



## Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Finance & Performance Scrutiny 13<sup>th</sup> September 2021

Wards affected: All Wards

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### Treasury Management Quarter 1 2021/22

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Report of Head of Finance

#### **1. Purpose of report**

- 1.1 To inform the Committee of the Council's Treasury Management activity in the first quarter of 2021/22.

#### **2. Recommendation**

- 2.1 That the Committee note the report.

#### **3. Background to the report**

- 3.1 At its meeting on 23<sup>rd</sup> February 2021 Council approved the Council's Treasury Management Policy for the year 2021/22 and delegated the oversight of the execution of the Policy to this Committee.

This report sets out the Treasury Management activities in 2021/22 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).

## Economic Background

3.2 During the quarter ended 30<sup>th</sup> June 2021:

1. GDP rose by 2.3% m/m in April as restrictions were lifted on non- essential retailers;
2. There were signs that activity was given another boost in May as indoor hospitality resumed;
3. Sharply increasing virus cases in June delayed the final easing of lockdown restrictions by four weeks;
4. Inflation accelerated to 2.1% in May due to energy effects and a surge in reopening inflation;
5. Gilt yields and sterling made little headway, while the FTSE 100 failed to catch up on the S&P 500.

The latest forecasts are detailed in the table below:

|                | Q2    | Q3    | Q4    | Q1    | Q2    |
|----------------|-------|-------|-------|-------|-------|
|                | 2022  | 2022  | 2022  | 2023  | 2023  |
| Bank Rate      | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% |
| 5yr PWLB rate  | 1.20% | 1.20% | 1.20% | 1.20% | 1.20% |
| 10yr PWLB rate | 1.60% | 1.70% | 1.70% | 1.70% | 1.70% |
| 25yr PWLB rate | 2.10% | 2.20% | 2.30% | 2.30% | 2.30% |
| 50yr PWLB rate | 1.90% | 2.00% | 2.10% | 2.10% | 2.10% |

## Investment Activity

3.3 The Council's investment strategy primary objectives are safeguarding the re-payment 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 2021.

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 2021, the Council held the following investments totalling £24,501,200 and are summarised below:-

| Counterparty              | Investment Date | Maturity Date | Amount             | Interest Rate |
|---------------------------|-----------------|---------------|--------------------|---------------|
| Furness BS                | 09/06/2021      | 19/12/2021    | £1,000,000         | 0.2500        |
| Black Rock MMF            | 28/04/2021      | 01/07/2021    | £1,119,000         | 0.0100        |
| HSBC Call                 | 30/06/2021      | 01/07/2021    | £1,382,200         | 0.0100        |
| National Counties BS      | 18/06/2021      | 18/03/2022    | £1,500,000         | 0.3100        |
| Liverpool City Council    | 26/08/2020      | 25/08/2021    | £2,000,000         | 0.5000        |
| London Borough of Croydon | 07/09/2020      | 06/09/2021    | £2,000,000         | 0.6500        |
| National Counties BS      | 01/04/2021      | 31/03/2022    | £2,000,000         | 0.3300        |
| National Counties BS      | 03/06/2021      | 03/03/2022    | £2,000,000         | 0.3000        |
| National Counties BS      | 25/05/2021      | 25/02/2022    | £2,500,000         | 0.3200        |
| Blaenau Gwent County BC   | 31/07/2021      | 30/07/2021    | £3,000,000         | 0.5000        |
| London Borough of Croydon | 16/10/2020      | 15/10/2021    | £3,000,000         | 0.6500        |
| Thurrock BC               | 28/04/2021      | 28/01/2022    | £3,000,000         | 0.2800        |
| <b>Total</b>              |                 |               | <b>£24,501,200</b> |               |

Details of investments held from April 2021 to June 2021 are available on request.

Details of the weighted average investment to March 2021 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 0.4408% compared against (0.0743%).

| Period          | Weighted Average invested | Average period (days) | HBBC Average Return | 7 Days LIBID | 1 Month LIBID | 3 Month LIBID | 6 Month LIBID |
|-----------------|---------------------------|-----------------------|---------------------|--------------|---------------|---------------|---------------|
| Apr to Jun 2021 | £294,014,000              | 39                    | <b>0.4408</b>       | (0.0821)     | (0.0743)      | (0.0417)      | (0.01580)     |

## Borrowing Activities

### 3.4 Long term borrowing to finance Capital Expenditure

Excluding the HRA self financing element, the Council has a Capital Financing Requirement of £30.98m 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 £24.68m 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 13<sup>th</sup> March 2012. Repayments for principal amounts for these loans commenced in March 2020. The remaining loan will be repaid in equal instalments of £2.9414m over 22 yrs.

### **Short Term Borrowing**

3.5 The details of short term borrowings in this quarter as under:

|                        |            |
|------------------------|------------|
| Amount Borrowed        | £4,000,000 |
| Amount Repaid          | £4,000,000 |
| Borrowings outstanding | NIL        |
| Weighted average       | 0.1200%    |
| Average period         | 7 days     |

## **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. Climate implications

11.1 None

## 12. Corporate implications

12.1 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

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Background papers: Civica Reports  
Link Reports

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