Agenda Item No. 11(a)

THE VALE OF GLAMORGAN COUNCIL

COUNCIL: 10^{TH} MARCH, 2021

REFERENCE FROM CABINET: 30^{TH} NOVEMBER, 2020

"C399 TREASURY MANAGEMENT MID-YEAR REPORT 2020/21 (EL/PR) (SCRUTINY – CORPORATE PERFORMANCE AND RESOURCES) -

The Leader presented the report, the purpose of which was to provide a mid-year report on the Authority's Treasury Management operations for the period 1^{st} April 2020 to 30^{th} September 2020.

The interim report provided an update on the Authority's Treasury Management operations for the period 1^{st} April to 30^{th} September 2020. All activities were in accordance with the Authority's approved strategy on Treasury Management. Total external borrowing as at 30^{th} September 2020 was £151.140m at an average rate of 4.679%. No new external borrowing was undertaken during the first 6 months of 2020/21. The Council invested with the Debt Management Deposit Facility, Local Authorities and Money Market Funds. Total investments as at 30^{th} September 2020 stood at £100.500m at an average rate of 0.562%.

The Authority ensured that the Prudential Code was complied with, which had been developed by CIPFA as a professional code of practice. To demonstrate the Council had fulfilled these objectives, the Code set out prudential indicators that should be used and the factors that must be taken into account. The Council fully complied with these prudential indicators during the first 6 months of 2020/21.

Following the Debt Management Office (DMO) announcement on the 25^{th} September 2020 that they would be offering negative terms on deposits, the Authority started utilising a broader range of investment tools reducing its use of DMO deposits and investing in Money Market Funds and making deposits with Lloyds Bank PLC, in line with the options available in the 2020/21 Treasury Management and Investment Strategy. The Treasury Management team also requested an increase in the financial limit for investments with UK institutions and Banks from £5m to£10m to facilitate increased use of these tools and this was approved using Emergency Powers on the 28^{th} September 2020.

As a result of the Coronavirus pandemic both the UK's Sovereign and the Authority's banker's Lloyds Bank PLC have had their long-term credit ratings reduced during this reporting period. The reduction of the Sovereign rating to "Aa3 from Aa2" meant that the UK was still judged to be of high quality and subject to very low credit risk. Lloyds Bank PLC had had its credit rating reduced to "A1 from Aa3" and was now judged to be upper medium grade and subject to low credit risk. The revised rating still met the Authority's minimum credit rating criteria for investment. The Authority's Treasury advisers, Link Asset Services, had reduced the advised maximum maturity period for investments with Lloyds from 12 months to 6 months following this downgrading.

Historically the Authority had used the 3-month London Interbank Bid Rate (LIBID) to calculate interest to be charged on internal borrowing. This rate would cease to exist from 2021 and therefore interest on internal borrowing from 2020/21 onwards would be calculated using the Sterling Overnight Interest Average Rate (SONIA).

External Borrowing rates of interest from the Public Works Loan Board was currently under review following a consultation with local authorities. The Authority intended to refrain from any external borrowing until the outcome of the consultation was determined. This position would be kept under review by the Section 151 Officer.

This was a matter for Executive decision.

Cabinet, having considered the report and all the issues and implications contained therein

RESOLVED –

(1) T H A T the Treasury Management mid-year report for the period 1st April 2020 to 30th September 2020 be accepted.

(2) T H A T the latest Treasury Management indicators be agreed.

(3) T H A T the report be referred to the next Corporate Performance and Resources Scrutiny Committee for consideration.

(4) T H A T the use of Money Market Funds and Lloyds Bank Instant Access Accounts as investment tools be noted.

(5) T H A T the changes to the investment limits be noted and agreed.

(6) T H A T the report be referred to Council for approval.

Reasons for decisions

(1) To present the Treasury Management mid-year report as required by the CIPFA Treasury Management in the Public Services: Code of Practice.

(2) To present an update of the Treasury Management indicators which are included in the Treasury Management Strategy.

(3) To present this report to the Corporate Performance and Resources Scrutiny Committee.

(4) To ensure Members are aware of current Treasury Management practices.

(5) To ensure Members are aware of changes to the Treasury Management Strategy.

(6) To comply with the Treasury Management Strategy."

Attached as Appendix – Report to Cabinet: 30th November, 2020