CABINET

16 June 2020

Title: Treasury Management Annual Report 2019/20	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open	**For Decision**
Wards Affected: None	**Key Decision:** Yes
Report Author: David Dickinson, Investment Fund Manager	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Philip Gregory, Finance Director (S151 Officer)	
Accountable Strategic Leadership Director: Claire Symonds, Acting Chief Executive	

Summary

Changes in the regulatory environment now place a greater onus on Elected Members for the review and scrutiny of treasury management policy and activities. This report (the Treasury Management Annual Report) is important in that respect, as it provides details of the outturn position for treasury activities, significant new borrowing proposed, and highlights compliance with the Council's policies previously approved by the Assembly prior to the start of each financial year.

This report presents the Council's outturn position in respect of its treasury management activities during 2019/20. The key points to note are as follows:

Interest Income and Investments:

i) Total treasury investments held at 31/3/2020 was £346.95m (2018/19: £286.84m);

ii) Total loans lent held at 31/3/2020 was £75.40m (2018/19: £76.57m);

iii) Interest for 2019/20 was £8.8m (2018/19: £8.9m) compared to a budget of £6.6m, an outperformance of £2.2m;

iv) Investment income from the Council's Investment and Acquisition Strategy (IAS) totalled £2.7m (2018/19: £2.7m) for the year compared to a budget of £4.3m, an underperformance of £1.6m;

v) The Council's average treasury interest return of 1.35% for 2019/20 was 0.51% higher than the average London Peer Group return and 0.53% higher than the Local Authority average return;

vi) The Council's average return on its loans, consisting of commercial and property loans was 3.57% for 2019/20 (3.63% for 2018/19);

Interest Expense and Borrowing:

i) Interest payable for 2019/20 totalled £34.2m (2018/19: £29.2m), £9.6m for PFI / Finance leases, £12.2m for HRA and £12.4m for the General Fund;

ii) The Council borrowed £140.0m of long-term General Fund borrowing in 2019/20 at an average rate of 1.87%;

iii) The total long-term General Fund borrowing at 31/3/2020 was £579.7m, comprising of market loans, Public Works Loan Board (PWLB), Local Authority, European Investment Bank and Green Investment Bank loans;

iv) The value of short term borrowing as at 31 March 2020 totalled £126.1m;

v) Total HRA borrowing totalled £275.9m, with PFI / finance lease borrowing totalling £134.4m;

vi) Total Council borrowing as at 31 March 2020 was £1.116bn;

vii) The Council did not breach its 2019/20 authorised borrowing limit of £1.152bn but did exceed its Operational Boundary limit of £1.052bn as a result of an increased short-term borrowing position taken to fund an IAS investment; and

viii) The Council complied with all other set treasury and prudential limits.

Recommendation(s)

The Cabinet is asked to recommend the Assembly to:

(i) Note the Treasury Management Annual Report for 2019/20;

(ii) Note that the Council complied with all 2019/20 treasury management indicators;

(iii) Approve the actual Prudential and Treasury Indicators for 2019/20, as set out in Appendix 1 to the report; and

(iv) Note that the Council borrowed £140.0m from the Public Works Loan Board (PWLB) in 2019/20.

Reason(s)

This report is required to be presented to the Assembly in accordance with the Revised CIPFA Code of Practice for Treasury Management in the Public Services.

1. Introduction and Background

1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce a treasury management review of 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).

1.2 For the 2019/20 period Assembly received the following reports:

- an annual treasury strategy in advance of the year (Assembly 27/02/2019);
- a mid-year (minimum) treasury update report (Assembly 20/11/2019); and
- an annual review following the end of the year describing the activity compared to the strategy (this report).

1.3 This Annual Treasury Report covers:

- The Council's treasury position as at 31 March 2020;
- Economic Factors in 2019/20 and Interest rates Forecasts;
- Investment Strategy and Performance in 2019/20;
- Borrowing Outturn;
- Treasury Management costs in 2019/20;
- Compliance with Treasury limits and Prudential indicators; and
- Prudential Indicators for 2019/20 (Appendix 1).

2. Treasury Position as at 31 March 2020

2.1 The Council's treasury position for 2018/19 and 2019/20 can be found in table 1:

Table 1: Council's treasury position at the start and end of 2019/20

	31-Mar-19	Average Rate of interest	Average Life	**31-Mar-20**	**Average Rate of interest**	**Average Life**
	£'000	%	Years	**£'000**	**%**	**Years**
Fixed Rate Debt - Long Term Borrowing						
HRA – PWLB	265,912	3.51	36.81	**265,912**	**3.51**	**35.81**
HRA – Market	10,000	3.98	59.21	**10,000**	**3.98**	**58.21**
General Fund (GF) – PWLB	335,032	2.28	28.33	**463,498**	**2.16**	**23.83**
GF - Market	49,000	2.85	28.78	**36,815**	**3.92**	**41.91**
GF – EIB	86,669	2.21	26.02	**79,363**	**2.21**	**24.01**
Fixed Rate Debt - Short Term Borrowing						
GF - Local Authorities	101,000	0.88	0.1	**126,100**	**0.85**	**0.07**
Total Debt	**847,613**	**2.56**	**27.85**	**981,688**	**2.44**	**25.07**
Investments						
Treasury Investments	286,841	1.22	2.44	**346,951**	**1.34**	**2.37**
Loans	76,670	3.63	**N/A**	**75,397**	**3.57**	**N/A**
Total Loans & Investments*	**363,511**	**1.73**	**N/A**	**422,348**	**1.73**	**N/A**

* excludes a prepayment made to Elevate and external school cash balances.

2.2 The Council manages its debt and investment positions through its in-house treasury section to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities.

2.3 Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices.

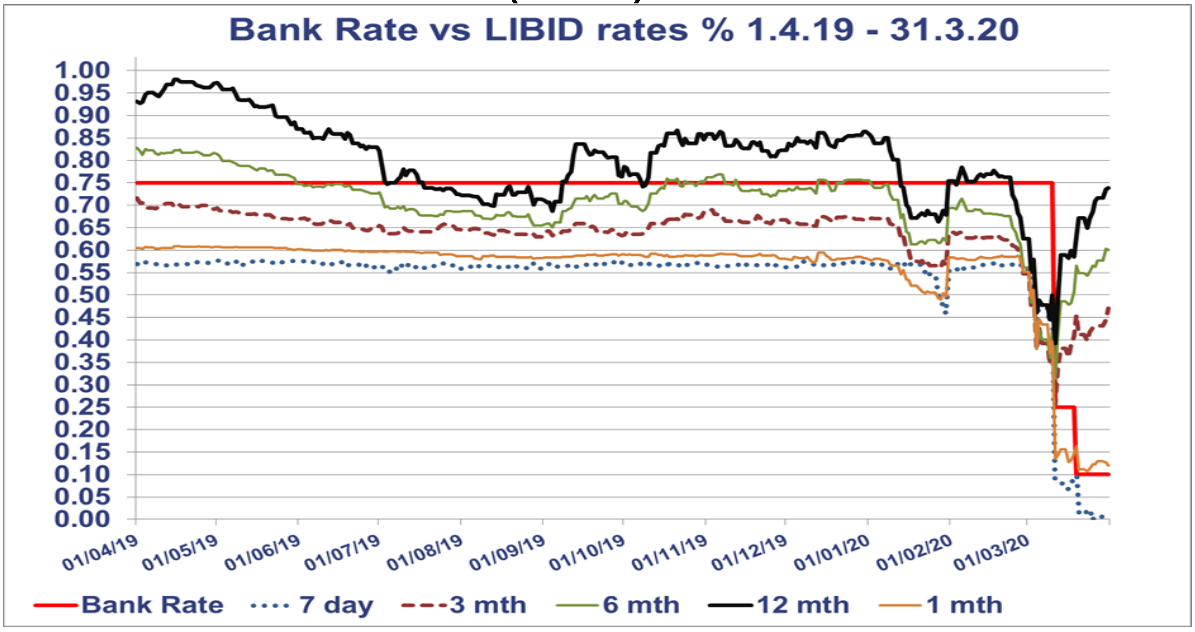
3. Economic Factors in 2019/20 and Interest Rate Forecasts

3.1 **UK.** Brexit. The main issue in 2019 was Brexit. Repeated battles in the House of Commons resulted in the resignation of Theresa May and the election of Boris Johnson, on a platform of taking the UK out of the EU on 31 October 2019. The House of Commons frustrated that renewed effort and so a general election in December settled the matter by a decisive victory for the Conservative Party: that then enabled the UK to leave the EU on 31 January 2020. However, this still leaves much uncertainty as to whether there will be a reasonable trade deal achieved by the target deadline of the end of 2020. It is also unclear as to whether the coronavirus outbreak may yet impact on this deadline; however, the second and third rounds of negotiations have already had to be cancelled due to the virus.

3.2 Economic growth in 2019 was volatile with Q2 recording -0.2%, Q3 bouncing back up to +0.5% and Q4 flat at 0.0%, +1.1% y/y. 2020 started with optimistic business surveys pointing to an upswing in growth after the ending of political uncertainty as a result of the decisive result of the general election in December settled the Brexit issue. The three-monthly GDP statistics in January were disappointing, being stuck at 0.0% growth. Since then, the whole world has changed as a result of the coronavirus outbreak. It now looks likely that the closedown of whole sections of the economy will result in a fall in GDP of at least 15% in Q2. What is uncertain, however, is the extent of the damage that will be done to businesses by the end of the lock down period, when the end of the lock down will occur, whether there could be a second wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover.

3.3 After the Monetary Policy Committee (MPC) raised Bank Rate from 0.5% to 0.75% in August 2018, Brexit uncertainty caused the MPC to sit on its hands and to do nothing until March 2020; at this point it was abundantly clear that the coronavirus outbreak posed a huge threat to the economy of the UK. Two emergency cuts in Bank Rate from 0.75% occurred in March, first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in quantitative easing (QE), essentially the purchases of gilts (mainly) by the Bank of England of £200bn. The Government and the Bank were also very concerned to stop people losing their jobs during this lock down period. Accordingly, the Government introduced various schemes to subsidise both employed and self-employed jobs for three months while the country is locked down. It also put in place a raft of other measures to help businesses access loans from their banks, (with the Government providing guarantees to the banks against losses), to tide them over the lock down period when some firms may have little or no income. However, at the time of writing, this leaves open a question as to whether some firms will be solvent, even if they take out such loans, and some may also choose to close as there is, and will be, insufficient demand for their services. At the time of writing, this is a rapidly evolving situation so there may be further measures to come from the Bank and the Government in April and beyond. Chart 1 below shows the BOE rate cuts in March and the impact on short- and medium-term interest rates:

Chart 1: Bank Verses LIBID Rate (2019/20)



3.4 The measures to support jobs and businesses already taken by the Government will result in a huge increase in the annual budget deficit in 2020/21 from 2%, to nearly 11%. The ratio of debt to GDP is also likely to increase from 80% to around 105%. In the Budget in March, the Government also announced a large increase in spending on infrastructure; this will also help the economy to recover once the lock down is ended. Provided the coronavirus outbreak is brought under control relatively swiftly, and the lock down is eased, then it is hoped that there would be a sharp recovery, but one that would take a prolonged time to fully recover previous lost momentum.

3.5 Inflation has posed little concern for the MPC during the last year, being mainly between 1.5 – 2.0%. It is also not going to be an issue for the near future as the world economy will be heading into a recession which is already causing a glut in the supply of oil which has fallen sharply in price. Other prices will also be under downward pressure while wage inflation has also been on a downward path over the last half year and is likely to continue that trend in the current environment. While inflation could turn negative in the Eurozone, this is currently not likely in the UK.

3.6 Employment had been growing healthily through the last year, but it is obviously heading for a big hit in March – April 2020. The good news over the last year is that wage inflation has been significantly higher than CPI inflation which means that consumer real spending power had been increasing and so will have provided support to GDP growth. However, while people cannot leave their homes to do non-food shopping, retail sales will also take a big hit.

3.7 USA. Growth fell back to 2.0% in Q2 and 2.1% in Q3 and 4. The slowdown in economic growth resulted in the Fed cutting rates from 2.25-2.50% by 0.25% in each of July, September and October. Once coronavirus started to impact the US, the Fed took decisive action by cutting rates twice by 0.50%, and then 1.00%, in March, all the way down to 0.00 – 0.25%. Near the end of March, Congress agreed a $2trn stimulus package and new lending facilities announced by the Fed which could channel up to $6trn in temporary financing to consumers and firms over the coming months. Nearly half of the first figure is made up of permanent fiscal transfers to households and firms, including cash payments of $1,200 to individuals.

3.8 WORLD. The trade war between the US and China on tariffs was a major concern to financial markets and was depressing worldwide growth during 2019, as any downturn in China would spill over into impacting countries supplying raw materials to China. Concerns were focused on the general weakening of growth in the major economies of the world. These concerns resulted in government bond yields falling significantly during 2019. In 2020, coronavirus is the big issue which is going to sweep around the world and have a major impact in causing a world recession in growth.

4. Investment Strategy and Performance in 2019/20

4.1 Annual Investment Strategy (AIS) 2019/20

4.1.1 All investments were managed in-house and were invested with institutions of high credit standing listed in the Council's approved lending list and specified limits. The Council invested over a range of periods from overnight to three years, with an increase in lending to other Local Authorities and a reduction in lending to banks.

4.1.2 Council officers met quarterly with Treasury Adviser to discuss financial performance, objectives, targets and risk in relation to the Council's investments and borrowing. The Cabinet Member for Finance, Performance and Core Services was briefed regularly on treasury activity by the Section 151 Officer.

4.1.3 During 2019/20 the Council's investment policy was governed by CLG guidance, which was implemented in the 2019/20 Annual Investment Strategy. The policy sets out the Council's approach for choosing investment counterparties.

4.2 Treasury Outturn

4.2.1 The Treasury Outturn position is in Table 2 Below.

Table 2: Treasury Outturn for 2018/19 and 2019/20

Interest	2018/19 Actual	2018/19 Budget	Difference	2019/20 Actual	2019/20 Budget	Difference
HRA Borrowing Costs	**9,690**	**9,690**	**0**	**9,690**	**12,244**	**2,554**
General Fund Investments & Interest Costs						
GF Borrowing costs	9,744	8,198	1,546	12,374	11,769	605
GF Interest Income - external	(8,879)	(4,299)	(4,580)	(8,818)	(6,648)	(2,170)
GF Investment Income	(2,678)	(2,811)	133	(2,735)	(4,333)	1,598
GF Net Investment & Interest Cost	**(1,813)**	**1,008**	**(2,901)**	**821**	**788**	33

4.2.2 Overall, the General Fund borrowing costs were higher than forecast due to an additional £80.0m of borrowing from the PWLB towards the end of 2019/20 as there were opportunities to lock in low borrowing rates to fund a large commercial investment, due to be made in 2020/21. General Fund interest income was £1.098m more than budgeted due to good treasury investment returns and interest from a number of loans the Council made to Reside and to its trading partnerships.

4.2.3 Investment Income totalled £2.735m compared to a budget of £4.333m for 2019/20, a shortfall of £1.598m but against an increased budget. This was driven largely by the lack of new schemes becoming operational during the year and commercial income not providing a significant return above borrowing costs. When combined, the treasury and investment strategy marginally underachieved its target by £33k in 2019/20.

4.2.4 From time to time the Council uses brokers to act as agents between the Council and its counterparties when lending or borrowing. However, no one broker will be favoured by the Council. The Council will ensure that sufficient quotes are obtained before investment or borrowing decisions are made via brokers. In 2019/20, brokerage costs of £146k (2018/19: £145k) were incurred from the short-term borrowing and costs from borrowing from the PWLB.

4.3 Investments decisions during 2019/20

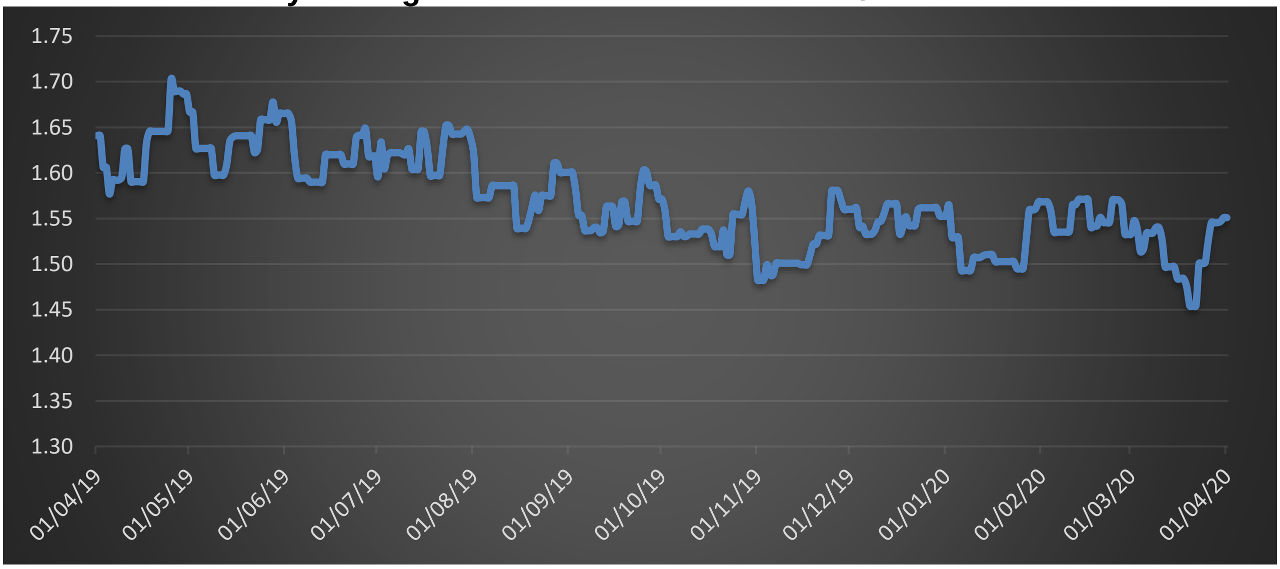
4.3.1 When making investment decisions the Council must have regard to its investment priorities being:

(a) The **security** of capital;
(b) The **liquidity** of its investments; and
(c) **Yield** (after ensuring the above are met).

4.3.2 Using the above as the basis for investment decisions does mean that investment returns will be lower than would be possible were yield the only consideration. During 2019/20, the Council ensured that all investments were made with appropriately rated counterparties and that liquidity was maintained. On occasion, short term borrowing was also used to allow the Council to take advantage of investment opportunities.

4.3.3 During the year there were several opportunities for the Council to invest with credit worthy financial institutions as well as Local Authorities over a longer duration at much improved rates. As a result of these opportunities the Treasury Section was able to provide an average return of 1.34% for 2019/20 (1.22 for 2018/19), which increased to an average return of 1.57% when including non-treasury investments. Chart 2 below graphically illustrates the increase in the average daily return for the Council during the year:

Chart 2: Daily Average Investment Return for 2019/20



4.3.4 In addition, an average interest of 3.57% was returned on loans made by the Council (total loans value at 31/3/2020 was £75.4m), and 3.25% on borrowing costs from commercial property (borrowing for commercial property at 31/3/2020 was £55.9m).

4.3.5 The average cash balance held was £353.7m. The average cash balance was high as this included the use of short-term borrowing to cover some of the investment opportunities. Short-term borrowing was also used to smooth the cash flow fluctuations, allowing treasury to keep a considerable proportion of its investments invested over a longer duration.

4.4 Strategy Changes in 2019/20

4.4.1 The Council's investment policy was agreed in the AIS approved by the Assembly on 27 February 2019. Members agreed to delegate authority to the Section 151 officer in consultation with the Cabinet Member for Finance, Performance and Core Services to proportionally amend the counterparty lending limits agreed within the TMSS.

4.4.2 During the year, there were no changes to the AIS.

4.5 Performance Benchmark in 2019/20

4.5.1 As part of ensuring value for money and to monitor the Council's investment return, the Council's treasury performance is benchmarked by against a peer group of London and other Local Authorities. Benchmarking date is provided by the Council's treasury advisors, Link Asset Services. Table 3 summarises the benchmarking data as at 31 March 2020.

Table 3: Advisor's Benchmarking data as at 31 March 2020

Savings Proposal	LBBD	London Peer Group (20)	Total LA Group (223)
Weighted Average Rate of Return	1.35%	0.84%	0.82%
Weighted Average Maturity(days)	342	104	107
Credit Risk (lower is less risky)	1.74	2.66	2.72

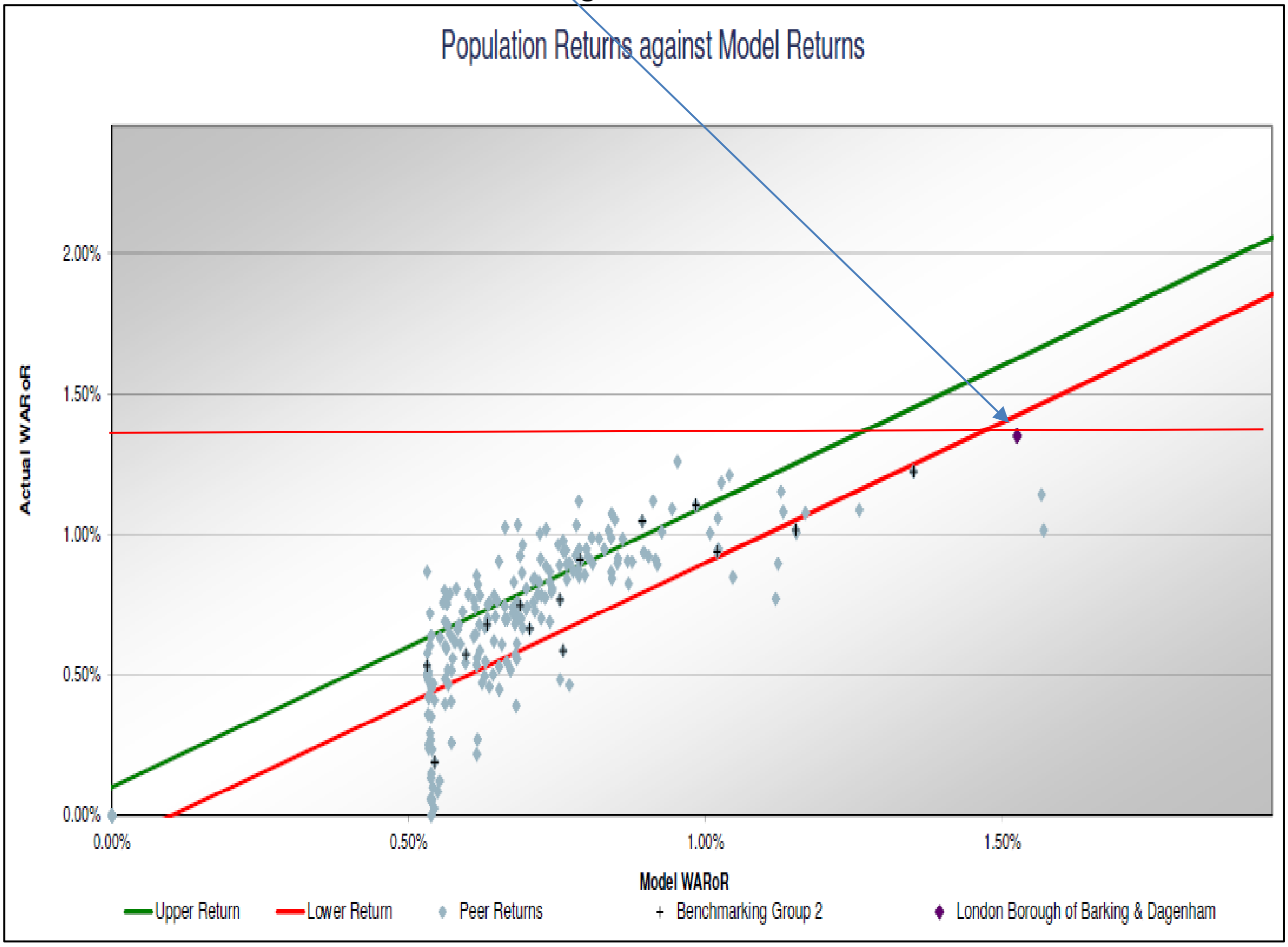
4.5.2 The benchmarking data outlines the outperformance of the Council's treasury investment return compared to a group of 21 London Boroughs and 223 Local Authorities (LAs). By only including treasury returns (i.e. returns from deposits, Money Market Funds etc) the performance of each treasury team can be compared n a like for like basis. The Council's average return as at 31 March 2020 was 0.51% higher than the average London Peer Group return and 0.53% higher than the Local Authority average return. On an average investment balance of £353.7m that equates to additional income above the average of £1.80m against the London Peer group and £1.87m against the Local Authority average.

4.5.3 The Council's credit risk, at 1.74 was lower (better) than the London Peer Group at 2.66 and lower than the Local Authority Group at 2.72. This lower average is due to the Council moving away from investing in banks and other financial institutions and investing more with other Local Authorities.

4.5.4 Chart 3 illustrates the Council's return against the upper and lower banding levels. The Council has a high overall return (the highest when compared to the Local Authority group), but it is under the model banding given the longer-term duration the

Council has taken. Although this is disappointing, the Council had a significant cash balance of £346.95m as at 31 March 2020 as it borrowed £80m in February and March to fund the IAS. It is expected that a number of deposits investments will mature in the early part of 2020/21 and there are also a number of stepped deposits that will increase in early April (deposits where the return increases each year) and will help improve the return. As a result, it is expected that the average return will increase to above the banding by June 2020. The Council's treasury return is indicated in the chart below:

Chart 3: Advisor's benchmarking data as at 31 March 2020



4.6 **Table 4: Investments held by the Council at 31 March 2020**

Counterparty	Rating	Rate %	£000s	Start	End
LBBD Pension Fund	Local Authority	0.25	10,378		
Valence Primary School	Local Authority	3.50	100,000	12/02/2015	01/04/2020
Lloyds Bank Plc	A+	1.25	10,000,000	01/04/2019	01/04/2020
Northamptonshire CC	Local Authority	1.10	5,000,000	04/04/2018	03/04/2020
Plymouth City Council	Local Authority	1.40	5,000,000	03/04/2018	03/04/2020
Lloyds Bank Plc	A+	1.15	5,000,000	05/04/2017	06/04/2020
Cambridgeshire CC	Local Authority	1.35	5,000,000	04/04/2018	06/04/2020
Plymouth City Council	Local Authority	1.40	5,000,000	09/04/2018	09/04/2020
Lancashire CC	Local Authority	1.50	10,000,000	25/04/2018	24/04/2020
Dudley MBC	Local Authority	1.30	5,000,000	27/04/2018	27/04/2020
Lloyds Bank Plc	A+	0.90	5,000,000	15/06/2017	15/06/2020
Lloyds Bank Plc	A+	1.10	5,000,000	30/06/2017	30/06/2020
Lloyds Bank Plc	A+	1.25	10,000,000	04/07/2019	06/07/2020
Lloyds Bank Plc	A+	1.09	10,000,000	14/07/2017	14/07/2020

Lloyds Bank Plc	A+	1.10	10,000,000	07/08/2019	07/08/2020
Warrington BC	Local Authority	0.92	20,000,000	08/09/2017	08/09/2020
Lloyds Bank Plc	A+	1.14	5,000,000	19/09/2017	18/09/2020
Barnsley Mbc	Local Authority	0.94	3,000,000	21/09/2017	21/09/2020
Lancashire CC	Local Authority	1.00	5,000,000	01/11/2017	21/09/2020
Lancashire CC	Local Authority	1.35	5,000,000	24/09/2018	24/09/2020
Torfaen County BC	Local Authority	2.50	5,000,000	30/03/2020	30/09/2020
Northumberland CC	Local Authority	1.04	10,000,000	28/04/2017	28/10/2020
Doncaster Mbc	Local Authority	1.10	5,000,000	06/11/2017	06/11/2020
Lancashire CC	Local Authority	1.45	10,000,000	15/11/2018	16/11/2020
Lancashire CC	Local Authority	1.35	10,000,000	23/11/2018	23/11/2020
Lancashire CC	Local Authority	1.16	5,000,000	27/11/2017	27/11/2020
Lloyds Bank Plc	A+	1.24	5,000,000	05/12/2017	07/12/2020
Lloyds Bank Plc	A+	1.16	4,500,000	19/12/2017	21/12/2020
Darlington bc	Local Authority	1.45	5,000,000	20/12/2018	21/12/2020
L B Newham	Local Authority	1.20	8,000,000	12/01/2018	12/01/2021
Cambridgeshire CC	Local Authority	1.50	10,000,000	06/04/2018	06/04/2021
Medway Council	Local Authority	1.50	10,000,000	16/10/2018	16/04/2021
South Ayrshire Council	Local Authority	1.55	5,000,000	22/10/2018	22/04/2021
L B Croydon	Local Authority	1.40	10,000,000	24/04/2018	23/04/2021
Wokingham BC	Local Authority	1.55	10,000,000	30/01/2019	30/07/2021
Sedgemoor DC	Local Authority	1.08	5,000,000	20/08/2019	20/08/2021
Lloyds Bank Plc	A+	1.48	10,000,000	31/08/2018	31/08/2021
Rugby Borough Council	Local Authority	1.80	5,000,000	18/10/2019	18/10/2021
Rugby Borough Council	Local Authority	1.80	5,000,000	15/11/2019	15/11/2021
Rugby Borough Council	Local Authority	1.60	10,000,000	25/11/2019	25/11/2021
Wokingham BC	Local Authority	1.65	15,000,000	28/01/2020	28/01/2022
Folkstone & Hythe DC	Local Authority	1.60	5,000,000	31/01/2020	31/01/2022
Lloyds Bank Plc	A+	1.59	5,500,000	18/04/2019	19/04/2022
Southwood Primary	Local Authority	3.50	56,593	28/04/2017	28/04/2022
Runnymede BC	Local Authority	1.80	5,000,000	20/12/2019	20/12/2022
Colchester BC	Local Authority	1.75	5,000,000	02/03/2020	03/01/2023
Cardiff Council	Local Authority	1.75	10,250,000	10/01/2020	10/01/2023
Dudley Metropolitan BC	Local Authority	1.80	10,000,000	21/02/2020	21/02/2023
Northumberland CC	Local Authority	1.80	5,000,000	27/02/2020	27/02/2023
Grafton Primary School	Local Authority	4.50	73,666	03/03/2016	03/03/2026
Gascoigne Primary	Local Authority	4.50	72,965	03/03/2016	03/03/2036
Other Balances	A+	0.05	19		
	Total Investments		**346,951**		

5. Borrowing in 2019/20

5.1 Council's Growth Strategy

5.1.1 In 2015, the Growth Commission Report – "No-one left behind: in pursuit of growth for the benefit of everyone", recommended the establishment of a Borough-wide regeneration vehicle that would be an early statement of the Council's intent to increase the pace of regeneration of the borough.

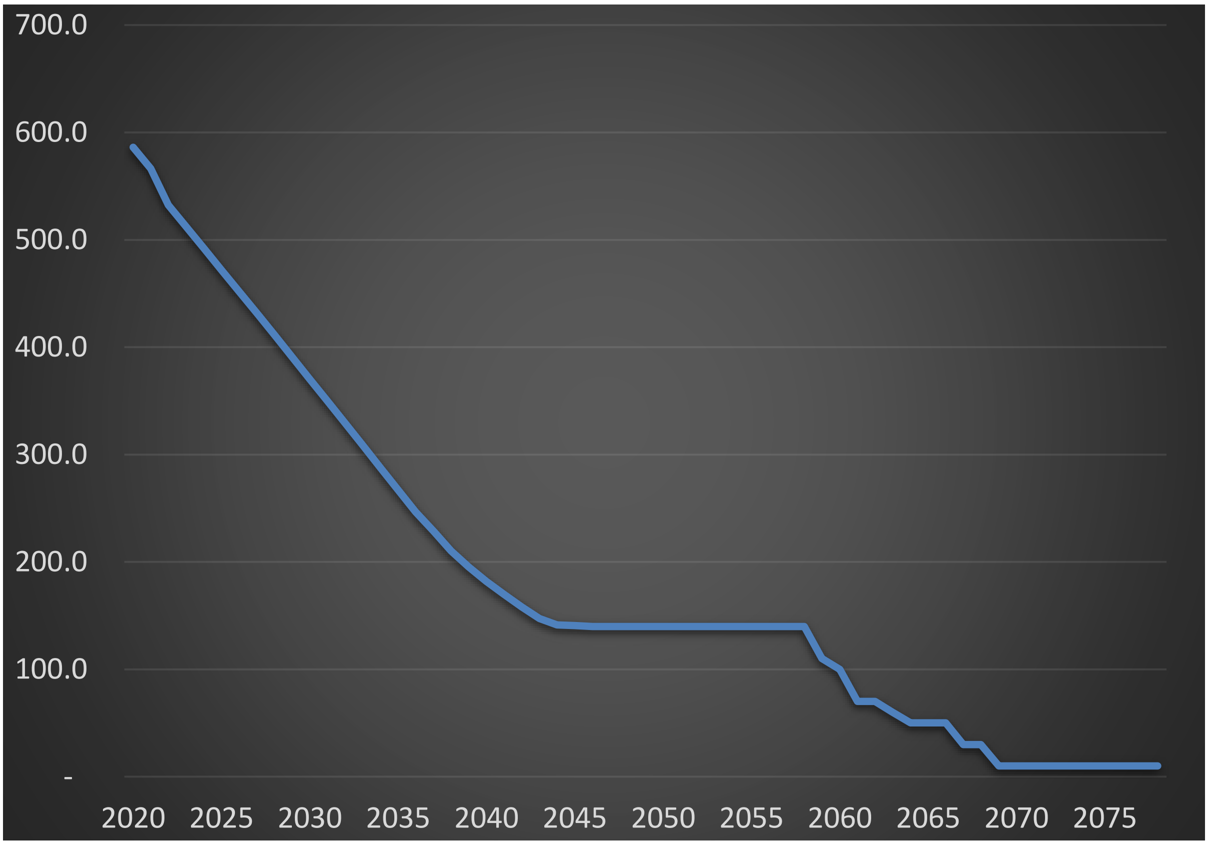
5.1.2 Subsequently Be First was set up to deliver the Council's long-term strategic regeneration objectives, including enhancing economic growth and prosperity for the people of Barking and Dagenham. In addition, Be First has been charged with delivering significant financial benefits to the council by bringing forward returns in New Homes Bonus, Council Tax and NNDR, and delivering dividends to the Council.

5.1.3 In October 2016, Cabinet agreed an Investment and Acquisition Strategy (IAS) alongside an initial £250m investment budget and £100m land and property acquisition budget. An Investment Panel was also established and charged with managing an investment portfolio to deliver a net income of £5.1m per annum by 2020.

5.1.4 In 2017 the Council established a revised IAS, with a number of revised strategies taken to Cabinet each year, the last one agreed was at the September 2019 Cabinet.

5.1.5 During 2019/20 the Treasury Section, in consultation with the Section 151 officer, continued its strategy of building up a debt portfolio to support the Council's investment. Although the Council has significantly increasing its long-term debt by £140m, officers have sought to ensure that the borrowing matches the relevant asset life and potential repayment profile of the Council's investment portfolio. Chart 4 below summarises the GF long term debt position as at 31 March 2020, indicating the repayment profile.

Chart 4: Council Debt Profile as at 31 March 2020



5.2 Borrowing Owed as at 31 March 2020

5.2.1 Table 5 outlines the borrowing owed by the Council as at 31 March 2020. The table also shows the interest rate charged and the repayment date for each loan. The loans are split between HRA, General Fund Long and Short-Term Loans. The type of loan is also included, with a mixture of Annuity repayments, Equal Instalment Repayments and repayments on maturity. The Council has one LOBO loan with Dexia, which is a fixed rate loan. The large Short-term borrowing position is to cover a number of large payments the Council will make in early 2020/21, including the purchase of the Muller site and a prepayment to the pension fund on 1 April 2020.

Table 5: Loans as at 31 March 2020

Lender	Start Date	End Date	Amount	Rate %
HRA				
PUBLIC WORKS LOAN BOARD (Maturity)	28/03/2012	28/03/2042	50,000	3.50
PUBLIC WORKS LOAN BOARD (Maturity)	28/03/2012	28/03/2062	65,912	3.48
PUBLIC WORKS LOAN BOARD (Maturity)	28/03/2012	28/03/2061	50,000	3.49
PUBLIC WORKS LOAN BOARD (Maturity)	28/03/2012	28/03/2052	50,000	3.52
PUBLIC WORKS LOAN BOARD (Maturity)	28/03/2012	28/03/2060	50,000	3.49
BARCLAYS (Maturity)	01/04/2019	30/05/2078	10,000	3.98
	HRA Total LT Borrowing		**275,912**	
General Fund				
PUBLIC WORKS LOAN BOARD (Maturity)	01/04/2019	09/06/2066	20,000	2.72
PUBLIC WORKS LOAN BOARD (Maturity)	01/04/2019	15/12/2059	10,000	2.65
PUBLIC WORKS LOAN BOARD (Maturity)	01/04/2019	29/12/2059	10,000	2.49
PUBLIC WORKS LOAN BOARD (Maturity)	01/04/2019	29/06/2062	10,000	2.38
PUBLIC WORKS LOAN BOARD (Maturity)	01/04/2019	06/01/2062	10,000	2.14
PUBLIC WORKS LOAN BOARD (Maturity)	01/04/2019	05/04/2067	20,000	2.36
PUBLIC WORKS LOAN BOARD (EIP)	01/04/2019	12/09/2040	17,826	1.98
PUBLIC WORKS LOAN BOARD (Maturity)	01/04/2019	19/06/2058	30,000	2.36
PUBLIC WORKS LOAN BOARD (EIP)	01/04/2019	21/02/2036	17,778	2.38
PUBLIC WORKS LOAN BOARD (EIP)	01/04/2019	07/03/2035	8,824	2.20
PUBLIC WORKS LOAN BOARD (EIP)	01/04/2019	19/03/2038	18,000	2.31
PUBLIC WORKS LOAN BOARD (EIP)	01/04/2019	29/05/2043	18,800	2.27
PUBLIC WORKS LOAN BOARD (EIP)	01/04/2019	01/10/2039	38,095	2.38
PUBLIC WORKS LOAN BOARD (EIP)	01/04/2019	30/10/2036	18,889	2.14
PUBLIC WORKS LOAN BOARD (EIP)	01/04/2019	10/12/2043	19,200	2.28
PUBLIC WORKS LOAN BOARD (EIP)	01/04/2019	04/02/2042	19,130	2.17
PUBLIC WORKS LOAN BOARD (EIP)	01/04/2019	26/03/2042	38,261	1.99
PUBLIC WORKS LOAN BOARD (EIP)	04/06/2019	04/06/2046	19,630	1.97
PUBLIC WORKS LOAN BOARD (EIP)	08/08/2019	08/08/2039	19,500	1.39
PUBLIC WORKS LOAN BOARD (EIP)	05/09/2019	05/09/2042	19,565	1.23
PUBLIC WORKS LOAN BOARD (Annuity)	28/02/2020	01/03/2038	20,000	2.27
PUBLIC WORKS LOAN BOARD (Annuity)	03/03/2020	03/03/2038	20,000	2.18
PUBLIC WORKS LOAN BOARD (Annuity)	10/03/2020	10/03/2040	20,000	2.06
PUBLIC WORKS LOAN BOARD (Annuity)	11/03/2020	11/03/2045	20,000	1.98
LANCASHIRE COUNTY COUNCIL (Maturity)	01/04/2019	27/02/2060	10,000	4.05
DEXIA (Maturity)	01/04/2019	30/06/2077	10,000	3.98
LANCASHIRE COUNTY COUNCIL (Maturity)	01/04/2019	26/03/2059	10,000	4.05
L1 RENEW (Annuity)	01/04/2019	01/10/2046	6,815	3.44
European Investment Bank (Annuity)	01/04/2019	31/03/2044	79,363	2.21
	Total LA / PWLB		**579,676**	
STAFFORDSHIRE PENSION FUND	29/10/2019	29/04/2020	5,000	0.90
BARNSLEY MBC	31/10/2019	30/04/2020	10,000	0.90
EXETER CITY COUNCIL	25/10/2019	27/04/2020	5,000	0.90
ST HELENS MBC	28/10/2019	28/04/2020	5,000	0.90
WIGAN METROPOLITAN BC	31/10/2019	30/04/2020	5,000	0.85
SOUTH LANARKSHIRE COUNCIL	03/01/2020	03/04/2020	10,000	0.75
NORTHERN IRELAND HOUSING EXEC	27/01/2020	27/04/2020	5,000	0.77
LANCASTER CITY COUNCIL	27/01/2020	27/04/2020	5,000	0.78

Essex CC	22/01/2020	22/05/2020	5,000	0.76
EAST NORTHAMPTONSHIRE COUNCIL	28/01/2020	28/04/2020	2,000	0.75
MIDDLESBROUGH BC	28/01/2020	28/04/2020	7,000	0.75
Essex CC	29/01/2020	29/04/2020	5,000	0.76
DACORUM BOROUGH COUNCIL	04/02/2020	24/07/2020	2,000	0.80
DACORUM BOROUGH COUNCIL	07/02/2020	24/07/2020	2,000	0.80
Staffordshire Police & Crime Commissioner	13/02/2020	13/05/2020	3,000	0.80
NORTHERN IRELAND HOUSING EXEC	14/02/2020	14/05/2020	4,000	0.85
STOKE on TRENT & STAFFORDSHIRE	19/02/2020	19/05/2020	3,000	0.88
East London Waste Authority	14/02/2020	14/05/2020	2,000	0.85
CALDERDALEMBC	17/02/2020	27/04/2020	1,600	0.80
CUMBRIA COUNTY COUNCIL	21/02/2020	24/04/2020	5,000	0.85
KETTERING BOROUGH COUNCIL	24/02/2020	26/05/2020	3,000	0.85
MIDDLESBROUGH BC	03/03/2020	04/05/2020	5,000	0.87
Portsmouth City Council	24/02/2020	01/04/2020	10,000	0.90
DEVON COUNTY COUNCIL	25/02/2020	08/04/2020	2,500	0.90
CORNWALL COUNTY COUNCIL	01/04/2019	03/04/2020	10,000	1.00
RUGBY BC	01/04/2019	09/04/2020	2,000	1.00
STEVENAGE BOROUGH COUNCIL	01/04/2019	09/04/2020	2,000	0.98
		GF Total ST Borrowing	**126,100**	

6. Compliance with Treasury limits and Prudential Indicators

6.1 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 (affordable limits) are included in the approved Treasury Management Strategy (TMSS).

6.2 During the financial year to date the Council has operated within and complied with the treasury limits and Prudential Indicators set out in the Council's annual TMSS. The Council's prudential indicators are set out in Appendix 1 to this report. In 2019/20, the Council did not breach its authorised limit on borrowing of £1.152bn.

6.3 The Operational limit set in the 2019/20 TMSS was £1.052bn. This limit was exceeded towards the end of the financial year as borrowing increased to cover the purchase of the Muller site in Q2 of 2020. As at 31 March 2020 the total borrowing was £1.116bn.

7. Options Appraisal

7.1 There is no legal requirement to prepare a Treasury Management Annual Report, however, it is good governance to do so and 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).

8. Consultation

8.1 The Chief Operating Officer has been informed of the approach, data and commentary in this report.

9. Financial Implications

Implications completed by: Katherine Heffernan, Finance Group Manager

9.1 This report sets out the outturn position on the Council's treasury management position and is concerned with the returns on the Council's investments as well as its short- and long-term borrowing positions. The net impact of the position is reflected in the Council's overall outturn position and the impacts into future years from borrowing and investment decisions will be incorporated into its MTFS.

10. Legal Implications

Implications completed by: Dr. Paul Feild, Senior Governance Lawyer

10.1 Section 28 of the Local Government Act 2003 imposes a statutory duty on the Council to monitor its budget during the financial year and its expenditure and income against the budget calculations. The Council sets out its treasury strategy for borrowing and an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

10.2 The Council is legally obliged to 'have regard to' the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out its functions under the Act. Furthermore, the Prudential Code emphasises that authorities can set their own prudential indictors beyond that specified in the Code where it will assist their own management processes.

11. Risk Management

11.1 The whole report concerns itself with the management of risks relating to the Council's cash flow. The report mostly contains information on how the Treasury Management Strategy has been used to maximise income throughout the past year.

11.2 EIB funded urban regeneration programme - The urban regeneration programme will be governed by a programme delivery board established in the Regeneration department. A programme manager will be identified within the Council who will be responsible for delivering each scheme within the investment programme.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

Appendix 1 - The Prudential Code for Capital Investment in Local Authorities
Appendix 2 - Glossary of Terms