm	£0	£0	£24,717	£0
20 High St Haverhill	£0	£0	£29,402	£0
113 High St Newmarket	£0	£0	£11,156	£0
Olding Road DHL Depot	£0	£0	£147,243	£0
Vicon House, Western Way	£0	£3,498,679	£51,907	£0
33-35 High Street, Haverhill*	£0	£376,400	£4,992	£0
Unallocated Capital	£0	£0	£0	£0
<b>Sub total</b>	<b>£4,000,000</b>	<b>£29,239,767</b>	<b>£393,943</b>	<b>£170,994</b>
<b>Total Borrowing</b>	<b>£33,239,767</b>		<b>-</b>	
<b>% of Gross Revenue Income</b>			<b>0.8%</b>	<b>0.3%</b>

2.5 The original forecast position moved due to the following reasons:

- No requirement of external borrowing in 2019/20.
- £4.601m of the Growth Fund being invested in:
  - o Provincial House, Hill
  - o 17/18 Cornhill, Bury St Edmunds
  - o Elsey's Yard, Bury St Edmunds
- Haverhill Research Park loan not being required until 2020/21.

The impact of these changes was a reduction in forecast Interest Payable of £511,106 in 2019/2020.

2.6 The improvement in the Forecast Interest Payable value is due to the use of internal cash balances as oppose to externally borrowing which attracts a higher borrowing cost. The saving in the interest payable budget will be transferred to

the capital financing reserve to be utilised in future budget periods to accommodate any fluctuations/market movements in external borrowing costs.

- 2.7 As at the end of March 2020 there had been no requirement to borrow externally over and above the £4.0m Barclays loan. Therefore, the only interest payable for the year was the £170,994 relating to this. As at the end of March 2020 a total of £29.2m has been borrowed internally from available cash balances which reflects the council's underlying need to borrow.

### 3. Borrowing and Income - Proportionality

- 3.1 The concept of proportionality, alongside that of affordability, is a key consideration when considering funding projects through borrowing.
- 3.2 The costs and risks associated with that borrowing should be looked at as part of the whole financial position of the council in our financial planning and resilience assessments.
- 3.3 Awareness of the scale and relationship with the asset base and revenue delivery is essential to informed decision making.

This relationship and trend between borrowing, asset base and yield (expressed as income as % of net revenue) from the investments that the council has made are laid out in the tables below. These are split by asset type. This table shows that the £63.4m budgeted borrowing would have represented 29.1% of our Long-Term Asset (£217.4m) base. The Council receives around £8m income (gross) from its previous asset investments (as set out below) which represents 16.5% of our total gross revenue income budget.

<b>2019/20 BUDGET</b>	<b>Asset Value £m</b>	<b>External Borrowing £m</b>	<b>Borrowing as % of Long-Term Assets (£217.4m)</b>	<b>Annual Income £m</b>	<b>% Proportion of Total Gross Revenue Income Budget</b>
Industrial Units	£24.2	£0.0	0%	£2.9	6.0%
Retail Units	£28.2	£0.0	0%	£1.3	2.7%
Land	£10.3	£0.0	0%	£1.0	2.1%
Solar Farm	£13.8	£0.0	0%	£1.5	3.1%
Growth Fund		£30.6	14.0%	£0.5	1.0%
West Suffolk Operational Hub		£7.4	3.4%	£0.1	0.2%
Mildenhall Hub		£18.4	8.4%	£0.1	0.2%
Other		£7.0	3.2%	£0.6	1.2%
<b>TOTAL</b>		<b>£63.4</b>	<b>29.1%</b>	<b>£8.0</b>	<b>16.5%</b>

- 3.4 The final position for the financial year 2019/20 for borrowing and income is laid out below:

<b>2019/20</b>	<b>Asset Value £m</b>	<b>External Borrowing £m</b>	<b>Borrowing as % of Long-Term Assets (£217.4m)</b>	<b>Annual Income £m</b>	<b>% Proportion of Total WSC Gross Revenue Income</b>
Industrial Units	£24.2	£0.0	0%	£2.7	5.2%
Retail Units	£31.8	£0.0	0%	£1.8	3.5%
Land	£10.3	£0.0	0%	£0.9	1.9%
Solar Farm	£13.8	£0.0	0%	£1.6	3.0%
Growth Fund		£0.0	10.6%	£0.0	0.0%
West Suffolk Operational Hub		£0.0	0%	£0.0	0.0%
Mildenhall Hub		£0.0	0%	£0.0	0.0%
Other		£4.0	3.2%	£0.5	1.0%
<b>TOTAL</b>		<b>£30.0</b>	<b>13.8%</b>	<b>£7.5</b>	<b>14.5%</b>

- 3.5 At the end of the year income is slightly below the budget expectations as Industrial and Land rental dipped at the end of the year. The change in % of Gross Revenue Income (based on total gross revenue income budget of £52.0m) is caused by increased forecasts in other income areas (business rates, trade waste).

#### **4. Borrowing and Asset Yields**

- 4.1 Borrowing, whether internally from available cash balances or externally from other institutions, bears a cost which will affect the yield of investments made with that money.
- 4.2 West Suffolk Council makes investment decisions to support its strategic priorities which are not solely focussed on financial return, in line with our agreed Investing in our Growth Agenda Strategy. There are therefore a range of yield returns delivered by these investments that varies from project to project dependant on the wider blended socio-economic returns that these projects give.

- 4.3 In order to aid comparison between projects and returns from 'normal' treasury management cash investment (section 2 above), the table below shows the income and net return from the current project portfolio.

<b>2019/20 BUDGET</b>	<b>Asset Value £m</b>	<b>Borrowing £m</b>	<b>Annual Income £m</b>	<b>Net Return (Excl. Borrowing Costs ****)</b>	<b>Net Return (Incl. Borrowing Costs)</b>	<b>Yield % (E/A)</b>
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
Industrial Units	£24.2	£0.0	£2.9	£2.4	£2.4	10.0%
Retail Units	£28.2	£0.0	£1.3	£1.1	£1.1	3.9%
Land	£10.3	£0.0	£1.0	£1.0	£1.0	9.7%
Solar Farm	£14.4	£0.0	£1.5	£1.1	£0.5	3.3%
Growth Fund		£30.6	£0.5	£0.5	£0.2	0.5%
West Suffolk Operational Hub		£7.4	£0.1	£0.0	£0.0	0.0%
Mildenhall Hub		£18.4	£0.0	£0.0	£0.0	0.0%
Other		£7.0	£0.6	£0.3	£0.1	1.4%
<b>TOTAL</b>	<b>£77.1</b>	<b>£63.4</b>	<b>£8.0</b>	<b>£5.6</b>	<b>£5.0</b>	<b>3.6%</b>

<b>2019/20</b>	<b>Asset Value £m</b>	<b>Borrowing £m</b>	<b>Annual Income £m</b>	<b>Net Return (Excl. Borrowing Costs ****)</b>	<b>Net Return (Incl. Borrowing Costs)</b>	<b>Yield % (E/A)</b>
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
Industrial Units	£24.2	£0.0	£2.7	£2.1	£2.1	8.7%
Retail Units	£31.8	£0.0	£1.8	£1.5	£1.5	4.7%
Land	£10.3	£0.0	£0.9	£0.9	£0.9	8.7%
Solar Farm	£14.4	£0.0	£1.6	£1.3	£0.7	4.9%
Growth Fund		£0.0	£0.0	£0.0	£0.0	0.0%
West Suffolk Operational Hub		£0.0	£0.0	£0.0	£0.0	0.0%
Mildenhall Hub		£0.0	£0.0	£0.0	£0.0	0.0%
Other		£4.0	£0.5	£0.3	£0.1	2.5%
<b>TOTAL</b>	<b>£80.7</b>	<b>£4.0</b>	<b>£7.5</b>	<b>£6.1</b>	<b>£5.3</b>	<b>6.2%</b>

\*\*\*\* Includes direct operating costs

**5. Borrowing and Temporary Loans**

5.1 Below is a summary of the borrowings and temporary loans as at 31 March 2020.

<b>BORROWINGS AND TEMPORARY LOANS</b>		
<b>Lender / Loan number</b>	<b>Balance outstanding</b>	<b>Maturity date</b>
Barclays Loan	£4,000,000	31 March 2078

**6. Other Market Considerations**

6.1 Uncertainty continued around the Brexit negotiations throughout the year, the financial markets remained volatile with low rates of return being offered by the banks and building societies. The outbreak of the COVID-19 pandemic in the fourth quarter for the year has only increased that uncertainty and will continue to be closely monitored through the coming year.

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# Financial Resilience - June 2020

<b>Report No:</b>	<b>FRS/WS/20/002</b>	
<b>Report to and date/s:</b>	<b>Financial Resilience Sub Committee</b>	13 July 2020
	<b>Performance and Audit Scrutiny Committee</b>	30 July 2020
	<b>Council</b>	29 September 2020
<b>Cabinet Member:</b>	Councillor Sarah Broughton Cabinet Member for Resources and Performance <b>Tel:</b> 07929 305787 <b>Email:</b> <a href="mailto:sarah.broughton@westsuffolk.gov.uk">sarah.broughton@westsuffolk.gov.uk</a>	
<b>Lead officer:</b>	Gregory Stevenson Service Manager – Finance and Performance <b>Tel:</b> 01284 757264 <b>Email:</b> <a href="mailto:gregory.stevenson@westsuffolk.gov.uk">gregory.stevenson@westsuffolk.gov.uk</a>	

**Decisions Plan:** This is included in the Decisions Plan

**Wards impacted:** All Wards

**Recommendation:** It is recommended that, the Financial Resilience Sub-Committee:

- (1) **Notes the Financial Resilience Report – June 2020; and**
- (2) **Makes recommendations as appropriate via the Performance and Audit Scrutiny Committee to Cabinet and Council.**

## 1. Treasury Management Report – June 2020

- 1.1 The purpose of this report is to report on the Investment Activities of West Suffolk Council from 1 April 2020 to 30 June 2020
- 1.2 The total amount invested at 1 April 2020 was £29,900,000 and at 30 June 2020 £32,650,000.
- 1.3 The 2020/21 Annual Treasury Management and Investment Strategy Statements (report [CAB/WS/20/005](#) approved 25 February 2020) sets out the Council’s projections for the current financial year. The budget for investment income of 2020/21 is £142,141 which is based on a 0.65% target average rate of return on investments.
- 1.4 As at the end of June 2020 interest actually earned during the first quarter of the financial year amounted to £31,947.08 (average rate of return of 0.458%) against a profiled budget for the period of £35,535 (average rate of return 0.65%); a budgetary deficit of £3,587.92. The deficit relates to reducing interest rates as a result of the COVID-19 pandemic which started in mid-March. Please also see section 4 **Other Market Considerations** for more details.

## 2. Treasury Activities 1 April 2020 to 30 June 2020

- 2.1 The table below summaries the interest earned, and the average rate of return achieved:

<b>INTEREST EARNED AND AVERAGE RATE OF RETURN SUMMARY</b>			
<b>Investment Category</b>	<b>Total Average Investment</b>	<b>Average Rate of Return (%)</b>	<b>Interest Earned in Q1</b>
Temporary Investments (Term Deposits)			
Lloyds 95 Day Account	2,417,425	0.246%	2,582.50
Santander 365 Day Account	8,000,000	1.023%	20,394.51
Santander 180 Day Account	1,000,000	0.823%	2,050.69
Santander 95 Day Account	500,000	0.723%	900.68
Lloyds Treasury Account	5,516,483	0.061%	835.62
Barclays Deposit Account	6,000,000	0.010%	149.59
CCLA MMF	6,000,000	0.244%	3,654.04
Local Authorities			
HM Debt Management Office	7,393,162	0.058%	1,379.45
<b>Total Overall Average Return on Investments %</b>			<b>0.458%</b>
<b>Total Interest Earned - 1 April 2020 to 30 June 2020</b>			<b>31,947.08</b>

2.2 The table below summaries the investment activity during the period:

<b>TREASURY MANAGEMENT – INVESTMENT ACTIVITY SUMMARY</b>	
	<b>2020/21</b>
<b>Opening Balance 01 April 2020</b>	<b>29,900,00</b>
Investments made during the year (including transfers to business reserve accounts)	49,000,000
<b>Sub Total</b>	<b>78,900,000</b>
Investments realised during the year (including withdrawals from business reserve accounts)	46,250,000
<b>Closing Balance 30 June 2020</b>	<b>32,650,000</b>

2.3 The table below lists the investments held as at 30 June 2020:

<b>Investments held as at 30 June 2020</b>				
<b>Counterparty</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Date Loaned</b>	<b>Date Returned</b>
Lloyds 95 Day	2,400,000	0.30%	01/04/20	Notice
Santander 365 Day	8,000,000	0.76%	01/04/20	Notice
Santander 180 Day	1,000,000	0.56%	01/04/20	Notice
Santander 95 Day	500,000	0.46%	01/04/20	Notice
Lloyds Treasury Acc	2,750,000	0.05%	01/04/20	On call availability
Barclays Deposit Acc	6,000,000	0.01%	01/04/20	On call availability
CCLA MMF	6,000,000	0.24%	01/04/20	On call availability
HM Debt Man. Office	6,000,000	0.15%	01/06/20	20/07/20
<b>TOTAL</b>	<b>32,650,000</b>			

- As at 30 June 2020, NO notice had been placed on any of the call accounts.

**Please note:** The interest rates above are the achieved rates throughout the reporting period, actual rates going forward will be rates in force as at 1 July 2020.

### 3. Borrowing and Temporary Loans

3.1 Below is a summary of the borrowings and temporary loans as at 30 June 2020:

<b>BORROWINGS AND TEMPORARY LOANS</b>		
<b>Lender / Loan number</b>	<b>Balance outstanding</b>	<b>Maturity date</b>
Barclays Loan	£4,000,000	31 March 2078

#### **4. Other Market Considerations**

- 4.1 Although arrangements for the UK to leave Europe are still to be finalised, concerns around Brexit have taken a back seat to current COVID-19 pandemic.
- 4.2 Financial markets around the world have experienced unprecedented falls in interest rates and the value of underlying investment, with the current Bank of England base rate resting at 0.10% with little prospect of any increase in the near future. This reduction in base rate has had a knock-on effect on the rates being offered by other institutions and deposit holders, with rates varying between 0.05% and 0.12%.
- 4.3 The COVID-19 situation has also prompted the major credit rating agencies to reduce ratings across the board, leaving only major high street banks and one building society available to the Council for investment under the criteria laid out the Treasury Management Strategy Statement and Treasury Management Code of Practice 2020-2120.
- 4.4 To maintain liquidity to enable the Council to support the various grant schemes put in place by the Government, higher than normal balances have been held in Instant Access accounts and the Debt Management Account Deposit Facility operated by HM Government.
- 4.5 In these uncertain times, the treasury team will continue to monitor the situation and provide updated information as it becomes available.

#### **5. Background Documents**

- 5.1 Capital Strategy 2020-2021,

[Treasury Management Strategy Statement 2020-2021](#)

[Treasury Management Code of Practice 2020-2021](#)