

**REPORT OF:** CHIEF EXECUTIVE  
**TO:** ACCOUNTS & AUDIT COMMITTEE  
**DATES:** 19<sup>th</sup> October 2021

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## **TREASURY MANAGEMENT 2021/22 QUARTER 2 (Q2) MONITORING REPORT**

### **PURPOSE OF REPORT**

1. The purpose of this report is to advise the Committee of the treasury management activities of the Council for the second quarter of 2021/22.

### **RECOMMENDATIONS**

2. It is recommended that the Committee note the work on the Council's treasury management activities in the period 01 April 2021 to 30 September 2021

### **ISSUE**

#### **Introduction**

3. The Council's Treasury Management function is concerned with the management of the Council's debts, investments, cash-flow, and banking arrangements. These activities are regulated by a variety of professional codes, statute and guidance. The Council's Treasury Management Policy requires that at least twice a year, a report be submitted to the Policy and Resources Committee on the Council's Treasury Management activities. It also represents good practice to report on treasury activities to the Accounts & Audit Committee. This report provides a summary view of the activity undertaken in the year to date in relation to the Council's debt and investment.
4. The Local Government Act 2003 requires the Council to approve the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS) in advance of the municipal year. The TMSS, incorporating the AIS, and MRP Policy Statement were approved by Council at its meeting of 25 March 2021.
5. The contribution the treasury management function makes to the authority is critical as the balance of debt and investment operations ensures liquidity, or the ability to meet spending commitments as they fall due either on day to day revenue or for larger capital projects.

6. Treasury management activities are undertaken within the Council's Treasury Management Policy and where necessary, advice is sought from Link Asset Services (LAS) who are engaged as the Council's external advisors.

### **Long Term Borrowing**

7. At the beginning of the 2021/22 financial year, the Council held loans of £22.359m, at an average interest rate of 2.93%, comprised wholly of Public Works Loan Board (PWLb) debt.
8. No additional borrowing has been undertaken in the period to the end of Q2 2021/22. Rates are continually under review, with officer considerations taking into account the Council's borrowing requirement and the potential to take account of historically low rates on offer and the need to support the Council's underlying need to borrow to finance the Capital Programme (including borrowing for slippage carried forward from previous years). As part of the forward look for the 2022/23 budget and the medium term financial plan, a review of the Capital Programme and the Capital Financing Requirement is being undertaken.
9. In light of the above, this report confirms that our outstanding PWLB loan debt as at 30 September 2021 remains at £22.359m. An analysis of this long-term debt and its maturity profile is provided at Appendix A. Decisions on long-term borrowing, such as timing and amount, also impact on the revenue budget as assumptions on external debt repayment are made within the Medium Term Financial Plan. There are no other items of outstanding long term borrowing which we need to bring to your attention.
10. We can report that the borrowing position is within the boundary limits set and approved as part of the TMSS and AIS (referred to in para 4 above).

### **Temporary (or Short Term) Borrowing**

11. Temporary borrowing relates to loans which are repayable:

- (a) without notice;
- (b) at less than 12 months notice; or
- (c) within 364 days of the date of borrowing.

During the period under consideration, the Council has not undertaken any short term borrowing.

### **Temporary (or Short Term) Investments**

12. The Council's cash-flow position is generally such that it has scope to undertake short term investing activity relating to surplus funds, i.e. as represented by balances, reserves etc. in excess of required working cash / capital. In line with recent trends, and as reported, the Council has adopted a more reserved approach to investing surplus funds; choosing to keep cash in instant access accounts or invest short term in highly liquid opportunities. The Council started the year with investments of £17.5m. The balance of investments as at 30th June 2021 was £23.5m, and activity in Q2 has increased our invested balance to £24m at 30 September 2021. The below table summarises the investment transactions that have taken place since the previous reported quarter:

|                                                    | £m            | No.      |
|----------------------------------------------------|---------------|----------|
| Opening balance of Investments 01 July 2021        | 23.500        | 7        |
| New Investments                                    | 41.500        | 12       |
| Investments Realised                               | (41.000)      | (12)     |
| <b>Balance of Investments at 30 September 2021</b> | <b>24.000</b> | <b>7</b> |

13. The 7 investments comprising the balance of £23.5m were placed within the following sectors:

| Sector                                     | £m            | %             |
|--------------------------------------------|---------------|---------------|
| Local Authorities (Principal Councils (1)) | 6.000         | 25.0          |
| UK Government                              | 8.000         | 33.3          |
| UK Banks                                   | 2.500         | 10.4          |
| UK Building Societies                      | 7.500         | 31.3          |
|                                            | <b>24.000</b> | <b>100.00</b> |

14. The composition of the investment balances are as follows:

| Deposit Type                          | £m            | Interest rate / range | Duration      |
|---------------------------------------|---------------|-----------------------|---------------|
| Fixed Term Deposits                   | 17.500        | 0.01% - 0.15%         | 23 - 179 days |
| Fixed Term Deposits                   | 5.000         | 0.07% - 0.20%         | >180 days     |
| Instant Access Deposit / Call account | 6.000         | 0.05%                 | N/A           |
|                                       | <b>23.500</b> |                       |               |

15. Unlike interest rates for borrowing, rates for short term investments are generally considered to track more closely to the prevailing Bank of England (BoE) rate. Due to the continuing economic conditions, the BoE Bank Rate has remained at 0.1% throughout the period under consideration. This was confirmed via the regular announcements on the decisions of the Monetary Policy Committee (MPC) on 18 March 2021, 06 May 2021, 24 June 2021, and 23 September 2021. The approved TMSS noted that the expectation for investment earning rates for 2021/22 are 0.1% which tracks against the current expectations of the treasury management function and LAS.
16. Though there have been recent increases in inflation within the UK economy, which are expected to be a consideration over the financial year, current expectation is that mechanisms related to the quantitative easing (QE) programme will be the initial 'levers' used to address this in line with the MPC / BoE objectives relating to economic management and the related inflation target. However, over the medium term it is expected that interest rate rises may be seen to assist with this macro-economic outlook.
17. In terms of the relative performance of the Council's investment portfolio, the average rate of return across the period under consideration was 0.047% which is slightly below forecast of due to the returns that have been available for very short term liquid assets as we try and manage the cash flow position in light of uncertainty over timings of payments to / from central government. However, activity and strategy over the remainder of the financial year will seek to address the overall level of return through the placement of longer term investments.
18. LAS are currently being consulted to assist management in identifying suitable options for expanding the counter-party list, and considering the parameters of the approved policy and strategy environment.
19. The revenue budgets associated with Treasury Management activity, namely debt charges (comprising interest and provision for principal repayment) and investment income are

monitored on an ongoing basis and reported to Management Team and Policy and Resources Committee.

## **IMPLICATIONS**

### **Policy**

20. This report has been produced in compliance with the requirements of the Council's Treasury Management Policy.

### **Financial**

21. The financial implications are given in the report.

### **Legal**

22. In accordance with the Local Government Act 2003, Members are required to approve the Annual Treasury Management Strategy incorporating the Annual Investment Strategy, the prudential indicators, and the authorised limit for external debt. As noted above, these were approved by Members at the meeting of the 25 March 2021 for the current financial year. No amendments or alterations have been required or made following this approval.

### **Risk Management**

23. Treasury Risk Management is a key element of the Council's Treasury Management Strategy. In the light of this, and in accordance with best practice, the Council's has a specific Treasury Management Practice Note specifically covering Treasury Risk Management. In particular, this covers areas such as liquidity risk, Interest Rate risk management and credit/counterparty risk management.
24. Given the arrangements the Council currently has in place in relation to Treasury Risk Management, treasury issues do not currently feature on the Council's Risk Register.

### **Health and Safety**

25. There are no health and safety implications arising directly from the contents of this report.

### **Sustainability Implications**

26. There are no sustainability implications arising directly from this report.

### **Community Safety:**

27. There are no community safety issues arising directly from the contents of this report.

### **Equality and Diversity:**

28. There are no equality and diversity implications arising from the contents of this report.

## **APPENDICES**

[Appendix A](#) – Long Term Borrowing profile

## **LIST OF BACKGROUND PAPERS**

None

## Appendix A – Long Term Borrowing profile

### FINANCIAL LIABILITIES

| Ref                        | Lender | Start Date | Maturity Date | Original Principal | Interest Rate | Current Principal  |
|----------------------------|--------|------------|---------------|--------------------|---------------|--------------------|
| <b>PWLB MATURITY</b>       |        |            |               |                    |               |                    |
| 502049                     | PWLB   | 27/03/2013 | 31/03/2022    | £1,000,000         | 2.66          | £1,000,000         |
| 503065                     | PWLB   | 22/05/2014 | 31/03/2023    | £1,000,000         | 3.37          | £1,000,000         |
| 503066                     | PWLB   | 22/05/2014 | 31/03/2024    | £1,000,000         | 3.49          | £1,000,000         |
| 497424                     | PWLB   | 14/06/2010 | 31/03/2025    | £1,000,000         | 4.16          | £1,000,000         |
| 503226                     | PWLB   | 20/08/2014 | 31/03/2026    | £1,500,000         | 3.47          | £1,500,000         |
| 503619                     | PWLB   | 09/01/2015 | 31/03/2030    | £1,500,000         | 2.82          | £1,500,000         |
| 504664                     | PWLB   | 11/02/2016 | 31/03/2034    | £1,000,000         | 2.91          | £1,000,000         |
| 113576                     | PWLB   | 13/09/2019 | 31/03/2034    | £1,500,000         | 1.76          | £1,500,000         |
| 508018                     | PWLB   | 09/11/2018 | 31/03/2044    | £1,000,000         | 2.78          | £1,000,000         |
| 509381                     | PWLB   | 21/06/2019 | 31/03/2049    | £1,000,000         | 2.28          | £1,000,000         |
| 493481                     | PWLB   | 23/07/2007 | 31/03/2053    | £1,859,166         | 4.75          | £1,859,166         |
| 509382                     | PWLB   | 21/06/2019 | 31/03/2056    | £1,500,000         | 2.21          | £1,500,000         |
| 506039                     | PWLB   | 02/05/2017 | 31/03/2060    | £1,000,000         | 2.36          | £1,000,000         |
| 506040                     | PWLB   | 02/05/2017 | 31/03/2061    | £1,000,000         | 2.35          | £1,000,000         |
| 504304                     | PWLB   | 14/08/2015 | 31/03/2062    | £1,000,000         | 3.07          | £1,000,000         |
| 505224                     | PWLB   | 07/07/2016 | 31/03/2063    | £1,000,000         | 2.14          | £1,000,000         |
| 503620                     | PWLB   | 09/01/2015 | 31/03/2064    | £1,500,000         | 3.14          | £1,500,000         |
| 508019                     | PWLB   | 09/11/2018 | 31/03/2064    | £1,000,000         | 2.64          | £1,000,000         |
| 506041                     | PWLB   | 02/05/2017 | 31/03/2065    | £1,000,000         | 2.34          | £1,000,000         |
| <b>TOTAL PWLB MATURITY</b> |        |            |               | <b>£22,359,166</b> |               | <b>£22,359,166</b> |