



<b>REPORT TO:</b>	AUDIT AND GOVERNANCE COMMITTEE
<b>DATE:</b>	28 <sup>TH</sup> MARCH 2022
<b>SUBJECT:</b>	Q3 TREASURY REPORT 2021/22
<b>PURPOSE:</b>	
<b>KEY DECISION:</b>	N/A
<b>PORTFOLIO HOLDER:</b>	ADD
<b>REPORT OF:</b>	ADD
<b>REPORT AUTHOR:</b>	DEPUTY CHIEF EXECUTIVE – CORPORATE DEVELOPMENT
<b>WARD(S) AFFECTED:</b>	ADD
<b>EXEMPT REPORT?</b>	NO

#### SUMMARY

Attached at **Appendix A** is the Quarter 3 Report on the Council's "Treasury Management Strategy Statement and Annual Investment Strategy." It covers the following areas;

- An economic update for the first three quarters of the 2021/22 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 2021/22;
- A review of the Council's borrowing strategy for 2021/22;
- Debt rescheduling;
- Compliance with Treasury and Prudential indicators.

**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. BACKGROUND**

- 1.1. This report provides the 2021/22 Quarter 3 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. REPORT**

- 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. CONCLUSION**

- 3.1. At 31 December 2021, the Council held £24.505m in cash investments (£17.690m at 31 March) and £21.78m in property funds (£19.492m at 31 March).
- 3.2. The Council budgeted to receive £801,000 in gross investment income in 2021/22 comprising £779k from Property Funds (including £215,000 management fees) and £22,000 from cash investments.
- 3.3. As at 31 December 2021, total investment income for the year is estimated to be £778.5k comprising £756.5k 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 31 December 2021, the Council achieved an average net revenue return (after deduction of management charges) of 3.48% from the Property Fund holdings.
- 3.5. In 2021/22, cumulatively to 31 December 2021, the Council achieved an average net revenue return (after deduction of management charges) of 3.48% from the Property Fund holdings
- 3.6. Borrowing at 31 December 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.

### **EXPECTED BENEFITS TO THE PARTNERSHIP**

*(This section should be used to summarise how the recommendations will support the aims and ambitions of the South and East Lincolnshire Council's Partnership.)*

## **IMPLICATIONS**

### **SOUTH AND EAST LINCOLNSHIRE COUNCIL'S PARTNERSHIP**

*(Highlight any specific implications for the South and East Lincolnshire Councils Partnership arising from the report in this section. If none, insert the word 'none'.)*

### **CORPORATE PRIORITIES**

*(Highlight any specific corporate priority implications arising from the report in this section. If none, insert the word 'none'.)*

### **STAFFING**

*(Highlight any specific staffing implications arising from the report in this section. The Director of HR PSPS Ltd must be consulted on any staffing implications. If none, insert the word 'none'.)*

### **CONSTITUTIONAL AND LEGAL IMPLICATIONS**

*(Highlight any specific legal implications arising from the report in this section. The Monitoring Officer must be consulted on any legal implications. If none, insert the word 'none'.)*

### **DATA PROTECTION**

*(Highlight any specific data protection implications arising from the report in this section. If none, insert the word 'none'.)*

### **FINANCIAL**

The entire report

### **RISK MANAGEMENT**

*(Highlight any specific risk implications arising from this report. If none, insert the word 'none'.)*

### **STAKEHOLDER / CONSULTATION / TIMESCALES**

*(This section should be used to outline what consultation has been undertaken and provide an overview of the feedback received. If no consultation has been undertaken insert the words 'No consultation undertaken.' Consideration should be given to consultation with the local Ward Councillor, the relevant Portfolio Holder and other bodies of the Council such as the relevant Overview and Scrutiny Committee.)*

### **REPUTATION**

*(Highlight any specific reputational implications arising from the report in this section. If none, insert the word 'none'.)*

## **CONTRACTS**

*(Highlight any specific contractual implications arising from the report in this section. If none, insert the word 'none'.)*

## **CRIME AND DISORDER**

*(Highlight any specific crime and disorder implications arising from the report in this section. If none, insert the word 'none'.)*

## **EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING**

*(Highlight any specific equality and diversity, human rights and/or safeguarding implications arising from the report in this section. If none, insert the word 'none'.)*

## **HEALTH AND WELL BEING**

*(Highlight any specific health and well being implications arising from the report in this section. If none, insert the word 'none'.)*

## **CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

*(Highlight any specific climate change or environmental impact implications arising from the report and mitigation required in this section. Guidance attached at Appendix 1 of Report Writing and Processes document. If necessary seek advice from the Climate Change and Environment Manager (ELDC). If none, insert the word 'none'.)*

## **ACRONYMS**

*(Use this section to explain any acronyms used in the body of the report. If none, insert the word 'none'.)*

### **APPENDICES**

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

APPENDIX A

Q3 Treasury Report 2021/22

### **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	<p>As part of the MTFS reported to Full Council on 1<sup>st</sup> March 2021.</p> <p><a href="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">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</a></p>

#### CHRONOLOGICAL HISTORY OF THIS REPORT

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

#### REPORT APPROVAL

Report author:	Name and full contact details
Signed off by:	Name and full contact details
Approved for publication:	Name of Councillor (if required)

**FINANCE PROFORMA**

PROFORMA FOR APPROVAL OF THE RELEASE OF RESOURCES

(CAPITAL AND REVENUE BUDGETS)

FROM:

THIS PROFORMA PROVIDES THE FINANCIAL IMPLICATIONS  
IN RESPECT OF THE ATTACHED

REPORT:

REPORT DATE:

<b>OPTION 1</b>	£ Year 1 2020/21	£ Year 2 2021/22	£ Year 3 2022/23	£ Year 4 2023/24	£ Year 5 2024/25
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**Revenue**

**Total Revenue Cost**

**Funding required:**

Total capital cost      £

Revenue cost              £

**Considered by:**

Enter committee here

Enter Council or  
Cabinet/Executive here

**Date:**

**Financial Services Comments**

**Risk**

**Procurement**

**Value for Money Efficiency**

This FP is valid for 3 months from FP date	If this FP is no longer required please advise Finance	If there are changes to the original report it may invalidate this document, it must be reviewed by Finance.