

Committee: **Council**

Date of Meeting: **25<sup>th</sup> January, 2024**

Report Subject: **Treasury Management Quarterly Update Report – June 2023**

Portfolio Holder: **Councillor Stephen Thomas, Leader/Cabinet Member - Corporate Overview & Performance**

Report Submitted by: **Rhian Hayden, Chief Officer Resources**

| Reporting Pathway           |                           |                          |                            |                               |                    |         |          |                      |
|-----------------------------|---------------------------|--------------------------|----------------------------|-------------------------------|--------------------|---------|----------|----------------------|
| Directorate Management Team | Corporate Leadership Team | Portfolio Holder / Chair | Governance Audit Committee | Democratic Services Committee | Scrutiny Committee | Cabinet | Council  | Other (please state) |
|                             |                           |                          |                            |                               | 06/12/2023         |         | 27/01/24 |                      |

## 1. Purpose of the Report

- 1.1 The purpose of this report is to provide members with an update of Treasury Management activities during the first quarter of 2023/2024 and the Council's performance against approved Prudential and Treasury Indicators.

## 2. Scope and Background

- 2.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that members be updated on treasury management activities at least quarterly. This report, therefore, ensures this Council is implementing best practice in accordance with the Code. The update report is attached as Appendix 1.
- 2.2 This report will provide information on the Council's Borrowing and Investment activity, Economic updates and Interest Rate forecasts, as well as the Council's performance against approved performance indicators.
- 2.3 These quarterly reports will be provided to the Corporate Overview and Performance Scrutiny Committee to be adequately scrutinised. There is no requirement for these update reports to be reported to Council unless any changes to the Council's Treasury Management Strategy Statement, Capital Strategy, Investment Strategy or Performance Indicators are required.

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

#### 3.1 **Option 1 (Preferred Option)**

Members consider the treasury management activity undertaken during the first 3 months of 2023/24 and do not make any amendments to the previously agreed Treasury strategies and performance indicators.

#### **Option 2**

3.2 Members consider the treasury management activity undertaken during the first 3 months of 2023/24 and make amendments to the previously agreed Treasury strategies and performance indicators.

Corporate Overview and Performance Scrutiny Committee considered this report on 6 December 2023, no proposals for amendments were made (option 1 agreed).

### 4. **Evidence of how 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 at the right time and in the right place.

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

#### 5.1 **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 2021, 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.

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.

## **5.2 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 Following the increases in the Bank of England base rate beginning in December 2021, the base rate has risen from 4.25% to 5.00% in the first quarter of the year. The Bank of England further increased this rate to 5.25% in August 2023 and has maintained this level to date. The Authority has benefitted from only entering into short-term borrowing and taking advantage of lower interest rates in the first quarter of the year. However, the increase in market rates will have a significant impact on borrowing costs during the remainder of 2023/24 and into 2024/25.

## **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 The Performance information is contained within Appendix 1

### **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 and Performance 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)**

6.4.1 The Treasury Management Strategy Statement sets out policies to ensure that any decisions in relation to Treasury Management Activity are affordable and proportionate, and risk is managed as much as possible, over both the short and long-term.

#### **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**

6.6.1 N/A

#### **6.7 Integration (across service areas)**

6.7.1 N/A.

#### **6.8 Decarbonisation and Reducing Carbon Emissions**

6.8.1 The Council is committed to the Decarbonisation Plan to achieve a carbon neutral public sector by 2030. The Capital Programme currently contains schemes which promote the reduction of carbon emissions such as ReFIT, Electric Vehicle Charge Points and Carbon reduction schemes. New Council buildings should be designed to the latest energy efficiency standards.

6.8.2 The Authority also considers Environmental, Social and Corporate Governance (ESG) factors when setting up any investment arrangements. For example, we would avoid investing in companies linked with fossil fuels.

#### **6.9 Integrated Impact Assessment**

See above

#### **7. Monitoring Arrangements**

7.1 As the nominated scrutiny Committee, Corporate & Performance Scrutiny will receive a minimum of five reports in every annual cycle: -

- A Treasury Management Policy report prior to the start of every financial year
- A quarterly report on performance against set Prudential Indicators
- A mid-year progress report on Treasury Management activity
- An end of year out turn report on Treasury Management activity.

8. **Background Documents / Electronic Links**

- Appendix 1 – Update Report
- Appendix 2 – Prudential Indicators
- Appendix A – Temporary Loans
- Appendix B – Temporary Investments