



Hinckley & Bosworth
Borough Council

A Borough to be proud of

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

FINANCE & PERFORMANCE SCRUTINY

19 August 2019

WARDS AFFECTED: ALL WARDS

TREASURY MANAGEMENT QUARTER 1 2019/20

Report of the Head of Finance (Section 151 Officer)

1. PURPOSE OF REPORT

- 1.1 To inform the Committee of the Council's Treasury Management activity in the first quarter of 2019/20.

2. RECOMMENDATION

- 2.1 That the Committee note the report.

3. BACKGROUND TO THE REPORT

- 3.1 At its meeting on 21st February 2019 Council approved the Council's Treasury Management Policy for the year 2019/20 and delegated the oversight of the execution of the Policy to this Committee.

This report sets out the Treasury Management activities in 2019/20 and shows that they are in line with the limits set out in the Policy.

Treasury Management covers two main areas:-

1. The management of day to day cash flows by way of short term investing and borrowing. Longer term investment opportunities may arise depending on cash flow requirements.
2. Management of the Council's long term debt portfolio which is used to finance capital expenditure that cannot be immediately funded by internal resources (e.g. by Capital Receipts).

3.2 Economic Background

During the quarter ended 30 June 2019:

1. Brexit was delayed until 31st October 2019.
2. GDP rose by a solid 0.5% q/q in Q1, but contracted at the start of Q2.
3. The fundamentals that determine consumer spending remained healthy.
4. Inflation fluctuated around the Bank of England's 2% target.
5. There was a widespread fall in investors' global interest rate expectations.

The latest forecasts are detailed in the table below:

	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Bank Rate	0.75%	1.00%	1.00%	1.00%	1.25%
5yr PWLB rate	1.50%	1.60%	1.70%	1.80%	1.90%
10yr PWLB rate	1.80%	1.90%	2.00%	2.10%	2.20%
25yr PWLB rate	2.40%	2.50%	2.60%	2.70%	2.80%
50yr PWLB rate	2.30%	2.40%	2.50%	2.60%	2.70%

3.3 Investment Activity

The Council's investment strategy primary objectives are safeguarding the repayment of the principal and interest of its investments on time, ensuring adequate liquidity, with the investment return being the final objective. If required, officers implement an operational strategy which tightens the controls already in place in the approved investment strategy. The Council's investment criterion was approved by Council in February 2019.

Funds for investment come from the following Sources

- a) Revenue Account Balances held by the Council
- b) Earmarked Reserves and Provisions
- c) Unapplied Capital Receipts
- d) Cash flow balances - income received before expenditure needs to be invested. Depending on the flow of cash (difference between income receipts and payments) the bank balance will vary. Where there is a surplus balance monies are invested. When there is a need for cash, investments are called in to ensure funds are not overdrawn. As at 30 June 2019, the Council held the following investments totalling £25,326,000 and are summarised below:

Counterparty	Investment Date	Maturity Date	Amount	Interest Rate
National Counties BS	01/04/2019	30/09/2019	£3,000,000	1.1000
Monmouthshire BS	01/04/2019	01/10/2019	£3,000,000	1.0300
Newcastle BS	03/04/2019	03/10/2019	£3,000,000	1.0500
Furness BS	05/06/2019	05/12/2019	£3,000,000	1.1000
Newcastle BS	01/04/2019	01/10/2019	£2,000,000	1.0500
Nottinghamshire BS	10/06/2019	10/09/2019	£2,000,000	0.8500
Nottinghamshire BS	10/06/2019	10/12/2019	£2,000,000	1.0500
HSBC Bank	28/06/2019	01/07/2019	£1,926,000	0.4300
National Counties BS	01/04/2019	01/10/2019	£1,500,000	1.1000
Cumberland BS	03/04/2019	03/10/2019	£1,400,000	1.1000
Coventry BS	03/04/2019	03/10/2019	£1,000,000	0.9200
Nottinghamshire BS	13/06/2019	13/12/2019	£1,000,000	1.0500
National Counties BS	01/04/2019	01/10/2019	£500,000	1.1000
Total			£25,326,000	

Details of investments held from April 2019 to June 2019 are available on request.

Details of the weighted average investment to June 2019 are shown in the table below together with the Industry Average, London Inter Bank Bid (LIBID) as a benchmark. The Council received a rate of return that is comparable with the returns available in the market. Additionally, the weighted average period is within the maximum set of 0.5 years. Average investments returns are higher than the comparable inter bank rate (a return of 0.99% compared against 0.60%). Typical one month fixed deposit with UK banks and Building Societies range between 0.53% and 0.69%.

Period	Weighted Average invested	Average period (days)	HBBC Average Return	7 Days LIBID	1 Month LIBID	3 Month LIBID	6 Month LIBID
Apr to June	£13,070,426	29	0.9924	0.5479	0.6037	0.6787	0.7800

3.4 Borrowing Activities

Long term borrowing to finance Capital Expenditure

Excluding the HRA self financing element, the Council has a Capital Financing Requirement of £38.3m for the current year which arises from previous decisions to incur Capital Expenditure that was not financed immediately by internal resources e.g. Capital Receipts or Grants giving rise to the need to borrow to finance the expenditure. This borrowing requirement can either be met by long or short term external borrowing or by internal borrowing i.e. using the cash behind the authority's balances and reserves and foregoing investment income. At the present time the interest payable on long term borrowing is significantly greater than the returns the

Council could expect on its investments and therefore the Council has adopted a policy of being “under-borrowed” by £30m with only £8.3m of long term loans on its books.

Additionally, as part of the Self Financing HRA Settlement £67.652m has been borrowed from PWLB. Repayment options have been discussed with members and were presented to the Executive on 13th March 2012. Repayments for principal amounts for these loans will commence in March 2020. The loan will be repaid in equal instalments of £2.9414m over 23 yrs, with the first repayment on 28th March 2020.

3.5 Short Term Borrowing

There were 2 borrowing transactions to fund short term working capital. The total borrowing was £3m and was re-paid back in 7 days.

Total short term borrowing Apr -June 2019	£3,000,000
Borrowings outstanding 30 th Jun 2019	NIL
Average period borrowing	7 days
Weighted average interest on borrowings	0.7%

4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

4.1 Report to be taken in open session.

5. FINANCIAL IMPLICATIONS [IB]

5.1 Any variations to budgets resulting from borrowing investing activities are reported within the Outturn position.

6. LEGAL IMPLICATIONS [MR]

6.1 There are no legal implications arising directly from this report.

7. CORPORATE PLAN IMPLICATIONS

7.1 This report supports the following Corporate Aims

- Thriving Economy

8. CONSULTATION

8.1 None

9. RISK IMPLICATIONS

9.1 It is the Council’s policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

9.3 The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
That the Council has insufficient resources to meet its aspirations and cannot set a balanced budget	Budgets are scrutinised on an ongoing to ensure assumptions are robust and reflect financial performance and sufficient levels of reverses and balances are maintained to ensure resilience	A.Wilson

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

10.1 None

11. CORPORATE IMPLICATIONS

11.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Procurement implications
- Human Resources implications
- Planning implications
- Data Protection implications
- Voluntary Sector

Background papers: Civica Reports
Link Reports

Contact Officer: Ilyas Bham, Accountancy Manager x5924
Executive Member: Councillor K Lynch