



Oversight and Governance

Chief Executive's Department
Plymouth City Council
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CITY COUNCIL

Monday 14 September 2020
2.00 pm
MS Teams meeting

Members:

Councillor Mavin, Chair

Councillor Winter, Vice Chair

Councillors Allen, Mrs Aspinall, Ball, Mrs Beer, Bowyer, Mrs Bowyer, Mrs Bridgeman, Buchan, Carson, Churchill, Coker, Cook, Corvid, Dann, Darcy, Sam Davey, Deacon, Derrick, Downie, Dreaan, Evans OBE, Goslin, Haydon, Hendy, James, Mrs Johnson, Jordan, Kelly, Laing, Michael Leaves, Samantha Leaves, Loveridge, Lowry, McDonald, Morris, Murphy, Neil, Nicholson, Parker-Delaz-Ajete, Penberthy, Mrs Pengelly, Rennie, Riley, Singh, Pete Smith, Rebecca Smith, Stevens, Jon Taylor, Kate Taylor, Tuffin, Tuohy, Vincent, Ms Watkin, Wheeler and Wiggins.

Members are invited to attend the above meeting to consider the items of business overleaf.

For further information on attending Council meetings and how to engage in the democratic process please follow this link - [Get Involved](#)

Tracey Lee

Chief Executive

City Council

Agenda

1. Apologies

To receive apologies for absence submitted by councillors.

2. Minutes

(Pages 1 - 12)

To approve and sign the minutes of the meeting held on 22 June 2020 as a correct record.

3. Declarations of Interest

(Pages 13 - 14)

Members will be asked to make any declarations of interest in respect of items on this agenda. A flowchart providing guidance on interests is attached to assist councillors.

4. Appointments to Committees, Outside Bodies etc

The Acting Monitoring Officer will report on vacancies on committees, outside bodies etc and of changes notified to Democratic Support for Council to note.

5. Announcements

(a) To receive announcements from the Lord Mayor, Chief Executive, Service Director for Finance or Head of Legal Services;

(b) To receive announcements from the Leader, Cabinet Members or Committee Chairs.

6. Questions by the Public

To receive questions from and provide answers to the public in relation to matters which are about something the council is responsible for or something that directly affects people in the city, in accordance with Part B, paragraph 11 of the Constitution.

Questions, of no longer than 50 words, can be submitted to the Democratic Support Unit, Plymouth City Council, Ballard House, West Hoe Road, Plymouth, PL1 3BJ, or email to democraticsupport@plymouth.gov.uk. Any questions must be received at least five complete working days before the meeting.

7. Annual Report on Treasury Management Activities for 2019/20

(Pages 15 - 34)

8. Report from the Chief Officer Appointments Panel

(To Follow)

9. Motions on notice

To consider motions from councillors in accordance with Part B, paragraph 14 of the Constitution.

10. Questions by Councillors

Questions to the Leader, Cabinet Members and Committee Chairs covering aspects for their areas of responsibility or concern by councillors in accordance with Part B, paragraph 12 of the constitution.

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City Council

Monday 22 June 2020

PRESENT:

Councillor Mavin, in the Chair.

Councillor Winter, Vice Chair.

Councillors Allen, Mrs Aspinall, Ball, Mrs Beer, Bowyer, Mrs Bowyer, Mrs Bridgeman, Buchan, Carson, Churchill, Coker, Corvid, Dann, Darcy, Sam Davey, Deacon, Derrick, Downie, Drear, Evans OBE, Goslin, Haydon, Hendy, James, Mrs Johnson, Samantha Leaves, Loveridge, Lowry, McDonald, Morris, Murphy, Neil, Nicholson, Parker-Delaz-Ajete, Penberthy, Mrs Pengelly, Rennie, Riley, Singh, Pete Smith, Rebecca Smith, Stevens, Jon Taylor, Kate Taylor, Tuffin, Tuohy, Vincent, Ms Watkin, Wheeler and Wigans.

Apologies for absence: Councillor Cook

The meeting started at 2.00 pm and finished at 6.34 pm.

Note: The full discussion can be viewed on the webcast of the City Council meeting at www.plymouth.gov.uk. At a future meeting, the Council will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.

8. Minutes

The minutes of the meeting held on 22 May 2020 were agreed as a true and accurate record.

9. Declarations of Interest

The following declaration of interest was made by a councillor in accordance with the code of conduct in respect of items under consideration at the meeting -

Name	Minute Number	Reason	Interest
Councillor Carson	14 - Plymouth and South West Devon Supplementary Planning Document	Councillor Carson owns land in within the area effected by the Plymouth and South West Devon Supplementary Planning Document	Disclosable Pecuniary Interest

10. Appointments to Committees, Outside Bodies etc

Council agreed the following appointments notified to the Monitoring Officer -

Committee/ Outside body	Previous Member	New Member
Planning Committee	Councillor Jonny Morris	Councillor Sam Davey
Child Poverty	Councillor Andrea Loveridge	Councillor David James
Devon and Somerset Fire and Rescue Authority	Councillor Jonny Morris	Councillor Margaret Corvid

11. **Announcements**

The Lord Mayor made the following announcements:

- offered his congratulations to Plymouth Argyle on their promotion from Division Two to Division One and wished them luck for the following season;
- on 22 June 1948 Tillbury Docks received one of the first large groups of post war Caribbean settlers on the ship the Empire Windrush – the first generation workers came to the UK by invitation to help rebuild Britain after World War 2. Many were met with hostility and found themselves denied rights, lost their jobs and in some cases were deported. Today the Council stood with the Afro Caribbean community and recognised that diversity of the city was one of its greatest strengths and assets;
- passed his condolences to the families of the three people that died as a result of the appalling attack in Reading on Saturday evening – the Lord Mayor would write to Councillor David Stevens, Lord Mayor of Reading, on behalf of the Council to express his sympathy and support;
- invited the Council to note the sad passing of Mrs Patricia Floyd on 5 May 2020 – she was Lady Mayoress with her husband Arthur Floyd as Lord Mayor from 1976 – 1977. Councillors were asked to join the Lord Mayor in observing 1 minute's silence.

The Lord Mayor then requested that Council suspend the usual procedural rules to allow the Director of Public Health to provide an update to the Council on Covid 19. The Deputy Lord Mayor seconded the motion and this was agreed unanimously by Full Council.

The Director of Public Health provided an update on the current situation with regards to the Covid 19 pandemic as follows:

- over 47,000 confirmed deaths associated with Covid 19 across the country;
- in Plymouth, been lucky as the virus had impacted the city terribly however compared to some other areas, the rates of death had been lower;
- excess of 80 deaths in Plymouth and it was hoped that the first wave of the

virus was coming to an end; number of confirmed cases was relatively small however the burden of the disease was more than the figures;

- considered that a number of the population may have had the disease but didn't show symptoms, or had very mild symptoms; however a large number of the population was considered not to have had the virus. Prevention was integral in order to prevent a second wave. Work was ongoing to try and get schools up and running and businesses operating;
- the importance of the Test and Trace programme and the importance of scaling this programme up; those with symptoms were encouraged to use this programme;

The Chief Executive of the Council, Tracey Lee, then provided an update on the impact of Covid 19 and the Council's response, Caring for Plymouth and the Good Neighbours Scheme and the Reset agenda and the impact on Plymouth's economy.

The Leader of the Council, Councillor Tudor Evans OBE, made announcements including the following:

- Public Health England's response to the pandemic;
- congratulations to Plymouth Argyle on their move to Division I;
- support offered to local businesses and the positive impact this has had;
- the Council's response to delivering Government grants;
- the launch of Resurgam and sector led recovery plans.

Councillor Kate Taylor, Cabinet Member for Health and Adult Social Care, made an announcement focusing upon Care Home testing and the Care Home Support Plan.

Councillor Penberthy, Cabinet Member for Housing and Co-operative Development, made announcements focusing upon the Plymouth Good Neighbours Scheme, Refugee Week and the 25th Anniversary of the Srebrenica Massacre.

Councillor Laing, Cabinet Member for Children and Young People, made an announcement focusing upon Plymouth Children's Centres award from Unicef regarding their work in supporting breastfeeding mothers in Plymouth.

Councillor Haydon, Cabinet Member for Customer Focus and Community Safety, made an announcement focusing upon the Better Business for All Toolkit and an update on birth registrations in the city.

Councillor Pete Smith, Deputy Leader, made an announcement focusing upon the Libraries Service Select and Collect Service.

Councillor Mrs Aspinall, Chair of the Scrutiny Management Board, made an announcement focusing upon the current arrangements for the scrutiny function.

12. **Questions by the Public**

There was one question from the public.

Mr Stuart Lloyd Dolton asked the following question:

“As a proud Plymouthian, I am bewildered that Leader of the Council has made a decision to change a street name, based on a small minority. It’s offensive the majority of our city has been insulted in such a derogatory manner. Can Councillor Evans ensure the proper consultation will ensue?”

The Leader, Councillor Evans OBE, gave the following response:

I made it very clear in my statement on 9 June which was published on the Council’s website that the Council is starting the renaming process for Sir John Hawkins Square, and that this will involve an opportunity for people to give their views. The reason I said this is that the Council has published guidelines and a procedure for renaming streets, and we are following them. Our guidelines follow Section 18 of the Public Health Act 1925, which specifically refers to altering the name of a street, and are the same as any other council’s, because that is the law.

As I said in my statement, we listened to those who found the relatively recent naming of the square after Hawkins offensive because of his close associations with the slave trade, and that’s why we’re changing it. We are not seeking to rewrite history and we are not saying that we should forget Hawkins. He was an important figure in our national history, and we can remember this in a way that tells a fuller story about his life and which doesn’t commemorate him in a way that gives offence. When it opens, the Box will tell a much more rounded story about Hawkins and some of the city’s other famous historical figures.

As Councillor Penberthy, whose Ward contains the square has said, naming the square after Jack Leslie would be a wonderful way of recognising the big role he has not only in Plymouth Argyle’s heritage, but also in national football. As the only black professional player at the time, he was a pioneer. Unfortunately he also had to deal with discrimination which meant he was denied the opportunity to represent his country. As a city we want to remember him and are very pleased that his family has agreed for the square to be named Jack Leslie Square.

The Council’s agreed process for naming the square has started. A Public Health Act Street Renaming Notice will be displayed for a month. If Mr Dolton or anyone else is aggrieved by the proposed Renaming Order he has the opportunity to lodge an appeal with the local Magistrates Court within 21 days of the posting of the notice. If any appeals are lodged, the matter will be decided by the Magistrates.

I hope that Mr Dolton is now less bewildered, particularly as the decision on this matter is actually for Councillor Lowry who is the relevant Cabinet Member in the Council’s procedure. I can confirm though that he has the support of the whole Cabinet and the Ward Members in honouring Jack Leslie in the city that he represented for most of his professional career.

13. **Capital and Revenue Outturn Report 2019/20**

Councillor Mark Lowry (Cabinet Member for Finance) introduced the Capital and Revenue Outturn Report 2019/20. This was seconded by Councillor Tudor Evans OBE (Leader of the Council).

Following a discussion, Council agreed to note the Financial Outturn Report for 2019/20.

14. **Plymouth and South West Devon Supplementary Planning Document**

Councillor Coker (Cabinet Member for Strategic Planning and Infrastructure) introduced the Plymouth and South West Devon Supplementary Planning Document.

This was seconded by Councillor Sue Dann (Cabinet Member for Environment and Street Scene).

Following a discussion, Council agreed to:

- I. Adopt the Plymouth and South West Devon Supplementary Planning Document (SPD), and its two companion documents subject to South Hams and West Devon agreeing likewise.

For (53)

Councillors Allen, Mrs Aspinall, Ball, Mrs Beer, Bowyer, Mrs Bowyer, Mrs Bridgeman, Buchan, Corvid, Churchill, Coker, Dann, Darcy, Derrick, Davey, Deacon, Downie, Drear, Evans OBE, Haydon, Goslin, Hendy, James, Jordan, Mrs Johnson, Kelly, Laing, Michael Leaves, Mrs Leaves, Lowry, McDonald, Morris, Murphy, Neil, Nicholson, Parker-Delaz-Ajete, Penberthy, Mrs Pengelly, Rennie, Riley, Singh, Pete Smith, Rebecca Smith, Stevens, Jon Taylor, Kate Taylor, Tuffin, Tuohy, Vincent, Ms Watkin, Wheeler, Wiggins, Winter (Deputy Lord Mayor).

Against (0)

Abstain (0)

Absent/Did Not Vote (2) Councillor Loveridge and Councillor Mavin (Lord Mayor)

15. **Motions on notice**

16. **Renaming of Sir John Hawkins Square**

Councillor Kelly introduced the Motion on Renaming of Sir John Hawkins Square. This was seconded by Councillor Jordan.

Following a brief debate, a proposal was made by Councillor Mrs Aspinall to move to the vote, this was seconded by Councillor Parker-Delaz-Ajete.

For (31)

Councillors Allen, Aspinall, Buchan, Corvid, Coker, Dann, Derrick, Sam Davey, Evans OBE, Haydon, Goslin, Hendy, Laing, Lowry, McDonald, Morris, Murphy, Neil, Parker Delaz Ajete, Penberthy, Rennie, Singh, Peter Smith, Stevens, Jon Taylor, Kate Taylor, Tuffin, Tuohy, Vincent, Wheeler, Winter.

Against (24)

Councillors Ball, Mrs Beer, Bowyer, Mrs Bowyer, Mrs Bridgeman, Carson, Churchill, Darcy, Deacon, Downie, Drean, James, Jordan, Mrs Johnson, Kelly, Mike Leaves, Sam Leaves, Loveridge, Nicholson, Mrs Pengelly, Riley, R Smith, Ms Watkin, Wigans,

Absent/ Did Not Vote (2)

Councillor Cook
Lord Mayor – Councillor Mavin

The proposal to move to the vote was carried.

Following a vote on the Renaming of Sir John Hawkins Square motion, the motion was lost:

For (24)

Councillors Ball, Mrs Beer, Bowyer, Mrs Bowyer, Mrs Bridgeman, Carson, Churchill, Darcy, Deacon, Downie, Drean, James, Jordan, Mrs Johnson, Kelly, Mike Leaves, Sam Leaves, Loveridge, Nicholson, Mrs Pengelly, Riley, R Smith, Ms Watkin, Wigans.

Against (30)

Councillor Allen, Aspinall, Buchan, Corvid, Coker, Dann, Derrick, Sam Davey, Evans OBE, Haydon, Goslin, Hendy, Laing, Lowry, McDonald, Morris, Murphy, Neil, Parker Delaz Ajete, Penberthy, Rennie, Peter Smith, Stevens, Jon Taylor, Kate Taylor, Tuffin, Tuohy, Vincent, Wheeler, Winter.

Abstain (1)
Councillor Singh

Absent/ Did Not Vote (2)

Councillor Cook
Lord Mayor – Councillor Mavin

17. **Cashless Car Parking Payment in Plymouth**

Councillor Ball introduced the Motion on Cashless Car Parking Payment in Plymouth. This was seconded by Councillor Drean.

Following a debate, the motion was lost:

For (25)

Councillors Ball, Mrs Beer, Bowyer, Mrs Bowyer, Mrs Bridgeman, Carson, Churchill, Darcy, Deacon, Downie, Drean, James, Jordan, Mrs Johnson, Kelly, Mike Leaves, Sam Leaves, Loveridge, Nicholson, Mrs Pengelly, Riley, Singh, R Smith, Ms Watkin, Wigans.

Against (30)

Councillors Allen, Aspinall, Buchan, Corvid, Coker, Dann, Derrick, Sam Davey, Evans OBE, Haydon, Goslin, Hendy, Laing, Lowry, McDonald, Morris, Murphy, Neil, Parker Delaz Ajete, Penberthy, Rennie, Peter Smith, Stevens, Jon Taylor, Kate Taylor, Tuffin, Tuohy, Vincent, Wheeler, Winter.

Absent/ Did Not Vote (2)

Councillor Cook
Lord Mayor – Councillor Mavin

18. **Garden Waste**

Councillor Mrs Bridgeman introduced the Motion on Garden Waste. This was seconded by Councillor Carson.

Following a debate, the motion was lost:

For (25)

Councillors Ball, Mrs Beer, Bowyer, Mrs Bowyer, Mrs Bridgeman, Carson, Churchill, Darcy, Deacon, Downie, Drean, James, Jordan, Mrs Johnson, Kelly, Mike Leaves, Sam Leaves, Loveridge, Nicholson, Mrs Pengelly, Riley, Singh, R Smith, Ms Watkin, Wigans.

Against (30)

Councillors Allen, Aspinall, Buchan, Corvid, Coker, Dann, Derrick, Sam Davey, Evans OBE, Haydon, Goslin, Hendy, Laing, Lowry, McDonald, Morris, Murphy, Neil, Parker Delaz Ajete, Penberthy, Rennie, Peter Smith, Stevens, Jon Taylor, Kate Taylor, Tuffin, Tuohy, Vincent, Wheeler, Winter.

Absent/ Did Not Vote (2)

Councillor Cook
Lord Mayor – Councillor Mavin

19. **Combatting Racism and Discrimination in Plymouth**

This motion was withdrawn.

20. **Free School Meals**

This motion was withdrawn.

21. **Encampments**

Councillor Sam Leaves introduced the Motion Encampments. This was seconded by Councillor Downie.

Following a brief debate, a proposal was made by Councillor Parker-Delaz-Ajete to move to the vote, this was seconded by Councillor Pete Smith.

For (30)

Councillors Allen, Aspinall, Buchan, Corvid, Coker, Dann, Derrick, Sam Davey, Evans OBE, Haydon, Goslin, Hendy, Laing, Lowry, McDonald, Morris, Murphy, Neil, Parker Delaz Ajete, Penberthy, Rennie, Peter Smith, Stevens, Jon Taylor, Kate Taylor, Tuffin, Tuohy, Vincent, Wheeler, Winter.

Against (22)

Councillors Mrs Beer, Bowyer, Mrs Bowyer, Mrs Bridgeman, Carson, Churchill, Darcy, Deacon, Downie, Drean, James, Jordan, Mrs Johnson, Kelly, Mike Leaves, Sam Leaves, Loveridge, Nicholson, Mrs Pengelly, Riley, R Smith, Ms Watkin.

Abstain (1)

Councillor Singh

Absent/ Did Not Vote (4)

Councillor Ball

Councillor Cook

Councillor Wiggins

Lord Mayor – Councillor Mavin

The proposal to move to the vote was carried.

Following a vote on the Encampments motion, the motion was lost:

For (23)

Councillors Ball, Mrs Beer, Bowyer, Mrs Bowyer, Mrs Bridgeman, Carson, Churchill, Darcy, Deacon, Downie, Drean, James, Jordan, Mrs Johnson, Kelly, Mike Leaves, Sam Leaves, Loveridge, Nicholson, Mrs Pengelly, Riley, R Smith, Ms Watkin.

Against (29)

Councillor Allen, Aspinall, Buchan, Corvid, Coker, Dann, Derrick, Sam Davey, Evans OBE, Haydon, Goslin, Hendy, Laing, Lowry, McDonald, Murphy, Neil, Parker Delaz Ajete, Penberthy, Rennie, Peter Smith, Stevens, Jon Taylor, Kate Taylor, Tuffin, Tuohy, Vincent, Wheeler, Winter.

Abstain (1)

Councillor Singh

Absent/ Did Not Vote (4)

Councillor Wiggins
Councillor Morris
Councillor Cook
Lord Mayor – Councillor Mavin

22. **Urgent Key Decisions to be Reported (To Follow)**

Councillor Evans OBE gave a brief update on two urgent key decisions taken since the last meeting. The update was seconded by Councillor Pete Smith.

- Covid 19 - Local Council Tax Support Hardship Fund
- Covid 19 - Resilience Mortuary Contract Award
- Covid 19 - Suspension of Tolling on Tamar Crossing
- Covid 19 - Provision of Personal Protective Equipment (PPE)
- Covid 19 - Discretionary Grant Fund for Business

Council noted the urgent key decisions taken by the Leader in line with due process and published on 25 March 2020, 27 March 2020, 16 April 2020, 7 May 2020 and 29 May 2020.

23. **Questions by Councillors**

	From	To	Subject
1	Councillor Nicholson	Councillor Kate Taylor	Lessons learned from the Covid pandemic to improve healthcare provision in the city moving forward.
	Response: Conversations were being had, with regards to lessons learned, as part of the Reset agenda. It was highlighted that we were not through the pandemic and needed to strike a delicate balance with what happens next and what was still ongoing. The importance of the Caring for Plymouth Programme and strong partnership working was emphasised.		
2	Councillor Buchan	Councillor Kate Taylor	Guidance on those shielding from Covid 19
	Response: The huge sacrifices of those shielding (in terms of their wellbeing, mental health and finances) was recognised. The Cabinet Member had recently written to Matt Hancock asking him to issue urgent guidance to give clarity to those affected, as well as the Local Authority in their supportive role.		
3	Councillor Goslin	Councillor Coker	Improvements in cycling provision in the city.
	Response: The Council had applied for a £249,000 grant from Government in order to help with cycling provision however had not yet heard if they had been successful. There was approximately £5.1m in the budget to deliver further 126km of new and improved traffic free facilities on the cycle network, paths and green spaces, building on the £9.5m already invested in walking and cycling infrastructure in the city.		
4	Councillor	Councillor	Transforming City's Future Bid.

	Drean	Coker	
	Response: The Council had applied for several bids including the Transforming City's Future Bid however had not yet heard if they had been successful – an announcement was expected and this would be shared with all members.		
	Councillor Mrs Bridgeman	Councillor Dann	Reconsideration of motion to extend garden waste collection to November – this had been done – thanks offered.
	Response: No response required.		
6	Councillor Mrs Beer	Councillor Dann	Grass cutting and vegetation growing over signs on the highway.
	Response: Grass cutting in the city had started up again – this had been affected by the low numbers of staff members during the pandemic. A decision was made to prioritise domestic waste collection however certain initiatives like 'No Mow May' were encouraging wild flower growth and biodiversity as a result of letting the grass grow. The Highways Team checked the vegetation growing on signs on a regular basis and members were encouraged to contact the team to report problems to avoid health and safety issues. The Council had reduced staffing in March, April and May as a result of the pandemic therefore the Council was now in a position of playing catch up.		
7	Councillor Ian Bowyer	Councillor Pete Smith	Manadon Sports Centre – boundary extension.
	Response: The Deputy Leader was aware of the boundary extension and action had been taken to rectify the situation. He would advise Councillor Ian Bowyer of progress and when the walkway would be reinstated.		
8	Councillor Kelly	Councillor Coker	Disabled parking on the Hoe.
	Response: The disabled parking on the main parade ground of the Hoe had been restricted during the ongoing pandemic due to the closed toilet facilities. Consultation had taken place with various groups as well as the nearby café. The Cabinet Member had opened up Jennycliff carpark and Devil's Point in order for members of the public to have access. He would liaise with Councillor Lowry to assess when the toilet facilities on the Hoe would be open to the public and would confirm with Councillor Kelly.		
9	Councillor Sam Leaves	Councillor Penberthy	Equality Act 2010.
	Response: The Cabinet Member was aware of the Equality Act 2010 and the duty on public bodies.		
10	Councillor Ms Watkin	Councillor Lowry	Public Conveniences.
	Response: The Council's website listed toilet provision available in the city; nine disabled toilets had remained open during the pandemic and a further eight toilets had opened recently all complying with social distancing rules. Toilets would be open as soon as was practicable.		
11	Churchill	Coker	Connection of the Plymouth to South Hams cycle

			network.
	Response: Work was ongoing with regards to the connection of the Plymouth to South Hams cycle network; this was a joint collaboration between Plymouth Devon and Sustrans.		
12	Councillor Mrs Johnston	Councillor Lowry	Budget 202 - required to be revisited as a result of the impact of the pandemic?
	Response: It was expected that a revised budget would be submitted to Cabinet in August – the Cabinet Member and officers were currently assessing the impact of Covid 19 and were hopeful that the Government would give local authorities additional funding.		
13	Councillor Stevens	Councillor Pete Smith	Details of Full Council debates between 2007 - 2012, and 2016 - 2018 where debate was cut short by the Conservative administration of the day.
	Response: This information would be provided and would also be sent to Councillor Deacon.		
14	Councillor Mrs Aspinall	Councillor Lowry	The importance of social distancing and protection of the vulnerable.
	Response: The Council would continue to inform members of the public of the requirement to socially distance. As Champion for the City Centre he would continue to cater for all users as well as the disabled community ensuring the city centre was a welcoming and safe environment.		
15	Councillor Neil	Councillor Kate Taylor	Impact of the pandemic on care homes and steps to keep residents safe.
	Response: The Council was working on the assumption of a second spike of the virus in order to forward plan. Care Homes had been focused upon as this was where the majority of highly vulnerable residents were. Testing for Covid 19 as well as the provision of PPE, and work to prevent cross contamination was ongoing.		
16	Councillor Mrs Beer	Councillor Pete Smith	Plympton Library Service.
	Response: Plympton Library Service was not included in the libraries announcement as the Council currently didn't have the staff available to run it. Libraries were running on a limited service – a click and collect service was being offered and books would be required to be quarantined once returned before being reissued. The situation would be reviewed as the rules were relaxed by the Government.		
17	Councillor Kelly	Councillor Dann	Review of siting and suitability of recycling bins.
	Response: The Cabinet Member was aware of the siting of two new recycling bins near the Crown and Anchor Pub on the Barbican – the council had issued an apology and confirmed that the bins would be moved – the siting of other recycling bins would be checked to ensure they were in the best position. The summer service had already started a month early however Members of the public were encouraged to be responsible with the disposal of their waste and recycle.		
18	Councillor	The Leader	Equality Legislation – Children and Young People

	Sam Leaves		with a statement that were currently home schooled.
Response: It was highlighted that there was a difference between a decision which was not liked and one which was not appropriate. Issues should be formally written and sent to the Leader with evidence in order for him to assess the situation and move forward. The Cabinet Member would be contacted in order to provide a response regarding the number of children and young people with a statement of special education needs that were currently home schooled during the pandemic.			

Please note that questions, answers, supplementary questions and supplementary answers have been summarised.

DECLARING INTERESTS – QUESTIONS TO ASK YOURSELF

What matters are being discussed?



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Does the business relate to or is it likely to affect a disclosable pecuniary interest (DPI)? This will include the interests of a spouse or civil partner (and co-habitees):

- any employment, office, trade, profession or vocation that they carry on for profit or gain
- any sponsorship that they receive including contributions to their expenses as a councillor or the councillor’s election expenses from a Trade Union
- any land licence or tenancy they have in Plymouth
- any current contracts leases or tenancies between the Council and them
- any current contracts leases or tenancies between the Council and any organisation with land in Plymouth in they are a partner, a paid Director, or have a relevant interest in its shares and securities
- any organisation which has land or a place of business in Plymouth and in which they have a relevant interest in its shares or its securities

No

Yes



Declare interest and leave (or obtain a dispensation)



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Does the business affect the well-being or financial position of (or relate to the approval, consent, licence or permission) for:

- a member of your family or
- any person with whom you have a close association; or
- any organisation of which you are a member or are involved in its management (whether or not appointed to that body by the council). This would include membership of a secret society and other similar organisations.

Yes

No



You can speak and vote



Will it confer an advantage or disadvantage on your family, close associate or an organisation where you have a private interest more than it affects other people living or working in the ward?

Yes

No



Declare the interest and speak and vote



Speak to Monitoring Officer in advance of the meeting to avoid risk of allegations of corruption or bias

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Cabinet members must declare and give brief details about any conflict of interest* relating to the matter to be decided and leave the room when the matter is being considered. Cabinet members may apply to the Monitoring Officer for a dispensation in respect of any conflict of interest.

*A conflict of interest is a situation in which a councillor’s responsibility to act and take decisions impartially, fairly and on merit without bias may conflict with his/her personal interest in the situation or where s/he may profit personally from the decisions that s/he is about to take.

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City Council



Date of meeting:	14 September 2020
Title of Report:	Annual Report on Treasury Management Activities for 2019/20
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	Andrew Hardingham (Service Director for Finance)
Author:	Chris Flower (Finance Business Partner for Capital and Treasury Management)
Contact Email:	chris.flower@plymouth.gov.uk
Your Reference:	Finance/CF
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

In order to comply with the Code of Practice for Treasury Management, the Council is required to formally report on its treasury management activities for the year, providing information on the progress and outcomes against the Treasury Management Strategy. This report covers the treasury management activities for financial year 2019/20 including the final position on the statutory Prudential Indicators.

This report:

- a) is prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code;
- b) confirms capital financing, borrowing, debt rescheduling and investment transactions for the year 2019/20;
- c) provides an update on the risk inherent in the portfolio and outlines actions taken by the Council during the year to minimise risk;
- d) gives details of the outturn position on Treasury Management transactions in 2019/20;
- e) confirms compliance with treasury limits and Prudential Indicators (PIs) and the outlines the final position on the PI's for the year.

Recommendations and Reasons

1. To approve the Treasury Management Annual Report 2019/20

This is to comply with the CIPFA Code of Practice and discharge our statutory requirement.

Alternative options considered and rejected

None - it is requirement to report to Council on the treasury management activities for the year.

Relevance to the Corporate Plan and/or the Plymouth Plan

Effective financial management is fundamental to the delivery of corporate improvement priorities. Treasury Management activity has a significant impact on the Council's activity both in revenue budget terms and capital investment and is a key factor in facilitating the delivery against a number of corporate priorities.

Implications for the Medium Term Financial Plan and Resource Implications:

Into the medium and longer term the Council is facing significant pressures due to the national economic situation, which has led to a reduction in resources for local authorities over the Government's latest spending period. Effective Treasury Management will be essential in ensuring the Council's cash flows are used to effectively support the challenges ahead.

Carbon Footprint (Environmental) Implications:

In 2019/20 the Council invested £5m into the Public Sector Social Impact Fund to invest in carbon reduction projects.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

There is an inherent risk to any Treasury Management activity. The Council continues to manage this risk by ensuring all investments are undertaken in accordance with the approved investment strategy, and keeping the counterparty list under constant review.

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable)						
		<i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Annual Report on Treasury Management Activities for 2019/20							
B								

Background papers:

**Add rows as required to box below*

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
	1	2	3	4	5	6	7
Treasury Management Strategy report to Council 15 January 2019							
Mid-Year Review report to Audit Committee 9 December 2019							

Sign off:

Fin	PL.20. 21.40	Leg	It/350 07/09 07	Mon Off	It/350 07/09 07	HR		Asset s		Strat Proc	
Originating Senior Leadership Team member: Andrew Hardingham (Service Director for Finance)											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 06/07/2020											
Cabinet Member approval: Councillor Mark Lowry (Cabinet Member for Finance)											
Date approved: 09/07/2020											

Annual Report on Treasury Management Activities for 2019/20

Introduction

The Chartered Institute of Public Finance and Accountancy's Treasury Management (the CIPFA Code) requires the Council to report on the performance of the treasury management function after the financial year end.

The Council's Treasury Management Strategy for 2019/20 was approved by Council on 25 February 2019. The Council 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 are therefore central to the Council's treasury management strategy.

External Context

Economic background (as at April 2020): 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 I 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 I (CET I) ratio and a leverage ratio basis. Under the test scenario the banks' aggregate level of CET I 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 Council had net borrowing of £521m arising from its revenue and capital income and expenditure, an increase on 2019 of £163m. 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 and the year-on-year change are summarised in table 1 below.

Table 1: Balance Sheet Summary

	31.3.19	2019/20	31.3.20
	Actual	Movement	Actual
	£m	£m	£m
General Fund CFR	569	163	732
Less: Other debt liabilities *	-121	4	-117
Borrowing CFR	448	167	615
Less: Usable reserves	-58	-2	-60
Less: Working capital	-32	-2	-34
Net borrowing	358	163	521

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

The Council has 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 the Council's net borrowing has increased as detailed in table 1 above.

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 (if the Authority has an HRA, then include: 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 31 July 2020 with implementation of the new lending terms expected in the latter part of this calendar year or financial year beginning 2021/22 and the Council intends to respond to the consultation.

Borrowing Activity

At 31st March 2020, the Council held £720m of loans, (an increase of £139m on 31/03/2019) as part of its strategy for funding previous years' capital programmes. See table 2 below.

The Council'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 Council's long-term plans change being a secondary objective.

The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Council with this 'cost of carry' and breakeven analysis. Temporary and short-dated loans borrowed from the markets, predominantly from other local authorities, also remained affordable and attractive.

With short-term interest rates remaining much lower than long-term rates, the Council's Treasury Management Board has determined it was more cost effective in the short-term to borrow rolling temporary / short-term loans instead of fixing in at higher long term rates. The Council reviews the situation on a regular basis and also takes advice from its Treasury Management advisors. The net movement in temporary / short-term loans is shown in table 2 below.

Table 2: Borrowing Activity

	Balance on 01/04/2019 £m	Movement £m	Balance on 31/03/2020 £m	Avg Rate %
Public Works Loan Board	44	0	44	5.76%
Banks - LOBOs	64	0	64	4.34%
Other Loans	30	-2	28	
Short Term Borrowing	322	145	467	0.98%
TOTAL BORROWING	460	143	603	
Other Long Term Liabilities	121	-4	117	-
TOTAL EXTERNAL DEBT	581	139	720	-
Increase/ (Decrease) in Borrowing £m			139	

LOBO (Lender's Option Borrower's Option)

The Council continues to hold £64m of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the year.

LGA Bond Agency

UK Municipal Bonds Agency (MBA) plc. was established in 2014 by the Local Government Association as an alternative to the PWLB with plans to issue bonds on the capital markets and lend the proceeds to local authorities. In early 2016 the Agency declared itself open for business, initially only to English local authorities. The Council has analysed the potential rewards and risks of borrowing from the MBA and has approved and signed the Municipal Bond Agencies framework agreement which sets out the terms upon which local authorities will borrow, including details of the joint and several guarantee.

Debt Rescheduling

The PWLB increased the spread to 1.8% between "premature repayment rate" and "new loan" rates so the premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

Other Long Term Liabilities

Although not classified as borrowing, the Council has other capital finance from Private Finance Initiatives and Finance Leases etc. and as at 31st March 2020 this amounted to £117m.

The liability for the PFI scheme has increased our requirement for finance and therefore we increased our Operational Boundary and Authorised limit to allow for this.

Minimum Revenue Provision (MRP)

MRP is a charge to the revenue budget that is made each year for monies to repay the Council's borrowing.

Under regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003/146, as amended, local authorities are required to charge to their revenue account, for each financial year, MRP for the cost of their unfinanced capital expenditure.

Following changes in advice from CIPFA the Council changed its MRP calculations method in 2015/16 to use the annuity method. Prior years involved detailed calculations which were very prescriptive but these were replaced with a requirement that local authorities calculate an amount or MRP which they consider to be prudent.

The Council matches the economic benefits from its assets with the life of those assets. Therefore the Council changed its calculation method to the annuity method which not only spreads the cost of the borrowing over the life of the assets but it also takes into account the time value of money.

The Council's previous method of calculating MRP was to spread the cost of borrowing in a straight line over a maximum of 25 years. The current council tax payers would therefore pay a relative higher charge than council tax payers in the future. For example if an asset cost of £20m to build and has a life of 20 years then there would have been a £1m charged each year on the straight line basis. The annuity method takes into account the time of value because £1m today has a higher value (NPV) than £1m in 20 years' time.

Investment Activity

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2019/20, the Council's investment and cash balances ranged between £80 and £110 million due to timing differences between income and expenditure. The year-end investment position and the year-on-year change in show in table 3 below.

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

Table 3: Investment Activity in 2019/20

Investments	Balance on 01/04/2019 £m	Movement £m	Balance on 30/03/2020 £m	Avg Rate/Yield (%)
Short term Investments (call accounts etc.)	21	-14	7	0.62%
Covered Bonds and Loans	3	-3	0	-
Money Market Funds	26	7	33	0.28%
Other Pooled Funds	35	22	57	3.34%
TOTAL INVESTMENTS	85	12	97	
Increase/ (Decrease) in Investments £m			12	

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the highest rate of return, or yield. The Council'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.

During the year the Council sold some of its poor performing cash fund investments and purchased other pooled investment in order to improve its income returns.

The Council has £57m invested in externally managed pooled Funds with the CCLA and Schroder and this has generated a total return for the year of £1.421m. Investment income is used to support services in year. These funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives is regularly reviewed.

Council is invested in bond, 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.

The unrealised capital losses (the 'drawdown' referred to by fund managers) in equity income funds were especially large, ranging from -3% to -34%.

These unrealised capital losses will not have an impact on the General Fund as the Council has elected to present changes in the funds' fair values in other comprehensive income (FVOCI).

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives is regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates. In light of their performance over the medium to long term and the Council's latest cash flow forecasts, investment in these funds has been maintained.

Other Non-Treasury Holdings and Activity

The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

The Council held £216m of direct property investment under its Asset Investment Fund

These non-treasury investments generated £3.527m of investment income for the Council after taking account of direct costs, representing a net revenue return of 2.2% after allowing for payment to a void reserve and payment to a lifecycle maintenance reserve. The gross return is higher than the return earned on treasury investments but reflects the additional risks to the Council of holding such investments.

Treasury Management Outturn 2019/20

Budget Income and Expenditure

Treasury Management Outturn Position 2019/20

	2019/20 Budget	2019/20 Outturn	Year End Variance
	£m	£m	£m
Interest Payable	9.258		
LOBO and other long term loans		3.568	
PWLB (Public Works Loan Board)		2.439	
Temporary loans		3.273	
Other Interest and charges		0.014	
Recharge to Departments for Unsupported Borrowing (in accordance with business cases)	(10.800)	(12.070)	
Total Interest Payable	(1.542)	(2.776)	(1.234)
Interest Receivable	(2.146)		
Pool Funds		(1.421)	
Money Market Fund		(0.137)	
Other Interest		(1.781)	
Total Interest Receivable	(2.146)	(3.339)	(1.193)
Other Payments	0.105	0.097	
Debt Management	0.698	0.634	
Amortised Premiums	0.643	0.544	
Total Other Charges	1.446	1.275	(0.171)
Minimum Revenue Provision	7.232	8.567	1.335
TOTAL	4.990	3.727	(1.263)

The Council's Treasury Management Outturn for the year was an underspend of £1.263m. The Council has, however, continued to increase its borrowing to fund the capital programme which means it will pay increased loan interest and loan repayments (MRP) in the coming years while the investment returns have fallen further.

The Treasury Management Outturn does not include the returns from the Council's investments in the purchasing of capital assets as this is included in the Place revenue outturn.

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%.

The Treasury Management budget is held as a separate budget under the Finance Department of the Council's General Fund. Whilst interest costs are slightly less than the budget there are a number of factors that contribute to the final position. Whilst the Council not only borrows to finance capital expenditure, it also has to maintain a daily net cash surplus position. The costs of borrowing to finance invest to save capital schemes is charged to departments. The figures above include the borrowing implications of decisions to utilise the Asset Investment Fund to acquire assets to earn a revenue return which is accounted for in directorate's budgets.

Externally Managed Funds

The Council also has investments in pooled investment funds and pooled property funds which allow the Council to diversify into asset classes other than cash. The funds which are operated on a variable net asset value (VNAV) basis offer diversification of investment risk, coupled with the services of a professional fund managers; they also offer enhanced returns over the longer term but are more volatile in the short-term. All of the Council's pooled fund investments are in the respective fund's distributing share class which pay out the income generated.

Compliance with Prudential Indicators

The Section 151 Officer confirms compliance with its Prudential Indicators for 2019/20, which were set in the Treasury Management Strategy 2019/20.

The Following indicators are set and monitored each year:

- Estimates of Capital Expenditure;
- Estimates of Capital Financing Requirement;
- Gross Debt and the Capital Financing Requirement;
- Operation Boundary for External Debt;
- Authorised Limit for External Debt;
- Ratio of Financing Costs to Net Revenue Stream ;
- Incremental Impact of Capital Investment Decisions.

Treasury Management Indicators

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

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2019/20 Limit	2019/20 Actual	Complied
Upper limit on fixed interest rate exposure	100%	21%	✓
Upper limit on variable interest rate exposure	100%	79%	✓

Fixed rate borrowings are those where the rate of interest is fixed for the whole financial year or more. Instruments that mature during the financial year are classed as variable rate.

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

	Upper Limit	Lower Limit	31.03.2020 Actual	Complied
Under 12 months	90%	10%	77%	✓
12 months and within 24 months	40%	0%	0%	✓
24 months and within 5 years	40%	0%	1%	✓
5 years and within 10 years	50%	0%	2%	✓
10 years and above	80%	10%	19%	✓

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 365 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end were:

	2019/20	2020/21	2021/22
Limit on principal invested beyond year	£45m	£50m	£50m
Actual	£0m	£0m	£0m
Complied	✓	✓	✓

Security: The Council 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.

	Target	Actual	Complied
Portfolio average credit rating	A	AA-	✓

Liquidity: The Council does not keep large amounts of cash in call accounts so that it reduces the cost of carrying excess cash. To mitigate the liquidity risk of not having cash available to meet unexpected payments the Council has access to borrow additional, same day, cash from other local authorities.

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.

Investment Training

Officers have undergone the following training during the year:

Arlingclose – Changes to IFRS 9 Impairment of Financial Instruments.

Arlingclose – Principles of Treasury Management Workshop.

CIPFA – Implementing new Treasury Management Regulatory Framework

Arlingclose – Investments workshop 2019.

Arlingclose - Accounts closedown workshop 2019/20.

Grant Thornton - Accounts Closedown Workshops for Local Authority Accountants

Prudential Indicators 2019/20

The Local Government Act 2003 requires the Council to have regard to CIPFA's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

This report compares the approved indicators with the outturn position for 2019/20. Actual figures have been taken from or prepared on a basis consistent with, the Council's statement of accounts.

Capital Expenditure: The Council's capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2019/20 Actual £m
General Fund	196.180
Total Expenditure	196.180
Capital Receipts	4.155
Grants & Contributions	32.720
Reserves	0.138
Revenue	0.130
Borrowing	159.037
Total Financing	196.180

Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.20 Actual £m
General Fund	732
Total CFR	732

The CFR rose by £163m in the year to £732m (2019 £569m) from capital expenditure financed by debt outweighs resources put aside for debt repayment.

The increase in CFR shows that the Council is increasing its borrowing to pay for capital expenditure in the city.

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Actual Debt: The Council's actual debt at 31 March 2020 was as follows:

Debt	31.03.20 Estimate £m	31.03.20 Actual £m	Difference £m
Borrowing	613	603	-10
PFI liabilities & other Finance leases	122	117	-5
Total Debt	735	720	-15

The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt below.

Operational Boundary for External Debt: The operational boundary is based on the Council's estimate of most likely (i.e. prudent, but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

Operational Boundary	31.03.20 Boundary £m	31.03.20 Actual Debt £m	Complied
Borrowing	720	603	✓
Other long-term liabilities	122	117	✓
Total Debt	842	720	✓

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003.

It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	31.03.20 Boundary £m	31.03.20 Actual Debt £m	Complied
Borrowing	775	603	✓
Other long-term liabilities	145	117	✓
Total Debt	920	720	✓

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Audit and Governance Committee Minute no.72

Annual Report on Treasury Management Activities for 2019/20

27 July 2020

**Minute no.72**

Chris Flower (Finance Business Partner) presented the Annual Report on Treasury Management Activities for 2019/20 to the Committee -

In order to comply with the Code of Practice for Treasury Management, the Council was required to formally report on its treasury management activities for the year, providing information on the progress and outcomes against the Treasury Management Strategy. The report covered the treasury management activities for financial year 2019/20 including the final position on the statutory Prudential Indicators.

The report –

- (a) was prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code;
- (b) confirmed capital financing, borrowing, debt rescheduling and investment transactions for the year 2019/20;
- (c) provided an update on the risk inherent in the portfolio and outlined actions taken by the Council during the year to minimise risk;
- (d) gave details of the outturn position on Treasury Management transactions in 2019/20;
- (e) confirmed compliance with treasury limits and Prudential Indicators (PIs) and the outlines the final position on the PI's for the year.

The Audit and Governance Committee agreed to –

1. note the Treasury Management Annual Report 2019/20.
2. Recommend the Treasury Management Annual Report 2019/20 to Full Council for approval.

This was to comply with the CIPFA Code of Practice and discharge our statutory requirement.

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