

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	21 JULY 2020
SUBJECT:	ANNUAL TREASURY MANAGEMENT REVIEW FOR 2019/20
PORTFOLIO HOLDER(S):	COUNCILLOR R WILLIAMS
LEAD OFFICER(S):	R MARC JONES
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Nature and reason for reporting

To comply with regulations issued under the Local Government Act 2003 and with the Council's Treasury Management Scheme of Delegation for 2019/20 (Appendix 8 of the Treasury Management Strategy Statement 2019/20). In accordance with the Scheme of Delegation, this report is due to be presented to the Executive and then the full Council once it has been scrutinised by this Committee.

1. Introduction

The 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 that the full Council should receive the following reports:-

- an annual treasury strategy in advance of the year (received on 27 February 2019);
- a mid-year treasury update report (received on 10 March 2020);
- an annual review following the year describing the activity compared to the strategy (this report).

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 give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to the full Council. Member training on treasury management issues was undertaken during the year, on 7 November 2019, in order to support Members' scrutiny role.

The Section 151 Officer confirms that borrowing was only taken out for capital purposes and the statutory borrowing limit (the authorised limit) was not breached.

Furthermore, the report sets out to the following outcomes in the financial year 2019/20:-

- External factors – including a review on the economy, the interest rate performance during the year and the continued uncertainty over Brexit and the impact of Covid 19;
- Internal factors – including the performance of capital expenditure, the impact on the reserves and cash balances, risk appetite to investments, the borrowing taken by the Council and the impact on the Capital Financing Requirement (CFR);

- The Treasury Management Strategy in 2019/20 – including the debt management of the Council, the implementation of the new MRP policy, and the Council's borrowing and investments during the year;
- Controlling Treasury Management – what are the Prudential Indicators and how are they measured;
- Comparison in Prudential Indicators – A comparison on the actual Prudential Indicators compared to the forecast at the beginning of the year;
- Looking forward to 2020/21 and beyond; and
- Conclusion.

2. A Review of the Year – External Factors

2.1 Interest Rates - The Bank Rate at the start of the financial year was 0.75%, having been increased from 0.50% in August 2018. This remained unchanged until March 2020, when 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%. This meant that the counter-party organisations interest rate on the typical call account ranged from 0.10% to 0.65%.

2.2 The Economy – In the United Kingdom, 2019 has been very volatile with quarter 1 economic growth unexpectedly strong at +0.5%, quarter 2 poor 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 the months ahead. 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.

2.3 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.

3. A Review of the Year – Internal Factors

3.1 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
- Financed from borrowing: if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will 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:-

	2019/20 Estimate (£'m)	2019/20 Actual (£'m)
General Fund capital expenditure	30	18
HRA capital expenditure	14	12
Total capital expenditure	44	30
General Fund financed in year by Grants & Contributions	22	15
HRA financed in year by Grants & Contributions	4	4
General Fund financed in year by Council Resources	1	1
HRA financed in year by Council Resources	10	8
General Fund capital expenditure financed by borrowing	7	2
HRA capital expenditure financed by borrowing	0	0

The main reason for the underspend was the large underspend against the projects listed below:-

	Underspend £'m	Comment
Temporary Stopping Site for Gypsies and Travellers	0.524	Tender arrangements not finalised in 2019/20 but are expected to be completed in Quarter 1 of 2020/21.
Disabled Facilities Grants	0.491	It is very much demand led and subject to certain qualifying criteria, in particular, a test of resources does apply to all potential clients which can negatively impact on the number of cases that proceed to grant approval.
21 st Century Schools Schemes	4.547	Further consultation has delayed the commencement of the chosen schemes. Further slippage is anticipated in 2020/21.
Holyhead Strategic Infrastructure	1.554	Project had to be retendered and did not commence until Autumn 2019. Work stopped in March 2020 due to Covid-19.
Tourism Gateway	1.076	Awaiting permission to commence the project from the Heritage Lottery Fund, who are match funding 2 projects.
Red Wharf Bay Flood Defence	0.638	Project design yet to be finalised.
IT Hardware	0.420	Items requiring replacement lower than anticipated.
Planned Maintenance Contracts	0.970	Timing of tender arrangement and contract awards, actual expenditure did not meet initial expectations.

3.2 Reserves and Cash balances - the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:-

Usable Reserves and Provisions	Draft 31-Mar-20 £'m	Final 31-Mar-19 £'m
Council fund general reserve	7.060	5.912
Earmarked reserves	8.760	8.728
Housing Revenue Account (HRA) reserve	8.597	8.387
School reserves	0.197	0.631
Capital receipts Reserves	1.330	1.186
Total Usable Reserves	25.944	24.844
Provisions	5.180	5.234
Total Usable Reserves and Provisions	31.124	30.078

3.3 Externalisation of borrowing – 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 debt position. The CFR results from the capital activity of the Council and the resources utilised to pay for the capital spend. It represents the 2019/20 capital expenditure financed by borrowing, and prior years' capital expenditure funded by borrowing 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 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 (PWLb) or the money markets), or utilising temporary cash resources within the Council. In March 2020, the Council took out one short term borrowing with the PWLB to fund planned capital expenditure to the end of the financial year. On 18 March 2020, the Council borrowed £10m with an interest rate of 2.05% and will mature on 18 March 2021.

3.3.1 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 plus the estimates of any additional capital financing requirement for the current and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure.

The internal borrowing strategy has now been implemented over the last few years. The gross borrowing of £139.2m at 31 March 2020 is above the CFR as at 31 March 2020 but is within the forecast CFR for the following two years. The year-end position of exceeding the CFR is due to the £10m borrowing which was taken in March 2020, and the resulting global pandemic meant that capital expenditure in the final month was lower than anticipated, which resulted in external borrowing exceeding the CFR. This is only for the short term as the level of external borrowing will fall below the CFR in 2020/21 as external borrowing is repaid and capital expenditure incurred.

	Actual 2019/20 £'m	Estimated 2020/21 £'m	Estimated 2021/22 £'m
Capital Financing Requirement	136.9	148.0	163.3

3.3.2 Internal borrowing - is when, over the medium term, the investment rates are expected to continue to be below long term borrowing rates. This means that value for money considerations would indicate that value could best be obtained by avoiding new external borrowing and by using internal cash balances to finance new capital expenditure, or to replace maturing external debt. This would maximise short term savings. The Internal borrowing figure is the difference between the CFR and the Gross Borrowing Position. As can be seen in the table below, at the beginning of the year the internal borrowing position was £6.2m. By taking out one new PWLB Loan, as stated in paragraph 3.3 of this report, the internal borrowing position at 31 March 2020 was reduced and actually put the Council in an overfunding of CFR position (as explained in 3.3.1 above).

	31 March 2019 Actual £'m	31 March 2020 Actual £'m
Gross borrowing position	132.5	139.2
CFR	138.7	136.9
(Under) / overfunding of CFR	(6.2)	2.3

3.4 Other Borrowing- During the year, the Council did not enter into any other short-term borrowings. An interest free loan of £1.878m was received during 2019/20 to fund capital expenditure on energy saving projects and will be repaid in annual instalments.

3.5 Debt Repayments - A PWLB Loan matured during the year on 20 May 2019 and was for £5m. The loan was originally taken in 2010 at an interest rate of 3.52%. There were no other short term borrowings in the year.

3.6 Investments – The expected investment strategy was to keep to shorter term deposits (up to 364 days), although the ability to invest out to longer periods was retained. Cash balances were expected to be up to £33m, ranging between £11m and £33m. The interest budget was set at £0.032m after adjusting for the higher rates on existing investments. As it turned out, average balances of £22.4m returned £0.128m at an average interest rate of 0.57%. Investments in other Local Authorities contributed to this increase in interest receivable.

Part of the Council's deposits were held in no notice deposit accounts which pay interest at rates near the prevailing base rate, £14.208m at 0.48% on 31 March 2020 (31 March 2019 £14.333m at 0.53%). There were two loans to other local authorities (£3.000m each) at the interest rate of 0.76% and 0.90% (£nil as at 31 March 2019). All investments were for under 1 year.

3.7 Treasury Position at 31 March 2020 - 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 in accordance with the Treasury Management Strategy 2019/20. The upper limits for fixed rate and variable rate exposures were not breached during the year. The borrowing and investment figures for the Council as at the end of the 2018/19 and 2019/20 financial years are as follows:-

	31 MARCH 2019			31 MARCH 2020		
	£'m	Average Rate (%)	Average Maturity (years)	£'m	Average Rate (%)	Average Maturity (years)
Debt PWLB	132.5	5.70	30.29	136.4	4.53	28.21
Debt Non-PWLB				2.8	0	4.04
Total				139.2		
CFR	138.7			136.9		
Over / (under) borrowed	(6.2)			2.3		
Fixed term investments (all < 1 year, managed in house and fixed rate)				6.000	0.83	
No notice investments (all managed in house)	14.333	0.53		14.208	0.48	
Total Investments	14.333	0.53		20.208	0.58	

Borrowing is further broken down by maturity as:-

	31 MARCH 2019		31 MARCH 2020	
	£'m	% of total	£'m	% of total
Total borrowing	132.5	100	139.2	100
Under 12 months	5.2	3.9	14.8	10.6
12 months and within 24 months	4.6	3.5	2.6	1.9
24 months and within 5 years	4.6	3.5	3.2	2.3
5 years and within 10 years	4.2	3.1	6.2	4.5
10 years and above	113.9	86.0	112.4	80.7

The reason for the increase in borrowing of under 12 months from 31 March 2019 and 31 March 2020 is the one PWLB that was taken out during the year, as mentioned in paragraph 3.3 of this report.

4. The Council's Treasury Management Strategy in 2019/20

- 4.1 Debt 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.
- 4.2 Borrowing in advance of need** – During the year, the Council did not borrow more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

- 4.3 Investment Policy** – the Council's investment policy is governed by Welsh Government investment guidance, which has been implemented in the annual Treasury Management Strategy Statement approved by the Council on 27 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. When the Council invests its surplus cash, the most important aspect of the investment is security, followed by liquidity and then the yield. This essentially means that the main priority is the safety of the cash, followed by how readily available the cash is should the Council require it, followed by the percentage interest rate return that the Council will receive for the investment. The strategy on investing surplus cash would be to borrow short term with other Local Authorities to maximize returns in a secure way.
- 4.4 Borrowing strategy and control of interest rate risk** - During 2019 and until March 2020, 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. As stated in paragraph 3.3 of this report, in March 2020 the Council did undertake a short term borrowing with the PWLB to fund planned capital expenditure to the end of the financial year. As described in 3.3, this resulted in exceeding the CFR at year end, but this is only for the short term as external borrowing is repaid and capital expenditure incurred.
- 4.5 MRP Policy** – In 2018/19, the Council implemented its new MRP policy after seeking advice from its Treasury advisors and consultation with External Audit. The new policy is a more prudent approach to charging Revenue for Capital Financing costs. The new policy can be seen in Appendix 6 of the Treasury Management Strategy Statement 2019/20 that was approved by full Council on 27 February 2019.

5. Controlling Treasury Management

The following Prudential Indicators are contained in Appendix 11 of the Treasury Management Strategy Statement. See below a brief explanation of what the indicators are and how they are calculated. Section 6 of this report will analyse the difference between the actual and the forecast Prudential Indicators for 2019/20.

- **Capital expenditure – Estimates of Capital Expenditure** - This is the forecast Capital Expenditure from 2019/20 to 2022/23, and is based on the Capital Programme for 2019/20 and the Capital Strategy for 2020/21.
- **The Council's borrowing need (the Capital Financing Requirement)** - Another prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life, and so charges the economic consumption of capital assets as they are used.
- **Prudence - Gross Debt and the CFR** - The Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

- **External Debt - The authorised limit for external debt** - A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under Section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised. The Section 151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans and the proposals in the budget report. The Authorised Limit is set annually in the Treasury Management Strategy Statement and is approved by full Council.
- **The operational boundary** - This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached. The Operational Limit is set annually in the Treasury Management Strategy Statement and is approved by full Council.
- **Affordability - Ratio of financing costs to 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.

6. Prudential Indicators Actual vs Expected

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

Data for actual prudential and treasury indicators	2018/19 Actual £'m	2019/20 Original £'m	2019/20 Actual £'m
Capital expenditure			
• Non-HRA	21.650	18.020	18.203
• HRA	9.028	13.110	11.812
• Total	30.678	31.130	30.015
Total Capital Financing Requirement:			
• Non-HRA	97.847	104.103	96.903
• HRA	40.815	40.998	40.001
• Total	138.662	145.101	136.904
Gross borrowing	132.549	124.996	139.232
External debt	132.549	124.996	139.232
Investments			
• Longer than 1 year	0	0	0
• Under 1 year	14.333	15.000	20.208
• Total	14.333	15.000	20.208
Authorised Borrowing limit	177.0	178.0	139.2
Operational Boundary	164.0	173.0	139.2
Financing costs as a proportion of net revenue stream – CF	4.92%	5.23%	5.03%
Financing costs as a proportion of net revenue stream – HRA	16.88%	15.57%	18.78%

6.2 The first Prudential Indicator in the above table is the Capital Expenditure. The forecast Capital Expenditure at the time of producing the Prudential Indicators for 2019/20 was £31.130m. However, the actual expenditure was £30.015m. The reason for the reduced expenditure is explained in paragraph 3.1 of this report, and is mainly due to the significant underspend in capital projects described.

6.3 The second Prudential Indicator in the above table is the Capital Financing Requirement. The Council's 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 borrowing need. 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 forecast CFR at the time of producing the Prudential indicators for 2019/20 was £145.101m. However, the actual CFR was significantly lower at £136.904m. One of the reasons for the reduced CFR was the underspend in the 21st Century Schools programme, thus reducing the amount of Unsupported Borrowing needed in 2019/20. Another reason was that additional grants were awarded during the year to subsidise other funding sources, such as Supported Borrowing. This meant less Supported Borrowing was needed and, therefore, reducing the CFR figure. However, in future years, this subsidised funding source will be used to fund the Capital Expenditure in 2020/21 and will increase the CFR.

6.4 The Authorised Borrowing Limit (£178m) and the Operational Boundary (£173m) were not breached during the year, with the amount of External debt peaking at £139.2m only.

6.5 The financing costs, as a proportion of net revenue stream for the General Fund (5.03%), was very close to the anticipated total (5.23%), meaning this indicator performed as expected, and also in line with the prior year. The financing costs, as a proportion of net revenue stream for the HRA (18.78%), was above the anticipated total (15.57%), which is due to the financing costs being higher and the net revenue stream being lower than expected at the time of producing the proposed indicator for 2019/20. The underspend on HRA reduced the amount of Revenue contributions needed to fund the capital programme in 2019/20 from £9.9m to £7.6m.

7. Looking forward to 2020/21 and beyond

7.1 On 10 March 2020, the full Council approved the Treasury Management Strategy Statement for 2020/21. The Strategy Statement was based on the Capital Strategy and it is forecast that the Council will need to borrow an additional £9.6m in 2020/21 for the General Fund and HRA, a total of £19.2m in 2021/22 and a further total of £10.1m in 2022/23 to fund its Capital Programme. This additional borrowing will affect the General Fund with an increased Minimum Revenue Provision (MRP) being charged to fund the capital financing costs. In 2020/21, the forecast MRP is £3.7m, £3.9m in 2021/22 and £4.4m in 2022/23.

7.2 There have been no new investments made in the year to date.

7.3 On 24 April 2020, a £3.0m investment with Stockport Metropolitan Council matured and was repaid to the Isle of Anglesey County Council. On 1 May 2020, a £3.0m investment with Salford City Council matured and was repaid to the Isle of Anglesey County Council.

7.4 On 20 May 2019, a £5.0m borrowing from the PWLB was repaid by the Isle of Anglesey County Council. This loan was taken out on 25 May 2010 with an interest rate of 3.52%.

7.5 The latest interest rate forecast from Link Assets Services can be seen in the table below.

Bank Rate	Interest Rate Forecasts							
	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%

8. Conclusion

The Council's Treasury Management performance during the year was in line with the strategy of low risk, low return investments and a planned approach to borrowing designed to minimise interest charges.

The performance against the Prudential Indicators set by the Council show that the Council's Treasury Management activities are being undertaken in a controlled way which ensure the financial security of the Council and do not place the Council at any significant financial risk in terms of unaffordable or excessive borrowing.

The Council's Treasury Management Strategy and its performance against the strategy take into account the external economic factors and it is constantly reviewed to ensure that it is the most appropriate strategy moving forward.

RECOMMENDATIONS

The Committee is recommended to:-

- (i) Note that the outturn figures in this report will remain provisional until the audit of the 2019/20 Statement of Accounts is completed and signed off; any resulting significant adjustments to the figures included in this report will be reported as appropriate;
- (ii) Note the provisional 2019/20 prudential and treasury indicators in this report;
- (iii) Consider the annual treasury management report for 2019/20 and pass on to the next meeting of the Executive with any comments.

Background papers:-

Treasury Management Strategy Statement 2019/20
Prudential and Treasury Indicators 2019/20
Treasury Management Mid-Year Review Report 2019/20
Capital Outturn Report 2019/20