Part I – Release
to Press

Meeting:	**Audit Committee / Executive / Council**
Portfolio Area:	Resources
Date:	**17 November 2020 / 18 November 2020 / 16 December 2020**

2020/21 MID YEAR TREASURY MANAGEMENT REVIEW

NON-KEY DECISION

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1. PURPOSE

1.1 To update Members on the Treasury Management activities in 2020/21 and review effectiveness of the 2020/21 Treasury Management and Investment Strategy including the 2020/21 prudential and treasury indicators.

2. RECOMMENDATIONS

2.1 That Council approves the 2020/21 Treasury Management Mid-Year review.

2.2 That Council approves the latest approved Countries for investments (Appendix D to the report).

2.3 That Council approves the updated authorised and operational borrowing limits (set out in Paragraph 4.4.7 of the report).

3. BACKGROUND

3.1 This report covers one of three reporting requirements under the Prudential and Treasury Management Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), the other reports being;

- Annual Treasury Strategy (in advance of the year) (last reported to Council 26 February 2020)
- Annual Treasury Management Review after the year end (2019/20 was reported to Council 14 October 2020)

3.2 In December 2017, CIPFA revised the Code to require, all local authorities to report on:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

These elements are covered in the annual Capital Strategy reported to Council in February each year.

3.3 This report summarises:

- Capital expenditure and financing for 2020/21;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Reporting of the required prudential and treasury indicators, including the impact of the expenditure on the Council's underlying indebtedness (the Capital Financing Requirement);
- Update on the Treasury Management Strategy Position;
- An economic update for the first part of 2020/21.

3.4 This report was presented to Audit Committee where Members asked for further information regarding the money market fund In Luxembourg that had closed and any other potential issues arising from Brexit. A Member also for clarification on how much money had been paid in interest on the housing stock debt and how that debt was scheduled of repayments and if there were opportunities to pay the debt early.

3.5 Executive noted the comments from Audit committee and raised no further questions, recommending to Council the approval of the mid-year treasury management report, approved Countries for investment list and updated authorised and operational borrowing limits.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 The Council's Capital Expenditure and Financing 2020/21

4.1.1 Capital expenditure[1] can be financed either by capital resources the Council has on its balance sheet (e.g. capital receipts and capital grants) or by making a revenue contribution to capital. If sufficient capital resources are not available to fund the expenditure the council would need to borrow to meet the funding gap. This borrowing may be taken externally in new loans or internally from cash balances held by the council (see also 4.3.3). The need to borrow is measured and reported through the prudential indicators.

[1] Council expenditure can be classified as capital when it is used to purchase assets with a life of more than one year, exceeds £5,000 in value and meets the guidelines laid out in CIPFA accounting practices.

4.1.2 The Treasury Management Strategy and Prudential Indicators for 2020/21 were originally approved by Council on the 26 February 2020. Since then, capital budget changes have been approved and the Prudential Indicators updated in the 2019/20 Annual Treasury Management Review (approved by Council 14 October 2020). The Treasury Management Mid-Year Review Indicators have been updated based on the 1st quarter capital programme reported to Executive (16 September 2020).

4.1.3 Table One (shown below) shows the original capital programme, the revised capital programme (approval Executive 16 September 2020) and financing.

Table One: 2020/21 Capital Expenditure and Financing		
	2020/21 **Original Capital Strategy (Council February 2020)** **£'000**	**2020/21** **Revised Mid-Year Review (Q1 Capital Strategy -Executive September 2020)** **£'000**
Capital Expenditure:		
General Fund Capital Expenditure	20,429	35,271
HRA Capital Expenditure	50,384	34,057
Total Capital Expenditure	**70,813**	**69,328**
· Capital Receipts	(13,515)	(9,389)
· Capital Grants / Contributions	(14,196)	(11,111)
· Capital Reserves	(2,449)	(2,295)
· Revenue contributions	(59)	(176)
· Major Repairs Reserve	(11,662)	(4,247)
Total Resources Available	**(41,881)**	**(27,219)**
Capital Expenditure Requiring Borrowing	**(28,932)**	**(42,110)**

4.2 The Council's overall borrowing position.

4.2.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR)[2]. Whether physical borrowing is taken out depends on the level of cash balances held by the Council. The treasury service manages the Council's cash position to ensure sufficient cash is available to meet the capital payments, based on the Capital Strategy and Treasury Management Strategy. This may be through internal borrowing from utilising cash balances held by the Council in the short to medium term or external borrowing such as using the Government, through the Public Works Loan Board (PWLB) or the money markets.

4.2.2 The 2020/21 Capital Strategy identified the need for borrowing for financing elements of the capital programme. The Council has not undertaken any new external borrowing to date in 2020/21.

[2] Capital Financing Requirement (CFR) represents the amount of debt the Council needs to/has taken to fund the capital programme after debt repayments and Minimum Revenue Provision (MRP) are taken into account

4.2.3 On 9 October 2019 the Treasury and PWLB announced an increase in the margin over gilt yields of 100bps[3] on top of the current margin of 80bps. The margin of 80bps was used for all Council project appraisals including the HRA business plan, Wholly Owned Housing company and investment portfolio. Subsequently the Government announced a separate margin for housing which returned the rate to the previous margin over gilts, after representations were made that this should not be subject to such a large increase in borrowing cost. Other Council schemes were re-assessed in light of this unscheduled increase by the Treasury, and the business plan for the Wholly Owned Housing Company is being reviewed and a report will be taken to Executive. As reported in the Annual Treasury Management Review of 2019/20, there has also been a consultation into the lending arrangements for PWLB funding. The deadline for the consultation was extended to 31 July 2020, and the date for the outcome of the consultation has yet to be confirmed. Changes may be introduced that prohibit Council's use of PWLB borrowing for investment property purchases, and this could impact on the Commercial Property budgets in 2020/21 of £13.2 Million for Investment Property and £613K for Commercial Properties Refurbishment (MRC Programme).

4.2.4 UPDATE since Executive 18th November 2020: On 25th November as part of the Government's 2020 spending review the outcome from the PWLB consultation was announced. The Public Works Loan Board (PWLB) lending terms have been revised to preclude any Local Authority which has within its capital programme investment property (bought primarily for yield), from accessing PWLB lending. The current approved capital strategy does include Investment property but this scheme will be removed to enable the Council to access PWLB borrowing going forward. It was also announced that PWLB lending rates would be cut to gilts + 100bps for Standard Rate and gilts + 80bps for Certainty Rate. The impact of reduced borrowing costs for the General Fund will be incorporated into the budget setting process.

4.2.5 In 2020/21 the average cash holding between April and September was £62Million (£63Million April to September 2019/20). While investment returns are low the "internal" borrowing rate is significantly cheaper than the cost of external borrowing and remains a prudent use of the Council's cash balances, unless it is prudent to secure long term borrowing in accordance with the HRA business plan.

4.2.6 As at the 30 September 2020 the Council had total external borrowing of £209,097,845 which is projected to increase to £247,840,036 by 31 March 2021 if all approved borrowing is taken as per the revised capital programme approved by Executive 16 September 2020.

4.2.7 The General Fund currently has £2,413,845 external borrowing with the PWLB, comprising an Equal Instalments of Principal (EIP) loan with the final principal repayment in February 2022, and a Maturity loan of £1.756Million which matures in March 2028.

[3] 100bsp is 100 basis points, the equivalent of 1%.

4.2.8 The HRA has external borrowing of £206,684,000 with the PWLB, with the majority of the HRA debt (£194,911,000) taken out in March 2012 to finance the payment required to central government for self-financing. This debt was arranged over a number of loans at fixed rates and with varying maturities and is not impacted by the recent changes in PWLB rates.

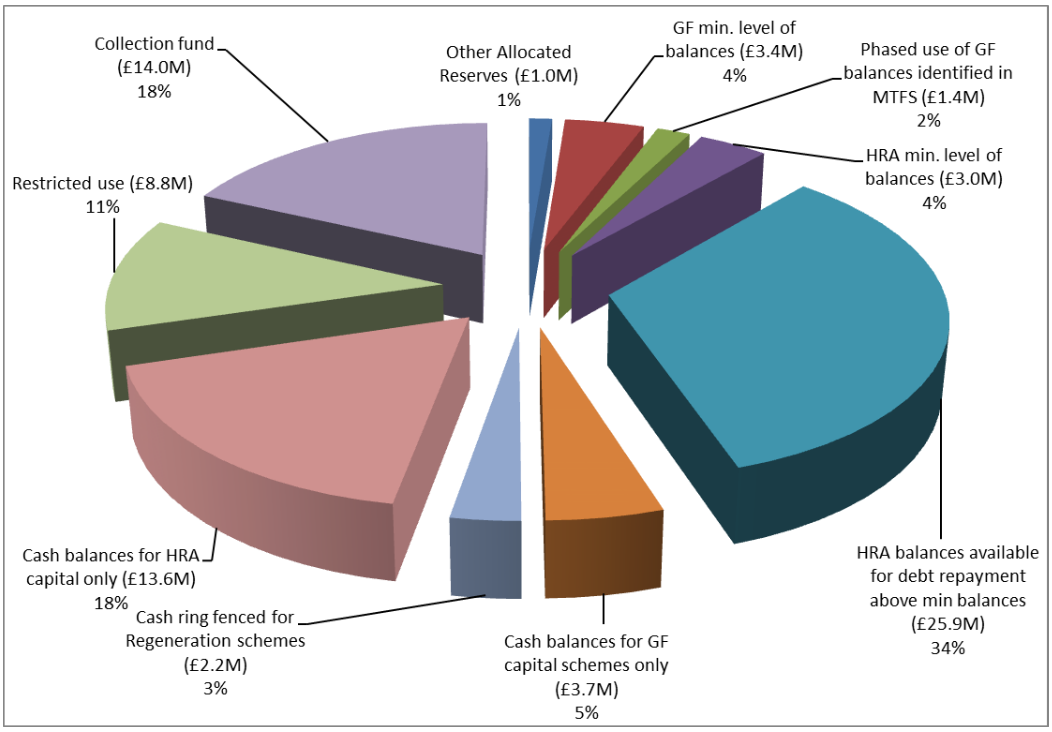
4.2.9 The HRA borrowing includes £7,763,000 used to fund the pre 2012 Decent Homes programme. This debt was called 'supported borrowing' under the former HRA subsidy system but now forms part of the HRA debt portfolio. An additional £4,010,000 was taken in 2019/20 to fund more recent Decent Homes expenditure.

4.2.10 Since the lifting of the HRA Debt Cap, which was formerly £217,685,000, HRA borrowing limits are based on affordability rather than legislation. These limits are now reviewed as part of the annual HRA Business Plan. An MTFS update HRA 2020/21 - 2024/25 is being reported to Executive on 18 November 2020.

4.3 Cash balances and cash flow management

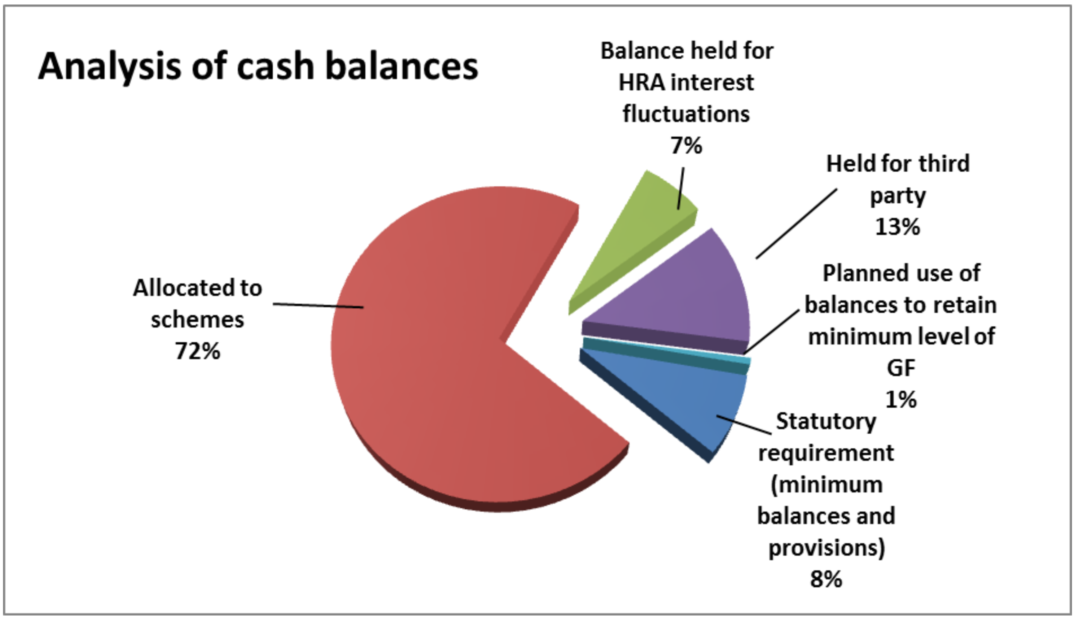
4.3.1 As at 1 April 2020 cash balances held by SBC totalled £54.1Million. The revised cash balance expected to be held as at 31 March 2021 is £60.6 Million. The breakdown of these cash balances is shown in the following chart.

Chart One: Cash Balances expected as at 31 March 2021



4.3.2 These cash balances can be further analysed between allocated, held for statutory requirements and held for third parties. This identifies that of the £60.6Million, all cash resources have been allocated, so unless allocated reserves are no longer needed in the future, there are **currently no cash resources available** for new projects.

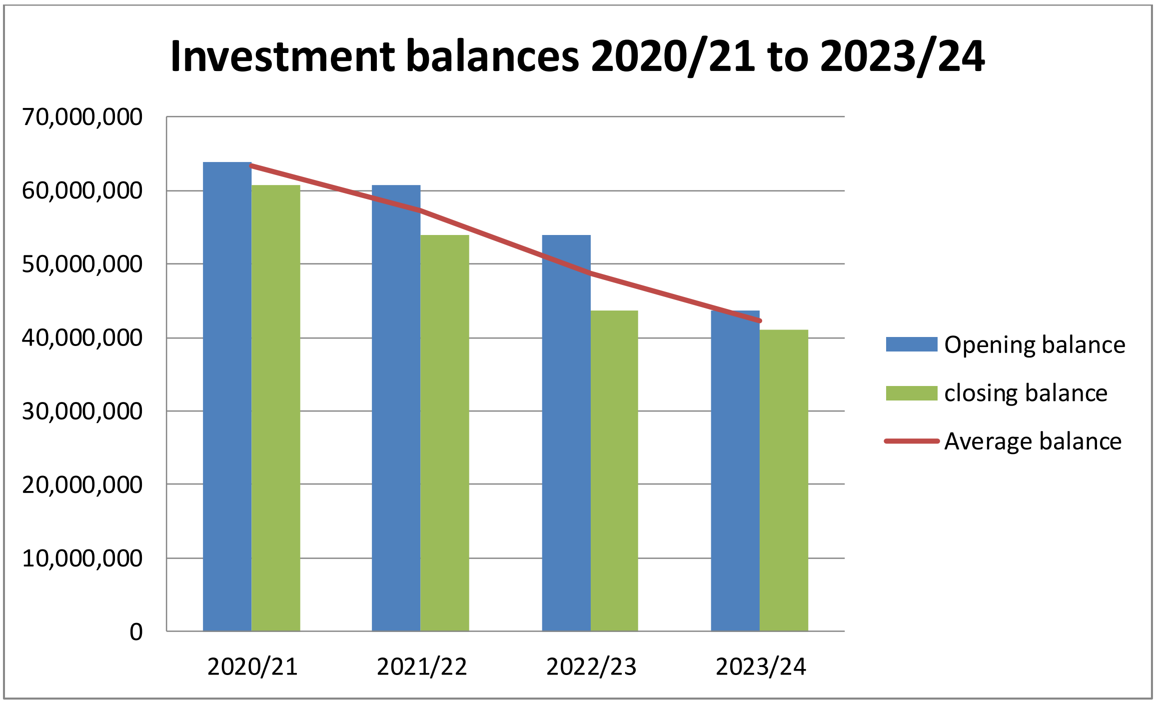
Chart Two: Analysis of Cash Balances



4.3.3 Cash investment balances are expected to be £60.6Million by 31 March 2021 (reserves and balances of £77.0Million less actual internal borrowing of £16.4 Million), but is dependent on current spending projections and approved borrowing included in the capital strategy and current HRA business plan (General Fund - £15.071Million and HRA - £23.803Million) for 2020/21. Decisions as to when to take this borrowing will be considered based on cash balances and anticipated interest rates.

4.3.4 The forecast investment balances to 2023/24 has been updated to reflect the latest General Fund MTFS and HRA MTFS projections and the revised capital programme. Note that, like the pie chart in paragraph 4.3.2, the balances in the chart below includes those being held on behalf of third parties.

Chart Three: Investment Balances forecast



4.4 Prudential Indicators

4.4.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators, (which measures affordability limits), are included in the approved Treasury Management Strategy and an update on those indicators is included in this report. During the year to date, the Council has operated within the treasury and prudential indicators set out in that strategy. Further explanation of key prudential indicators is given below and is also shown in Appendix A.

4.4.2 **Borrowing and the 2020/21 Capital Financing Requirement (CFR)** - The Council's underlying need to borrow for capital expenditure is referred to as the Capital Financing Requirement (CFR). The Council's original estimate and latest CFR for the year is shown below. The estimate of the CFR for 2020/21 has been updated for the capital strategy approved by Members (16 September 2020 Executive). Further updates may be required pending completion of the external audit of the 2019/20 accounts.

4.4.3 The HRA MTFS update (HRA 2020/21 - 2024/25) will be reported to the 18 November 2020 Executive, and the Final HRA and Rent Setting Report 2021/22 to Executive to the 20 January 2021 Executive and to Council on 28 January 2021. The CFR and prudential indicators included in this report have been updated to reflect the current projections for the HRA revised business plan.

Table Two: Capital Financing Requirement 2020/21			
CFR Calculation	2020/21 Original: Annual TM Strategy (Approved Council February 2020) £'000	2020/21 Revised: Annual TM Review of 2019/20(Approved Council October 2020) £'000	2020/21 Revised: Mid-Year Review (Executive November 2020) £'000
Opening Balance	**258,141**	**241,724**	**241,987**
Closing Capital Financing Requirement (General Fund)	45,544	46,004	42,918
Closing Capital Financing Requirement (Housing Revenue Account)	239,627	233,771	237,474
Closing Balance	**285,171**	**279,775**	**280,391**
Increase/ (Decrease)	**27,030**	**38,051**	**38,404**

4.4.4 Total debt repayments made in the first half of 2020/21 relating to principle on PWLB General Fund loans were £131,579 (paid in August). A further repayment of £131,579 will be made in February 2021 in relation to General Fund debt.

4.4.5 The Council could further reduce its CFR by:

- The application of additional capital financing resources (such as unapplied capital receipts) if available; or
- Charging more than the statutory revenue charge (Minimum Revenue Provision (MRP)) each year through a Voluntary Revenue Provision (VRP) which would increase the cost to the General Fund

4.4.6 The **net borrowing position** of the Council at 31 March 2021 is estimated to be **£187.2M** (total borrowings/loans of £247.8M less total investments held of £60.6M). This updated position also reflects the current projections for the HRA revised business plan.

4.4.7 The **operational boundary and authorised limit** refer to the borrowing limits within which the treasury team operate. To date there have been **no breaches** of either limit in 2020/21).

4.4.8 As raised in the Treasury Management report to Council, at the time of publication of this report the external audit of the 2019/20 accounts had yet to be completed. Any changes following the completion of the external audit will be reported to Members in subsequent reports.

4.4.9 **Minimum Revenue Provision** (MRP)[4] – In 2020/21 the MRP calculated on previous years' borrowing is £411,021, however there will be no MRP charge to

[4] MRP- The Council must base its borrowing decisions in accordance with the Prudential Code which requires the Council to demonstrate a need to borrow and to show the cost of that borrowing for the

the General Fund with respect to borrowing for regeneration assets of £193,703, due to the overpayment calculated following the MRP review, which reviewed the asset lives used in calculating MRP. Based on the current forecasts this 'MRP holiday' period for regeneration assets will result in no MRP charges to the General Fund until 2025/26. Further detail can be found in Appendix E MRP Policy.

4.4.10 MRP needs to be made regardless of whether actual external borrowing has been taken and hence differs from the treasury management arrangements, the latter considers utilising cash balances when borrowing rates are higher than investment interest rates.

4.4.11 The **ratio of financing costs to net revenue stream** is equal to General Fund interest costs divided by the General Fund net revenue income from Council Tax and business rates.

4.4.12 The treasury management indicators for 2020/21 onwards have been calculated based on the 1st quarter capital programme reported to Executive 16 September 2020. There will be subsequent updates to the capital programme including the capital bidding process for the period 2021/22 to 2025/26 and as such the data relating to future years is indicative only and will be subject to change. The full list of Treasury Prudential Indicators is shown in Appendix A.

4.5 Update on Treasury Management Strategy Position 2020/21

4.5.1 The Council's debt and investment position is managed by the treasury management section to ensure adequate liquidity for revenue and capital activities. In addition, investment decisions are based on the security of the investments and spread over a number of counter parties to manage the Council's exposure to risk.

4.5.2 The Council's **average investment returns** are modest due to historically low Bank of England Base Rate which is currently 0.10% and the risk appetite in the treasury management strategy. As at 30 September 2020 the 2020/21 average rate of interest being earned on investments was 0.98% (compared to 0.98% earned in 2019/20). This exceeded the 7 day LIBID benchmark rate of 0.53% (source: LINK Asset Services 29-9-20).

4.5.3 At current interest rates it is still prudent to utilise the Council's cash balances (as shown in paragraph 4.3.1) for short-term internal borrowing. However, PWLB borrowing costs will be kept under review and officers will determine whether it may be prudent to take some borrowing at lower interest rates based on the forecast reduction of future cash balances and borrowing identified in the HRA business plan. The decision and timing of when to borrow is being monitored by officers.

4.5.4 The Council's treasury position for the first half of year was as follows:

General Fund is affordable. The Council's MRP policy, as required by CIPFA guidance, is approved annually by Council as part of the Treasury Management Strategy. The calculation of MRP is based upon prior years' borrowing requirement and the life of the assets for which borrowing was required.

Table three: Treasury Position 2020/21						
	30 Sep 2020 Principal £'000s	**Rate / Return %**	**Average Life (Yrs)**	**31 Mar 2021 Principal £'000s**	**Rate / Return %**	**Average Life (Yrs)**
Fixed rate loans - PWLB	209,098	3.37	14	208,966	3.37	13
General Fund Prudential Borrowing				15,071		
HRA Borrowing				23,803		
Total Borrowing	**209,098**	**3.37**	**14**	**247,840**	**3.37**	**13**
CFR				280,391		
less finance lease and other technical adjustments				(10,248)		
less self financing agreement				(5,929)		
Over/(under) borrowing*				(16,375)		
Investments Portfolio	**56,560**	**0.98**	**N/A**	**60,629**	**0.69**	**N/A**

** financed by internal borrowing (£4.857Million HRA £11.517Million General Fund)*

4.5.5 The maturity structure of the debt portfolio was as follows (see also Appendix B):

Table four: Maturity of Debt Portfolio for 2019/20 and 2020/21		
Time to maturity	**31 March 2020 Actual £'000's**	**30 September 2020 Actual £'000's**
Maturing within one year	263	263
1 year or more and less than 2 years	263	263
2 years or more and less than 5 years	263	132
5 years or more and less than 10 years	39,156	39,156
10 years or more	169,284	169,284
Total	**209,229**	**209,098**

4.5.6 There are six investments with **maturities over one year** as detailed below:

Table five: Maturities Over One Year					
Counterparty	**Country**	**Rating**	**Deposit amount**	**Start date**	**Maturity on**
Birmingham City Council	UK	AA	3,000,000	15/04/2020	14/04/2021
Great Yarmouth BC	UK	AA	2,000,000	16/05/2018	17/05/2021
Barnsley Metropolitan Borough Council	UK	AA	2,700,000	15/09/2017	15/09/2021
Kingston Upon Hull City Council	UK	AA	5,000,000	28/09/2020	27/09/2021
Worthing Borough Council	UK	AA	5,000,000	05/12/2019	06/12/2021
Bury M.B.C.	UK	AA	2,300,000	18/05/2020	18/11/2024
			20,000,000		

4.5.7 All other investments held during the first half of 2020/21 are due to mature within one year. A summary of the Council's exposure to fixed and variable rate investments is shown below in Table Six. (See also Appendix B).

Table Six : Fixed and Variable Rate Investment Totals		
	31 March 2020 Actual	**30 September 2020 Actual**
	£'000's	**£'000's**
Fixed rate principal	48,000	48,000
Variable rate principal	6,072	8,560
Total	**54,072**	**56,560**

4.5.8 Since the last Treasury report, no further Money Market funds have been added to the portfolio, however an application is in progress to add the CCLA Public Sector Deposit Fund due to the recent closure of the Amundi Money Market fund (see paragraph 4.6.6 for additional information).

4.5.9 There have been **no breaches** of treasury **counter party limits,** with the investment activity during the year conforming to the approved strategy. Any breach would be notified to the Chief Finance Officer. The Council has had no liquidity difficulties and no funds have been placed with the Debt Management Office (DMO) during 2020/21 to date, demonstrating that counterparty limits and availability for placing funds approved in the TM Strategy are working

4.5.10 The use of “Ultra Short Dated Bond” (USDB) funds was approved in February 2017 and added to the Specified/Non-specified Investments is detailed in Appendix C. No investments have been made to date with USDB funds.

4.5.11 The list of “Approved Countries for Investments” is detailed in Appendix D.

4.5.12 **Money Market Fund Regulatory Change** took place in early 2019, and Liquidity (non-government) Funds have been converted from Constant Net Asset Value (CNAV) funds to Low Volatility Net Asset Value (LVNAV) pricing. Government-type funds will remain as “CNAV” funds under the new regulations. This change has continued to have no impact on the Treasury Management strategy.

4.5.13 As part of the Council regeneration programme and financial security objectives officers have establishing special purpose vehicles (SPV) to deliver regeneration in the town and to improve the offer in the private rented sector. These SPV’s have included a Limited Liability partnership and a wholly owned company. As completely separate legal entities the board of Directors of the SPV needed to delegate authority for the treasury management function to the Council, for officers to invest monies on behalf of the SPV’s subject to Director’s delegation. Any sums invested on behalf of theses SPV’s are to be done in accordance with the Councils own treasury management policies. No such investments have been made on their behalf to date.

4.6 Economic Review & Interest Rate Outlook

4.6.1 **UK Growth**

The Bank of England’s Monetary Policy Report August 2020 reports that UK GDP is expected to have been over 20% lower in 2020 Q2 than in 2019 Q4. But other indicators imply that spending has recovered significantly since April. Payments data suggest that household consumption in July was less than

10% below its level at the start of the year. Housing market activity appears to have returned to close to normal levels, despite signs of a tightening in credit supply for some households. There is less evidence available on business spending, but surveys suggest that business investment is likely to have fallen markedly in Q2 and investment intentions remain very weak.

4.6.2 **Inflation and Bank Rate**

Twelve-month CPI inflation increased to 0.6% in June from 0.5% in May but then reduced to 0.2% in August as a result of the impact of energy prices and the temporary cut in VAT for hospitality, holiday accommodation and attractions. The latest CPI figure (September was 0.5%) which is used to set HRA rents and Business rate increases. CPI inflation is expected to fall further below the 2% target, largely reflecting the direct and indirect effects of Covid-19. However as these effects unwind, inflation rises, supported by a gradual strengthening of domestic price pressures as spare capacity diminishes. In the Monetary Policy Committee (MPC) central projection, CPI inflation is expected to be around 2% in two years' time. At its meeting ending on 4 August 2020, the MPC voted unanimously to maintain Bank Rate at 0.1%, which has been the rate since 19 March 2020 in response to the Coronavirus pandemic. The assumption is that Bank Rate remains at 0.1% throughout the three years of the MPC forecast period, before moving towards the market path over the subsequent three years.

4.6.3 **Wage inflation**

Unemployment has increased, including job losses arising from business closures due to the Coronavirus pandemic. Lockdown measures, such as school closures, mean that some people who have lost their jobs are likely to have not been actively searching for work, or have not been available to start work. As a result, the proportion of the population classed as inactive has also increased. Wage growth has been significantly affected by the impact of the Coronavirus Job Retention Scheme. Underlying wage growth is likely to have weakened. There is evidence from the Bank of England's agents that wage pressures are muted.

4.6.4 **Brexit**

The UK left the European Union on 31 January 2020. Under the Withdrawal Agreement, we are now in a transition period until the end of 2020, however the details of any trading agreements following the transition period remain unclear. The MPC's central projections assume that there is an immediate but orderly move to a comprehensive free trade agreement between the UK and the EU on 1 January 2021. Some restrictions on trade between the UK and EU are assumed to come into place at that point as the UK leaves the EU's Single Market and Customs Union. Market uncertainty makes forecasting of interest rates challenging.

4.6.5 The Council registered with HMRC's Transitional Simplified Procedures to simplify import procedures should we procure goods from the EU post Brexit. Mitigation plans have been put in place for contracts which may be affected by Brexit and continuity plans have been reviewed for service areas including fuel supplies.

4.6.6 Although the advice from our treasury advisors is that there should be no issues with the placing of investments domiciled within the EU after the Brexit transition period ends, the Amundi fund based in Luxembourg has closed. Officers received a communication on 14 October that the fund would be closed to all new investments effective immediately, and any remaining deposits not called back by clients would be settled on 22 October. Treasury staff redeemed the SBC deposit of £1.2Million on 15 October. As per paragraph 4.5.8, an application is in progress to the UK-domiciled CCLA Public Sector Deposit Fund to retain an available pool of investment options.

5. IMPLICATIONS

5.1 Financial Implications

5.1.1 This report is of a financial nature and reviews the treasury management function for 2020/21 to date. Any consequential financial impacts of the Strategy will be incorporated into the Capital Strategy updates and subsequent quarterly budget monitoring reports.

5.1.2 During the financial year to date officers have operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

5.2 Legal Implications

5.2.1 Approval of the Prudential Code Indicators and the Treasury Management Strategy Indicators are intended to ensure that the Council complies with relevant legislation and best practice.

5.2.2 The potential changes to PWLB borrowing arrangements in paragraph 4.2.3 refer to the use of PWLB for 'Investment for Yield' schemes. Councils may be prohibited from the use of this borrowing source for commercial investment property purchases. This could have an impact on the plans currently in the Council's Capital Strategy.

5.2.3 UPDATE since Executive 18th November 2020: As set out in paragraph 4.2.4, on 25th November the outcome from the PWLB consultation was announced. Any Local Authority which has investment property (bought primarily for yield) within their capital programme is now prohibited from accessing PWLB lending. As such this will be removed as part of the budget setting process to enable the Council to access PWLB borrowing going forward.

5.3 Risk Implications

5.3.1 The current policy of minimising external borrowing only remains financially viable while cash balances are high and the differentials between investment income and borrowing rates remain. Should these conditions change the Council may need to take borrowing at higher rates which would increase revenue costs.

5.3.2 There remains uncertainty on the impact of exiting the EU on UK economy and borrowing rates. Officers monitor interest rate forecasts to inform the timing of borrowing decisions.

5.3.3 The Council's Treasury Management Strategy is based on limits for counterparties to reduce risk of investing with only a small number of institutions.

5.3.4 The thresholds and time limits set for investments in the Strategy are based on the relative ratings of investment vehicles and counter parties. These are designed to take into account the relative risk of investments and also to preclude certain grades of investments and counterparties to prevent loss of income to the Council.

5.4 Equalities and Diversity Implications

5.4.1 This purpose of this report is to review the implementation of the Treasury management policy in 2020/21 to date. Before investments are placed with counter parties the Council has the discretion not to invest with counter parties where there are concerns over sovereign nations' human rights issues.

5.4.2 The Treasury Management Policy does not have the potential to discriminate against people on grounds of age; disability; gender; ethnicity; sexual orientation; religion/belief; or by way of financial exclusion. As such a detailed Equality Impact Assessment has not been undertaken.

5.6 Climate Change Implications

5.6.1 The council's investment portfolio is sterling investments and not directly in companies. However the TM team will review the use of Money Market funds in 2020/21 to ensure, where possible, money market funds that invest in environmentally sustainable companies are used. In this way the TM team will align with the Councils ambition to attempt to be carbon neutral by 2030.

BACKGROUND DOCUMENTS

BD1 Prudential Code Indicators and Treasury Management Strategy 2020/21 (26 February 2020 Council)

BD2 Annual Treasury Management Review of 2019/20 (14 October 2020 Council)

APPENDICES

- Appendix A – Prudential Indicators for Mid Year Review.
- Appendix B – Investment and Loan Portfolios
- Appendix C – Specified & Non-Specified Investment Criteria
- Appendix D – Approved Countries for Investments
- Appendix E – MRP Policy