Democratic Services

Tewkesbury Borough Council

TO EACH MEMBER OF THE EXECUTIVE COMMITTEE

30 June 2020

Dear Councillor

EXECUTIVE COMMITTEE- WEDNESDAY 8 JULY 2020

Further to the Agenda and papers for the above meeting, previously circulated, please find attached the following additional reports:

Agenda Item	Description
6.	**Financial Outturn Report** To consider the Council's financial outturn including the use of reserves
9.	**Re-opening the High Streets Safely Fund - Action Plan** To consider the report which sets out the government criteria for the use of the re-opening of the High Streets safely fund and to agree an initial action plan with delegation to the Deputy Chief Executive, in consultation with the Leader of the Council, to make decisions needed to implement the action plan

Should you have any queries regarding the above please contact Democratic Services on Tel: 01684 272021

Yours sincerely

Lin O'Brien
Head of Democratic Services

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	8 July 2020
Subject:	Financial Outturn 2019/20
Report of:	Head of Finance and Asset Management
Corporate Lead:	Deputy Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	Four

Executive Summary:

The report highlights the Council's financial performance for the previous year, setting out the General Fund and capital outturn positions. To support this, a detailed statement on both positive and negative variances against budget is included.

The formation of the Council's reserves for the forthcoming year requires the approval of Executive Committee.

The performance of the Treasury Management function is also included within the report as required by the Council's Treasury Management Policy.

Recommendation:

That the Executive Committee:

1. **NOTE the General Fund outturn for 2019/20, the financing of the capital programme and the annual treasury management report and performance; and**
2. **APPROVE the transfers to and from earmarked reserves.**

Reasons for Recommendation:

In line with the requirement to provide Members with regular information on the Council's finances and financial performance, a report on progress against budget is produced on a quarterly basis. This report on the outturn position for the Council offers more detail on the final financial position and compliments the existing reporting framework. Members are also required to approve the transfers to and from earmarked reserves and the carry forward of budgets.

The Council's Treasury Management Policy requires the Section 151 Officer to report to Members annually, by 30 September, on the treasury management activities and prudential indicators for the previous financial year.

Resource Implications:

As detailed within the report.

Legal Implications: None specifically arising from the report recommendations.
Risk Management Implications: A number of reserves have been set aside to deal directly with specific service risk or general financial risk to the Council.
Performance Management Follow-up: The performance of services against their set budget is monitored on an ongoing basis. In addition, performance is reported to Members on a quarterly basis.
Environmental Implications: None associated with this report.

1.0 INTRODUCTION/BACKGROUND

1.1 This report sets out the final outturn position for the 2019/20 financial year. The main purpose of this report is to provide Members with an overview of the performance against the General Fund revenue budget for 2019/20 and explain significant variances.

1.2 The report also addresses the movement on reserves and requests Member approval for the creation of newly requested reserves or additions to existing reserves that fall outside of a previously approved sum.

1.3 In addition to the revenue budget outturn, this report also seeks to confirm the full year progress against the capital programme and the sources of finance used in delivering that programme and also to report the performance in 2019/20 of the treasury management function in line with the requirements of the code of practice.

1.4 All of the information within this report will be contained within the Council's Statement of Accounts which will be approved by the Audit and Governance Committee later in 2020 following the audit conducted by Grant Thornton.

2.0 GENERAL FUND REVENUE OUTTURN 2019/20

2.1 In February 2020, the quarter three outturn position was reported to Executive Committee. The report confirmed a surplus of £310,256 for this period.

2.2 The final General Fund revenue outturn position for the full year can now be reported as a £516,851 surplus. This is a solid outturn position but is reduced against predictions as a result of the need to pay a business rates levy to the government – see Section 2.9. The following paragraphs highlight this position.

2.3 The table below summarises the service performance which has generated the reported surplus. In addition, the table highlights the non-service-related activity and other aspects of the overall budget to provide a whole view of the Council's general fund. The table concludes with the budgeted transfer to reserves of £575,000 and the actual transfer totalling £1,091,851.

Table 1 – General Fund outturn summary

	Full Year Budget £	Outturn Position £	Savings /(deficit) £
Employees	9,864,860	9,728,415	136,445
Premises	640,349	610,438	29,911
Transport	157,779	139,379	18,400
Supplies & Services	1,985,608	2,200,945	-215,337
Payments to Third Parties	5,497,115	6,127,850	-630,735
Transfer Payments	13,611,266	13,823,415	-212,149
Income	-20,478,721	-22,249,078	1,770,357
Service Total	**11,278,256**	**10,381,364**	**896,892**
Treasury activity	255,678	4,811	250,867
Commercial activity	-2,753,605	-2,369,432	-384,173
New Homes Bonus	-3,273,399	-3,273,399	0
Business Rates Income	-2,497,557	-2,166,328	-331,229
Other adjustments	-3,584,373	-3,668,868	84,495
Council Total / Transfer to reserves	**-575,000**	**-1,091,851**	**516,851**

2.4 The outturn position for direct service expenditure and income shows a positive variance of £896,892 and is mainly attributable to the major items outlined below:

- The employees full year budget is underspent largely as a result of staff turnover and vacancies in a number of service groupings.
- Premises is underspent as a result of savings on business rates at the public offices and the release of new homes bonus monies to support the asset maintenance programme in future years.
- An overspend on supplies and services is mainly generated through expenditure on holding elections during the year. This expenditure is reimbursed by the government.
- Payments to third parties is showing a significant overspend and is as a result of a number of issues:
    - disbursement expenditure by One Legal which is recovered directly from clients;
    - expenditure in Development Services which is reimbursed by government grant e.g. the Garden Town project;
    - an overspend on the Ubico contract of £320,000 although £148,000 was a known cost relating to depot charges and additional grounds maintenance resources. As reported at Q3, there has also been an overspend on the corporate element of the operation; and
    - the increased cost of disposing of recyclate collected.
- Council income is showing additional income levels of £1.77million over the budgeted position. The majority of fees and charges budgets, with the exception of planning fees, have been delivered on budget during the year with a few areas, such as garden waste and cemeteries, being beyond expected levels. The large variance is therefore as a result of substantial external grant income being received during the year. The Council has received a number of new burdens grants, particularly with regards to Revenues and Benefits, from the government but has also attracted significant service specific grants such as Garden Towns and housing and homeless activity grants as well as substantial elections expenditure reimbursement.

2.5 A full explanation of all variances exceeding £40,000 at a group subjective level is contained at Appendix A. The appendix also contains an explanation of the variance on the corporate

codes with a more detailed explanation within Paragraphs 2.6 to 2.10.

2.6 Treasury performance has again been strong in 2019/20 with both investment and borrowing decisions contributing towards an overall surplus of £250,867. Of the surplus, circa £58,858 has been generated from investments. Whilst an increase in the portfolio balance and a slight increase in market rates has benefited the portfolio, the main reason for the surplus is the continuing investment in the CCLA pooled property fund and investment in additional investment vehicles within higher asset classes. An underspend on borrowing of £192,035 has occurred during the year as a result of the failure to acquire new commercial properties.

2.7 As highlighted above, the Council failed to acquire a further commercial investment property in the year which has resulted in a deficit of rental generation against budget of £384,173. This loss of income is offset by the savings on borrowing highlighted in the previous paragraph and also savings of £91,992 against our expected Minimum Revenue Provision for the year, which is shown under 'Other Adjustments.' The unspent capital monies are carried forward into the 2020/21 budget.

2.8 The overall position on the retained business rates scheme shows a deficit of £331,229 for the full year. The underlying position of both the Council and the Gloucestershire Business Rates Pool is good with a surplus reported on both, of particular note being Tewkesbury's share of the Pool standing at £841,786. However, the accounting impacts of the release of provisions within the scheme mean that the position is reduced to a deficit in 2019/20.

2.9 Tewkesbury has been able to recalculate its requirements for provisions against successful business rates appeals in the year after the withdrawal of several, potentially substantial, appeals. As a result of the release of these provisions, some dating back to 2010, a significant surplus is generated from which the Council will benefit after a levy to the government is paid. The accounting requirements are slightly perverse in requiring the levy payment to be made in-year but the release of the gross surplus happens through the collection fund a year in arrears. This means that at this year-end our business rates position is impacted and therefore there is a negative effect on our reserves but the Council will enjoy the release of circa £3.5million of a collection fund surplus in 2020/21. As highlighted in the report to Executive Committee in June, the release of the surplus will be used to replenish reserves reduced to cover the impact at year-end (see Paragraph 3.4) with the balance being used to fund the likely financial impact of COVID-19.

2.10 The final row in the table picks up all the remaining items within the base budget to reconcile back to the budgeted transfer to reserves. This row mainly contains the precepts on the taxpayer for both the Borough Council and Parish Councils but also contains other items such as the Minimum Revenue Provision.

2.11 Overall, the Council is able to transfer to reserves a gross total of £1.09million.

3.0 COUNCIL RESERVES

3.1 A breakdown of the reserves of the Council as at 31 March 2020 is shown at Appendix B. Also included is a breakdown of the previous year's reserves, under the same strategic headings, so as to inform Members about the movement on those reserves in the last two years.

3.2 Total revenue reserves of the Council stand at £17.18million as at the end of March 2020 and include earmarked reserves, planning obligations and the general fund working balance. The increase in overall revenue reserves totals £2.49million and is as a result of a number of factors:

- In-year surplus within the general fund including external grant funding as highlighted in section 2 and totalling £516,851.
- The net position on developer contributions, expenditure against contributions already received and expenditure on existing reserves of £1,398,333.
- The budgeted transfer to reserves of £575,000 in respect of the vehicle fleet and the commercial property portfolio.

3.3 Of the net increase in reserves of £2.49million, £3.165million can be attributed to an increase in the Planning Obligations Reserve which is funded by developer contributions. Substantial sums have been received for commitments such as affordable housing, community centres and sports facilities. The General Fund Working balance has remained constant at £800,000 and there have only been small changes to the other minor reserves. This means that the Council's net earmarked reserves position has decreased by £685,000.

3.4 The surplus on the general fund revenue account and the planned contribution to reserves has been surpassed by the expenditure incurred in-year on reserves, resulting in an overall reduction in the reserve levels. As previously highlighted, part of this reduction in year-end balances is as a result of the levy on the business rates provision release. In order to manage the payment of the levy prior to receiving the gain from the actual release of provisions, the following reserves have been adjusted:

- The MTFS reserve of £1million has been completely withdrawn at year end but will be replaced with the release of provisions money in 2020/21.
- The planned increase in the vehicle replacement reserve of £400,000 has been limited to £139,954. The balance will be added to the reserve during 2020/21 as the release of business rates provisions takes place.

3.5 Where significant movements in other reserves have occurred during the year, a note in Appendix B has been included, to explain the reason for the movement. Members are asked to approve the balances on the reserves for the new financial year.

4.0 CAPITAL PROGRAMME

4.1 The Council has committed to a substantial capital programme in the last few years and this is highlighted in the level of planned capital expenditure for 2019/20, totalling £7.97million. The bulk of the planned expenditure was the purchase of a further investment property (£6.73million), replacement vehicles and equipment (£0.46million) and disabled facilities grants (£0.5million).

4.2 The delivery of the capital programme saw the failure to secure an additional commercial property to our portfolio despite a number being reviewed. The Council has set a high bar in terms of the quality it wishes to purchase and as such very few get recommended to the Commercial Investment Board. Of those put to the Board, two potential acquisitions were bid upon but, after agreeing terms, in both cases the vendor withdrew the properties from sale. The balance available was added to with additional funds made available during the year and is carried forward to meet purchase requirements in 2020/21. The only expenditure incurred during the year within the land and buildings category was £29,928 for The Grange watercourse project.

4.3 An underspend of £112,518 (98.5%) is reported against the remaining capital balances from the community grants programme. The variance is outside of the Council's control as the draw down of awarded capital grants is subject to applicants progressing the agreed scheme. A report to Executive Committee on project progress was presented in January 2020.

4.4 A total of £441,824 was spent during the year on vehicles and equipment. This included the purchase of a replacement waste and recycling vehicle to join our fleet run by Ubico, a number of new mowers for our grounds maintenance operation, the purchase of waste and recycling bins and the purchase of IT hardware.

4.5 A small overspend against forecast levels was delivered from the Council's Disabled Facilities Grants programme. However, all expenditure is covered by capital grant funding from the government which is administered by the County Council. Tewkesbury's allocation for the year was in excess of £1.2million and so the total expenditure incurred of £571,561 can easily be met from this.

4.6 The summarised capital programme is shown at Appendix C together with the sources of finance used. In summary, the Council expended £1.08million on capital projects in 2019/20 utilising £156,280 of capital reserves, £571,561 of capital grants and £349,481 of revenue contributions. Following the allocation of capital receipts, primarily from some small asset sales such as the site next to Aldi in Tewkesbury, the balance on capital reserves, both receipts and grants, has reduced to £1.14million as at 31 March 2020.

5.0 TREASURY MANAGEMENT

5.1 Treasury Management in local government is governed by the CIPFA Code of Practice on Treasury Management in the Public Services. This Council has adopted the Code and complies with its requirements, one of which is the receipt by Members of an Annual Review Report after the financial year-end.

5.2 The detailed treasury report is attached at Appendix D. The report details the economic environment, local performance and a number of prudential indicators.

5.3 The prudential indicators have been monitored regularly and there were no departures from the indicators arising during the year. The in-year performance of treasury investments resulted in an average return of 1.68% and total income of £453,680. This is £58,858 above the budget for the year and reflects the range of investments made, particularly the investment in the CCLA pooled property fund.

5.4 In addition, given the increasing risk and low returns from short-term unsecured bank investments, the authority has further diversified into higher yielding asset classes. £5.0million that is available for longer-term investment was moved from bank and building society deposits into pooled equity and multi-asset funds. As a result, investment risk was diversified while the average income return has increase by 1.38% to 1.68%. Whilst capital values of these investments has deteriorated as a result of the impact of Coronavirus, the Council holds these investments for the long term and expects capital levels to return to normal levels in the medium term.

5.5 In order to part fund the investment in commercial property, the Council has undertaken significant borrowing with year-end figures totalling £44.33million. The Council has adopted a balanced borrowing strategy between the financial benefit of short term borrowing and the cost certainty over the long term. This has resulted in the total borrowing cost being kept to a minimum with actual cost totalling £458,465 and representing an average cost of 1.58%. This outturn cost position is £192,035 lower than estimated as a result of not securing additional commercial property during the financial year which would have necessitated an increased amount of borrowing.

5.6 The year-end total of borrowing, standing at £44.3million, is artificially inflated by £15million taken at the end of March as a result of imminent recalls on other short term borrowing and to help ensure liquidity in light of the financial implications of COVID-19. It is expected that borrowing will return to normal levels during 2020/21.

6.0 CONSULTATION

6.1 Budget holders have been consulted about the budget outturn for their service areas. The feedback has been incorporated in the report to explain differences between budgets and actual income and expenditure.

7.0 RELEVANT COUNCIL POLICIES/STRATEGIES

7.1 Treasury Management Strategy approved at Council on 29 January 2019 and the Medium Term Financial Strategy approved at Council on 29 January 2019.

8.0 RELEVANT GOVERNMENT POLICIES

8.1 None.

9.0 RESOURCE IMPLICATIONS (Human/Property)

9.1 As detailed within the report and appendices.

10.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

10.1 None.

11.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

11.1 None.

12.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

12.1 Approval of Treasury Management Strategy 2019/20 – Council on 29 January 2019.

Approval of Budget 2019/20 – Council on 19 February 2019.

Background Papers:	As per section 12.1.
Contact Officer:	Head of Finance and Asset Management Tel: 01684 272005
Appendices:	A – Revenue Outturn by Group. B – Earmarked Reserves and Carry Forwards. C – Capital Outturn 2018/19. D – Annual Treasury Management Report.

General Fund Outturn by Group 2019/2020

	Budget	Actual	Savings / (Deficit)	Variance	Notes
Chief Executive					
Employees	£251,670	£210,793	£40,877	-16.24%	1
Premises	£0	£0	£0	-	
Transport	£2,308	£1,621	£687	-29.76%	
Supplies & Services	£8,132	£4,996	£3,136	-38.57%	
Payments to Third Parties	£0	£0	£0	-	
Income	£0	£0	£0	-	
TOTAL	**£262,110**	**£217,410**	**£44,700**	**-17.05%**	

1) The Chief Executive has taken flexible retirement which has created a saving against the budget of £40k

Community	**Budget**	**Actual**	**Savings / (Deficit)**	**Variance**	
Employees	£1,188,811	£1,169,760	£19,051	-1.60%	
Premises	£5,000	£3,832	£1,168	-23.37%	
Transport	£36,213	£19,779	£16,434	-45.38%	
Supplies & Services	£122,602	£122,296	£306	-0.25%	
Payments to Third Parties	£4,721,382	£5,048,097	-£326,715	6.92%	2
Income	-£2,219,088	-£2,495,229	£276,141	12.44%	3
TOTAL	**£3,854,920**	**£3,868,533**	**-£13,613**	**0.35%**	

2) The Ubico contract spend was £320k higher than the budget, although there was an agreed £148k contribution from reserves to offset some known service changes in year. The remaining overspend has been due to hire of vehicles and additional corporate recharge due to an error in setting the budget. There has been an overspend on the recycling contract with Suez of £114k as the gate fee has increased due to changes in the market for recyclable materials.

3) £228k of income from Homeless Grants was received which is not in budget. As it is ringfenced it has been placed in a reserve to fund future projects. There was also £40k additional income from garden waste service above the budget set for the year. These gains have been offset by a loss of £103k on the income on recycling credits, which is mostly due to the original budget prediction overestimating the tonnage of waste to be collected in the year.

Corporate Services	**Budget**	**Actual**	**Savings / (Deficit)**	**Variance**	
Employees	£1,871,180	£1,812,944	£58,236	-3.11%	4
Premises	£0	£0	£0	-	
Transport	£10,785	£5,323	£5,462	-50.65%	
Supplies & Services	£574,926	£471,405	£103,521	-18.01%	5
Payments to Third Parties	£82,300	£58,634	£23,666	-28.76%	
Transfer Payments - Benefits Service	£13,611,266	£13,823,415	-£212,149	1.56%	6
Income	-£14,113,610	-£14,280,635	£167,025	1.18%	7
TOTAL	**£2,036,847**	**£1,891,086**	**£145,761**	**-7.16%**	

4) There were vacant posts in a number of areas across community services, including Customer Services, HR and Revenues & Benefits. Some of this was offset against agency staff but overall the result was a surplus against budget. In addition, a few employees were working reduced hours to those budgeted for.

5) There was saving of £114k on IT equipment in year. However, there was £72k of capital expenditure on ICT equipment in year which has been funded by revenue and therefore reduced our general balance. The saving of £114k is mostly a timing impact as there is a significant amount of ICT equipment purchased in 2020/21 due to COVID-19 requirements

6) Expenditure on housing benefit to claimants is £214k higher than predicted which is a reflection of greater demand on the service during the year, particularly around the end of the year.

7) There is a gain of £115k on HB debt recovery and additional £113k of new burdens grant received.

Democratic Services	**Budget**	**Actual**	**Savings / (Deficit)**	**Variance**	
Employees	£261,197	£255,781	£5,416	-2.07%	
Premises	£0	£29,873	-£29,873	-	
Transport	£16,000	£12,359	£3,641	-22.75%	
Supplies & Services	£439,457	£749,978	-£310,521	70.66%	8
Payments to Third Parties	£132,600	£76,730	£55,870	-42.13%	8
Income	-£2,000	-£306,957	£304,957	15247.84%	8
TOTAL	**£847,254**	**£817,765**	**£29,489**	**-3.48%**	

8) The variances are due to the elections that were held in the year, including a general election which wasn't part of the original budget. There was the costs of hire of polling stations, and equipment as well as payment of election staff. These costs have then been offset by reclaiming the money them from central government and other relevant public sector bodies. The costs and income net each other off.

Deputy Chief Executive	Budget	Actual	Savings / (Deficit)	Variance
Employees	£117,497	£117,332	£165	-0.14%
Premises	£0	£0	£0	-
Transport	£2,730	£1,682	£1,048	-38.38%
Supplies & Services	£2,650	£831	£1,819	-68.63%
Payments to Third Parties	£0	£0	£0	-
Income	£0	£0	£0	-
TOTAL	**£122,877**	**£119,845**	**£3,032**	**-2.47%**

Development Services	Budget	Actual	Savings / (Deficit)	Variance	
Employees	£1,958,850	£1,987,384	-£28,534	1.46%	
Premises	£44,572	£45,958	-£1,386	3.11%	
Transport	£55,006	£33,939	£21,067	-38.30%	
Supplies & Services	£209,977	£205,873	£4,104	-1.95%	
Payments to Third Parties	£231,721	£322,252	-£90,531	39.07%	9
Income	-£1,557,752	-£2,229,656	£671,904	43.13%	10
TOTAL	**£942,374**	**£365,750**	**£576,624**	**-61.19%**	

9) Deficits on expenditure recorded by a number of areas. In addition, work commenced on the Garden Town project during the year, the expenditure incurred on this line has been offset by grant income received.

10) The surplus on income is mostly as a result Government grants. We received a Garden Town grant of £750k from Homes England and Custom Build grant of £17k. This surplus has been reduced by a deficit on planning income of £153k in the year.

Finance and Asset Management	Budget	Actual	Savings / (Deficit)	Variance	
Employees	£2,850,154	£2,795,418	£54,736	-1.92%	11
Premises	£590,777	£530,775	£60,002	-10.16%	12
Transport	£14,330	£53,023	-£38,693	270.01%	
Supplies & Services	£493,160	£561,303	-£68,143	13.82%	13
Payments to Third Parties	£312,552	£317,910	-£5,358	1.71%	
Precept	£6,100	£6,654	-£554	9.08%	
Income	-£1,363,497	-£1,461,034	£97,537	7.15%	14
TOTAL	**£2,903,576**	**£2,804,049**	**£99,527**	**-3.43%**	

11) There was £40k of salary savings generated by the property team in year. The property team had a number of vacant posts. Although most of the positions were able to be filled, there was one post where the recruitment process has so far been unsuccesful

12) At the start of the year a budget, funded from New Homes Bonus, was allocated for maintenance of council property and is transferred at year end to the asset reserve to ensure funds are available to meet future maintenance requirements. There was also a £19k saving on rates for the public offices.

13) Expenditure on external audit was higher due to additional work on auditing the statutory financial statements and also the housing benefit subsidy claim. PDQ charges were over budget by £22k. This is a result of more electronics transactions than predicted as the Council moves more financial transactions on-line and less towards less taking cash and cheques.

14) A revised fee structure at the start of the financial year resulted in an increase in Cemetery income of £35k. A new tenant agreement for part of the newly refurbished public offices also resulted in a gain on budget.

One Legal	Budget	Actual	Savings / (Deficit)	Variance	
Employees	£1,365,501	£1,379,003	-£13,502	0.99%	
Premises	£0	£0	£0	-	
Transport	£20,407	£11,653	£8,754	-42.90%	
Supplies & Services	£134,704	£84,264	£50,440	-37.45%	15
Payments to Third Parties	£10,460	£297,572	-£287,112	2744.85%	16
Income	-£1,222,774	-£1,475,567	£252,793	20.67%	16
TOTAL	**£308,298**	**£296,925**	**£11,373**	**-3.69%**	

15) This is the saving on the implementation of the new workflow management system which has been delayed into 2020/21.

16) The variances on the Payments to third parties and the income is related to disbursements, which is costs paid by One Legal that are then recovered from the client. The expenditure is offset by income shown on the income gain shown.

Service Summary	Budget	Actual	Savings / (Deficit)	Variance	
Employees	£9,864,860	£9,728,415	£136,445	-1.38%	
Premises	£640,349	£610,438	£29,911	-4.67%	
Transport	£157,779	£139,379	£18,400	-11.66%	
Supplies & Services	£1,985,608	£2,200,945	-£215,337	10.84%	
Payments to Third Parties	£5,497,115	£6,127,850	-£630,735	11.47%	
Transfer Payments - Benefits Service	£13,611,266	£13,823,415	-£212,149	1.56%	
Income	-£20,478,721	-£22,249,078	£1,770,357	8.64%	
	£11,278,256	**£10,381,364**	**£896,892**	**-7.95%**	
Corporate Codes					
Treasury activity	£255,678	£4,811	£250,867	-98.12%	17
Minimum Revenue Provision	£628,860	£536,868	£91,992	-14.63%	
Commercial activity	-£2,753,605	-£2,369,432	-£384,173	-13.95%	18
Corporate Savings Targets	-£7,500	£0	-£7,500	-100.00%	
New Homes Bonus	-£3,273,399	-£3,273,399	£0	0.00%	
Business Rates Income	-£2,497,557	-£2,166,328	-£331,229	-13.26%	19
Other adjustments	-£36,565	-£36,567	£2	0.01%	
	-£7,684,088	**-£7,304,047**	**-£380,041**	**-4.95%**	

17) As the council was not able to purchasing suitable commercial property during the year as planned, we had savings on having less borrowing than predicted. We also achieved a better return on our investment porfolio than expected when setting the budget.

18) We had expected to purchase more commercial properties in 2019/20 and earn a return on investment. Because we were not able to find a suitable property we did not achieve the budgeted income

19) Business rates income is down due to changes in the level of provisions required as appeals have been withdrwan during the year. Whilst this increased the income rececieved in the year, the complex accounting arrangemements means that the gain is not recognised until the following financial year. Against the gain, a levy has to be paid to central government which is recognised in year rather than the following year

Net total	**£3,594,168**	**£3,077,317**	**£516,851**	**-14.38%**

Council Revenue Reserves for 20/21

Reserve	Balance 31st March 2018	*Net Movement 2018/19*	Balance 31st March 2019	*Net Movement 2019/20*	Balance 31st March 2020	Note
Asset Management Reserve	959,281.98	*44,449.23*	1,003,731.21	*144,932.44*	1,148,663.65	**1**
Borough Growth Reserve	0.00	*930,609.81*	930,609.81	*339,556.52*	1,270,166.33	**2**
Borough Regeneration Reserve	204,454.05	*-2,916.75*	201,537.30	*-112,478.50*	89,058.80	**3**
Business Rates Reserve	637,370.91	*-137,370.91*	500,000.00	*0.00*	500,000.00	
Business Support Reserve	210,139.51	*-42,800.41*	167,339.10	*-42,021.65*	125,317.45	
Business Transformation Reserve	355,882.47	*303,454.37*	659,336.84	*-41,317.87*	618,018.97	
Community Safety Reserve	10,885.96	*-10,885.96*	0.00	*0.00*	0.00	
Community Support Reserve	113,391.59	*-33,335.00*	80,056.59	*19,260.00*	99,316.59	
Development Management Reserve	238,001.55	*16,685.00*	254,686.55	*-74,536.55*	180,150.00	
Development Policy Reserve	525,427.90	*40,008.52*	565,436.42	*-300,501.31*	264,935.11	**4**
Elections Reserve	68,500.00	*16,848.16*	85,348.16	*-44,500.00*	40,848.16	
Flood Support and Protection Reserve	13,681.86	*-3,485.64*	10,196.22	*-550.00*	9,646.22	
Health & Leisure Development Reserve	1,989.03	*0.00*	1,989.03	*-100.00*	1,889.03	
Housing & Homeless Reserve	430,734.50	*92,107.16*	522,841.66	*85,752.20*	608,593.86	**5**
Information Technology Reserve	18,231.00	*91,269.00*	109,500.00	*695.49*	110,195.49	
Insurance Reserve			0.00	*50,000.00*	50,000.00	**6**
MTFS Equalisation Reserve	866,004.00	*133,996.00*	1,000,000.00	*-1,000,000.00*	0.00	**7**
Open Spaces Reserve	0.00	*678,720.40*	678,720.40	*197,461.73*	876,182.13	**8**
Organisational Development Reserve	131,372.00	*14,200.00*	145,572.00	*-30,415.75*	115,156.25	
Risk Management Reserve	5,000.00	*0.00*	5,000.00	*5,000.00*	10,000.00	
Transport Initiatives Reserves	520,391.46	*-520,391.46*	0.00	*0.00*	0.00	
Vehicle Replacement Reserve	400,000.00	*600,000.00*	1,000,000.00	*139,954.62*	1,139,954.62	**9**
Waste & Recycling development Reserve	135,641.00	*-44,806.00*	90,835.00	*-20,835.00*	70,000.00	
Uncommitted contingency reserve	46,769.39	*-46,769.39*	0.00	*0.00*	0.00	
Horsford Reserve	52,598.60	*7,856.53*	60,455.13	*9,701.74*	70,156.87	
Mayors Charity Reserve	6,256.44	*-18.19*	6,238.25	*-848.54*	5,389.71	
Planning Obligations Reserve	4,107,520.69	*1,700,834.30*	5,808,354.99	*3,165,974.57*	8,974,329.56	**10**
General Fund Working Balance	550,000.00	*250,000.00*	800,000.00	*0.00*	800,000.00	
Totals	**10,609,525.89**	***4,078,258.77***	**14,687,784.66**	***2,490,184.14***	**17,177,968.80**	

Notes to Reserves

1 Annual set aside for commercial properties has increased the overall asset management reserve

2 Monies for the Garden Town received are now included in this reserve

3 Monies spent on Spring Gardens project

4 JCS reserves spent during the year

5 Additional government funding received to support the delivery of housing and homeless projects

6 New reserve established to meet cyber insurance policy excess requirements

7 MTFS reserve eliminated at year end to meet funding vailable. Will be replenished in 20/21 through the release of business rates provisions

8 Change in accounting policies to allow sums previously held in planning obligations reserve to be seperated out into a new reserve specifically for maintenance of open space and watercourses

9 Net position of additional contributions less expenditure and reductions necessary to meet funding available. Will be replenished in 20/21 throught the release of business rates provisions

10 Net position of developer contributions from s106 agreements

Capital Outturn 2019/20

	Budget Profile for 2019/20	Capital Outturn 2019/10	(Over)/ Under spend	% Slippage	Financed from Capital Reserves	Financed from Capital Grants	Financed from Borrowing	Financed from Revenue
Expenditure								
Council Land & Buildings	£6,728,137.51	£29,928.99	£6,698,208.52	99.56%	£29,928.99	£0.00	£0.00	£0.00
Vehicles & Equipment	£457,000.00	£441,824.00	£15,176.00	3.32%	£92,342.93	£0.00	£0.00	£349,481.39
Community Grants	£114,189.19	£1,671.19	£112,518.00	98.54%	£1,671.19	£0.00	£0.00	£0.00
Housing & Business Grants	£502,846.50	£571,561.43	-£68,714.93	-13.67%	£0.00	£571,561.43	£0.00	£0.00
Flexible use of capital receipts	£172,000.00	£32,336.93	£139,663.07	81.20%	£32,336.93	£0.00	£0.00	£0.00
Total	**£7,974,173.20**	**£1,077,322.54**	**£6,757,187.59**	**84.74%**	**£156,280.04**	**£571,561.43**	**£0.00**	**£349,481.39**

Income				
Council Land & Buildings	£0.00	£135,751.24	£135,751.24	-
Vehicles & Equipment	£0.00	£0.00	£0.00	-
Housing & Business Grants	£0.00	£461,813.71	£461,813.71	
CIL Receipts	£0.00	£27,117.27	£27,117.27	-
Total	**£0.00**	**£624,682.22**	**£624,682.22**	**-**

Appendix D

Treasury Management Outturn Report 2019/20

Introduction

In February 2012 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.

The Authority's treasury management strategy for 2019/20 was approved at a meeting on 29th January, 2019 The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 29th January 2019.

External Context

Economic background: The UK's exit from the European Union and future trading arrangements, had remained one of major influences on the UK economy and sentiment during 2019/20. The 29th March 2019 Brexit deadline was extended to 12th April, then to 31st October and finally to 31st January 2020. Politics played a major role in financial markets over the period as the UK's tenuous progress negotiating its exit from the European Union together with its future trading arrangements drove volatility, particularly in foreign exchange markets. The outcome of December's General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

The headline rate of UK Consumer Price Inflation UK Consumer Price Inflation fell to 1.7% y/y in February, below the Bank of England's target of 2%. Labour market data remained positive. The ILO unemployment rate was 3.9% in the three months to January 2020 while the employment rate hit a record high of 76.5%. The average annual growth rate for pay excluding bonuses was 3.1% in January 2020 and the same when bonuses were included, providing some evidence that a shortage of labour had been supporting wages.

GDP growth in Q4 2019 was reported as flat by the Office for National Statistics and service sector growth slowed and production and construction activity contracted on the back of what at the time were concerns over the impact of global trade tensions on economic activity. The annual rate of GDP growth remained below-trend at 1.1%.

Then coronavirus swiftly changed everything. COVID-19, which had first appeared in China in December 2019, started spreading across the globe causing plummeting sentiment and falls in financial markets not seen since the Global Financial Crisis as part of a flight to quality into sovereign debt and other perceived 'safe' assets.

In response to the spread of the virus and sharp increase in those infected, the government enforced lockdowns, central banks and governments around the world cut interest rates and introduced massive stimulus packages in an attempt to reduce some of the negative economic impact to domestic and global growth.

The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20, moved in March to cut rates to 0.25% from 0.75% and then swiftly thereafter brought them down further to the record low of 0.1%. In conjunction with these cuts, the UK government introduced a number of measures to help businesses and households impacted by a series of ever-tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

The US economy grew at an annualised rate of 2.1% in Q4 2019. After escalating trade wars and a protracted standoff, the signing of Phase 1 of the trade agreement between the US and China in January was initially positive for both economies, but COVID-19 severely impacted sentiment and production in both countries. Against a slowing economic outlook, the US Federal Reserve began cutting rates in August. Following a series of five cuts, the largest of which were in March 2020, the Fed Funds rate fell from of 2.5% to range of 0% - 0.25%. The US government also unleashed a raft of COVID-19 related measures and support for its economy including a $2 trillion fiscal stimulus package. With interest rates already on (or below) the floor, the European Central Bank held its base rate at 0% and deposit rate at -0.5%.

Financial markets: Financial markets sold off sharply as the impact from the coronavirus worsened. After starting positively in 2020, the FTSE 100 fell over 30% at its worst point with stock markets in other countries seeing similar huge falls. In March sterling touch its lowest level against the dollar since 1985. The measures implemented by central banks and governments helped restore some confidence and financial markets have rebounded in recent weeks but remain extremely volatile. The flight to quality caused gilts yields to fall substantially. The 5-year benchmark falling from 0.75% in April 2019 to 0.26% on 31st March. The 10-year benchmark yield fell from 1% to 0.4%, the 20-year benchmark yield from 1.47% to 0.76% over the same period. 1-month, 3-month and 12-month bid rates averaged 0.61%, 0.72% and 0.88% respectively over the period.

Since the start of the calendar 2020, the yield on 2-year US treasuries had fallen from 1.573% to 0.20% and from 1.877% to 0.61% for 10-year treasuries. German bund yields remain negative.

Credit review: In Q4 2019 Fitch affirmed the UK's AA sovereign rating, removed it from Rating Watch Negative (RWN) and assigned a negative outlook. Fitch then affirmed UK banks' long-term ratings, removed the RWN and assigned a stable outlook. Standard & Poor's also affirmed the UK sovereign AA rating and revised the outlook to stable from negative. The Bank of England announced its latest stress tests results for the main seven UK banking groups. All seven passed on both a common equity Tier 1 (CET1) ratio and a leverage ratio basis. Under the test scenario the banks' aggregate level of CET1 capital would remain twice their level before the 2008 financial crisis.

After remaining flat in January and February and between a range of 30-55bps, Credit Default Swap spreads rose sharply in March as the potential impact of the coronavirus on bank balance sheets gave cause for concern. Spreads declined in late March and through to mid-April but remain above their initial 2020 levels. NatWest Markets Plc (non-ringfenced) remains the highest at 128bps and National Westminster Bank Plc (ringfenced) still the lowest at 56bps. The other main UK banks are between 65bps and 123bps, with the latter being the thinly traded and volatile Santander UK CDS.

While the UK and Non-UK banks on the Arlingclose counterparty list remain in a strong and well-capitalised position, the duration advice on all these banks was cut to 35 days in mid-March.

Fitch downgraded the UK sovereign rating to AA- in March which was followed by a number of actions on UK and Non-UK banks. This included revising the outlook on all banks on the counterparty list to negative, with the exception of Barclays Bank, Rabobank, Handelsbanken and Nordea Bank which were placed on Rating Watch Negative, as well as cutting Close Brothers long-term rating to A-. Having revised their outlooks to negative, Fitch upgraded the long-term ratings on Canadian and German banks but downgraded the long-term ratings for Australian banks. HSBC Bank and HSBC UK Bank, however, had their long-term ratings increased by Fitch to AA-.

Local Context

On 31st March 2019, the Authority had net investments of -£7.896m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.19 Actual £m
General Fund CFR	36.685
Less other debt liabilities	0.0
Total CFR	**36.685**
External borrowing	28.0
Internal borrowing	**8.685**
Less: Usable reserves	15.935
Less: Working capital	12.854
Investments	**20.104**

* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt

The Authority pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The treasury management position at 31st March 2020 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.19 Balance £m	Movement £m	31.3.20 Balance £m	31.3.20 Rate %
Long-term borrowing	14.0	4.333	18.333	2.15
Short-term borrowing	14.0	12.0	26.0	0.79
Total borrowing	28.0	16.333	44.333	1.58
Long-term investments	5.993	6.0	11.993	3.34
Short-term investments	13.0	13.0	26.0	0.94
Cash and cash equivalents	1.111	6.076	7.187	0.70
Total investments	20.104	25.076	45.18	N/A
Net investments	-7.896	8.743	0.847	N/A

Borrowing Update

On 9th October 2019 the PWLB raised the cost of certainty rate borrowing by 1% to 1.8% above UK gilt yields as HM Treasury was concerned about the overall level of local authority debt. PWLB borrowing remains available but the margin of 180bp above gilt yields appears relatively very expensive. Market alternatives are available and new products will be developed; however, the financial strength of individual authorities will be scrutinised by investors and commercial lenders.

The Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction. Announcements included a reduction in the margin on new HRA loans to 0.80% above equivalent gilt yields the value of this discount is 1% below the rate at which the authority usually borrows from the PWLB), available from 12th March 2020 and £1.15bn of additional "infrastructure rate" funding at gilt yields plus 0.60% to support specific local authority infrastructure projects for England, Scotland and Wales for which there is a bidding process.

The consultation titled "Future Lending Terms" represents a frank, open and inclusive invitation, allowing key stakeholders to contribute to developing a system whereby PWLB loans can be made available at improved margins to support qualifying projects. It contains proposals on allowing authorities that are not involved in "debt for yield" activity to borrow at lower rates as well as stopping local authorities using PWLB loans to buy commercial assets primarily for yield without impeding their ability to pursue their core policy objectives of service delivery, housing, and regeneration. The consultation also broaches the possibility of slowing, or stopping, individual authorities from borrowing large sums in specific circumstances.

The consultation closes on 4th June 2020 with implementation of the new lending terms expected in the latter part of this calendar year or financial year beginning 2021/22

Borrowing strategy

At 31st March 2020 the Authority held £44.333m of loans, an increase of £16.333m to 31st March 2019, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31st March are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.19 Balance £m	Net Movement £m	31.3.20 Balance £m
Public Works Loan Board	14.0	4.333	18.333
Local authorities (short-term)	14.0	12.0	26.0
Total borrowing	**28.0**	**16.333**	**44.333**

The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

The Authority has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark which also takes into account usable reserves and working capital. Having considered the appropriate duration and structure of the borrowing need based on realistic projections, it was decided to take a combination of short-term borrowing and medium-term repayment loans (EIP). The Authority borrowed £5.0m medium/longer-term fixed rate loans at a rate of 1.05% over a period of 15 years. This loan provides some longer-term certainty and stability to the debt portfolio.

The Authority's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short- and long-term borrowing was maintained. The long dated loans borrowed are outlined in table 3 below.

Table 4 – Long dated Loans Borrowed

Long-dated Loans borrowed	Amount £m	Rate %	Period (Years)
PWLB Maturity Loan 1	11.0	2.35	40
PWLB Maturity Loan 2	3.0	2.47	40
PWLB EIP Loan 1	5.0	1.05	15
Total borrowing	**19.0**	**2.03**	

The short term loans position was temporarily inflated at year end. Additional funds were raised due to imminent recalls on other short term borrowing and to help ensure liquidity in light of the financial implications of Covid-19.

As this year has illustrated, PWLB funding margins have lurched quite substantially and there remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields plus 0.80%, i.e. the PWLB HRA borrowing rate. The Authority will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.

Treasury Investment Activity

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £22.86 and £45.18 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.19 Balance £m	**Net Movement £m**	**31.3.20 Balance £m**	**31.3.20 Income Return %**
Banks & building societies (unsecured)	4.261	1.926	6.187	0.94
Government (incl. local authorities)	8.0	12.0	20.0	0.89
Money Market Funds	0.85	6.15	7.0	0.73
Registered Providers	3.0	0.0	3.0	1.57
Other Pooled Funds	3.993	5.0	8.993	4.39
Total investments	**20.104**	**25.076**	**45.18**	**1.68**

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Given the increasing risk and low returns from short-term unsecured bank investments, the Authority has further diversified into higher yielding asset classes as shown in table 4 above. £5.0m that is available for longer-term investment was moved from bank and building society deposits into pooled equity and multi-asset funds. As a result, investment risk was diversified while the average income return has increase by 1.38% to 1.68%.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure %	Weighted Average Maturity (days)	Internal Investment Rate of Return %	External Investment Rate of Return %	Rate of Return %
31.03.2019	4.65	A+	26	110	1.04	4.61	1.73
31.03.2020	4.21	AA-	31	86	1.12	4.39	1.68
Similar LAs	3.95	AA-	59	53	0.68	3.84	1.56
All LAs	4.03	AA-	56	20	0.64	3.74	1.23

*Weighted average maturity

£8.993m of the Authority's investments are held in externally managed strategic pooled equity, multi-asset and property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated a return of £253,074 (4.39%), which is used to support services in year.

In a relatively short period since the onset of the COVID-19 pandemic, the global economic fallout was sharp and large. Market reaction was extreme with large falls in equities, corporate bond markets and, to some extent, real estate echoing lockdown-induced paralysis and the uncharted challenges for governments, businesses and individuals. Volatility measured by the VIX index was almost as high as during the global financial crisis of 2008/9 and evidenced in plummeting equity prices and the widening of corporate bond spreads, very close to rivalling those twelve years ago. Gilt yields fell but credit spreads widened markedly reflecting the sharp deterioration in economic and credit conditions associated with a sudden stagnation in economies, so corporate bonds yields (comprised of the gilt yield plus the credit spread) rose and prices therefore fell.

The Authority is invested in equity, multi-asset and property funds. The falls in the capital values of the underlying assets were reflected in the 31st March fund valuations with every fund registering negative capital returns over 12 months to March. Several March-end dividend details are awaited, but early calculations suggest that, despite decent income returns in 2019-20, these funds will post negative total return over the one-year period due to the capital component of total returns.

Non-Treasury Investments

The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in the Investment Guidance issued by Ministry of Housing, Communities and Local Government's (MHCLG) and Welsh Government, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

The Authority also held £37.4m of such investments in directly owned property as shown in the table below:

Property	Purchase date	Purchase Price	Total Investment	Current Rent	Yield on investment	Sector
Challenge House, Tewkesbury	Dec-16	£8,730,000	£9,083,736	£565,115	6.22%	Office
Challenge House, Tewkesbury	Dec-16	£5,820,000	£6,055,824	£376,743	6.22%	Industrial
Retail units, Clevedon	Jul-06	£2,199,250	£2,299,110	£158,085	6.88%	Retail
The Chase, Hertford	Nov-17	£3,700,000	£3,937,861	£262,058	6.65%	Office
SPL House, Ellesmere Port	Nov-17	£3,490,000	£3,770,482	£242,035	6.42%	Industrial
Wickes, Trowbridge	Dec-17	£5,542,000	£5,929,910	£313,518	5.29%	Retail
Edmund House, Leamington	Aug-18	£3,610,000	£3,851,000	£226,016	5.87%	Office
M&S, Walton on the Naze	Oct-18	£4,335,000	£4,619,280	£231,000	5.00%	Retail
Total		**£37,426,250**	**£39,547,202**	**£2,374,210**	**6.00%**	

These investments generated £2.374m of investment income for the Authority after taking account of direct costs, representing a rate of return of 3.23%.

Treasury Performance

The Authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below.

Table 6: Performance

	Actual £	Budget £	Over/ Under £	Actual %	Benchmark %	Over/ under
Treasury Investments	453,680	394,822	58,858	1.68	0.53	1.15
Borrowing	458,465	650,500	192,035	1.58	N/A	N/A
GRAND TOTAL	**-4,785**	**-255,678**	**250,893**	**N/A**	**N/A**	**N/A**

Compliance

The Chief Finance Officer reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

Table 7: Debt Limits

	2019/20 Maximum	**31.3.20 Actual**	**2019/20 Operational Boundary**	**2019/20 Authorised Limit**	**Complied?** Yes/No
Borrowing	44.333	44.333	50	55	Yes

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Table 8: Investment Limits

	19/20 Maximum	31.4.20 Actual	2019/20 Limit	Complied? Yes/No
Any single organisation, except the UK Government	£3.993	£3.993	£4m each	Yes
UK Central Government	£4.0	£0.0	unlimited	Yes
Any group of organisations under the same ownership	£3.993	£3.993	£4m per group	Yes
Any group of pooled funds under the same management	£3.993	£3.993	£4m per manager	Yes
Negotiable instruments held in a broker's nominee account	£0.0	£0.0	£5m per broker	Yes
Limit per non-UK country	£2.0	£2.0	£2m per country	Yes
Registered providers and registered social landlords	£3.0	£3.0	£4m in total	Yes
Unsecured investments with building societies	£2.0	£0.0	£2m in total	Yes
Money Market Funds	£8.0	£7.0	50% of total portfolio balance	Yes
Real Estate Investment Trusts	£0.0	£0.0	£4m in total	Yes

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	31.3.20 Actual	2019/20 Target	Complied?
Portfolio average credit rating	AA-	A	Yes

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	31.3.20 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	58.6%	100%	0%	Yes
12 months and within 24 months	0%	100%	0%	Yes
24 months and within 5 years	0%	100%	0%	Yes
5 years and within 10 years	0%	100%	0%	Yes
10 years and above	41.4%	100%	0%	Yes

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than a year: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2019/20	2020/21	2021/22
Actual principal invested beyond year end	£3m	£3m	£0m
Limit on principal invested beyond year end	£6m	£4m	£4m
Complied?	Yes	Yes	Yes

Other

IFRS 16: CIPFA/LASAAC has proposed delaying the implementation of the new IFRS 16 Leases accounting standard for a further year to 2021/22.

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	8 July 2020
Subject:	Re-opening the High Streets Safely Fund – Action Plan
Report of:	Interim Head of Development Services.
Corporate Lead:	Deputy Chief Executive Officer
Lead Member:	Leader of the Council and Lead Member for Economic Development/Promotion
Number of Appendices:	One

Executive Summary:

This report explains the purpose of the Reopening High Streets Safely Fund (RHSSF) launched by government. It sets out how funding may be spent and that it can only be used to support business and for temporary public realm measures on high streets. A high-level initial action plan is appended to the report which identifies necessary actions in order to support the safe reopening of the local economy and the need to achieve social distancing.

Recommendation:

1. **To NOTE the government criteria for the use of the Re-opening the High Streets Safely Fund (RHSSF)**
2. **To AGREE the initial Action Plan and note that it is a dynamic document which may change.**
3. **To delegate authority to the Deputy Chief Executive, in consultation with the Leader of the Council, the decisions needed to implement the action plan or vary it in response to circumstances which may arise as a consequence of the need to re-open the local economy safely, support social distancing or respond to business intelligence, including authority to enter into agreements, notices and other legal documents as necessary.**

Reasons for Recommendation:

To establish a swift and clear decision pathway so that decisions necessary to support this work can be made immediately should the need arise.

To keep Members up to date with the recovery work taking place and the need to support business and the safe reopening of high streets.

Resource Implications:

A recovery cell working group of Borough Council Officers (including a representative from Gloucestershire County Council Highways and Gloucestershire Police Constabulary) has been set up. Individual Officers are funded through existing budgets. The action plan costs will be paid for by the RHSSF where they meet the criteria. This is expected to be the case for most actions. Where costs arise as a consequence of immediate or unknown circumstances funding will be sought initially through the recovery framework or other government grant schemes prior to any actions taking place.

Legal Implications:

The Council is required to enter into a funding agreement for the funding referred to in this report as well as other agreements to implement the action plan e.g. delegations from the County Council. Legal advice will be sought on specific aspects of the action plan to ensure compliance with the procurement legislation and state aid.

Risk Management Implications:

The risks associated with this work relate to a failure to make provision for social distancing and, consequently, failure to support the local economy and re-opening of high streets safely.

Government has directly targeted this work and made funding available to ensure that it does happen. There are specific criteria associated with the use of the fund as set out explicitly in guidance. Implementation requires that work moves forward collaboratively and at pace. The fund is available to draw down for a period up to, and including, March 2021 although it is expected that monies will be committed and spent by December 2020.

Performance Management Follow-up:

Progress on this piece of work will be reported as part of the corporate performance tracker with specific progress reported back to Executive Committee in January (three months before the end of the fund and immediately following the soft deadline of December 2020 set by government).

A high-level action plan is attached to this report as Appendix 1. Implementation relies on continuing to work collaboratively with Gloucestershire County Council (Highways Authority), Gloucestershire Constabulary and with the support of the business community.

Environmental Implications:

There are indirect environmental impacts associated with this piece of work. Re-opening high streets safely will support the recovery of the local economy by offering the means for business and the community to access and achieve safe social distancing

1.0 INTRODUCTION/BACKGROUND

1.1 Councils across England are sharing £50million of additional funding to support the safe reopening of high streets and other commercial areas. A sum of £84,931K is allocated for Tewkesbury Borough Council. The money has been allocated to allow local authorities in England to put in place additional measures to establish a safe trading environment for businesses and customers, particularly in high streets, through measures that extend to the end of March 2021. Government has indicated that the monies will be available up to, and including, March 2021 but is encouraging use of the money by end of this calendar year. Full details of the requirements of this European Regional Development Fund will be covered in a funding agreement which is yet to be issued.

2.0 PURPOSE OF THE FUND

2.1 The fund is focussed and narrowly targeted as set out below:

- Support to develop an action plan for how the local authority may begin to safely reopen their local economies.
- Communications and public information activity to ensure that reopening of local economies can be managed successfully and safely.
- Business facing awareness raising activities to ensure that reopening of the local economy can be managed successfully and safely.
- Temporary public realm changes to ensure reopening of the local economy can be managed successfully and safely.

To date guidance and FAQ's have been issued together with an initial bulletin clarifying what items are in scope and out of scope.

The action plan identifies themed areas. The allocations are currently evenly distributed but may change as this piece of work progresses if business and community engagements identify additional relevant actions which need to take place.

3.0 OTHER OPTIONS CONSIDERED

3.1 The criteria are prescriptive. No other options considered.

4.0 CONSULTATION

4.1 Internally and with working group as set out in the report. Wider consultation and engagements will take place as part of this work.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 This work has direct links with the Tewkesbury Borough Council Recovery Plan Framework agreed by Executive Committee on 10 June 2020.

6.0 RELEVANT GOVERNMENT POLICIES

6.1 This fund has been launched with a specific purpose in direct response to the need to support the local economy to reopen safely and social distancing. It has links to the High Streets Task Force initiative announced by government in July 2019.

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 None.

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

8.1 This piece of work supports sustainability objectives.

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

9.1 The work supports Health and Safety obligations.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 A recovery cell group for RHSSF has been set up. It is a task and finish group. Membership includes the six authorities across Gloucestershire and the Gloucestershire Police Constabulary. The group is sharing key actions and ensuring that the focus of work remains on the safe opening to support the economy.

Background Papers: Reopening the High Streets safely Fund, Guidance Version 2

Reopening High Streets Safely Fund*:* Frequently Asked Questions

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Appendices: 1 - High Level Action Plan

Appendix 1

Reopening the High Streets Safely Fund – Initial Action Plan

Theme 1: Support for the public /community engagement	**Budget: 30k**
Public facing Social media and communications campaign - #Shopsafe #shoplocal Social distancing signage and stickers/pavement stamps Community engagement	
Theme 2: Business support	**Budget: 26,534k**
Business information and SME guidance on safe reopening Business engagement and monitoring Business facing social media and communications campaign Establishment of Retail Business Groups, across 3 retail centres	
Theme 3 - Temporary public realm changes (to ensure that reopening of local economies can be managed successfully and safely) Budget: 25k	
Introduction of a pedestrian one-way system on Church Street, Bishops Cleeve with pavement stencils and signage. High Street, Winchcombe - pedestrian one way on either side of the High Street with pavement stencils and signage. North Street, Winchcombe – One way for pedestrians either side of the street, similar to the High Street, allowing for widening of the footpaths and retention of current parking. Tewkesbury High Street – installation of water filled barriers along the high street to widen footpaths/walkways, as part of a GCC Pilot scheme, along with signage and social distancing stencils on the pavement.	

Tewkesbury, Bishops walk and Alleys ways - keep left on the walkway through Bishops Walk and signage at the entrances to alley ways that explains social distancing will be difficult. Further activity to support social distancing following business engagement: Temporary Traffic Regulation Order to make Tewkesbury High Street one-way. Use of LeafSpace modular green barrier instead of standard waterfilled barriers. (Tewkesbury) Temporary removal of parking on Abbey Terrace (Winchcombe)
Project Management, Monitoring, evaluation and admin @ 4% **Budget - £3397**