ARGYLL AND BUTE COUNCIL **COUNCIL**

FINANCIAL SERVICES **24**

taken during the year.

1.6

Treasury Advisors, Link Asset Services to assist in the consideration of the Council

2. RECOMMENDATIONS

2.1 It is recommended that the Council note and approve the Annual Treasury Report for 2020-21.

3. IMPLICATIONS

3.1 Policy None
3.2 Financial None
3.3 Legal None
3.4 Human Resources None
3.5 Fairer Scotland Duty - None
3.5.1 Equalities None
3.5.2 Socio-Economic Duty None
3.5.3 Islands Duty - None
3.6 Risk None

3.7 Customer Service None

Kirsty Flanagan
Section 95 Officer
1 June 2021

Councillor Gary Mulvaney, Depute Council Leader - Policy Lead for Financial Services and Major Projects

For further information please contact Anne Blue, Finance Manager Financial Services

Appendix 1 Annual Treasury Report 2020-21

Appendix 1

ANNUAL TREASURY REPORT

2020-21

1. Introduction

This Council is required by regulations issued under the Local Government in Scotland Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020-21. 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).

During 2020-21 the minimum reporting requirements were that the full Council, the Policy and Resources Committee or the Business Continuity Committee should receive the following reports:

- an annual treasury strategy in advance of the year (Council: 27 February 2020) for the financial year 2020-21
- a mid-year (minimum) treasury update report (Policy and Resources Committee: 10 December 2020)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

In addition, the Business Continuity Committee received a treasury management update report on 13 August 2020 and the Policy and Resources Committee received further update reports on 15 October 2020 and 18 February 2021.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights FRPSOLDQFH ZLWK WKH &RXQFLO¶V SROLFLHV SUH

This Council also confirms that it has complied with the requirement under the Code to give scrutiny to all of the above treasury management reports by the Policy and Resources Committee and Business Continuity Committee.

2. The Economy and Interest Rates

/LQN $VVHW 6HUYLFHV DUH WKH &RXQFLO¶V 7UHDV on the current economic position. The UK position is noted below and commentary on other countries is included within Appendix A.

UK. The key quarterly Monetary Pol

- The economy would start to recover strongly from Q3 2021 although it acknowledged there were downside risks from virus mutations etc.
- £125bn of savings made by consumers during the pandemic will give a big boost to the pace of economic recovery once lockdown restrictions are eased and consumers can resume high street shopping, going to pubs and restaurants and taking holidays.
- The economy would still recover to reach its pre-pandemic level by Q1 2022 despite a long lockdown in Q1 2021. Spare capacity in the economy would be eliminated in Q1 2022 and there would be excess demand in the economy by Q4 2022.
- CPI inflation was forecast to rise que.42 Tm 0.051 g 0.051 1 0 0 1 113.41 0 0 W

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barrier to trade. This appears to have eased somewhat since then but is an area that needs further work to ease difficulties, which are still acute in some areas.

Inflation is likely to rise sharply to around 2% during 2021 for a short period, but as this will be transitory due to one-off factors, it will cause the European Central Bank (ECB) little concern. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The (&%¶V 'HFHPEHU PHHWLQJ DGGHG D IXUWKHU ¼ of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities for an additional year until December 2023. Three additional tranches of TLTRO, (cheap loans to banks), were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for government bonds for some time ahead.

4. The Strategy for 2020-21

The expectation for interest rates within the treasury management strategy for 2020-21 anticipated that the

7. Borrowing Outturn for 2020-21

Borrowing

Due to high levels of cash balances and significant slippage in the capital programme, in part due to the COVID-19 pandemic, there was no requirement to take out any new borrowing during the year.

Rescheduling : No rescheduling was carried out during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Repayments : The Council repaid the following long term loans during the year using investment balances.

Lender	Principal	Type	Interest rate
PWLB	£0.698 m	Fixed Interest Rate	8.00%
PWLB	£0.331 m	Fixed Interest Rate	10.50%
PWLB	£2.413 m	Fixed Interest Rate	10.125%
PWLB	£0.330 m	Fixed Interest Rate	8.00%

Summary of debt transactions : Management of the debt portfolio resulted in a decrease in the average interest rate of 0.16% due to a decrease in long term borrowing. As can be seen from the table above, high interest rate loans have been repaid and no new borrowing has been taken out during the year.

9. Investment Outturn 2020-21

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In line with the investment strategy, investments held with local authority counterparties were for less than two years. All other investments were for less than one year, again per the investment strategy.

In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2019-20) plus the estimates of any additional capital financing requirement for the current (2020-21) and next two financial years. This essentially means that the