



REPORT TO:	Governance and Audit Committee
DATE:	22 nd September 2022
SUBJECT:	Q1 Treasury Management Update 2022-23
KEY DECISION:	<i>No</i>
PORTFOLIO HOLDER:	<i>Councillor Coupland</i>
REPORT AUTHOR:	Sean Howsam (Interim Treasury and Investments Manager (PSPSL))
WARD(S) AFFECTED:	None directly
EXEMPT REPORT?	<i>No</i>

SUMMARY

Attached at **Appendix A** is the Q1 Treasury Management Report on the Council's "Treasury Management Strategy Statement and Annual Investment Strategy". It covers the following areas;

- An economic update for the first quarter of the 2022-23 financial year;
- The outlook for the remainder of the financial year along with interest rate forecasts;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- A review of the Council's investment portfolio for 2022-23;
- A review of the Council's borrowing strategy for 2022-23;
- Debt rescheduling;
- Compliance with Treasury and Prudential indicators.

This Report refers to a key element of the Council's Governance Framework and represents an important contribution to the evidence trail in support of the Annual Governance Statement 2022/23.

RECOMMENDATIONS

It is recommended that Members of the Governance and Audit Committee receive and review the contents of the report attached at **Appendix `A`**.

REASONS FOR RECOMMENDATIONS

The CIPFA Code of Practice for Treasury Management suggests that members should be informed of Treasury Management activities at least twice a year. This report therefore ensures this Council is embracing Best Practice in accordance with CIPFA's revised Code of Practice.

OTHER OPTIONS CONSIDERED

As this is an update report there are no other further options for consideration.

REPORT

- 1.1 This report provides the 2022/23 Quarter 1 update on the Council's "Treasury Management Strategy Statement and Annual Investment Strategy". (**Appendix A**).
- 1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued the revised Code of Practice for Treasury Management in 2017.
- 1.3 The Code suggests that members should be informed of Treasury Management activities at least twice a year. This report therefore ensures this Council is embracing best practice in accordance with CIPFA's revised Code of Practice.

BACKGROUND

- 2.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.
- 2.2 The second main function of the treasury management service is the funding of the Council's capital programme. The capital programme provides a guide to the borrowing need of the Council, essentially longer term cash flow planning to ensure the Council can meet its capital spending requirements. This management of longer term cash may involve arranging long or

short term loans, or using longer term cash flow surpluses, and on occasion, any existing debt may be restructured to meet Council risk or cost objectives.

2.3 Accordingly treasury management is defined as:

“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

2.4 The risks around investments have always been managed effectively by the Council.

FINANCIAL UPDATE – Q2 TO 30 JUNE 2022

- 3.1 The Council’s 2022/23 budget for investment income is £294k (split £281k General Fund and £13k HRA). At the end of June 2022 investment income earned was estimated to be approximately £127k.
- 3.2 The average level of funds available for investment purposes during the first quarter of the financial year was £52.4m including the loans to Welland Homes which are classified as long-term debtors.
- 3.3 Treasury investments achieved an average rate of 0.776% compared to the benchmark average 3-month Sterling Overnight Index Average (SONIA) rate of 1.212%.%
- 3.4 The Welland Homes loans were issued at a rate of 3.50%.
- 3.5 The combined rate achieved on all investments is estimated to be approximately 0.97%.
- 3.6 The outturn for investment income for 2022/23 is forecast to be an over performance due to prevailing interest rates available and additional funds received that can be invested. Work is being undertaken to understand the profiling of the spend and therefore the potential funds available for investment.
- 3.7 The projected outturn for borrowing costs for 2022/23 is £2,347,469 which is in line with the budget.
- 3.8 The Council’s Investment Policy and Strategy is kept under constant review with the aim of balancing risk and reward. The investment criteria agreed for 2022/23 permitted investments with banks whose parent bank originates from a country with a sovereign rating of A+ or higher and meets Link Groups counterparty investment criteria.

CONCLUSION

This report provides an update on treasury management performance to Members to ensure Best Practice is maintained as required by CIPFA Code of Practice for Treasury Management.

FINANCIAL IMPLICATIONS

The financial implications are covered in detail in **Appendix A** to this report and in Section 3 above.

LEGAL IMPLICATIONS

None

CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

None

EQUALITY AND SAFEGUARDING IMPLICATIONS

None

OTHER IMPLICATIONS

None

CONSULTATION

The Portfolio Holder for Finance is briefed on treasury performance on a regular basis.

APPENDICES

Appendix A – Q1 Treasury Management Report 2022-23

BACKGROUND PAPERS

Background papers used in the production of this report are listed below: -

Document title	Where the document can be viewed
Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.	CIPFA website

CHRONOLOGICAL HISTORY OF THIS REPORT

A report on this item has not been previously considered by a Council body for the current financial year.
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REPORT APPROVAL

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Approved for publication:	Councillor Coupland Portfolio Holder for Finance
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