

*Executive Committee and Council only*  
Date signed off by the Monitoring Officer:  
Date signed off by the Section 151 Officer:

Committee: **Corporate Overview Scrutiny Committee**  
Date of meeting: **10<sup>th</sup> December 2021**  
Report Subject: **Treasury Management Mid-Year Review Report - 1<sup>st</sup> April 2021 to 30th September 2021**  
Portfolio Holder: **Cllr N Daniels, Leader / Executive Member Corporate Services**  
Report Submitted by: **Rhian Hayden, Chief Officer Resources**

Reporting Pathway									
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)	
	11.11.21	01.12.21			10.12.21		27.01.22		

**1. Purpose of the Report**

1.1 The purpose of the report is to give Members the opportunity to scrutinise the Treasury Management activities carried out by the Authority during the first half of the 2021/22 financial year.

**2. Scope and Background**

2.1 The report provides a summary of the Treasury Management activities carried out under delegated powers by the Chief Officer Resources in the period 1<sup>st</sup> April to 30<sup>th</sup> September 2021 in accordance with the CIPFA Treasury Management Code of Practice.

2.2 Treasury Management can be defined as:

“The management of the local authority’s 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.”

2.3 The primary requirements of the CIPFA Code of Practice are currently as follows:

- a. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities.
- b. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- c. Receipt by the Council of an annual Treasury Management Strategy report (including the annual investment strategy report) for the year ahead, a mid-year review and an annual review report of the previous year.

- d. Delegation by the Council of responsibilities for implementing and monitoring Treasury Management policies and practices and for the execution and administration of treasury management decisions, which in this Council is now the Chief Officer Resources.
  - e. Delegation by the Council of the role of scrutiny of Treasury Management strategy and policies to a specific named body which in this Council is the Corporate Overview Scrutiny Committee.
- 2.4 This report is therefore presented to Corporate Overview Scrutiny to provide a mid-year review report (attached as Appendix 1) of the Treasury Management activities for the 2021/2022 financial year, in accordance with (c) above.

### **3. Options for Recommendation**

#### **3.1 Option 1**

Members scrutinise the treasury management activity undertaken during the 2021/22 financial year and provide comment prior to its submission to full Council.

#### **3.2 Option 2 (preferred option)**

Members scrutinise the treasury management activity undertaken during the 2021/2022 financial year and do not provide comment prior to its submission to full Council.

### **4. Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

- 4.1 The report is written under legislation (the Local Government Act 2003), Welsh Government guidance and CIPFA codes of practice.
- 4.2 This topic also supports the Corporate Plan Priority of being an ambitious and innovative council delivering the quality services we know matter to our communities

### **5. Implications Against Each Option**

#### *Impact on Budget (short and long term impact)*

- 5.1.1 The Authority has complied with the CIPFA Treasury Management in the Public Services: Code of Practice 2017 and in doing so has strived for effective risk management and control, whilst at the same time pursuing best value as far as possible.
- 5.1.2 The Authority has effectively managed credit risk throughout the period, so ensuring that it has not been subjected to any financial loss as a result of the pandemic.

- 5.1.3 The Authority has maximised investment returns as far as is possible whilst managing the associated risk and minimised borrowing costs throughout the period.
- 5.1.4 Investment returns of £13,000 have been achieved with an average interest rate of 0.02%. This is above the benchmark rate of -0.07% which is reflective of the impact the pandemic has had on the bank base rate and in turn the market interest rates offered for investments. The annual budgeted investment interest for the full year is £6,000. This surplus has been achieved this year in part due to the extraordinary receipt of the £70 million Rail Infrastructure Loan from the Welsh Government in March 2021, which has been invested in line with the Authority's Investment Strategy. However, there is a condition of the funding approval that states any interest earned from holding the loan must be added to the works programme. Therefore, this income will be placed in a reserve until such time it is used to fund works or can be transferred to the Authority.
- 5.1.5 An average interest rate of 0.31% has been paid on temporary borrowings against a benchmark of 1.70%, amounting to £49,000 for the six-month period. The budget for interest paid on short term borrowing is £425,000 for a full year - the full year interest payable is likely to be well within this budget.
- 5.1.6 A summary of the Treasury Management activities for the period are shown in the table below:

	<b>Value</b>	<b>Interest</b>	<b>Average Interest Rate</b>
Short Term Loans raised	£m 109	£ 49,000	% 0.31%
Short Term Investments made	692	13,000	0.02%
Long Term debt outstanding 30/9/21	164.6		3.70%
Short Term debt outstanding 30/9/21	48.4		0.08%

## 5.2 *Risk including Mitigating Actions*

- 5.2.1 The main risk in relation to Treasury Management is that of credit risk and protecting the Authority's cash. This is effectively managed through the Authority's risk averse Treasury Management policy that seeks to protect the capital sum rather than maximise investment returns.
- 5.2.2 The £70 million received from the Welsh Government in relation to the Rail Infrastructure scheme has posed new challenges for the Treasury Management function in terms of exploring new investment opportunities, such as Notice Accounts and banks, whilst adhering to the Authority's Investment Strategy and approved counterparty limits. In order to mitigate the risk of breaching these limits, the Authority has utilised the Debt Management Account Deposit Facility in the first instance (unlimited deposits) as well as its Money Market

Fund and other Investments with Local Authorities (£6 million limit). Furthermore, the Authority will continue to monitor other investment opportunities in the second part of the year.

- 5.2.3 Following the recent and unexpected increase in inflation experienced in the UK Economy, the market now expects that the Bank of England base rate will increase to 0.25% by the second quarter of next year. Although this is much sooner than originally anticipated following the downturn caused by the pandemic, the rate is not expected to increase rapidly after this and is still 0.50% lower than the rate in effect in March 2020. The Authority will continue to monitor market rates and will endeavour to achieve the lowest rates for its borrowing.

### 5.3 *Legal*

- 5.3.1 The report is written under legislation (the Local Government Act 2003), Welsh Government guidance and CIPFA codes of practice.

### 5.4 *Human Resources*

- 5.4.1 There are no direct staffing implications to report. Staff directly involved with Treasury Management activities will continue to monitor the credit situation on a daily basis, and will notify the Chief Officer Resources accordingly. Any consequential changes required to be made to the borrowings or investment strategy as a result will be reported to the Council.

## 6. **Supporting Evidence**

### 6.1 *Performance Information and Data*

- 6.1.1 Despite the financial climate in relation to the pandemic, the Authority has performed well in terms of its Treasury Management activities during the first half of the year, as detailed in the report and summarised below:
- a. Investment returns of £13,000 have been achieved in the period with an average interest rate of 0.02%. This is above the benchmark rate of -0.07% but reflects the impact the pandemic has had on the bank base rate and in turn the market interest rates offered on investments. The annual budgeted investment interest is £6,000, which has been exceeded in part due to the investments in relation to the £70m Rail Infrastructure money.
  - b. An average interest rate of 0.31% has been paid on temporary borrowings against a benchmark of 1.50%, amounting to £49,000 for the six-month period. The budget for interest paid on short term borrowing is £425,000 for a full year - the full year interest payable is likely to be well within this budget. The interest payable by the Authority has therefore been minimised as far as possible and is evidence of good performance.
  - c. All of the Treasury limits and Treasury Management prudential indicators set for the financial year have been complied with during the year.
  - d. No institutions in which investments were made during the period had any difficulty in repaying investments and interest in full, so the

Authority has not been exposed to any financial loss as a result of the difficult economic climate. The Authority will continue to monitor other investment opportunities throughout the rest of the financial year.

6.2 *Expected outcome for the public*

- 6.2.1 The Council's Treasury Management activities support delivery of services to the public.

6.3 *Involvement (consultation, engagement, participation)*

- 6.3.1 Members of the Corporate Overview Scrutiny Committee and full Council are involved in developing and monitoring compliance with the Council's Treasury Management Strategy.

6.4 *Thinking for the Long term (forward planning)*

n/a

6.5 *Preventative focus*

- 6.5.1 The Authority's Treasury Management policy prioritises protecting the capital sum rather than achieving higher interest returns

6.6 *Collaboration / partnership working*

n/a

6.7 *Integration(across service areas)*

n/a

6.8 *Decarbonisation and Reducing Carbon Emissions*

n/a

6.9a *Socio Economic Duty Impact Assessment*

n/a

6.9b *Equality Impact Assessment*

n/a

**7. Monitoring Arrangements**

- 7.1 As the nominated Committee, Corporate Overview & Council will receive three reports in every annual cycle:-

- A Treasury Management Policy report prior to the start of every financial year
- A mid-year progress report on Treasury Management activity
- An end of year out turn report on Treasury Management activity.

**Background Documents /Electronic Links**

- Appendix 1
- Appendix A
- Appendix B

