

NON-CONFIDENTIAL



Borough of Tamworth

7 September 2020

Dear Councillor

You are hereby summoned to attend a **meeting of the Council of this Borough** to be held on **TUESDAY, 15TH SEPTEMBER, 2020** at 6.10 pm in the **ONLINE MEETING**, for the transaction of the following business:-

AGENDA

NON CONFIDENTIAL

- 1 Apologies for Absence**
- 2 To receive the Minutes of the previous meeting** (Pages 3 - 14)
- 3 Declarations of Interest**

To receive any declarations of Members' interests (pecuniary and non-pecuniary) in any matters which are to be considered at this meeting.

When Members are declaring a pecuniary or non-pecuniary interest in respect of which they have dispensation, they should specify the nature of such interest. Members should leave the room if they have a pecuniary or non-pecuniary interest in respect of which they do not have a dispensation.

- 4 To receive any announcements from the Mayor, Leader, Members of the Cabinet or the Chief Executive**
- 5 Question Time:**
 - (i) To answer questions from members of the public pursuant to Procedure Rule No. 10.
 - (ii) To answer questions from members of the Council pursuant to Procedure Rule No. 11

6 Annual Report on the Treasury Management Service and Actual Prudential Indicators 2019/20 (Pages 15 - 36)

(Report of the Portfolio Holder for Assets and Finance)

Yours faithfully

A handwritten signature in black ink, consisting of stylized initials and a long horizontal stroke extending to the right.

CHIEF EXECUTIVE

Access arrangements

If you have any particular access requirements when attending the meeting, please contact Democratic Services on 01827 709267 or e-mail democratic-services@tamworth.gov.uk. We can then endeavour to ensure that any particular requirements you may have are catered for.

Filming of Meetings

The public part of this meeting may be filmed and broadcast. Please refer to the Council's Protocol on Filming, Videoing, Photography and Audio Recording at Council meetings which can be found [here](#) for further information.

The Protocol requires that no members of the public are to be deliberately filmed. Where possible, an area in the meeting room will be set aside for videoing, this is normally from the front of the public gallery. This aims to allow filming to be carried out whilst minimising the risk of the public being accidentally filmed.

If a member of the public is particularly concerned about accidental filming, please consider the location of any cameras when selecting a seat.

FAQs

For further information about the Council's Committee arrangements please see the FAQ page [here](#)

Marmion House
Lichfield Street
Tamworth



MINUTES OF A MEETING OF THE COUNCIL HELD ON 21st JULY 2020

PRESENT: Councillor R Claymore (Mayor), Councillors M Oates, R Kingstone, M Bailey, D Box, P Brindley, J Chesworth, R Bilcliff, T Clements, C Cooke, S Doyle, A Farrell, J Faulkner, R Ford, S Goodall, M J Greatorex, K Norchi, J Oates, S Peuple, Dr S Peuple, B Price, R Pritchard, R Rogers, P Standen and M Summers

The following officers were present: Andrew Barratt (Chief Executive), Stefan Garner (Executive Director Finance), Anna Miller (Assistant Director – Growth & Regeneration), Paul Weston (Assistant Director Assets), Rebecca Neill (Head of Audit & Governance and Monitoring Officer), Matthew Fletcher (Head of Economic Development and Regeneration), Jodie Small (Legal, Democratic and Corporate Support Assistant) and Adam Deakin (Technical Infrastructure Engineer)

Apologies received from: Councillor(s) D Cook, M Cook, T Jay, S Pritchard and P Thurgood

8 TO RECEIVE THE MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 16th June 2020 were approved and signed as a correct record.

(Moved by Councillor R Pritchard and seconded by Councillor Dr S Peuple)

9 DECLARATIONS OF INTEREST

Councillor Dr S Peuple and Councillor S Peuple declared a pecuniary interest in agenda item 9 which is in the private session of the meeting and indicated that they would disclose the full nature of their interests at that point and will then leave the meeting when this item is discussed. Councillor P Standen and Councillor J Faulkner also declared non pecuniary interests in the same item, which they would disclose in full at that point, but stated that these interests will not impede them from voting on this item.

10 TO RECEIVE ANY ANNOUNCEMENTS FROM THE MAYOR, LEADER, MEMBERS OF THE CABINET OR THE CHIEF EXECUTIVE

The following announcements were made;

Madam Mayor Councillor R Claymore

“I have just a couple of announcements, first and foremost at the last full Council meeting there was a particular mention of the extraordinary work that has been carried out by Tamworth Borough Council Officers throughout this pandemic and I just wanted to reiterate that this is continuing, the staff are doing amazing work, this is something we have never experienced before. The staff are having to work under difficult and very new circumstances, I just wanted it on record how much the members appreciate everything that they are doing and going forward hoping that things will get to some sort of normal at some point soon.

The other thing I wanted to mention is just on a personal note from me as the Mayor.

I have a couple of initiatives that I want to get off the ground, As you can appreciate it's very difficult at the moment to get out and about to see people but what I would like to do first and foremost is try and meet as many of the volunteers that have stepped up to the mark. Over the next few months I would like to hold small intimate afternoon tea parties. I would like to hold these in the Town Hall and possibly in the Bandstand if I am allowed. I would also like to invite some of the businesses throughout the town so that we can see how well these businesses are doing whilst we are celebrating the wonderful work the volunteers are doing.

So my plea to you is I do have a list of volunteers, but if anybody knows anyone who has stepped up to the mark or gone that little bit further, then can they contact me through Democratic Services. I would like to invite as many of those people along over the next few months to have a nice little afternoon tea as a thank you.”

Councillor R Kingstone

“Thank you Madam Mayor. I'm not going to make a speech or anything but just to state for the meeting and for all Councillors present that it is my intention to resign with immediate effect from the controlling group and I will be sending an email outlining my reasons to all Councillors and the Chief Executive in a few minutes time. Thank you Madam Mayor.”

Councillor R Prichard Deputy Leader

“Thank you Madam Mayor in the absence of the Leader of the Council who is away today I would just like to announce some slight changes to the Cabinet structure, with no change to membership those details have been circulated to the Chief Executive, Democratic Services and the Opposition Leaders and also a slight change to reflect the announcement of the Conservative committee places and that has been distributed through Democratic Services, the Opposition group leaders and the Chief Executive, and finally I would like to announce the champions, the champion role is something this Council has been doing for many years now and I would just like to confirm the champions the Leader is appointing

are Councillor Ben Price for Town Centre champion, Councillor Paul Brindley for heritage champion, Councillor Marie Bailey for community safety champion, Councillor Alex Farrell for digital champion and Councillor Tina Clements for dementia champion. Thank you Madam Mayor.”

Councillor D S Peuple announcement

“Thank you Madam Mayor and thank you to the Deputy Leader for sending out the list of Committee places it appears to allocate Councillor Kingstone as part of the controlling group and therefore I look forward to that being clarified. Can I also please ask the question of the Deputy Leader why the Conservative group after the events of the last week still feel that it's appropriate to have the Chair of Planning and the Chair of Licensing allocated to people who have business in that field and should they now not consider some sort of reallocation of roles in order to clarify the interests that clash through people being in charge of those Committees in areas that they work in. I look forward to a future discussion on that point with the Deputy Leader thank you Madam Mayor.”

11 QUESTION TIME:

QUESTIONS FROM MEMBERS OF THE COUNCIL NO.1

Under Procedure Rule No 11, Councillor T Clements will ask the Portfolio Holder for Heritage and Growth, Councillor J Oates, the following question:-

“Can the Cabinet member give the people of Tamworth some reassurance that we understand the challenges of the high street? COVID 19 has changed many ways of working and we need to ensure that we future proof our plans and particularly the High Street business plan that this council will consider submitting to the government this evening.”

Councillor J Oates gave the following reply:-

“Thank you for allowing me to answer this question I will answer in two parts if I may. The Covid pandemic has provided the Council with an opportunity to really understand the challenges that the pandemic has created around the High Street. The opportunity has been brought about by the distribution of the business grants and the provision of business advice and the reopening of the High Street project itself.

It must be remembered although the recovery is still in a very early phase, Officers will still continue to engage with the business community to both shape and respond to the challenges as they emerge.

Madam Mayor, re-opening the High Street project and the wider regeneration works that the Council is currently undertaking, it's given us the following, given us the strong and collaborative two-way relationship with landowners and a better understanding of what's going on in terms of tenancies and units, something that we've not had before and also allowed us to improve and develop stronger relationship intelligence and engagement within the business community.

In the past it's been difficult to get into some of those and the business community have found it difficult to get into the Council so we are now in a better situation to understand that. It's also given us the opportunity to renew and drive forward positive relationships with stakeholders in the Town Centre and I will mention Ankerside as an example.

Second part of my answer relates to the second part of the question that Councillor Clements has raised, later on this evening the Council will consider the final business plan submission to Government under the Future High Street fund initiative, this is an opportunity to intervene in a current trajectory of the Town Centre and make it fit for purpose for the people of Tamworth. As Part of the submission to Government the Council has completed a detailed COVID-19 agendum highlighting mitigating specific risks of the pandemic to the project; these are very much public realm works and mitigations to allow for social distancing, whatever that becomes, and that flexibility. Whilst the full implications of COVID-19 on the economy of the High Street cannot be fully understood as we sit here this evening we are confident that our plans to improve and change the Town Centre will be future proofed, the reason we are confident includes that they are in line with the Government spending agenda around skills, education and change of use and updated infrastructure. Our project is not heavily private sector focused, our project focuses on bringing significant footfall and day time use back into the town centre to support the wider economy, our project encourages wider social use and more flexible commercial spaces so that can cater for small businesses, start-ups, like as we have seen in the Enterprise Centre.

We are also removing a large vacant retail floor space, redundant buildings and replacing them with attractive, active use of buildings. The Town Centre will become a mix economy of leisure, education, retail, office space, food, drink and other activities aimed at increasing the volume in the Town Centre.

Madam Mayor I hope this brief summary has given members some reassurance that the team are working extremely hard to understand the High Street not just with the COVID-19 pandemic but also going forward. Thank you Madam Mayor.”

Councillor T Clements asked the following supplementary question-

“Thank you Madam Mayor, Would the Portfolio Holder agree we cannot just look at the now, we need to look at the next Ten, Twenty years and even further to safeguard our town and its businesses?”

Councillor J Oates gave the following reply -

“Thank you Madam Mayor. We can all look at the past and learn from it so we don't make the same mistakes in the future, and this is something we are very keen to make sure this is something we don't do. Tamworth was changed significantly in the sixties and seventies, before my time and since then as a Council and as a Community we have regretted the direction the Town Centre has gone in. I am adamant we need to build a Town Centre fit for purpose and as Councillor Clements has said not just for the next few years but going forward for the next Ten years and the next Twenty years we need to build back into the

Town Centre our identity and I don't want to go into too much detail about the report as the confidential nature of it, but this gives us a broad mix of all the things that are the entity of Tamworth whether its spending time together or celebrating our heritage, or working and shopping in the town centre. It's about bringing the essence of Tamworth back. Thank you."

QUESTIONS FROM MEMBERS OF THE COUNCIL NO.2

Under Procedure Rule No 11, Councillor Dr S People will ask the Leader of the Council, Councillor D Cook, the following question:-

"At the recent LGA Conference, held virtually, the Leader of the Conservative Group reaffirmed the Conservative manifesto commitment to re-organise local government. There is an emerging consensus that new unitary authorities with a minimum population of around 400,000 are to be created. In the case of Staffordshire, this would mean two authorities, with Tamworth being part of a new "South Staffordshire". What steps does the Leader believe the Council should take to protect Tamworth's interests going forward?"

Councillor Dr S People was provided with the following written answer from Councillor D Cook.

"To confirm there has been a figure of 350,000 – 400,000 populous given to form a unitary, no detail given but logically this could mean a northern/southern split across Staffordshire.

There is no detail available at present however a white paper is likely to be published in the autumn around the time of the Conservative Party conference.

Whatever is contained within this paper it is vital that the council does everything it can for the benefit of Tamworth and its residents, to ensure its continued success as a thriving town.

I look forward to working cross party when we have sufficient detail to debate this matter at council. We need to approach this together and ensure the continued protection and enhancement of our assets and public services. This really will be the time to park politics in Tamworth for a while".

QUESTIONS FROM MEMBERS OF THE COUNCIL NO.3

Under Procedure Rule No 11, Councillor Dr S People will ask the Portfolio Holder for Heritage and Growth, Councillor J Oates, the following question:-

"Following the government's decision to exclude Tamworth and the other shire districts from receiving any of the £66M capital funding awarded to the GBSLEP, what steps is he taking to ensure that all the projects put forward by Tamworth are being considered for the much smaller amount of £22m awarded to the Stoke & Staffordshire LEP?"

Councillor J Oates gave the following reply:-

“Thank you Madam Mayor, Councillor People rightly raises the issue of the greater Birmingham Solihull LEP and the other Two LEPS in the West Midlands combined authority area have been informed that there is £66 million capital funding allocated following the call for projects that the Government announced last month and has to be spent within the constituent member areas and not in the Shire districts, now Tamworth sits geographically within the Staffordshire and Stoke-on-Trent LEP area and the Borough Council has representation on the boards of both the GBSLEP and the SSLEP.

We have responded to the call for projects by submitting Two different projects to each LEP, whilst we know from the information the project submitted to the GBSLEP is unlikely to receive any funding we are still waiting to hear any news on the outcome of the Staffordshire and Stoke LEP on the project we have submitted. In direct response to Councillor Peoples question I have pushed and promoted the locality subgroup panel of the Staffordshire and Stoke LEP and also at full board meetings at the Staffordshire and Stoke LEP and I will continue to push for our share of the £22 million awarded, I believe it's at the stage now where submissions have been made by the LEPS and are awaiting Government sign off. I do not have the details of those Madam Mayor.”

Councillor Dr S People asked the following supplementary question -

“Thank you Madam Mayor can I ask the Portfolio Holder informs all members of the Council as soon as there is a decision reached rather than waiting for the next Council meeting, assuming it comes before then, given that we've got the normal sort of gap in meetings over August. So if I can ask him to assure us that we will be informed as soon as possible thank you Madam Mayor.”

Councillor J Oates gave the following reply -

“Thank you Madam Mayor I have no problem in doing that, I'm quite disappointed I am not in a position to give you a straight answer in terms of the outcome of that this evening as soon as I get the decision I will forward it to all members thank you Madam Mayor.”

QUESTIONS FROM MEMBERS OF THE COUNCIL NO.4

Under Procedure Rule No 11, Councillor P Standen will ask the Portfolio Holder for Regulatory and Community Safety, Councillor S Doyle, the following question:-

“Does the Cabinet member believe the planning policies set out in the local plan adopted by the council on 23rd February 2016 are still fit for purpose?”

Councillor S Doyle gave the following reply:-

“Thank you Madam Mayor / Councillor Standen, to answer Councillor Standen’s Question, yes the plan requires updating.

In context, the plan is frequently reviewed and updated, last report regarding the review was 19th March 2020 and previous to that was 5th July 2018.

Also a review has been called for by the Local Plan Working Group which I believe myself and Councillor Standen are part of? And is documented in the minutes from the Local Plan Working Group meeting on the 20th February 2019 in which the Leaders of both the Opposition and Ruling Group were present.

The Cabinet report for March 2020 also states the following:

“Since the current plan was adopted, a number of national policy changes have been implemented, particularly in relation to biodiversity and climate change.

Having reviewed the plan, it is clear that to varying degrees some of the policies contained therein are out of date.”

***(Cabinet Report March 2020)**

Part of the Recommendations from that Cabinet meeting was that work commence on a New Local Plan.

Appendix 1 of the Cabinet report from March contains details on the changes to the relevant policies and procedures within the Local Plan.

There were three options in the report considered by Cabinet that point to the current plan as approaching the end of its life cycle and will be replaced in due course, for reference Cabinet chose option 3.

I’m happy to forward a copy of the Cabinet report to Cabinet to Councillor Standen after the meeting? Although the Cabinet report is freely available to anyone via the Tamworth Borough Council Forward Plan Portal.

I hope this answers your question in enough detail.”

Councillor P Standen asked the following supplementary question -

“Thank you Councillor Doyle for your response I’m glad you modified it to a straightforward yes I think I’m actually going to agree with him that there are many policies that need amending I must admit as a member of the Planning committee at the last meeting I felt like somebody who had been sent out to bat for England and had been given a toothpick instead of a cricket bat due to the lack of the policies that were suitable for some of applications. Would the Cabinet member agree with me that the best members of this Council to actually advise on what needs changing or updating on the Local Plan are the members of the Planning committee itself who have had issues actually dealing with these policies that we currently have at the moment thank you Madam Mayor.”

Councillor S Doyle gave the following reply:-

“Thank you Madam Mayor and Councillor Standen there is always an opportunity for not just members of the Planning Committee but other members of the Council to feed in their input to any of the policies and procedures that we produce. Officers have been challenged with going away and looking at current legislation and seeing how that reflects on the Local Plan and identifying what needs updating. If there is instances were in planning something is identified or needs review or is questionable, this is why you have the committee to forward it on and say “look this needs to be addressed can somebody look at it” Thank you Madam Mayor.”

QUESTIONS FROM MEMBERS OF THE COUNCIL NO.5

Under Procedure Rule No 11, Councillor P Standen will ask the Chair of Planning, Councillor P Thurgood, the following question:-

“Does the Chair of the Planning committee believe that all Councillors when speaking on an application placed before the Planning committee for consideration either as committee members or speaking as a ward Councillor should have a clear understanding of the planning policies upon which the committee is required to make its decision?”

Councillor P Standen was provided with the following written answer from Councillor P Thurgood

“Thank you Madam Mayor and I thank Councillor Standen for his question.

Yes I totally agree with Councillor Standen that all Councillors when speaking on an application placed before the Planning committee for consideration either as committee members or speaking as a ward Councillor should have a clear understanding of the planning policies upon which the committee is required to make its decision along with an appreciation of the Planning process from start to finish and of course having read thoroughly before the meeting the Planning report submitted by the Planning officer. Thank you, Madam Mayor.”

12 THE LOCAL AUTHORITIES (EXECUTIVE ARRANGEMENTS) (MEETINGS AND ACCESS TO INFORMATION) REGULATIONS 2012

The Local Authorities (Executive Arrangements) (Meetings and Access to Information) Regulations 2012 specify and require *inter alia* under Regulation 19 that the executive leader must submit a report on a regular basis to Council containing details of particulars of each urgent executive decision and a summary of the matters in respect of which the decision was made. The report was presented to Council by the Deputy Leader.

RESOLVED That Council;

Endorsed the Annual Executive Arrangements Report

(Moved by Councillor R Pritchard and seconded by Councillor Dr S Peuple)

13 RE-PROFILING OF HOUSING REVENUE ACCOUNT CAPITAL BUDGETS TO ALLOW FOR THE ACQUISITION OF HOUSING PROPERTY.

The report of the Portfolio Holder for Assets and Finance sets out proposals and seeks approval to re-profile the Housing Revenue Account Capital Budgets, provisionally approved by Council on 25th February 2020, by bringing monies forward from with the current five-year programme to allow for the funding of property acquisitions and to take advantage of opportunities relating to the purchase of new-build property or other property that may be of interest to the Council under the current housing acquisitions policy.

In particular there is an opportunity to work with a Community Interest Company (Cornerstone) to acquire some newly refurbished and new build properties in the former Wilnecote Youth Club property.

The report further seeks to vire monies from the Housing Revenue Account Capital programme to fund the updating of the Council's Asset Management Strategy

RESOLVED

That Council approved;

- 1 The re-profiling of a total of £6,000,000 from years 2,3,4 & 5 of the five-year Housing Revenue Account capital budget into 2020/21 to allow for the acquisition of housing property [£1,500,000 from each year from CR7005 Regeneration & Affordable Housing].
- 2 The Freehold acquisition of the newly refurbished and new-build units from Cornerstone at the former Wilnecote Youth Club site for the sum of £5,000,000 [inclusive of 10% contingency] subject to the appropriate planning consents. The remaining £1,000,000 will be used for general acquisitions and growth of the housing property portfolio. Subject to planning consent being granted it is anticipated that works will commence in 2020/21 and be completed in 2021/22.
- 3 Authority be delegated to the Assistant Director of Assets in consultation with the Assistant Directors of Finance, Neighbourhoods, & Partnerships and Portfolio for Assets and Finance to acquire other housing properties in accordance with the current housing acquisitions policy
- 4 The virement of £54,000 from CR2001 Structural Works & £54,000 from CR2007 Neighbourhood Regeneration to fund the Housing Revenue Account element of the Asset Management Strategy Review with a reduction in the General Fund budget CH2858 Asset Management Database of £102,000.

(Moved by Councillor R Pritchard and seconded by Councillor Dr S Peuple)

14 EXCLUSION OF THE PRESS AND PUBLIC

In accordance with the provisions of the Local Authorities (Executive Arrangements) (Meeting and Access to Information) (England) Regulations 2012, and Section 100A(4) of the Local Government Act 1972, the Press and Public be excluded from the meeting during the consideration of the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

(Moved by Councillor R Bilcliff and seconded by Councillor R Pritchard)

15 4.13 MOTION WITHOUT NOTICE

RESOLVED That;

The meeting will continue beyond 8.30pm as per rule 4.9.1 of the Constitution.

(Moved by Councillor P Standen and seconded by Councillor R Pritchard)

16 FUTURE HIGH STREETS FUND - FINAL FULL BUSINESS CASE

Councillor S Peuple declared that she had a disclosable pecuniary interest in this agenda item as Director of the building in question and left the meeting. Councillor Dr S Peuple declared that he also had a disclosable pecuniary interest as Councillor S Peuple's partner and he left the meeting.

Councillor P Standen and Councillor J Faulkner declared that they had non disclosable pecuniary interest in the meeting but did not feel that this interest would impede their vote.

The Portfolio Holder for Heritage and Growth provided an update to Council for approval, on the Final Full Business Case for the Future High Streets Fund, outlining the projects that will be submitted and the requirements of implementing these projects, should a successful award be made.

RESOLVED That,

Council endorsed approved the recommendations contained within the report

(Moved by Councillor J Oates and seconded by Councillor B Price)

There was also a vote of thanks to Anna Miller and team for all of their hard work in producing this final business case.

(Moved by Councillor C Cooke and seconded by Councillor B Price)

The Mayor

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COUNCIL

TUESDAY 15TH SEPTEMBER 2020

REPORT OF THE PORTFOLIO HOLDER FOR ASSETS AND FINANCE

ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2019/20

EXEMPT INFORMATION

None

PURPOSE

The Annual Treasury report is a requirement of the Council's reporting procedures. It covers the Treasury activity for 2019/20, and the actual Prudential Indicators for 2019/20.

The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes in accordance with Regulations issued under the Local Government Act 2003. It also provides an opportunity to review the approved Treasury Management Strategy for the current year and enables Members to consider and approve any issues identified that require amendment.

RECOMMENDATIONS

That Council

- 1. Approve the actual 2019/20 Prudential and Treasury Indicators within the report and shown at Appendix 1;**
- 2. Accept the Annual Treasury Management Report for 2019/20; and**
- 3. Further to the Assembly Rooms update report to Cabinet on 30th July, Council approve the financing of the projected £1.2m overspend and the increase required in the capital programme.**

EXECUTIVE SUMMARY

This report covers Treasury operations for the year ended 31st March 2020 and summarises:

- the Council's Treasury position as at 31st March 2020; and
- Performance Measurement

The key points raised for 2019/20 are

1. The Council's Capital Expenditure and Financing 2019/20
2. The Council's Overall Borrowing Need
3. Treasury Position as at 31st March 2020
4. The Strategy for 2019/20
5. Borrowing Outturn for 2019/20
6. Investment Outturn for 2019/20
7. Performance Measurement
8. The Economy and Interest Rates
9. Other Issues

The Treasury Function has achieved the following favourable results:

- The Council has complied with the professional codes, statutes and guidance;
- There are no issues to report regarding non-compliance with the approved prudential indicators;
- The Council maintained an average investment balance externally invested of £67.6m and achieved an average return of 1.01% (budgeted at £41.7m and an average return of 1.0%).
- This result compares favourably with the Council's own Benchmarks of the average 7 day and the 3 month LIBID rates for 2019/20 of 0.53% and 0.63%;
- The closing weighted average internal rate on borrowing is 4.05% (4.05% for 2018/19);
- The Treasury Management Function has achieved an outturn investment income of £686k compared to an original budget of £418k. Investment balances were higher than budgeted throughout the year, however average interest rates started to fall.
- We also received £147k in dividends from our property fund investments (£108k in 2018/19), compared to a budget of £240k. However the net value of the investments had fallen by £130k as at 31st March 2020. Following recommendation by the Corporate Scrutiny Committee to Cabinet on 30th July it was agreed that a review of property funds is undertaken for scrutiny by the Audit and Governance Committee, before any further investments under existing delegations are made - to inform the Treasury Management Mid-Year Review report for consideration by Council in December 2020.

During 2019/20 the Council complied with its legislative and regulatory requirements.

The Executive Director Finance confirms that there was no overall increase in borrowing within the year and the Authorised Limit was not breached.

At 31st March 2020, the Council's external debt was £63.06m (£63.06m at 31st March 2019) and its external investments totalled £55.26m (£64.92m at 31st March 2019).

RESOURCE IMPLICATIONS

There are no financial implications or staffing implications arising directly from the

report.

LEGAL/RISK IMPLICATIONS BACKGROUND

The Council is aware of the risks of passive management of the Treasury Portfolio and with the support of Link Asset Services, the Council's current Treasury advisers, has proactively managed its debt and investments during the year.

EQUALITIES IMPLICATIONS

None

SUSTAINABILITY IMPLICATIONS

None

REPORT AUTHOR

If Members would like further information or clarification prior to the meeting please contact Stefan Garner, telephone 01827 709242 or email stefan-garner@tamworth.gov.uk

LIST OF BACKGROUND PAPERS

- Local Government Act 2003;
- Statutory Instruments: 2003 No 3146 & 2007 No 573;
- CIPFA Code of Practice on Treasury Management in Public Services;
- Treasury Management Strategy 2019/20 (Council 26th February 2019);
- Treasury Management Mid-Year Review 2019/20 (Council 10th December 2019);
- Treasury Outturn Report 2018/19 (Council 10th September 2019);
- CIPFA Treasury Benchmarking Club Report 2019.

APPENDICES

Appendix 1 – Prudential and Treasury Indicators

Appendix 2 – Borrowing and Investment Rates

Annual Treasury Management Review 2019/20

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2019/20. 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 2019/20 the minimum reporting requirements were complied with:

- an annual treasury strategy in advance of the year (Council 26th February 2019)
- a mid-year (minimum) treasury update report (Council 10th December 2019)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

In addition, Cabinet has received quarterly Treasury management updates as part of the Financial Healthcheck Reports.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council confirms that it has complied with the requirement under the Code to provide scrutiny of all of the above Treasury Management Reports to the Audit and Governance Committee. Member training on Treasury Management issues was provided in November 2019, and will be provided as and when required in order to support members' scrutiny role.

During 2019/20, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows.

Prudential & Treasury Indicators	2018/19	2019/20	2019/20
	Actual £m	Estimate £m	Actual £m
Capital Expenditure			
Non HRA	10.515	17.803	4.734
HRA	9.266	30.221	20.462
Total	19.781	48.024	25.196
Capital Financing Requirement			
Non HRA	0.828	2.235	3.523
HRA	68.041	75.255	68.532
Total	68.869	77.490	72.055
Gross Borrowing			
External Debt	63.060	63.060	63.060
Investments			
Longer than 1 year	3.820	-	3.720
Less than 1 year	64.941	26.369	55.261
Total	68.761	26.369	58.981
Net Borrowing	(5.701)	36.691	4.079

It should be noted that **£21.08m** of Capital scheme spend has been re-profiled into 2020/21 (also including re-profiling from previous years) which has increased investment balances.

The Executive Director Finance confirms that there was no overall increase in borrowing in year and the statutory borrowing limit (the authorised limit) was not breached.

The financial year 2019/20 continued the challenging investment environment of previous years, namely low investment returns.

1. The Council's Capital Expenditure and Financing 2019/20

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply internal funds, the capital expenditure would give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

General Fund	2018/19 Actual £m	2019/20 Estimate £m	2019/20 Actual £m
Capital Expenditure	10.515	17.803	4.734
Financed in year	10.515	16.488	1.982
Unfinanced capital expenditure	-	1.315	2.752
HRA	2018/19 Actual £m	2019/20 Estimate £m	2019/20 Actual £m
Capital Expenditure	9.266	30.221	20.462
Financed in year	9.266	23.007	19.970
Unfinanced capital expenditure	-	7.214	0.492

It should be noted that the outturn for the 2019/20 Capital Programme and associated unfinanced capital expenditure includes a projected overspend of £1.2m relating to the Assembly Rooms project (as detailed in the update report to Cabinet on 30th July). As such, Council are now formally requested to approve the financing of the projected £1.2m overspend and the increase required in the capital programme.

2. The Council's Overall Borrowing Need

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2019/20 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWL] or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2019/20 MRP Policy (as required by MHCLG Guidance) was approved as part of the Treasury Management Strategy Report for 2019/20 on 26th February 2019.

The Council's CFR for General Fund and the HRA for the year are shown below, and represent a key prudential indicator.

CFR: General Fund	31st March 2019 Actual £m	31st March 2020 Budget £m	31st March 2020 Actual £m
Opening balance	0.885	1.037	0.828
Add unfinanced capital expenditure (as above)	-	1.315	2.752
Less MRP/VRP	(0.057)	(0.117)	(0.056)
Less PFI & finance lease repayments	-	-	-
Closing balance	0.828	2.235	3.524

CFR: HRA	31st March 2019 Actual £m	31st March 2020 Budget £m	31st March 2020 Actual £m
Opening balance	68.041	68.041	68.041
Add unfinanced capital expenditure (as above)	-	7.214	0.492
Less MRP/VRP	-	-	-
Less PFI & finance lease repayments	-	-	-
Closing balance	68.041	75.255	68.533

Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - 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 Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2019/20. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

Gross borrowing and the CFR	31st March 2019 Actual £m	31st March 2020 Budget £m	31st March 2020 Actual £m
Gross borrowing position	63.060	63.060	63.060
CFR	68.869	77.490	72.055

The lower than estimated CFR reflects re-profiling of spend within the capital programme to 2020/21 and lower than forecast borrowing relating to the Tinkers Green and Kerria Regeneration scheme due to receipt of grant funding (which is expected to total £5.2m).

The Authorised Limit - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2019/20 the Council has maintained gross borrowing within its authorised limit.

The Operational Boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

Actual Financing Costs as a Proportion of Net Revenue Stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Borrowing Limits	GF £m	HRA £m	Total £m
Authorised limit	5.235	79.407	84.642
Maximum gross borrowing position	-	63.060	63.060
Operational boundary	-	63.060	63.060
Average gross borrowing position	-	63.060	63.060
Budgeted financing costs as a proportion of net revenue stream %	(3.01)	29.39	26.39
Actual financing costs as a proportion of net revenue stream %	(9.39)	27.44	18.05

3. Treasury Position as at 31st March 2020

The Council’s debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council’s Treasury Management Practices. At the beginning and the end of 2019/20 the Council’s treasury (excluding borrowing by finance leases) position was as follows:

General Fund	31st March 2019 Principal £m	Rate/ Return %	Average Life yrs	31st March 2020 Principal £m	Rate/ Return %	Average Life yrs
Total debt	-	-	-	-	-	-
CFR	0.828	-	-	3.523	-	-
Over / (under) borrowing	(0.828)	-	-	(3.523)	-	-
Investments:						
- in house	36.209	0.82	-	37.525	1.01	-
Total investments	36.209	0.82	-	37.525	1.01	-

HRA	31st March 2019 Principal £m	Rate/ Return %	Average Life yrs	31st March 2020 Principal £m	Rate/ Return %	Average Life yrs
Fixed rate funding:						
-PWLB	63.060	4.05	35.735	63.060	4.05	34.73
Total debt	63.060	4.05	35.74	63.060	4.05	34.73
CFR	68.041	-	-	68.532	-	-
Over / (under) borrowing	(4.981)	-	-	(5.472)	-	-
Investments:						
- in house	28.732	0.82	-	17.736	1.01	-
Total investments	28.732	0.82	-	17.736	1.01	-

Maturity Structures

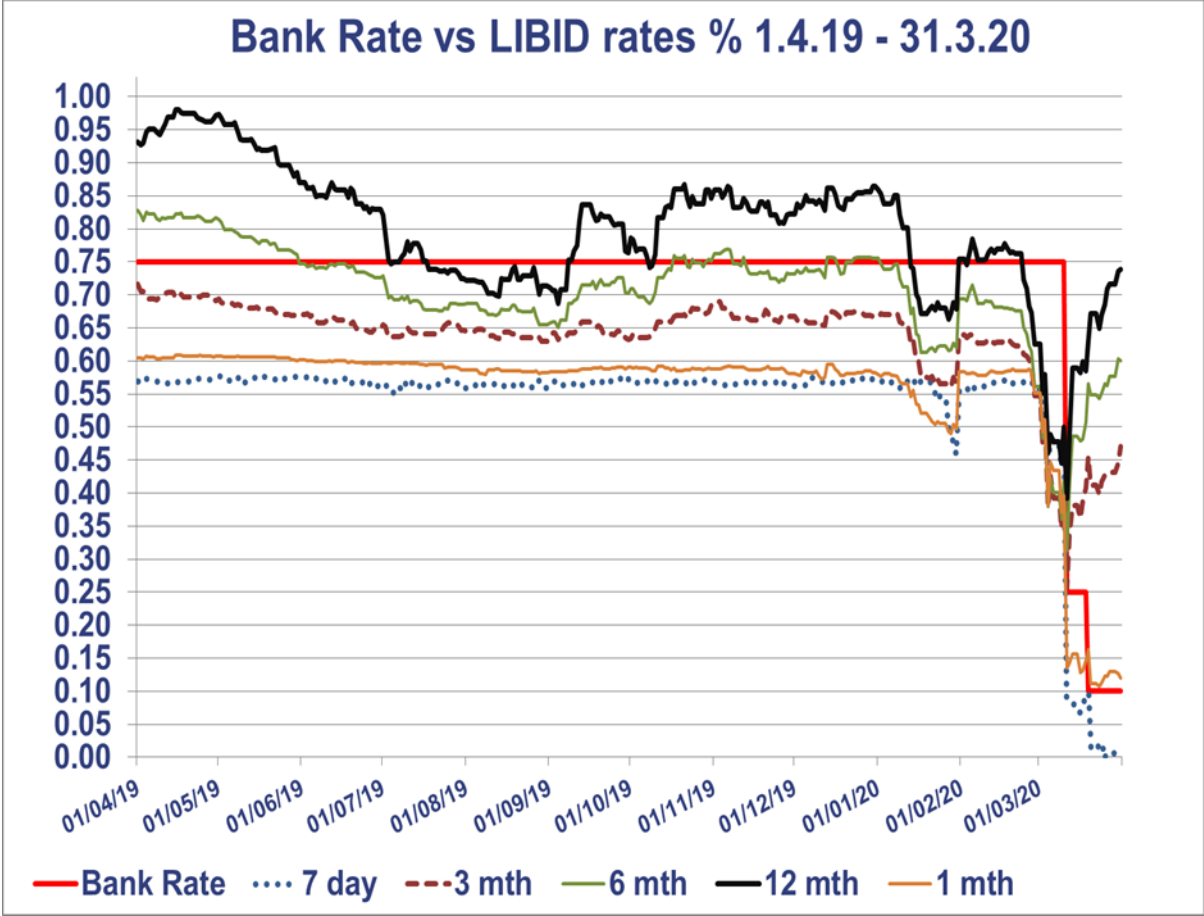
The maturity structure of the debt portfolio was as follows:

Duration	31st March 2019 Actual £m	2019/20 original limits %	31st March 2020 Actual £m
Under 12 months	-	20	-
12 months and within 24 months	-	20	-
24 months and within 5 years	-	25	-
5 years and within 10 years	-	75	-
10 years and within 15 years	5	100	5
15 years and within 50 years	58	100	58

All investments held by the Council were invested for up to one year, with the exception of £3.8m invested in property funds, which are held for the longer-term, 5 – 10 years.

4. The Strategy for 2018/19

4.1 Investment strategy and control of interest rate risk



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.75	0.58	0.61	0.72	0.83	0.98
High Date	01/04/2019	09/05/2019	15/04/2019	01/04/2019	01/04/2019	15/04/2019
Low	0.10	0.00	0.11	0.26	0.31	0.39
Low Date	19/03/2020	25/03/2020	23/03/2020	11/03/2020	11/03/2020	11/03/2020
Average	0.72	0.53	0.56	0.63	0.70	0.80
Spread	0.65	0.58	0.50	0.46	0.52	0.59

Investment returns remained low during 2019/20. The expectation for interest rates within the treasury management strategy for 2019/20 was that Bank Rate would stay at 0.75% during 2019/20 as it was not expected that the MPC would be able to deliver on an increase in Bank Rate until the Brexit issue was finally settled. However, there was an expectation that Bank Rate would rise after that issue was settled, but would only rise to 1.0% during 2020.

Rising concerns over the possibility that the UK could leave the EU at the end of October 2019 caused longer term investment rates to be on a falling trend for most of April to September. They then rose after the end of October deadline was rejected by the Commons but fell back again in January before recovering again after the 31 January departure of the UK from the EU. When the coronavirus outbreak hit the UK in February/March, rates initially plunged but then rose sharply back up again due to a shortage of liquidity in financial markets. As longer term rates were significantly

higher than shorter term rates during the year, value was therefore sought by placing longer term investments where cash balances were sufficient to allow this.

While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.

4.2 Borrowing strategy and control of interest rate risk

During 2019/20, the Council maintained an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.

A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances and incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Executive Director Finance therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks

- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2019/20 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

PWLB Borrowing Rates

PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020, and a general background of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued; these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have therefore seen, over the last year, many bond yields up to 10 years in the Eurozone turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields were on a generally falling trend during the last year up until the coronavirus crisis hit western economies. Since then, gilt yields have fallen sharply to unprecedented lows as investors have panicked in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks also started quantitative easing purchases of government bonds which will act to maintain downward pressure on government bond yields at a time when there is going to be a huge and quick expansion of government expenditure financed by issuing government bonds; (this would normally cause bond yields to rise). At the close of the day on 31 March, all gilt yields from 1 to 5 years were between 0.12 – 0.20% while even 25-year yields were at only 0.83%.

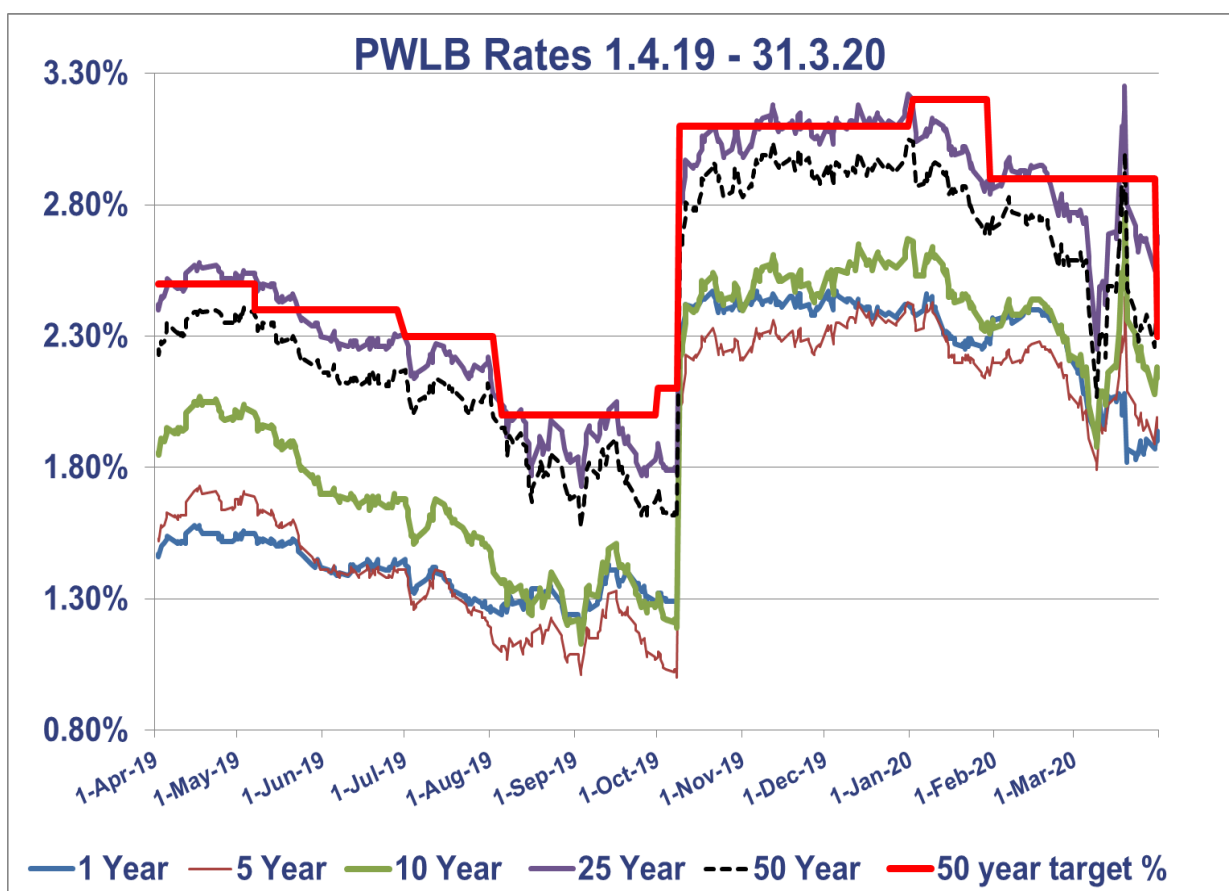
However, HM Treasury has imposed **two changes in the margins over gilt yields for PWLB rates** in 2019-20 without any prior warning; the first on 9 October 2019, added an additional 1% margin over gilts to all PWLB rates. That increase was then partially reversed for some forms of borrowing on 11 March 2020, at the same time as the Government announced in the Budget a programme of increased spending on infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this ends on 31st July. It is clear that the Treasury intends to put a stop to local authorities borrowing money from the PWLB to purchase commercial property if the aim is solely to generate an income stream.

Following the changes on 11 March 2020 in margins over gilt yields, the current situation is as follows: -

- **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
- **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

There is likely to be little upward movement in PWLB rates over the next two years as it will take national economies a prolonged period to recover all the momentum they will lose in the sharp recession that will be caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020-21.

The graph and tables for PWLB rates below and in Appendix 2 show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



5. Borrowing Outturn for 2019/20

Treasury Borrowing

Due to investment concerns, both counterparty risk and low investment returns, no borrowing was undertaken during the year.

Borrowing in Advance of Need

The Council has not borrowed more than, or in advance of, its needs, purely in order to profit from the investment of the extra sums borrowed.

Rescheduling

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

6. Investment Outturn for 2019/20

Investment Policy – the Council’s investment policy is governed by MHCLG guidance, which has been implemented in the annual investment strategy approved by the Council on 26th February 2019. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Resources – the Council’s cash balances comprise revenue and capital resources and cash flow monies. The Council’s core cash resources comprised the following:

Balance Sheet Resources General Fund	31 st March 2019 £m	31 st March 2020 £m
Balances	6.113	6.882
Earmarked Reserves	7.951	9.387
Provisions	1.815	2.032
Usable Capital Receipts	17.656	17.279
Capital Grants Unapplied	0.048	0.256
Total GF	33.583	35.836

Balance Sheet Resources HRA	31 st March 2019 £m	31 st March 2020 £m
Balances	4.485	6.252
Earmarked Reserves	16.460	7.789
Provisions	-	-
Usable Capital Receipts	5.704	2.896
Total HRA	26.649	16.937

Total Authority Resources	60.232	52.773
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Investments held by the Council – the Council maintained an average balance of £67.6m of internally managed funds. The internally managed funds earned an average rate of return of 1.01%. The comparable performance indicator is the average 7-day

LIBID rate which was 0.53%. This compared with a budget assumption of £41.7m investment balances earning an average rate of 1.0%.

7. Performance Measurement

One of the key requirements in the Code is the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide (as incorporated in the table in section 3). The Council's performance indicators were set out in the Annual Treasury Management Strategy Statement.

This service has set the following local performance indicator:

➤ *Average external interest receivable in excess of 3 month LIBID rate;*

Whilst the assumed benchmark for local authorities is the 7 day LIBID rate, a higher target is set for internal performance.

The actual return of 1.01% compared to the average 3 month LIBID of 0.63% (0.38% above target).

8. The Economy and Interest Rates

UK. Brexit. The main issue in 2019 was the repeated battles in the House of Commons to agree on one way forward for the UK over the issue of Brexit. This resulted in the resignation of Theresa May as the leader of the Conservative minority Government and the election of Boris Johnson as the new leader, on a platform of taking the UK out of the EU on 31 October 2019. The House of Commons duly frustrated that renewed effort and so a general election in December settled the matter once and for all by a decisive victory for the Conservative Party: that then enabled the UK to leave the EU on 31 January 2020. However, this still leaves much uncertainty as to whether there will be a reasonable trade deal achieved by the target deadline of the end of 2020. It is also unclear as to whether the coronavirus outbreak may yet impact on this deadline; however, the second and third rounds of negotiations have already had to be cancelled due to the virus.

Economic growth in 2019 has been very volatile with quarter 1 unexpectedly strong at 0.5%, quarter 2 dire at -0.2%, quarter 3 bouncing back up to +0.5% and quarter 4 flat at 0.0%, +1.1% y/y. 2020 started with optimistic business surveys pointing to an upswing in growth after the ending of political uncertainty as a result of the decisive result of the general election in December settled the Brexit issue. However, the three monthly GDP statistics in January were disappointing, being stuck at 0.0% growth. Since then, the whole world has changed as a result of the **coronavirus outbreak**. It now looks likely that the closedown of whole sections of the economy will result in a fall in GDP of at least 15% in quarter two. What is uncertain, however, is the extent of the damage that will be done to businesses by the end of the lock down period, when the end of the lock down will occur, whether there could be a second wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover.

After the Monetary Policy Committee raised **Bank Rate** from 0.5% to 0.75% in August 2018, Brexit uncertainty caused the MPC to sit on its hands and to do nothing

until March 2020; at this point it was abundantly clear that the coronavirus outbreak posed a huge threat to the economy of the UK. Two emergency cuts in Bank Rate from 0.75% occurred in March, first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in **quantitative easing (QE)**, essentially the purchases of gilts (mainly) by the Bank of England of £200bn. The Government and the Bank were also very concerned to stop people losing their jobs during this lock down period. Accordingly, the Government introduced various schemes to subsidise both employed and self-employed jobs for three months while the country is locked down. It also put in place a raft of other measures to help businesses access loans from their banks, (with the Government providing guarantees to the banks against losses), to tide them over the lock down period when some firms may have little or no income. However, at the time of writing, this leaves open a question as to whether some firms will be solvent, even if they take out such loans, and some may also choose to close as there is, and will be, insufficient demand for their services. At the time of writing, this is a rapidly evolving situation so there may be further measures to come from the Bank and the Government in April and beyond. The measures to support jobs and businesses already taken by the Government will result in a huge increase in the annual budget deficit in 2020/21 from 2%, to nearly 11%. The ratio of debt to GDP is also likely to increase from 80% to around 105%. In the Budget in March, the Government also announced a large increase in spending on infrastructure; this will also help the economy to recover once the lock down is ended. Provided the coronavirus outbreak is brought under control relatively swiftly, and the lock down is eased, then it is hoped that there would be a sharp recovery, but one that would take a prolonged time to fully recover previous lost momentum.

Inflation has posed little concern for the MPC during the last year, being mainly between 1.5 – 2.0%. It is also not going to be an issue for the near future as the world economy will be heading into a recession which is already causing a glut in the supply of oil which has fallen sharply in price. Other prices will also be under downward pressure while wage inflation has also been on a downward path over the last half year and is likely to continue that trend in the current environment. While inflation could even turn negative in the Eurozone, this is currently not likely in the UK.

Employment had been growing healthily through the last year but it is obviously heading for a big hit in March – April 2020. The good news over the last year is that wage inflation has been significantly higher than CPI inflation which means that consumer real spending power had been increasing and so will have provided support to GDP growth. However, while people cannot leave their homes to do non-food shopping, retail sales will also take a big hit.

USA. Growth in quarter 1 of 2019 was strong at 3.1% but growth fell back to 2.0% in quarter 2 and 2.1% in quarters 3 and 4. The slowdown in economic growth resulted in the Fed cutting rates from 2.25-2.50% by 0.25% in each of July, September and October. Once coronavirus started to impact the US in a big way, the Fed took decisive action by cutting rates twice by 0.50%, and then 1.00%, in March, all the way down to 0.00 – 0.25%. Near the end of March, Congress agreed a \$2trn stimulus package (worth about 10% of GDP) and new lending facilities announced by the Fed which could channel up to \$6trn in temporary financing to consumers and firms over the coming months. Nearly half of the first figure is made up of permanent fiscal transfers to households and firms, including cash payments of \$1,200 to individuals.

The loans for small businesses, which convert into grants if firms use them to maintain their payroll, will cost \$367bn and 100% of the cost of lost wages for four months will also be covered. In addition there will be \$500bn of funding from the

Treasury's Exchange Stabilization Fund which will provide loans for hard-hit industries, including \$50bn for airlines.

However, all this will not stop the US falling into a sharp recession in quarter 2 of 2020; some estimates are that growth could fall by as much as 40%. The first two weeks in March of initial jobless claims have already hit a total of 10 million and look headed for a total of 15 million by the end of March.

EUROZONE. The annual rate of GDP growth has been steadily falling, from 1.8% in 2018 to only 0.9% y/y in quarter 4 in 2019. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), prompted the ECB to take new measures to stimulate growth. At its March 2019 meeting it announced a third round of TLTROs; this provided banks with cheap two year maturity borrowing every three months from September 2019 until March 2021. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting in September 2019, it cut its deposit rate further into negative territory, from -0.4% to -0.5% and announced a resumption of quantitative easing purchases of debt to start in November at €20bn per month, a relatively small amount, plus more TLTRO measures. Once coronavirus started having a major impact in Europe, the ECB took action in March 2020 to expand its QE operations and other measures to help promote expansion of credit and economic growth. What is currently missing is a coordinated EU response of fiscal action by all national governments to protect jobs, support businesses directly and promote economic growth by expanding government expenditure on e.g. infrastructure; action is therefore likely to be patchy.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium-term risks have also been increasing. The major feature of 2019 was the trade war with the US. However, this has been eclipsed by being the first country to be hit by the coronavirus outbreak; this resulted in a lock down of the country and a major contraction of economic activity in February-March 2020. While it appears that China has put a lid on the virus by the end of March, these are still early days to be confident and it is clear that the economy is going to take some time to recover its previous rate of growth. Ongoing economic issues remain, in needing to make major progress to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. It also needs to address the level of non-performing loans in the banking and credit systems.

JAPAN has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It appears to have missed much of the domestic impact from coronavirus in 2019-20 but the virus is at an early stage there.

WORLD GROWTH. The trade war between the US and China on tariffs was a major concern to financial markets and was depressing worldwide growth during 2019, as any downturn in China would spill over into impacting countries supplying raw materials to China. Concerns were particularly focused on the synchronised general weakening of growth in the major economies of the world. These concerns resulted in government bond yields in the developed world falling significantly during 2019. In 2020, coronavirus is the big issue which is going to sweep around the world and have a major impact in causing a world recession in growth in 2020.

9. Other Issues

International Financial Reporting Standard (IFRS) 9 – Financial Instruments.

The 2018/19 Accounting Code of Practice introduced changes in way investments are valued and disclosed in the Council's Statement of Accounts. Key considerations are:-

- Expected credit loss model. Whilst not material for vanilla treasury investments such as bank deposits, this does impact our investment in property funds
- The valuation of investments previously valued under the available for sale category e.g. equity related to the “commercialism” agenda, property funds, equity funds and similar, will be changed to **Fair Value through the Profit and Loss (FVPL)**.

Following the consultation undertaken by the Ministry of Housing, Communities and Local Government, [MHCLG], on IFRS9 the Government has introduced a mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds. This is effective from 1st April 2018, and applies for five years from this date. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

Investment in Property Funds

Investment in property funds was included within the Commercial Investment Strategy, with the aim of generating improved returns of c.4-5% p.a. (plus asset growth) being long term investments of between 5 – 10 years (minimum) in order to make the necessary returns (after set up costs).

Utilising the capital receipt proceeds of the sale of the Golf Course, a budget of £12m was allocated to long-term investment in a number of property funds. To date, the Council has invested £1.85m with Schrodgers UK Real Estate Fund and £2m with Threadneedle Property Unit Trust, total investment £3.85m. The funds have achieved an estimated return of 3.8% during 2019/20, however, capital value has fallen by £99k.

We received £147k in dividends from our property fund investments (£108k in 2018/19), compared to a budget of £240k. However the net value of the investments had fallen by £130k as at 31st March 2020. Investments in property are subject to fluctuations in value over the economic cycle and should also yield capital growth in the longer term as the economy grows.

The MTFS includes budgeted income of £300k for 2020/21 (£480k pa from 2021/22) arising from investment of the full £12m budgeted, however, due to uncertainty around arrangements for Brexit and the associated impact on the economy, and then the further uncertainty and impact on property fund values as a result of the coronavirus, it has been decided to delay any further investment in property funds until there is more clarity.

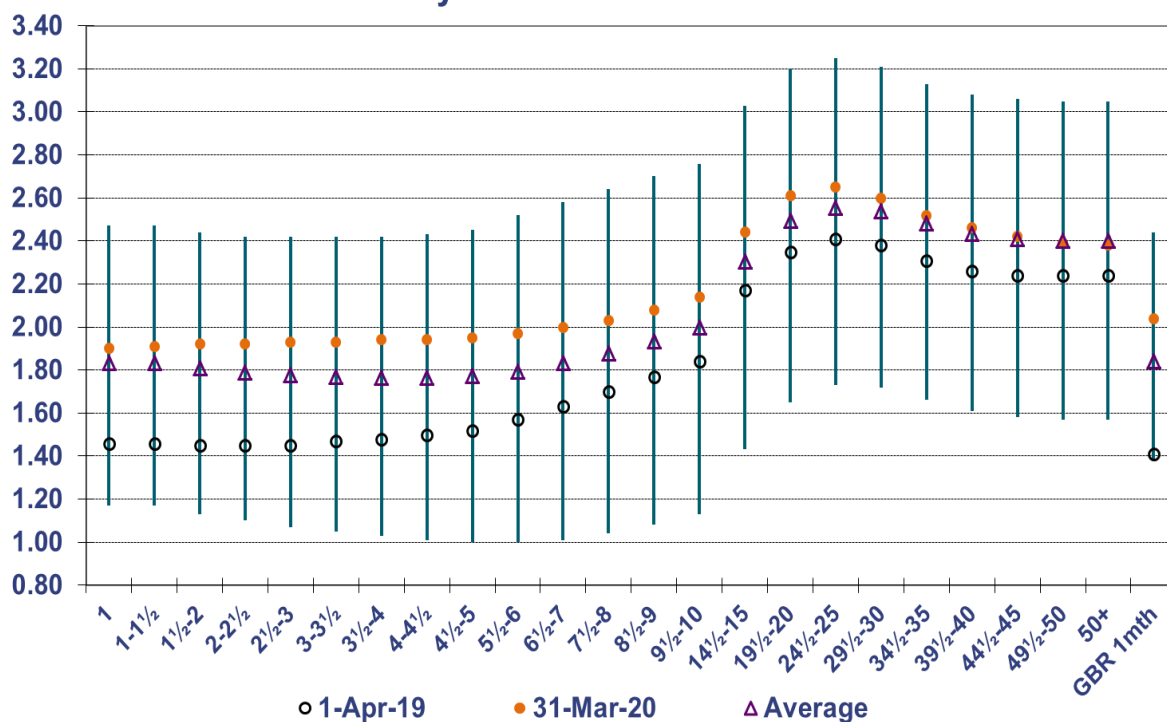
Following recommendation by the Corporate Scrutiny Committee to Cabinet on 30th July it was agreed that a review of property funds is undertaken for scrutiny by the Audit and Governance Committee, before any further investments under existing delegations are made to inform the Treasury Management Mid-Year Review report for consideration by Council in December 2020. This will allow opportunity for the

review to be informed by the trading experience of the property funds up to the half year, Quarter 2 of 2020/21 financial year - including the impact of the pandemic on rental income and therefore property fund returns.

1. PRUDENTIAL INDICATORS	2018/19	2019/20	2019/20
Extract from budget and rent setting report	Actual	Original	Actual
Capital Expenditure	£m	£m	£m
Non - HRA	10.515	17.803	4.734
HRA	9.266	30.221	20.462
TOTAL	19.781	48.024	25.196
	-		
Ratio of financing costs to net revenue stream	%	%	%
Non - HRA	(6.16)	(3.01)	(9.39)
HRA	29.17	29.39	27.44
	-		
Gross borrowing requirement General Fund	£m	£m	£m
brought forward 1 April	0.885	1.037	0.828
carried forward 31 March	0.885	2.352	3.580
in year borrowing requirement	-	1.315	2.752
Gross borrowing requirement HRA	£m	£m	£m
brought forward 1 April	68.041	68.041	68.041
carried forward 31 March	68.041	75.255	68.533
in year borrowing requirement	-	7.214	0.492
	£m	£m	£m
Gross debt	63.060	63.060	63.060
	-		
Capital Financing Requirement	£m	£m	£m
Non – HRA	0.828	2.235	3.524
HRA	68.041	75.255	68.533
TOTAL	68.869	77.490	72.057
	-		
Annual change in Capital Financing Requirement	£m	£m	£m
Non – HRA	(0.057)	1.198	2.696
HRA	-	7.214	0.492
TOTAL	(0.057)	8.412	3.188

2. TREASURY MANAGEMENT INDICATORS	2018/19	2019/20	2019/20
	Actual	Original	Actual
	£m	£m	£m
Authorised Limit for external debt - General Fund			
borrowing	5.547	5.235	5.235
other long term liabilities	-	-	-
TOTAL	5.547	5.235	5.235
	-		
Authorised Limit for external debt - HRA			
borrowing	79.407	79.407	79.407
other long term liabilities	-	-	-
TOTAL	79.407	79.407	79.407
	-		
Operational Boundary for external debt - General Fund	£m	£m	£m
borrowing	-	-	-
other long term liabilities	-	-	-
TOTAL	-	-	-
	-		
Operational Boundary for external debt - HRA	£m	£m	£m
borrowing	63.060	63.060	63.060
other long term liabilities	-	-	-
TOTAL	63.060	63.060	63.060
	-		
Actual external debt	£m	£m	£m
	63.060	63.060	63.060

PWLB Certainty Rate Variations 1.4.19 to 31.3.2020



	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2019	1.46%	1.52%	1.84%	2.41%	2.24%
31/03/2020	1.90%	1.95%	2.14%	2.65%	2.39%
Low	1.17%	1.00%	1.13%	1.73%	1.57%
Date	03/09/2019	08/10/2019	03/09/2019	03/09/2019	03/09/2019
High	2.47%	2.45%	2.76%	3.25%	3.05%
Date	21/10/2019	19/03/2020	19/03/2020	19/03/2020	31/12/2019
Average	1.83%	1.77%	2.00%	2.56%	2.40%