Gedling Borough Council

Report to Cabinet

Subject: Prudential Code Indicator Monitoring 2020/21 and Quarterly Treasury Activity Report for Quarter ended 30 June 2020

Date: 6 August 2020

Author: Assistant Director - Finance

Wards Affected

All

Purpose

To inform Members of the performance monitoring of the 2020/21 Prudential Code Indicators, and to advise Members of the quarterly Treasury activity as required by the Treasury Management Strategy.

Key Decision

This is not a key decision.

Recommendation

That:

1. Members note the report, together with the Treasury Activity Report 2020/21 for Quarter 1 at Appendix 1, and the Prudential and Treasury Indicator Monitoring 2020/21 for Quarter 1, at Appendix 2.

1 Background

1.1 The Council is required by regulations issued under the Local Government Act 2003 to report on its Prudential Code indicators and treasury activity. 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).

1.2 For 2020/21 the minimum reporting requirements are that the Full Council should receive the following reports:

- An annual Treasury Strategy in advance of the year (the TMSS, considered by Cabinet on 13 February 2020 and subsequently approved by Full Council on 5 March 2020);
- A mid-year treasury update report;
- An annual review following the end of the year describing the activity compared to the Strategy.

In accordance with best practice, quarterly monitoring reports for treasury activity are provided to Members, and this exceeds the minimum requirements.

1.3 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report provides details of the position at 30 June 2020 and highlights compliance with the Council's policies.

2 Proposal

2.1 Economic update

UK - business surveys were initially optimistic for 2020 economic growth after a decisive election result in December 2019 settled the Brexit issue. However, the GDP statistics in January were disappointing at 0.0% growth, and since then, the whole world has changed as a result of the coronavirus pandemic. The growth rate in Q1 was -2.2%, however the main fall did not occur until April which recorded -24.5% year-on-year after the closedown of whole sections of the economy. There is much uncertainty around the extent of the damage that will have been done to businesses by the end of the lockdown period; how consumer confidence and behaviour may be impacted afterwards; whether there could be a second wave of the pandemic; how soon a vaccine will be created and then how quickly it can be administered to the population. This accordingly leaves huge uncertainty as to how quickly the economy will recover to what was formerly regarded as normality. However, some changes during lockdown are likely to be long lasting eg. a shift to online purchasing, working from home, etc. The lockdown has also had a sharp effect in depressing expenditure by consumers, which means their level of savings has increased and debt has fallen. This could provide fuel for a potential surge in consumer expenditure once some degree of normality returns.

Although the UK left the EU on 31 January 2020, there is still much uncertainty as to whether a reasonable trade deal will be achieved by the end of the year. At the end of June, the government rejected the extension of the transition period beyond 31 December 2020 and this has increased the chances of a no-deal Brexit. However, the most likely outcome is

expected to be a slimmed down deal on trade in order to minimise as much disruption as possible. Uncertainty is however likely to prevail until the deadline date which will act as a drag on the economy's recovery.

After the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% in January 2020, the onset of the coronavirus pandemic in March forced it into making two emergency cuts, first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in quantitative easing (QE), essentially the purchase of gilts by the Bank of England of £200bn. In June, the MPC decided to add a further £100bn of QE gilt purchases, to be implemented over an extended period to the end of the year. The total stock of QE purchases will then amount to £745bn. It is not currently thought likely that the MPC would go as far as to cut Bank Rate to negative levels, however the Governor of the Bank of England has said all policy measures will be considered. The Governor also recently commented about an eventual tightening in monetary policy, namely that he favours unwinding QE before raising interest rates. Some forecasters think this rise in rates could be as far away as five years.

The Government also acted to prevent people losing their jobs during the lockdown period, and introduced various schemes to subsidise both employed and self-employed jobs for three months to the end of June. 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 lockdown period during which some firms had little or no income. At the time of writing, there remains an open question as to whether some firms will be solvent, even with such loans, and some may choose to close as there is potentially insufficient demand for their services. The furlough scheme was extended for a further three months to October, but with employers having to take on graduated increases in paying for employees during that period. The Bank of England expects the unemployment rate to double to 8%.

Government measures to support jobs and businesses will result in a huge increase in the UK's annual budget deficit for the current year, from about 2% to nearly 17%. 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 lockdown is ended. Economic statistics during June gave a preliminary indication that the economy was recovering faster than previously expected, however it may be a considerable time before economic activity recovers fully to its previous level.

The annual inflation rate dropped to 0.5% in May, from 0.8% in April, and could reach zero by the end of the year. Inflation rising over 2% is unlikely to be an issue for the MPC over the next two years as the world economy ie expected to head into a recession. This has caused a glut in the supply

of oil which initially fell sharply in price, although the price has partially recovered recently. Other UK domestic prices will also be under downward pressure; wage inflation was already on a downward path over the last half year and is likely to continue that trend in the current environment where unemployment will be rising significantly. In May's Monetary Policy Report, the Bank of England predicted that inflation would hit their 2% target by 2022. This was in the context of its forecast that GDP would rise by 3% in 2022 after a recovery during 2021. While inflation could even turn negative in the Eurozone, this is currently not likely in the UK.

USA - growth in Q1 of 2020 fell by an annualised 5.0% and will fall sharply in Q2. Once the coronavirus pandemic started to majorly impact the US, the Federal Reserve (Fed) took decisive action by cutting rates twice by 0.50%, and then by 1.00%, in March, to a range of 0.00% to 0.25%. At the end of March, Congress agreed a $2trn stimulus package (worth about 10% of GDP) and new lending facilities were announced by the Fed which could channel up to $6trn in temporary financing to consumers and firms over the coming months. Nearly half of the first figure is made up of permanent transfers to households and firms, including cash payments of $1,200 to individuals. Loans for small businesses will cost $367bn, and 100% of the cost of lost wages for four months will also be covered. In addition there was $500bn of funding from the Treasury's Exchange Stabilization Fund which will provide loans for hard-hit industries, including $50bn for airlines.

EUROZONE - the economy shrank by 3.6% the first three months of 2020. So far, the European Central Bank (ECB) has been the most important institution in helping to contain the impact of the coronavirus pandemic on European financial markets. Since 12 March, it has implemented a range of new policies including providing additional cheap loans for commercial banks and easing capital requirements for the banking sector. Most importantly, the ECB has stepped up and reformed its asset purchase programmes (QE). So far, it has increased its planned asset purchases for this year by €1,470bn on top of the €20bn per month to which it was already committed.

What is currently missing is a major coordinated EU response of fiscal action by all national governments to protect jobs, support businesses directly and promote economic growth by expanding government expenditure on eg. infrastructure. The EU's rescue fund, (officially designated "Next Generation EU"), is a major first step towards financial integration in the EU. However, it is striking just how small this package is, as the proposed €500bn of grants amount to around 0.6% of average annual Eurozone GDP (over the seven-year budget period). It will therefore supply relatively little support to the weaker and more vulnerable countries within the EU and has left individual national governments to implement a patchwork of support measures within each country. More recently a

rescue package totalling the €750bn has been agreed by European leaders to help economies recover from the coronavirus pandemic.

WORLD GROWTH **-** the trade war between the US and China on tariffs was a major concern to financial markets and was depressing worldwide growth during 2019. This year, the coronavirus pandemic is inevitably the biggest issue and it sweeps around most countries in the world, and will have a major impact in causing a world recession in growth in 2020.

2.2 Interest rate forecast

The Council's treasury advisers, Link Asset Services (LAS) undertook its last review of interest rate forecasts 7 July 2020, adding a third year to its projections now that the financial markets have settled after the initial crisis in March.

Uncertainty over Brexit led the MPC to leave Bank Rate unchanged during 2019, and at its January 2020 meeting. However, since then the coronavirus pandemic has transformed the economic landscape, and in March the MPC twice took emergency action to cut Bank Rate - first to 0.25% and then to 0.10%. It is now considered unlikely to rise for the next two years, pending a protracted recovery of the economy.

Link's central assumption is that there will be some form of agreement on a reasonable Brexit trade deal, but the coronavirus pandemic could yet affect the timing of reaching such a deal.

Link Asset Services (LAS) have provided the following forecast:

Link Group Interest Rate View	6.7.20											
	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-2
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month LIBID	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	-	-	-
6 Month LIBID	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	-	-	-	-
12 Month LIBID	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	-	-	-	-
5yr PWLB Rate	1.90	1.90	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.20	2.20	2.20	2.20	2.20	2.30	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.50	2.50	2.50	2.50

2.3 Investment strategy

The Treasury Management Strategy Statement (TMSS) for 2020/21, which includes the Annual Investment Strategy, was approved by Council on 5 March 2020, and sets out the Council's investment priorities as:

- security of capital;
- liquidity;
- yield.

Whilst the Council will always seek to obtain the optimum return (yield) on its investments, this will at all times be commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate either to keep investments short term to cover cash flow needs, or to extend the period up to 12 months with highly rated financial institutions, selected by the use of the LAS creditworthiness methodology (see below) which includes consideration of sovereign ratings.

Investment counterparty limits for 2020/21 are generally **£3m** per individual counterparty, however a higher limit of **£4m** per Money Market Fund is considered prudent since such funds are already by definition highly diversified investment vehicles. There is no limit on Investment with the Debt Management Office (DMO) since this represents borrowing from central government. The Chief Financial Officer has delegated authority to vary these limits as appropriate, and to report any change to Cabinet as part of the next quarterly report. The limits with investment counterparties have not been exceeded during the period 1 April to 30 June 2020.

Credit ratings advice is taken from LAS and the Chief Financial Officer has adopted the LAS credit rating methodology for the selection of investment counterparties. This employs a sophisticated modelling approach utilising credit ratings from all three of the main rating agencies to give a suggested maximum duration for investments. Accordingly it does not place undue reliance on any one agency's ratings.

The methodology subsequently applies an "overlay" to take account of positive and negative credit watches and/or credit outlook information, which may increase or decrease the suggested duration of investments. It then applies a second overlay based on the credit default swap spreads for institutions, the monitoring of which has been shown to give an early warning of likely changes in credit ratings. It also incorporates sovereign ratings to ensure selection of counterparties from only the most creditworthy countries. The current Treasury Strategy permits the use of any UK counterparties subject to their individual credit ratings under the LAS methodology. It also permits the use of counterparties from other countries with a minimum sovereign rating of AA. For information, the UK currently has a rating of AA.

The LAS modelling approach combines all the various factors in a weighted scoring system and results in a series of colour coded bands which indicate the creditworthiness of counterparties. The colour bandings are as follows:

- Yellow 5 years (UK Government debt or its equivalent)
- Dark pink 5 years for Ultra Short Dated Bond Funds (credit score 1.25)
- Light pink 5 years for Ultra Short Dated Bond Funds (credit score 1.50)
- Purple 2 years
- Blue 1 year (nationalised or semi nationalised UK banks only)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Credit ratings are monitored weekly and the Council is also alerted to interim changes by its use of the LAS creditworthiness service, however ratings under the methodology, including sovereign ratings, will not necessarily be the sole determinant of the quality of an institution. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The ultimate decision on what is prudent and manageable for the Council will be taken by the Chief Financial Officer under the approved scheme of delegation.

2.4 Treasury Activity during Quarter 1 of 2020/21

The Treasury Activity Report for the quarter ended 30 June 2020 is attached at Appendix 1, in accordance with the Treasury Management Strategy.

Members will note that investment interest of £26,984 was generated from MMF activity, term deposits with banks and building societies, and the property fund, during the period from 1 April to 30 June 2020. This represents an overall equated rate for the Council of 0.46% and outperforms the benchmark 7 day LIBID rate, which averaged negative 0.04% for the same period. In cash terms this represents additional income to the General Fund of around £29,300 and was achieved by positive investment management, and in particular a favourable return on the property fund (see below). Performance in respect of the longer 3 month LIBID rate, which averaged 0.27%, still represents additional income of £11,100.

During the period from 1 April to 30 June 2020, significant use was made of the Council's two existing Money Market Funds (MMFs), and a third was added in late June when an account was opened with the CCLA Public Sector Deposit Fund (PSDF). These MMFs are AAA rated investment vehicles which allow the pooling of many billions of pounds into highly diversified funds, thus reducing risk. The current rate of return on these

funds is around 0.10% to 0.16%, and whilst very low is significantly higher than overnight treasury deposit rates, and the rate obtainable from the Debt Management Office (DMO) which for most durations is currently 0.01%.

The Council made an investment of £1m in the CCLA Local Authority Property Fund (LAPF) on 1 December 2017. The LAPF is a local government investment scheme approved by the Treasury under the Trustee Investments Act 1961 (section 11). Dividends are treated as revenue income and have in previous years averaged around 4%. However, in the current economic conditions it is anticipated that returns will be only around 70-75% of that, ie approximately 2.8-3.0%, for at least the first two quarters of 2020/21. This investment allows the Council to introduce a property element into its investment portfolio without the risks associated with the direct purchase of assets. It should be noted however that the capital value is not guaranteed and can fall as well as rise, as was the case in 2019/20 when the certificated value of the investment fell from £971k to £936k. CCLA fully expect this position to recover, however it serves to demonstrate that the investment must be seen as a long term commitment (see 2.8 below).

Interest rates in the market remain exceptionally low, and this is likely to continue in view of the coronavirus pandemic, as well as the ongoing uncertainty surrounding Brexit and the transition period. As loans mature every effort is made to replace them at favourable rates, however security and liquidity will always be the overriding factors in the Council's treasury management. LAS currently forecast that Bank Rate is unlikely to rise again until at least mid-2022, however there is much uncertainty and interest rates are then expected to rise only gradually, and not significantly.

It is currently anticipated that the outturn for investment interest will be broadly in line with the current approved estimate of £95,000 for 2020/21. Whilst rates in the market are below those used in the estimates, the level of cash for short term investment has been significantly higher than that estimated and every effort has been made to maximise use of the most favourable rates available.

2.5 New borrowing

At 30 June 2020 no new borrowing had been undertaken. PWLB interest payable is expected to be in line with the current approved estimate of £393,800.

The Council has approved a commercialisation programme aimed at the generation of funding to replace central government support which has been withdrawn. Significant additional borrowing may be required to support this commercial programme, and this will be supported by individual business case assessments and appropriate budget approvals,

to demonstrate that each project generates a return sufficient to cover any borrowing costs. HM Treasury is currently undertaking a consultation with regard to the use of PWLB for commercial investment (see 2.8 below) and a full review of the Council's Commercial Property Investment Strategy (CPIS) will be required following the conclusion of this consultation.

Advice will be taken from LAS with regard to the amount and timing of any additional borrowing, and should conditions become advantageous, some borrowing in advance of need will also be considered by the Chief Financial Officer. The Council's Capital Financing Requirement (CFR) represents its underlying need to borrow to finance capital investment. Due to favourable interest rates, borrowing in advance of need is sometimes desirable, with the result that the CFR can differ to the actual borrowing planned in the year. Investment guidance issued in February 2018 reaffirmed that Councils may not borrow in advance of need purely to profit from the investment of the extra sums borrowed, rather than prudent early borrowing for a demonstrable service objective, which is permitted.

Whilst borrowing rates remain low even after the 1% increase in PWLB rates on 9 October, investment rates are also exceptionally low, and serious consideration must be given to the cost of carrying any additional borrowing during the period prior to it being required for the financing of capital expenditure since this places a further burden on the General Fund.

2.6 Debt rescheduling

When the current day PWLB rate for the same term is higher than that being paid on an existing loan there is the potential for a discount to be receivable if the loan is repaid prematurely.

However, debt rescheduling opportunities are limited in the current economic climate, and due to the structure of PWLB interest rates. Advice in this regard will continue to be taken from LAS. No debt rescheduling has been undertaken during the period from 1 April to 30 June 2020.

2.7 Compliance with Prudential and treasury indicators

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limit. The Council's approved Prudential and Treasury Indicators (affordability limits) are included in the Treasury Management Strategy Statement (TMSS) approved by Full Council on 5 March 2020.

During the financial year to date the Council has at all times operated within the treasury limits and Prudential Indicators set out in the Council's TMSS, and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators as at 30 June 2020 are shown at Appendix 2.

A) Prudential Indicators:

These indicators are based on estimates of expected outcomes, and are key indicators of "affordability". They are monitored on a quarterly basis, and Appendix 2 compares the approved indicators with the projected outturn for 2020/21, and shows variances on the indicators, as described below:

a. Capital Expenditure

The capital programme includes both service related expenditure and commercial property investment.

The latest projected outturn shows that total capital expenditure is expected to be £12,646,700. This differs to the approved indicator of £11,225,600 due to the inclusion of approved carry-forward requests from 2019/20 and variations on the current year's capital programme.

b. Capital Financing Requirement (CFR)

The CFR represents the historic outstanding capital expenditure which has not yet been paid for from capital or revenue resources, and is essentially a measure of the Council's underlying borrowing need. The CFR does not increase indefinitely since the minimum revenue provision (MRP) is a statutory annual revenue charge for the economic consumption of capital assets.

The projected closing CFR for 2020/21 is £17,419,900. This differs slightly to the approved indicator of £17,353,900, due to savings and deferrals on the 2019/20 capital programme, as well as to variations to the current year's capital programme.

c. Gearing ratio

The concept of "gearing" compares the total underlying borrowing need (the CFR) to the Council's total fixed assets and the gearing ratio can provide an early indication where debt levels are rising relative to long term assets held.

The projected gearing ratio at 31 March 2021 is 39%, which is higher than the approved indicator of 37% but remains broadly comparable with the average gearing ratio for councils of a similar size.

d. Ratio of financing costs to net revenue stream – service related and commercial property

These indicators identify the trend in the cost of borrowing net of investment income against the net revenue stream. Financing costs represent the element of the Council's budget to which it is committed even before providing any services.

The projected outturn of 19.07% for service related expenditure differs slightly to the approved indicator of 18.61% due to increased revenue contributions to capital expenditure and a reduction in MRP arising from savings and deferrals on the capital programme in 2019/20.

The projected outturn in respect of commercial property is expected to be 0.45% This differs to the approved indicator of 0.72% because no commercial investment activity was undertaken in 2019/20, and hence no MRP falls due in 2020/21, and similarly PWLB interest attributable to commercial activities is reduced.

e. Ratio of commercial property income to net revenue stream

This indicator seeks to demonstrate the extent to which the loss of commercial property income would impact on the Council, ie. to measure the "proportionality" of commercial activity.

The Council is in the early stages of its commercial property investment agenda and no acquisitions had been made at 30 June 2020. The projected outturn for this indicator is 1.41%, in line with that approved, however commercial investment opportunities may be limited following the conclusion of the current HMT consultation (see 2.8 below) and this indicator may be subject to revision at a later date.

f. Maximum gross debt

The Council must ensure that its gross debt does not, except in the short term, exceed the opening capital financing requirement, plus estimates of any additional CFR for 2020/21 and the following two financial years. This allows flexibility for early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes. The Council's gross debt at 30 June 2020 was £9.812m which was within the approved indicator.

g. Ratio of internal borrowing to CFR

The Council is currently maintaining an "internal borrowing" position, ie. the underlying borrowing need (CFR) has not yet been fully funded with loan debt as cash supporting the Council's reserves and balances is being used

as a temporary measure.

The projected outturn for internal borrowing is 26%, which is in line with the approved indicator.

B) Treasury Management Indicators:

These indicators are based on limits, beyond which activities should not pass without management action. They include two key indicators of affordability and four key indicators of prudence.

Affordability:

a. Operational boundary for external debt

This is the limit which external debt is not “normally” expected to exceed. In most cases, this would be a similar figure to the CFR, but it may be lower or higher depending on the levels of actual debt, and must allow for unusual cashflow movements.

Authorised limit for external debt

This limit represents a control on the “maximum” level of borrowing. It is the statutory limit determined under s3 (1) of the Local Government Act 2003 and represents the limit beyond which external debt is prohibited. The Authorised Limit must be set, and revised if necessary, by Full Council. It reflects a level of external debt which, while not desirable, could be afforded in the short term, but is not sustainable in the longer term. 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.

Prudence:

b. Upper limits for the maturity structure of borrowing

These are set to reduce the Council’s exposure to large fixed rate sums falling due for refinancing.

c. Maximum new principal sums to be invested during 2019/20 for periods in excess of one year (365 days)

All such investments are classified as “non-specified”. This indicator is subject to the overall limit for non-specified investments set out in the TMSS, and to the overall limit per counterparty.

d. Interest rate exposure

The latest Treasury Management Code requires a statement in the TMSS explaining how interest rate exposure is managed and monitored by the Council, and this is repeated below:

The Council has a general preference for fixed rate borrowing in order to minimse uncertainty and ensure stability in the charge to revenue, however it is acknowledged that in certain circumstances, some variable rate borrowing may be prudent, for example if interest rates are expected to fall. The Council's investments are generally for cashflow purposes and accordingly a mix of fixed and variable rates will be used to maximise flexibility and liquidity. Interest rate exposure will be managed and monitored on a daily basis by the Chief Financial Officer.

Local indicators for the proportions of fixed and variable rate loans, have been retained by the Council for information purposes.

Appendix 2 shows the actual position as at 30 June 2020, and demonstrates that all activities are contained within the currently approved limits.

2.8 Other Issues

a. PWLB Consultation

PWLB interest rates are linked to gilt yields, and on 9 October 2019 HM Treasury (HMT) imposed an additional margin of 1% over gilts to all PWLB rates across the board with no prior warning. A consultation with local authorities is currently being undertaken with regard to further amending these margins. This was to end on 4 June but the date has since been put back to 31 July.

What is clear from the consultation is that whilst the PWLB certainty rate may be revised downwards following the conclusion of the consultation, HMT will no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is primarily to generate an income stream (assets for yield). Indeed, the proposals include preventing an authority from undertaking **any** PWLB borrowing in a year in which it has even one such scheme in its capital programme.

The Council's current Commercial Property Investment Strategy (see 2.5 above) makes clear that investments would be made "primarily for return" and it is anticipated that the Council would also face significant difficulty meeting the definition of regeneration proposed in the consultation for schemes that would remain acceptable. Accordingly, a full review of the CPIS will be required once the results of the consultation are known.

b. Suspension of the LAPF Property Fund

As discussed at 2.4 above, the Council has an investment of £1m in the CCLA Local Authority Property Fund (CCLA LAPF) Notice has been received from CCLA that the LAPF property fund is currently suspended, and that no subscriptions or redemptions can be made. Such suspension is a normal course of action in exceptional market conditions such as those currently being experienced due to the coronavirus pandemic. Valuers cannot be confident that their valuations truly reflect prevailing conditions, and where there is a material risk of disadvantage to either party, all transactions must be suspended until the required level of certainty is re-established. CCLA fully expect the suspension to be temporary, although probably lasting until at least September or October 2020, and as the property fund is viewed as a long term investment the suspension should not cause undue concern.

No other significant treasury management issues have arisen since approval of the TMSS on 5 March 2020 that should be brought to the attention of Members.

3 Alternative Options

An alternative option is to fail to present a quarterly Prudential Code Indicator Monitoring and Treasury Activity Report, however this would contravene the requirement of the Council's Treasury Management Strategy Statement (TMSS).

4 Financial Implications

No specific financial implications are attributable to this report.

5 Legal Implications

There are no legal implications arising from this report.

6 Equalities Implications

There are no equalities implications arising from this report.

7 Carbon Reduction/Environmental Sustainability Implications

There are no carbon reduction/environmental sustainability implications arising from this report.

8 Appendices

1. Treasury Activity Report 2020/21 for Quarter 1 (30 June 2020).
2. Prudential and Treasury Indicator Monitoring 2020/21 for Quarter 1.

9 Background Papers

None identified.

10 Reasons for Recommendation

To comply with the requirements of the Council's Treasury Management Strategy Statement.

Statutory Officer approval:

Approved by: Chief Financial Officer

Date: 28.07.20

Approved by: Monitoring Officer

Date: 28.07.20