

# Southend-on-Sea Borough Council

Report of Executive Director (Finance & Resources)  
To  
**Cabinet**  
on  
**22 February 2022**

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<b>Agenda Item No.</b>
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**Quarter Three Treasury Management Report – 2021/22**  
**Policy and Resources Scrutiny Committee**  
**Cabinet Member: Councillor Paul Collins**  
***Part 1 Public Agenda Item***

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## **1. Purpose of Report**

- 1.1. The Quarter Three Treasury Management Report covers the treasury management activity and compliance with the treasury management strategy for both quarter three and the period from April to December 2021.

## **2. Recommendations**

**That the following is approved:**

- 2.1. **The Quarter Three Treasury Management Report for 2021/22.**

**That the following is noted:**

- 2.2. **Treasury management activities were carried out in accordance with the CIPFA (The Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management in the Public Sector during the period from April to December 2021.**
- 2.3. **The loan and investment portfolios were actively managed to minimise cost and maximise interest earned, whilst maintaining a low level of risk.**
- 2.4. **£1.123m of interest and income distributions for all investments were earned during this nine-month period at an average rate of 0.94%. This is 0.83% over the average bank rate for that period. Also, the value of the externally managed funds increased by a net of £2.654m due to changes in the unit price, giving a combined overall return of 3.15%. (Section 8).**
- 2.5. **The level of borrowing from the Public Works Loan Board (PWLB) (excluding debt relating to services transferred from Essex County Council on 1<sup>st</sup> April 1998) increased by £40m to £350.3m (Housing Revenue**

**Account (HRA): £75.0m, General Fund (GF): £275.3m) during the period from April to December 2021.**

- 2.6. **The level of financing for ‘invest to save’ capital schemes decreased from £8.53m to £8.45m during the period from April to December 2021.**

### **3. Background**

- 3.1. This Council has adopted the ‘CIPFA Code of Practice for Treasury Management in the Public Sector’ and operates its treasury management service in compliance with this code. The code recommends that local authorities submit reports regularly as part of its Governance arrangements.
- 3.2. Current guidance is that authorities should report formally at least twice a year and preferably quarterly. The Treasury Management Policy Statement for 2021/22 set out that reports would be submitted to Cabinet quarterly on the activities of the treasury management operation. This is the third quarter report for the financial year 2021/22.
- 3.3. Appendix 1 shows the in-house investment position at the end of quarter three of 2021/22.
- 3.4. Appendix 2 shows the treasury management performance specifically for quarter three of 2021/22.

### **4. National Context**

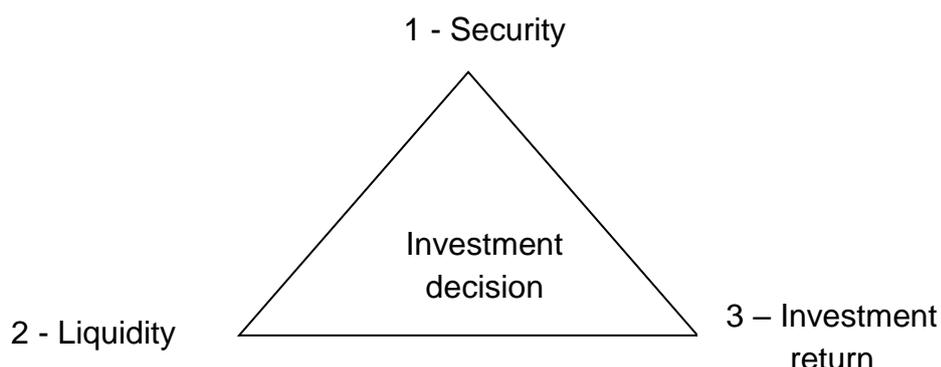
- 4.1. The UK gross domestic product (GDP) is estimated to have increased by 1.1% in the quarter from July to September 2021, revised from the first estimate of a 1.3% increase. The largest contributors to the increase were hospitality and arts, entertainment and recreation following the further easing of restrictions and reopening of the economy during this period. Production and construction both fell. However, the level of GDP is now estimated to be 1.5% below where it was pre-coronavirus pandemic (for the quarter October to December 2019).
- 4.2. The unemployment rate for the quarter from September to November 2021 was 4.1%. The number of job vacancies in October to December 2021 rose to a new record of 1,247,000, an increase of 462,000 from its pre-pandemic (January to March 2020) level.
- 4.3. The Consumer Prices Index including owner occupiers’ housing costs (CPIH) was at 3.8% in October, at 4.6% in November and 4.8% in December. The largest upward contributions to the December 2021 CPIH 12-month inflation rate came from housing and household services and transport (principally from motor fuels and second-hand cars).
- 4.4. On 16 December, the Bank of England increased the bank base rate from the historically low value of 0.10% to 0.25% and maintained their Quantitative Easing (QE) programme at £875bn of gilts.

4.5. The economic situation together with the financial market conditions prevailing throughout the quarter continued to provide challenges for treasury management activities. Whether for instant access, notice or fixed term deposit accounts, low interest rates prevailed throughout the quarter from October to December 2021 and this led to low investment income earnings from in-house investments.

## 5. Investments – quarter three (October to December)

5.1. A prime objective of our investment activities is the security of the principal sums invested. To ensure this security before a deposit is made an organisation is tested against a matrix of credit criteria and then other relevant information is considered. During the period from October to December 2021 investment deposits were limited to those who met the criteria in the Annual Treasury Management Investment Strategy when the deposit was placed.

5.2. Other investment objectives are to maintain liquidity (i.e. adequate cash resources to allow the council to operate) and to optimise the investment income generated by surplus cash in a way that is consistent with a prudent level of risk. Investment decisions are made with reference to these objectives, with security and liquidity being placed ahead of the investment return. This is shown in the diagram below:



Security:

5.3. To maintain the security of sums invested, we seek to lower counterparty risk by investing in financial institutions with good credit ratings, across a range of sectors and countries. The risk of loss of monies invested is minimised through the Annual Treasury Management Investment Strategy.

5.4. Pie chart 1 of Appendix 1 shows that at the end of quarter three; 23% of our in-house investments were placed with financial institutions with a long-term rating of AAA, 35% with a long-term rating of A+, 30% with a long-term rating of A and 12% with a rating of A-.

5.5. As shown in pie chart 2 of Appendix 1, these monies were placed with various counterparties, 77% being placed directly with banks and 23% placed with a range of counterparties via money market funds.

- 5.6. Pie chart 3 of Appendix 1 shows the countries where the parent company of the financial institution with which we have monies invested is registered. For money market funds there are various counterparties spread across many countries. The cumulative balance of funds held with any one institution was kept within agreed limits.

Liquidity:

- 5.7 At the end of quarter three £54.4m of our in-house monies were available on an instant access basis, £27.5m were held in notice accounts and £47.5m were held in fixed term deposits. The table below shows the fixed term deposits during the period October to December 2021.

Table 1: Fixed Term Deposits

Counterparty	Date of Deposit	Return Date	Number of days	Interest rate (%)	Amount (£m)
Santander UK Plc	12/07/2021	12/04/2022	274	0.250	5.0
Goldman Sachs International	27/05/2021	28/02/2022	277	0.275	5.0
Goldman Sachs International	09/07/2021	08/04/2022	273	0.225	2.5
Standard Chartered	12/07/2021	12/01/2022	184	0.120	10.0
Standard Chartered	19/11/2021	19/05/2022	181	0.290	10.0
National Bank of Kuwait (International) plc	19/11/2021	19/05/2022	181	0.340	15.0

- 5.8. The maturity profile of our in-house investments is shown in pie chart 4 of Appendix 1.

Investment return:

- 5.9. During the quarter the Council used the enhanced cash fund manager Payden & Rygel to manage monies on our behalf. An average balance of £5.1m was invested in these funds during the quarter. The table below shows the movement in the fund value over the quarter, the income distributions for that quarter, the returns both for each element and the combined return. See also Table 3 of Appendix 2.

Table 2: Payden Sterling Reserve Fund

Quarter 3	£m	Investment return (%)
Value of fund at start of quarter	5.089	
Increase/decrease in fund due to value of unit price	-0.013	-1.03
Value of fund at end of quarter	5.076	
Income distributions	0.006	0.50
Combined investment income (income distribution plus change in fund value due to unit price)	-0.007	-0.53

- 5.10. The Council had an average of £121.0m of investments managed in-house over the period from October to December, and these earned an average interest rate of 0.15%. Of the in-house managed funds:
- an average of £21.9m was held in the Council's main bank account. Over the quarter no interest was earned as the rate is at a margin below the Bank of England base rate, which was at 0.10% until 15 December, increasing to 0.25% on 16 December.
  - an average of £40.5m was held in money market funds earning an average of 0.08% over the quarter. These work in the same way as a deposit account but the money in the overall fund is invested in a number of counterparties, therefore spreading the counterparty risk.
  - an average of £24.4m was held in notice accounts earning an average of 0.25% over the quarter.
  - an average of £34.2m was held in fixed term deposits and earned an average return of 0.24% over the quarter.
- 5.11. In accordance with the Treasury Management Strategy the performance during the quarter was compared to the average 7-day LIBID (London Interbank Bid Rate). Overall, performance on our investments was 0.23% higher than the average 7-day LIBID. The 7-day LIBID rate fluctuated between -0.088% and 0.061%. The bank base rate increased from 0.10% to 0.25% during the quarter. Performance is shown in Graph 1 of Appendix 2.
- 5.12. As investment balances fluctuate, all investment returns quoted in this report are calculated using the average balance over the period and are quoted as annualised returns.

## **6. Short Dated Bond Funds – quarter three (October to December)**

- 6.1. Throughout the quarter medium term funds were invested in two short-dated bond funds: Royal London Investment Grade Short Dated Credit Fund and the AXA Sterling Credit Short Duration Bond Fund.
- 6.2. The monies are invested in units in the fund, the fund is then invested as a whole by the fund managers into corporate bonds in the one-to-five-year range. An income distribution will be generated from the coupon on the bond and income distributions are paid to the Council. The price of units can rise and fall, depending on the value of the corporate bonds in the fund. So, these investments would be over the medium term with the aim of realising higher yields than short term investments.
- 6.3. In line with the capital finance and accounting regulations the Council's Financial Instrument Revaluation Reserve will be used to capture all the changes in the unit value of the funds. Members should be aware that investment returns in some quarters will look very good and in other quarters there may be losses reported, but these will not impact the revenue account as only the distributions paid to the Council will impact that and not the change in the unit price.

- 6.4. An average of £7.7m was managed by AXA Investment Managers UK Limited. The table below shows the movement in the fund value over the quarter, the income distributions for that quarter, the returns both for each element and the combined return. See also Table 2 of Appendix 2.

Table 3: AXA Sterling Credit Short Duration Bond Fund

<b>Quarter 3</b>	<b>£m</b>	<b>Investment return (%)</b>
Value of fund at start of quarter	7.711	
Increase/decrease in fund due to value of unit price	-0.059	-3.06
Value of fund at end of quarter	7.652	
Income distributions*	0.025	1.29
Combined investment income (income distribution plus change in fund value due to unit price)	-0.034	-1.77

\* This income distribution is an estimate and will be confirmed and distributed in quarter 4.

- 6.5. An average of £7.7m was managed by Royal London Asset Management. The table below shows the movement in the fund value over the quarter, the income distributions for that quarter, the returns both for each element and the combined return. See also Table 2 of Appendix 2.

Table 4: Royal London Investment Grade Short Dated Credit Fund

<b>Quarter 3</b>	<b>£m</b>	<b>Investment return (%)</b>
Value of fund at start of quarter	7.782	
Increase/decrease in fund due to value of unit price	-0.086	-4.41
Value of fund at end of quarter	7.696	
Income distributions	0.043	2.20
Combined investment income (income distribution plus change in fund value due to unit price)	-0.043	-2.21

## 7. Property Funds – quarter three (October to December)

- 7.1. Throughout the quarter long term funds were invested in two property funds: Patrizia Hanover Property Unit Trust and Lothbury Property Trust.
- 7.2. The monies are invested in units in the fund, the fund is then invested as a whole by the fund managers into properties. An income distribution is generated from the rental income streams from the properties in the fund. Income distributions are paid to the Council. There are high entrance and exit fees and the price of the units can rise and fall, depending on the value of the properties in the fund, so these funds are invested over the long term with the aim of realising higher yields than other investments.
- 7.3. In line with the capital finance and accounting regulations the Council's Financial Instrument Revaluation Reserve will be used to capture all the changes in the

unit value of the funds. Members should be aware that investment returns in some quarters will look very good and in other quarters there may be losses reported, but these will not impact the revenue account as only the distributions paid to the Council will impact that and not the change in unit price.

- 7.4. An average of £14.8m was managed by Patrizia Property Investment Managers LLP. The table below shows the movement in the fund value over the quarter, the income distributions for that quarter, the returns both for each element and the combined return. See also Table 1 of Appendix 2.

Table 5: Patrizia Hanover Property Unit Trust

<b>Quarter 3</b>	<b>£m</b>	<b>Investment return (%)</b>
Value of fund at start of quarter	14.821	
Increase/decrease in fund due to value of unit price	0.523	14.01
Value of fund at end of quarter	15.344	
Income distributions*	0.167	4.47
Combined investment income (income distribution plus change in fund value due to unit price)	0.690	18.48

\* This income distribution is an estimate and will be confirmed and distributed in quarter 4.

- 7.5. An average of £13.6m was managed by Lothbury Investment Management Limited. The table below shows the movement in the fund value over the quarter, the income distributions for that quarter, the returns both for each element and the combined return. See also Table 1 of Appendix 2.

Table 6: Lothbury Property Trust

<b>Quarter 3</b>	<b>£m</b>	<b>Investment return (%)</b>
Value of fund at start of quarter	13.465	
Increase/decrease in fund due to value of unit price	0.605	17.58
Value of fund at end of quarter	14.070	
Income distributions	0.089	2.58
Combined investment income (income distribution plus change in fund value due to unit price)	0.694	20.16

## **8. Investments – quarter three cumulative position**

- 8.1. During the period from April to December 2021 the Council complied with all the relevant statutory and regulatory requirements which limit the levels of risk associated with its treasury management activities. Its adoption and implementation of the Code of Practice for Treasury Management means its treasury practices demonstrate a low-risk approach.

- 8.2. The Council is aware of the risks of passive management of the treasury portfolio and has proactively managed levels of debt and investments over the nine-month period with the support of its treasury management advisers.
- 8.3. The table below summarises the Council's investment position for the period from April to December 2021:

Table 7: Investment position

	At 31 March 2021	At 31 December 2021	April to December 2021	
	Actual Balance (£000s)	Actual Balance (£000s)	Average Balance (£000s)	Average Rate (%)
Call accounts <sup>#</sup>	15,816	24,351	15,312	0.00
Money market funds	49,000	30,000	48,764	0.07
Notice accounts	10,000	27,500	20,594	0.27
Fixed term deposits	15,000	47,500	26,272	0.32
<b>Total investments managed in-house</b>	<b>89,816</b>	<b>129,351</b>	<b>110,943</b>	<b>0.15</b>
Enhanced Cash Funds	5,098	5,076	5,095	-0.15
Short Dated Bond Funds	15,546	15,348	15,508	0.05
Property Funds	26,539	29,414	27,482	17.62
<b>Total investments managed externally</b>	<b>47,183</b>	<b>49,838</b>	<b>48,085</b>	<b>10.07</b>
<b>Total investments</b>	<b>136,999</b>	<b>179,189</b>	<b>159,028</b>	<b>3.15</b>

<sup>#</sup> This includes the council's main current account.

- 8.4. In summary the key factors to note are:
- An average of £110.9m of investments were managed in-house. These earned £0.129m of interest during this nine-month period at an average rate of 0.15%. This is 0.23% over the average 7-day LIBID and 0.05% over the average bank base rate.
  - An average of £5.1m was managed by an enhanced cash fund manager. During this nine-month period this earned £0.017m from income distributions at an average rate of 0.44% and the value of the fund decreased by £0.023m giving a combined overall return of -0.15%.
  - An average of £15.5m was managed by two short-dated bond fund managers. During this nine-month period these earned £0.204m from income

distributions at an average rate of 1.75% and the value of the funds decreased by £0.199m giving a combined overall return of 0.05%.

- An average of £27.5m was managed by two property fund managers. During this nine-month period these earned £0.773m from income distributions at an average rate of 3.73% and the value of the funds increased by £2.876m giving a combined overall return of 17.62%.

8.5. The total for interest and income distributions in paragraph 8.4 above is £1.123m. The total change in external fund values due to the unit price is a net increase of £2.654m, which is set out in the table below:

Table 8: Externally managed funds – changes in unit price

Fund	Table Number	Amount (£m)
Payden Sterling Reserve Fund	Paragraph 8.4	-0.023
AXA Sterling Credit Short Duration Bond Fund	11	-0.082
Royal London Investment Grade Short Dated Credit Fund	12	-0.117
Patrizia Hanover Property Unit Trust	13	1.682
Lothbury Property Trust	14	1.194
<b>Total net increase due to changes in unit price</b>		<b>2.654</b>

8.6. Some cash balances managed in-house are required to meet short term cash flow requirements and therefore throughout the nine-month period monies were placed 9 times for periods of one year or less. The table below shows the most used counterparties overall and the countries in which they are based. All deals are in sterling despite the country the counterparties are based in.

Table 9: Counterparties used

Counterparty	Country	No. of Deals	Value of Deals (£m)
Goldman Sachs	Money Market Fund (Various)	4	39
Insight Investment Management Ltd	Money Market Fund (Various)	2	19
BlackRock	Money Market Fund (Various)	3	16

8.7. In addition to the above, use was also made of call accounts during the year because they provide instant access to funds. This meant that funds were

available for cash flow movements to avoid having to pay higher rates to borrow from the market. During the period from April to December 2021 an average of £15.3m was held in such accounts.

8.8. For cash balances that are not needed to meet immediate or very short-term cash flow requirements, monies were invested in:

- a 95-day notice account with Barclays;
- a 95-day notice account with Santander
- a 185-day notice account with Goldman Sachs;

8.9. Monies were also invested in fixed term deposits of up to one year, depending on the liquidity requirements. The table below shows the fixed term deposits held during the period from April to December 2021.

Table 10: Fixed Term Deposits

Counterparty	Date of Deposit	Return Date	Number of days	Interest rate (%)	Amount (£m)
Santander UK plc	12/08/2020	12/08/2021	365	0.550	5.0
Santander UK plc	14/08/2020	16/08/2021	367	0.550	10.0
Santander UK Plc	12/07/2021	12/04/2022	274	0.250	5.0
Goldman Sachs International	27/05/2021	28/02/2022	277	0.275	5.0
Goldman Sachs International	09/07/2021	08/04/2022	273	0.225	2.5
Standard Chartered	12/07/2021	12/01/2022	184	0.120	10.0
Standard Chartered	19/11/2021	19/05/2022	181	0.290	10.0
National Bank of Kuwait (International) plc	19/11/2021	19/05/2022	181	0.340	15.0

## 9. Short Dated Bond Funds – quarter three cumulative position

9.1. An average of £7.7m was managed by AXA Investment Managers UK Limited. The table on the next page shows the movement in the fund value over the period from April to December, the income distributions for that period, the returns both for each element and the combined return.

Table 11: AXA Sterling Credit Short Duration Bond Fund

<b>April to December 2021</b>	<b>£m</b>	<b>Investment return (%)</b>
Value of fund at start of financial year	7.733	
Increase/decrease in fund due to value of unit price	-0.082	-1.40
Value of fund at end of quarter 3	7.651	
Income distributions*	0.075	1.30
Combined investment income (income distribution plus change in fund value due to unit price)	-0.007	-0.10

\* Q3 of this income distribution is an estimate and will be confirmed and distributed in quarter 4.

- 9.2. An average of £7.8m was managed by Royal London Asset Management. The table below shows the movement in the fund value over the period from April to December, the income distributions for that period, the returns both for each element and the combined return.

Table 12: Royal London Investment Grade Short Dated Credit Fund

<b>April to December 2021</b>	<b>£m</b>	<b>Investment return (%)</b>
Value of fund at start of financial year	7.813	
Increase/decrease in fund due to value of unit price	-0.117	-1.99
Value of fund at end of quarter 3	7.696	
Income distributions*	0.129	2.19
Combined investment income (income distribution plus change in fund value due to unit price)	0.012	0.20

## 10. Property Funds – quarter three cumulative position

- 10.1. An average of £14.2m was managed by Patrizia Property Investment Managers LLP. The table below shows the movement in the fund value over the period from April to December, the income distributions for that period, the returns both for each element and the combined return.

Table 13: Patrizia Hanover Property Unit Trust

<b>April to December 2021</b>	<b>£m</b>	<b>Investment return (%)</b>
Value of fund at start of financial year	13.663	
Increase/decrease in fund due to value of unit price	1.682	15.74
Value of fund at end of quarter 3	15.345	
Income distributions*	0.501	4.69
Combined investment income (income distribution plus change in fund value due to unit price)	2.183	20.43

\* Income distribution for Q3 is an estimate and will be confirmed and distributed in Q4.

- 10.2. An average of £13.3m was managed by Lothbury Investment Management Limited. The table below shows the movement in the fund value over the period from April to December, the income distributions for that period, the returns both for each element and the combined return.

Table 14: Lothbury Property Trust

<b>April to December 2021</b>	<b>£m</b>	<b>Investment return (%)</b>
Value of fund at start of financial year	12.876	
Increase/decrease in fund due to value of unit price	1.194	11.91
Value of fund at end of quarter 3	14.070	
Income distributions	0.271	2.70
Combined investment income (income distribution plus change in fund value due to unit price)	1.465	14.61

## 11. Borrowing – quarter three

- 11.1. The Capital Financing Requirement (CFR) is the Council's theoretical need to borrow but the Section 151 Officer can manage the Council's actual borrowing position by either:
- 1 - Borrowing to the CFR.
  - 2 - Choosing to use temporary cash flow funds instead of borrowing (internal borrowing) or
  - 3 - Borrowing for future increases in the CFR (borrowing in advance of need).
- 11.2. The Council began quarter three in the second of the above scenarios, with actual borrowing below CFR.
- 11.3. This, together with the Council's cash flow, the prevailing Public Works Loans Board (PWLB) interest rates and the future requirements of the capital programme, were taken into account when deciding the amount and timing of any loans. No debt restructuring was carried out during the quarter.
- 11.4. During quarter three, four new PWLB loans were taken out. These are shown in Table 6 of Appendix 2. No loans matured during the quarter.
- 11.5. The level of PWLB borrowing (excluding debt relating to services transferred from Essex County Council on 1<sup>st</sup> April 1998) increased by £40m to £350.3m during quarter three. The average rate of borrowing over all the PWLB loans at the end of the quarter was 3.66%, which is lower than the average rate at the end of quarter two of 3.76%. This is as a result of the low loan rates achieved on the new PWLB loans.
- 11.6. A profile of the PWLB loan repayment dates is shown in Graph 2 of Appendix 2. A £3m loan taken out in March 1992 at 10.625% is due to mature in March 2022.

- 11.7. The level of PWLB borrowing at £350.3m is in line with the financing requirements of the capital investment programme and the revenue costs of this borrowing are fully accounted for in the revenue budget. The current level of borrowing is also in line with the Council's prudential indicators and is proportionate, prudent, affordable, and sustainable.
- 11.8. Interest rates from the PWLB fluctuated throughout the quarter in response to economic events: 10 year PWLB rates between 1.54% and 2.04%; 25 year PWLB rates between 1.67% and 2.38% and 50 year PWLB rates between 1.25% and 2.17%. These rates are after the PWLB 'certainty rate' discount of 0.20%.
- 11.9. During quarter three no short-term loans were taken out for cash flow purposes. This is shown in Table 4 of Appendix 2.

## 12. Borrowing – quarter three cumulative position

- 12.1. The Council's borrowing limits for 2021/22 are shown in the table below:

Table 15: Borrowing limits

	2021/22 Original (£m)
Authorised Limit	385
Operational Boundary	375

- 12.2. The Authorised Limit is the "Affordable Borrowing Limit" required by the Local Government Act 2003. This is the outer boundary of the Council's borrowing based on a realistic assessment of the risks and allows sufficient headroom to take account of unusual cash movements.
- 12.3. The Operational Boundary is the expected total borrowing position of the Council during the year and reflects decisions on the amount of debt needed for the Capital Investment Programme. Periods where the actual position is either below or over the Boundary are acceptable subject to the Authorised Limit not being breached.
- 12.4. The Council's outstanding borrowing as at 31<sup>st</sup> December 2021 was:

Southend-on-Sea Borough Council	£358.75m
PWLB: £350.3m	
Invest to save: £8.45m	
ECC transferred debt	£9.64m

- 12.5. Repayments in the first 9 months of 2021/2022 were:

Southend-on-Sea Borough Council	£0.08m
PWLB: £0.0m	
Invest to save: £0.08m	
ECC transferred debt	£0.52m

- 12.6. Outstanding debt relating to services transferred from Essex County Council (ECC) on 1<sup>st</sup> April 1998, remains under the management of ECC. Southend Borough Council reimburses the debt costs incurred by the County. The debt is recognised as a deferred liability on our balance sheet.
- 12.7. The interest payments for PWLB and excluding transferred debt, during the period from April to December 2021 were £7.642m which is the same as the original budget for the same period as the first interest payments on the new loans are not due to be paid until May 2022.
- 12.8. The table below summarises the PWLB borrowing activities over the period from April to December 2021:

Table 16: PWLB borrowing activities

Quarter	Borrowing at beginning of quarter (£m)	New borrowing (£m)	Re-financing (£m)	Borrowing repaid (£m)	Borrowing at end of quarter (£m)
April to June 2021	310.3	0	0	(0)	310.3
July to September 2021	310.3	0	0	(0)	310.3
October to December 2021	310.3	40.0	0	(0)	350.3
<i>Of which:</i>					
General Fund	235.3	40.0	0	(0)	275.3
HRA	75.0	0	0	(0)	75.0

- 12.9. All PWLB debt held is repayable on maturity.

### 13. Funding for Invest to Save Schemes (included in Section 12)

- 13.1. Capital projects were completed on energy efficiency improvements at the Beecroft Art Gallery, replacement lighting on Southend Pier, draughtproofing of windows, lighting replacements at University Square Car Park and Westcliff Library which will generate on-going energy savings. These are invest-to-save projects and the predicted revenue streams cover as a minimum the financing costs of the project.
- 13.2. To finance these projects the Council has taken out interest free loans of £0.161m with Salix Finance Ltd which is an independent, not for profit company, funded by the Department for Energy and Climate Change that delivers interest-free capital to the public sector to improve their energy efficiency and reduce their carbon emissions. The loans are for periods of five years with equal instalments to be repaid every six months. There are no revenue budget implications of this funding as there are no interest payments to be made and the revenue savings generated are expected to exceed the amount needed for the repayments.

£0.026m of these loans were repaid during the period from April to December 2021.

13.3. At the meeting of Cabinet on 23<sup>rd</sup> June 2015 the LED Street Lighting and Illuminated Street Furniture Replacement Project was approved which was to be partly funded by 25 year reducing balance 'invest to save' finance from L1 Renewables Finance Limited. The balance outstanding at the end of quarter three was £8.404m. A repayment of £0.053m was made during the period from April to December 2021.

13.4. Funding of these invest to save schemes is shown in Table 5 of Appendix 2.

#### **14. Compliance with Treasury Management Strategy – quarter three**

14.1. The Council's investment policy is governed by the CIPFA Code of Practice for Treasury Management in the Public Sector (revised in December 2017), which has been implemented in the Annual Treasury Management Investment Strategy approved by the Council on 25 February 2021. The Code was further revised in December 2021 and the Annual Treasury Management Investment Strategy for 2021/22 is still compliant with this updated Code. The investment activity during the quarter conformed to the approved strategy, and the cash flow was successfully managed to maintain liquidity. This is shown in Table 7 of Appendix 2.

#### **15. Other Options**

15.1. There are many options available for the operation of the Treasury Management function, with varying degrees of risk associated with them. The Treasury Management Policy aims to effectively control risk to within a prudent level, whilst providing optimum performance consistent with that level of risk.

#### **16. Reasons for Recommendations**

16.1. The CIPFA Code of Practice on Treasury Management recommends that Local Authorities should submit reports regularly. The Treasury Management Policy Statement for 2021/22 set out that reports would be submitted to Cabinet quarterly on the activities of the treasury management operation.

#### **17. Corporate Implications**

17.1. Contribution to the Southend 2050 Road Map

Treasury Management practices in accordance with statutory requirements, together with compliance with the prudential indicators acknowledge how effective treasury management provides support towards the achievement of the Council's ambition and desired outcomes.

## 17.2. Financial Implications

The financial implications of Treasury Management are dealt with throughout this report.

## 17.3. Legal Implications

This Council has adopted the 'CIPFA Code of Practice for Treasury Management in the Public Sector' and operates its treasury management service in compliance with this code.

## 17.4. People Implications

None.

## 17.5. Property Implications

None.

## 17.6. Consultation

The key Treasury Management decisions are taken in consultation with our Treasury Management advisers.

## 17.7. Equalities Impact Assessment

None.

## 17.8. Risk Assessment

The Treasury Management Policy acknowledges that the successful identification, monitoring and management of risk are fundamental to the effectiveness of its activities.

## 17.9. Value for Money

Treasury Management activities include the pursuit of optimum performance consistent with effective control of the risks associated with those activities.

## 17.10. Community Safety Implications

None.

## 17.11. Environmental Impact

None.

## 18. Background Papers

CIPFA Code of Practice for Treasury Management in the Public Sector.

## **19. Appendices**

Appendix 1 – In-House Investment Position as at 31 December 2021

Appendix 2 – Treasury Management Performance for Quarter Three – 2021/22