ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**GOVERNANCE AND AUDIT COMMITTEE**
DATE:	**20 JULY 2021**
SUBJECT:	**ANNUAL TREASURY MANAGEMENT REVIEW FOR 2020/21**
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 2020/21 (Appendix 8 of the Treasury Management Strategy Statement 2020/21). 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 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2020/21, the minimum reporting requirements were that the full Council should receive the following reports:-

- an annual treasury strategy in advance of the year (received on 10 March 2020);
- a mid-year treasury update report (received on 9 March 2021);
- 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 Governance & Audit Committee before they were reported to the full Council. Member training on treasury management issues was undertaken during the financial year 2019/20 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 the following outcomes in the financial year 2020/21:-

- 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 2020/21 – including the debt management of the Council, the implementation of the new MRP policy, and the Councils 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 2021/22 and beyond; and
- Conclusion.

2. A Review of the Year – External Factors

2.1 Interest Rates - The Bank Rate was cut from 0.75% to 0.25% and then to 0.10% in March 2020 and remained unchanged all throughout the 2020/21 financial year.

2.2 The Economy – United Kingdom - the 2020/21 financial year will go down in history as being the year of the pandemic. The first national lockdown in late March 2020 did huge damage to an economy that was unprepared for such an eventuality. This caused an economic downturn that exceeded the one caused by the financial crisis of 2008/09. A short second lockdown in November did relatively little damage but, by the time of the third lockdown in January 2021, businesses and individuals had become more resilient in adapting to working in new ways during a three month lockdown so there was much less damage than was caused in the first one. The advent of vaccines, starting in November 2020, were a game changer. The way in which the UK and US have led the world in implementing a fast programme of vaccination which promises to lead to a return to something approaching normal life during the second half of 2021, has been instrumental in speeding economic recovery and the reopening of the economy. In addition, the household saving rate has been exceptionally high since the first lockdown in March 2020 and so there is plenty of pent-up demand and purchasing power stored up for services in the still-depressed sectors like restaurants, travel and hotels as soon as they reopen. It is, therefore, expected that the UK economy could recover its pre-pandemic level of economic activity during quarter 1 of 2022.

Both the Government and the Bank of England took rapid action in March 2020, at the height of the crisis, to provide support to financial markets to ensure their proper functioning, and to support the economy and to protect jobs.

The Monetary Policy Committee (MPC) cut Bank Rate from 0.75% to 0.25% and then to 0.10% in March 2020, and embarked on a £200bn programme of quantitative easing (QE) (purchase of gilts so as to reduce borrowing costs throughout the economy by lowering gilt yields). The MPC increased the QE by £100bn in June and by £150bn in November to a total of £895bn. While Bank Rate remained unchanged for the rest of the year, financial markets were concerned that the MPC could cut Bank Rate to a negative rate; this was firmly discounted at the February 2021 MPC meeting when it was established that commercial banks would be unable to implement negative rates for at least six months – by which time the economy was expected to be making a strong recovery and negative rates would no longer be needed.

The key addition to the Bank's forward guidance in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. This sets a high bar for raising Bank Rate and no increase is expected by March 2024, and possibly for as long as five years. Inflation has been well under 2% during 2020/21; it is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern to the MPC.

The Chancellor has implemented repeated rounds of support to businesses by way of cheap loans and other measures, and has protected jobs by paying for workers to be placed on furlough. This support has come at a huge cost in terms of the Government's budget deficit ballooning in 2020/21 and 2021/22 so that the Debt to GDP ratio reaches around 100%. The Budget on 3 March 2021 increased fiscal support to the economy and employment during 2021 and 2022, followed by substantial tax rises in the following three years to help to pay the cost for the pandemic. This will help further to strengthen the economic recovery from the pandemic and to return the government's finances to a balanced budget, on a current expenditure and income basis, in 2025/26. This will stop the Debt to GDP ratio rising further from 100%. An area of concern, though, is that the government's debt is now twice as sensitive to interest rate rises as before the pandemic due to QE operations substituting fixed long-term debt for floating rate debt; there is, therefore, much incentive for the Government to promote Bank Rate staying low e.g. by using fiscal policy in conjunction with the monetary policy action by the Bank of England to keep inflation from rising too high, and / or by amending the Bank's policy mandate to allow for a higher target for inflation.

2.3 **Brexit** - The final agreement on 24th December 2020 eliminated a significant downside risk for the UK economy. The initial agreement only covered trade, so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. There was much disruption to trade in January as form filling has proved to be a formidable barrier to trade. This appears to have eased somewhat since then but is an area that needs further work to ease difficulties, which are still acute in some areas.

3. A Review of the Year – Internal Factors

3.1 **Capital Expenditure and financing 2020/21** - 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:-

	2020/21 Estimate (£'m)	**2020/21 Actual (£'m)**
General Fund capital expenditure	39	20
HRA capital expenditure	19	13
Total capital expenditure	**58**	**33**
General Fund financed in year by Grants & Contributions	23	16
HRA financed in year by Grants & Contributions	3	5
General Fund financed in year by Council Resources	1	2
HRA financed in year by Council Resources	16	7
General Fund capital expenditure financed by borrowing	**15**	**3**
HRA capital expenditure financed by borrowing	**0**	**0**

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

Scheme	Underspend £'m	Comment
Refurbishment of school buildings	1.419	In the latter part of 2020/21, the Authority was awarded £1.183m of additional grant funding for school Capital maintenance works. The grant funding was used to fund locally determined capital schemes in 2020/21, replacing funding from the Authority's own resources. The funding saved by the Authority from this grant will now be used to fund school Capital works in 2021/22.
Disabled Facilities Grants	0.392	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.
21st Century School Schemes	6.800	Further consultation delayed the commencement of the chosen schemes. However, works are due to commence on site in early 2021/22 for the Final Band A scheme.
Waste Contract	2.199	Delays in the delivery of some fleet vehicles has meant this will slip into 2021/22. Final delivery of remaining vehicles expected in early 2021/22.
Tourism Gateway	1.016	Delays in the tendering arrangements meant that works had to be retendered in quarter 4. This is an ongoing scheme with a new budget allocation in the 2021/22 capital programme.
Various Flood schemes	1.893	Some schemes are ongoing and span across different financial years. Others have seen delays and time extensions for completion agreed by Welsh Government to carry forward the funding.
Holyhead Regeneration (THI Phase II)	0.866	Various delays throughout the year meant projects did not progress at the pace originally intended, which resulted in such a large variance to budget. New budget allocation for 2021/22.
Residential Site for Gypsies & Travellers	0.493	Work is ongoing to redesign the scheme to reduce the costs in order to match the available funding.
IT Projects	0.292	Delays experienced due to Covid and also items requiring renewal were lower than anticipated.
Capital works to existing assets	0.255	Delays experienced due to lack of tender response but works currently on site and progressing.
Leisure Improvements	0.243	Due to closure of leisure centres for most of the year and the management team moving to support Covid work, projects did not move forwards. Projects are in the pipeline and works are planned to continue in 2021/22.
Childcare capital grant	0.523	Other school sites have yet to be completed and Welsh Government have granted an extension to March 2022 to spend the remaining grant.

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-21 £'m	Final 31-Mar-20 £'m
Council Fund general reserve	11.594	7.060
Earmarked reserves	14.079	8.760
Housing Revenue Account (HRA) reserve	9.743	8.597
School reserves	4.015	0.197
Capital receipts Reserves	0.767	1.330
Total Usable Reserves	**40.198**	**25.944**
Provisions	**5.047**	**5.180**
Total Usable Reserves and Provisions	**45.245**	**31.124**

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 2020/21 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. There was no externalisation of borrowing in 2020/21 financial year.

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 £124.5m at 31 March 2021 is less than the forecast CFR for the following two years.

	Actual 2020/21 £'m	Estimated 2021/22 £'m	Estimated 2022/23 £'m
Capital Financing Requirement	136.6	146.1	157.6

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 overfunded £2.3m. By repaying the £10m short term PWLB loan taken out in March 2020, and no other new loans taken out in the 2020/21 financial year, the internal borrowing position at 31 March 2021 is now £12.1m:-

	31 March 2020 Actual £'m	31 March 2021 Actual £'m
Gross borrowing position	139.2	124.5
CFR	136.9	136.6
(Underfunding) / overfunding of CFR	2.3	(12.1)

3.4 **Other Borrowing -** During the year, the Council did not enter into any other short-term borrowings.

3.5 **Debt Repayments** – There were three PWLB loans that matured during the year. £3.5m matured 8 June 2020. The loan was originally taken in February 1995 at an interest rate of 8.625%. £1.0m matured 18 January 2021. The loan was originally taken in May 1995 at an interest rate of 8.5%. £10.0m matured 18 March 2021. The loan was originally taken in March 2020 at an interest rate of 2.05%. There are no short term borrowings outstanding.

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 £57m, ranging between £25m and £57m. The interest budget was set at £0.053m after adjusting for the estimated potential rate fall in 2020/21 at the time of producing the budget. As it turned out, average balances of £43.7m returned £0.035m at an average interest rate of 0.079%. Limited investments in other Local Authorities, and interest rates dropping to below what was anticipated at the time of producing the budget, contributed to this decrease in interest receivable. Investment returns, which had been low during 2019/20, plunged during 2020/21 to near zero. Most local authority lending managed to avoid negative rates. The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75% before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic bursting onto the scene in March 2020 which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy.

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.

Part of the Council's deposits were held in no notice deposit accounts which pay interest at rates near the prevailing base rate, £20.066m at 0.03% on 31 March 2021 (31 March 2020 £14.208m at 0.48%). There was one loan to another local authority as at 31 March 2021 - £5.0m at an interest rate of 0.15% (£3m at 0.76% and £3m at 0.90% as at 31 March 2020). All investments were for under 1 year.

3.7 **Treasury Position at 31 March 2021** – 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 in accordance with the Treasury Management Strategy 2020/21. 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 2019/20 and 2020/21 financial years are as follows:-

	31 MARCH 2020			31 MARCH 2021		
	£'m	**Average Rate (%)**	**Average Maturity (years)**	**£'m**	**Average Rate (%)**	**Average Maturity (years)**
Debt PWLB Debt Non-PWLB **Total**	136.4 2.8 **139.2**	4.53 0	28.21 4.04	121.9 2.6 **124.5**	4.59 0	30.57 3.93
CFR	136.9			136.6		
Over / (under) borrowed	2.3			(12.1)		
Fixed term investments (all < 1 year, managed in house and fixed rate) No notice investments (all managed in house)	6.000 14.208	0.83 0.48		5.000 20.066	0.15 0.03	
Total Investments	20.208	0.58		25.066	0.06	

Borrowing is further broken down by maturity as:-

	31 MARCH 2020		31 MARCH 2021	
	£'m	**% of total**	**£'m**	**% of total**
Total borrowing	139.2	100	124.5	100
Under 12 months	14.8	10.6	0.3	0.2
12 months and within 24 months	2.6	1.9	5.1	4.1
24 months and within 5 years	3.2	2.3	4.5	3.6
5 years and within 10 years	6.2	4.5	4.8	3.9
10 years and above	112.4	80.7	109.8	88.2

There have been no new borrowings taken out in the year (long or short term) and debt repayments have been as described in point 3.5 above. Therefore, the movement in the categories above are simply as per the loan maturity dates.

4. The Council's Treasury Management Strategy in 2020/21

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 10 March 2020. 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 2020/21, 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 very low and minimising counterparty risk on placing investments also needed to be considered

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 2020/21 that was approved by full Council on 10 March 2020.

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 analyses the differences between the Actual and the forecast Prudential Indicators for 2020/21.

- **Capital expenditure – Estimates of Capital Expenditure -** This is the forecast Capital Expenditure from 2020/21 to 2023/24, and is based on the Capital Programme for 2020/21 and the Capital Strategy for 2021/22.

- **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 asset's 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 2020/21 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 2020/21, 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	2019/20 Actual £'m	2020/21 Original £'m	2020/21 Actual £'m
Capital expenditure			
• Non-HRA	18.203	19.765	20.507
• HRA	11.812	17.138	12.622
• **Total**	**30.015**	**36.903**	**33.129**
Total Capital Financing Requirement			
• Non-HRA	96.906	108.536	97.359
• HRA	39.998	39.449	39.199
• **Total**	**136.904**	**147.985**	**136.558**
Gross borrowing	139.232	134.093	124.523
External debt	139.232	134.093	124.523
Investments			
• Longer than 1 year	0	0	0
• Under 1 year	20.208	15.000	25.066
• **Total**	**20.208**	**15.000**	**25.066**
Financing costs as a proportion of net revenue stream – CF	4.96%	5.15%	4.80%
Financing costs as a proportion of net revenue stream – HRA	19.01%	17.16%	16.34%

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 2020/21 was £36.903m. However, the actual expenditure was £33.129m. 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 2020/21 was £147.985m. However, the actual CFR was significantly lower at £136.558m. 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 2020/21. 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 2021/22 and will increase the CFR.

6.4 The Authorised Borrowing Limit (£183m) and the Operational Boundary (£178m) 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 (4.80%) was very close to the anticipated total (5.15%), 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 (16.34%) was below the anticipated total (17.16%) which is due to the financing costs being lower and the net revenue stream also being lower than expected at the time of producing the proposed indicator for 2020/21. The underspend on HRA reduced the amount of Revenue contributions needed to fund the capital programme in 2020/21 from £16.1m to £7.2m.

7. Looking forward to 2020/21 and beyond

7.1 On 9 March 2021, the full Council approved the Treasury Management Strategy Statement for 2021/22. The Strategy Statement was based on the Capital Strategy and it is forecast that the Council will need to borrow an additional £7.6m in 2021/22 for the General Fund and HRA, a total of £15.7m in 2022/23 and a further total of £19.0m in 2023/24 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 2021/22, the forecast MRP is £4.2m, in 2022/23 £4.3m and £4.6m in 2023/24.

7.2 On 18 June 2021, a £5.0m investment with Flintshire County Council matured and was repaid to the Isle of Anglesey County Council.

7.3 On 23 June 2021, the Isle of Anglesey County Council invested £5m with Flintshire County Council with an interest rate of 0.03%. The investment is for 3 months.

7.4 There are no borrowings from the PWLB due to mature in the financial year 2021/22.

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

Link Group Interest Rate View	8.3.21												
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	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 2020/21 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 2020/21 prudential and treasury indicators in this report;

(iii) Consider the annual treasury management report for 2020/21 and pass on to the next meeting of the Executive with any comments.

Background papers:

Treasury Management Strategy Statement 2020/21
Prudential and Treasury Indicators 2020/21
Treasury Management Mid-Year Review Report 2020/21
Capital Outturn Report 2020/21

R MARC JONES
DIRECTOR OF FUNCTION (RESOURCES) &
SECTION 151 OFFICER **20 JULY 2021**