



Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Finance & Performance Scrutiny 1st November 2021

Wards affected: All Wards

Treasury Management Quarter 2 2021/22

Report of Head of Finance

1. Purpose of report

- 1.1 To inform the Committee of the Council's Treasury Management activity in the second 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 23rd 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 30th September 2021:

1. There was only a 0.1% m/m rise in GDP in July as rising virus cases and product/labour shortages stalled the recovery;
2. There were signs that activity failed to pick up momentum in August and September as shortages worsened;
3. Virus restrictions were lifted in full and the ending of the furlough scheme;
4. There was a sharp acceleration in CPI inflation to a nine-year high of 3.2% in August;
5. strong gains in gilt yields, while sterling weakened and the FTSE 100 made little headway.

The latest forecasts are detailed in the table below:

	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Bank Rate	0.10%	0.10%	0.10%	0.10%	0.10%
5yr PWLB rate	1.30%	1.30%	1.30%	1.40%	1.40%
10yr PWLB rate	1.70%	1.80%	1.80%	1.90%	1.90%
25yr PWLB rate	2.30%	2.40%	2.40%	2.40%	2.50%
50yr PWLB rate	2.10%	2.20%	2.20%	2.20%	2.30%

Investment Activity

3.3 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 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 September 2021, the Council held the following investments totalling £22,915,400 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
HSBC Call	30/06/2021	01/07/2021	£1,415,400	0.0100
National Counties BS	18/06/2021	18/03/2022	£1,500,000	0.3100
National Counties BS	13/07/2021	12/04/2022	£1,000,000	0.3100
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
Furness BS	02/08/2021	01/08/2022	£2,000,000	0.3000
National Counties BS	16/08/2021	16/05/2022	£1,000,000	0.2500
National Counties BS	31/08/2021	31/05/2022	£2,500,000	0.2700
Thurrock BC	28/04/2021	28/01/2022	£3,000,000	0.2800
Total			£22,915,400	

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

Details of the weighted average investment to March 2022 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 0.4029% compared against (0.0734%).

Period	Weighted Average invested	Average period (days)	HBBC Average Return	7 Days LIBID	1 Month LIBID	3 Month LIBID	6 Month LIBID
Apr to Sep 2021	£31,101,585	36	0.4029	(0.0828)	(0.0734)	(0.0462)	(0.0134)

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 13th 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	£1,000,000
Amount Repaid	£1,000,000 (Settled on Oct 1 st)
Borrowings outstanding	NIL
Weighted average	0.4%
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

Background papers: Civica Reports
Link Reports
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