

Financial Resilience - June 2020

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

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:

INTEREST EARNED AND AVERAGE RATE OF RETURN SUMMARY			
Investment Category	Total Average Investment	Average Rate of Return (%)	Interest Earned in Q1
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
Total Overall Average Return on Investments %			0.458%
Total Interest Earned - 1 April 2020 to 30 June 2020			31,947.08

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

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

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

Investments held as at 30 June 2020				
Counterparty	Principal Amount	Interest Rate	Date Loaned	Date Returned
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
TOTAL	32,650,000			

- 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:

BORROWINGS AND TEMPORARY LOANS		
Lender / Loan number	Balance outstanding	Maturity date
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](#)