



REPORT TO:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	8 NOVEMBER 2021
SUBJECT:	MID-YEAR TREASURY REPORT 2021/22
KEY DECISION:	N/A
REPORT AUTHOR:	JACQUELINE MUNDY, INTERIM TREASURY & INVESTMENT MANAGER
WARD(S) AFFECTED:	N/A
EXEMPT REPORT?	NO

SUMMARY

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

- A review of the Treasury Management Strategy Statement and Annual Investment Strategy
- The Council's capital expenditure (prudential indicators)
- A review of the Council's investment portfolio for 2021/22
- A review of the Council's borrowing strategy for 2021/22

Appendix B is an economic update for the first six months of the 2021/22 financial year. The report includes the outlook for the remainder of the financial year along with interest rate forecasts. The information is provided by Link Asset Services who are Boston Borough Council's external advisors.

This report refers to a key element of the Council's Governance Framework and therefore represents an important contribution to the evidence trail in support of the Annual Governance Statement 2021/22.

RECOMMENDATIONS

That the Audit and Governance Committee receive and review the contents of this report.

REASONS FOR RECOMMENDATIONS

To effectively manage Treasury risk and protect Council capital.

OTHER OPTIONS CONSIDERED

There are no alternative recommendations.

1. Introduction

- 1.1 This report provides the 2021/22 mid-year update on the Council's "Treasury Management Strategy Statement and Annual Investment Strategy".
- 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.

2. 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.
- 2.5 The continuing very low levels of interest rates, along with continued uncertainty in the financial markets, means the returns from investments are currently below historic levels.

- 2.6 During 2018/19 the Council completed its purchase of property fund units and borrowed £15.449m from the PWLB at an average rate of 2.48% in accordance with the Treasury Management Strategy approved by Council in April 2018.
- 2.7 The purchase of property fund units has significantly increased investment returns to the Council.

3 Financial Update – half year to 30 September 2021

- 3.1 At 30 September 2021, the Council held £24.105m in cash investments (£17.690m at 31 March) and £20.711m in property funds (£19.492m at 31 March).
- 3.2 The Council budgeted to receive £1,016,000 in gross investment income in 2021/22 comprising £977,000 from Property Funds (including £215,000 management fees) and £39,000 from cash investments.
- 3.3 As at 30 September 2021, total investment income for the year is estimated to be £946,000 comprising £924,000 from Property Funds and £22,000 from cash investments. Property Fund Management fees for 2021/22 are currently estimated at £215,000.
- 3.4 In 2021/22, cumulatively to 30 September 2021, the Council achieved an average gross revenue return (before deduction of management charges) of 4.46% from the Property Fund holdings, and 3.42% net (after the deduction of those charges).
- 3.5 Treasury (cash) Investments achieved an average rate of 0.9% compared to the benchmark average 3-month LIBID rate of -0.054%.
- 3.6 Borrowing at 30 September 2021 is £16.449m of which £15.449m is from the PWLB. Total borrowing costs for 2021/22 are projected to be £494,000.

4 CONCLUSION

- 4.1 Treasury Management continues to require close attention given the current financial climate. Officers will continue to be vigilant and report any significant issues to this Committee.

Review Date:

Regular reporting is undertaken in the quarterly Governance Reports, and Annual Treasury Management Reports are produced each year. Any significant treasury issues arising will be reported to the Audit and Governance Committee.

FINANCIAL IMPLICATIONS

The entire report.

LEGAL IMPLICATIONS

The General Power of Competence (GPOC) in the Localism Act 2011 allows Councils a broad freedom in their operations.

Councils have the general power to borrow under Section 1 of the Local Government Act 2003.

The power to invest is set out in the Local Government Act 2003, Section 12, which gives the Council the power to invest for any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs.

The power that allows councils to spend for capital purposes is included in the Local Government Act 2003.

RISK IMPLICATIONS**Risk Management**

The Code of Practice sets out the framework for controlling the risks associated with treasury management decisions for borrowing and investing. Ultimately investment and borrowing decisions are made in accordance with the Council's Treasury Management Strategy. The overriding priority is that the security of a deposit takes precedence over a return on investment.

The Prudential and Treasury Indicators control the limits for investing and borrowing, to ensure that any borrowing is affordable and sustainable and long term borrowing is for capital purposes only.

Impact on Performance

There is a requirement to try and balance the risks and rewards from investing our available cash resources, as outlined within the Treasury Management Strategy 2021/22.

CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

None

EQUALITY AND SAFEGUARDING IMPLICATIONS

None

OTHER IMPLICATIONS

None.

CONSULTATION

No consultation undertaken.

APPENDICES

Appendices are listed below and attached to the back of the report: -

APPENDIX A	Mid-Year Review Report 2021/22
APPENDIX B	Economic update from Link Asset Services

BACKGROUND PAPERS

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

Document title	Where the document can be viewed
Treasury Management Strategy Statement for 2021/22	As part of the MTFFS reported to Full Council on 1 st March 2021. https://moderngov.boston.gov.uk/documents/b5223/Council%20Report%20-%202021-22%20Budget%20Report%20Medium%20Term%20Financial%20Strategy%20and%20Council%20Tax%2001st-Mar-202.pdf?T=9

CHRONOLOGICAL HISTORY OF THIS REPORT

A report on this item has not been previously considered by a Council body.

REPORT APPROVAL

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Approved for publication:	-