

# STROUD DISTRICT COUNCIL

## AUDIT AND STANDARDS COMMITTEE

TUESDAY, 30 NOVEMBER 2021

<b>Report Title</b>	<b>HALF YEAR TREASURY MANAGEMENT REPORT 2021/22</b>			
<b>Purpose of Report</b>	To provide an update on Treasury Management activity as at 30/09/2021.			
<b>Decision(s)</b>	<b>The Audit and Standards Committee RESOLVES to accept the Treasury Management half year report.</b>			
<b>Consultation and Feedback</b>	Link Asset Services (LAS)			
<b>Report Author</b>	Graham Bailey, Principal Accountant Tel: 01453 754133 Email: <a href="mailto:graham.bailey@stroud.gov.uk">graham.bailey@stroud.gov.uk</a>			
<b>Options</b>	None			
<b>Background Papers</b>	None			
<b>Appendices</b>	Appendix A – Prudential Indicators as at 30 September 2021 Appendix B – Explanation of the Prudential Indicators Appendix C – Economic Update			
<b>Implications (further details at the end of the report)</b>	Financial	Legal	Equality	Environmental
	No	No	No	Yes

### 1. BACKGROUND

- 1.1** Treasury management is defined as: ‘The management of the local authority’s 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.’
- 1.2** This report is presented to the Audit and Standards Committee to provide an overview of the investment activity and performance for the first half year of the financial year, and to report on prudential indicators and compliance with treasury limits.
- 1.3** The Chartered Institute of Public Finance and Accountancy (CIPFA) issued the revised Code in November 2011, originally adopted by this Council on 21 January 2010. This half year report has been prepared in compliance with CIPFA’s Code of Practice, and covers the following:
- A review of the Treasury Management Strategy Statement (TMSS) and Investment Strategy
  - A review of the Council’s investment portfolio for 2021/22
  - A review of the Council’s borrowing strategy for 2021/22
  - A review of compliance with Treasury and Prudential Limits for 2021/22
  - Other Treasury Issues

## **2. Treasury Management Strategy Statement and Investment Strategy update**

**2.1** The TMSS for 2021/22 was approved by Council on 25th February 2021. The Council's Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:

1. Security
2. Liquidity
3. Yield

**2.2** In 2021-22 the Council will continue to invest for the longest permitted duration with quality counterparties to maximise return without compromising security, or liquidity. In particular instances the Section 151 Officer will authorise investments in the LAS blue category for a period of up to two years, which is currently longer than the LAS recommended duration of one year. Otherwise, the length of investments permitted will vary if necessary in line with LAS advice subject to the Council's 3-year upper limit.

**2.3** The composition of the Council's investment portfolio as at 30 September 2021 is shown in Table 3 of this report. Investments & borrowing during the year have been in line with the strategy.

**2.4** Current advice from Link is to invest for no more than a year with UK banks, or up to a maximum of five years with government or local government provided they are sufficiently highly rated on Link's weekly list.

## **3. Investment Portfolio 2021/22**

**3.1** In accordance with the Code, it is the Council's priority to ensure security and liquidity of investments, and once satisfied with security and liquidity, to obtain a good level of return. The investment portfolio yield for the first half year is shown in the table below:

**TABLE 1: Average Interest Rate of Return**

	Period	Investment Interest Earned £	Average Investment £m	Rate of Return
<b>Internally Managed Specified</b>		26,439	58,661	0.181%
<b>Property Fund / Multi-Asset Fund</b>	01/04/2021 - 30/06/2021	71,990	10,000	2.88%
<b>Total Quarter 1</b>		<b>98,429</b>	<b>68,661</b>	<b>0.57%</b>
<b>Internally Managed Specified</b>		27,201	58,880	0.182%
<b>Property Fund / Multi-Asset Fund</b>	01/07/2021 - 30/09/2021	72,208	10,000	2.94%
<b>Total Quarter 2</b>		<b>99,409</b>	<b>68,880</b>	<b>0.57%</b>
<b>HALF YEAR TOTAL</b>	01/04/2021 - 30/09/2021	<b>197,838</b>	<b>68,771</b>	<b>0.57%</b>

**TABLE 2: Funds Performance – Half Year 2021-22**

<b>Fund</b>	<b>Initial Investment £m</b>	<b>Value as at 30/09/2021 £m</b>	<b>Return Apr - Sep 2021</b>
Lothbury	4.000	4.017	2.71%
Hermes	2.000	2.085	3.77%
<b>TOTAL PROPERTY FUNDS</b>	<b>6.000</b>	<b>6.102</b>	<b>3.06%</b>
Royal London	3.000	3.186	2.53%
CCLA	1.000	1.059	2.81%
<b>TOTAL MULTI-ASSET FUNDS</b>	<b>4.000</b>	<b>4.245</b>	<b>2.60%</b>
<b>TOTAL FUND INVESTMENTS</b>	<b>10.000</b>	<b>10.347</b>	<b>2.88%</b>

- 3.2** The approved limits as set out in the Treasury Management Strategy report to Council 25th February 2021 within the Annual Investment Strategy were not breached during the first 6 months of 2021/22, with the exception of Barclays which has breached the limit through the re-investment of interest and is in the process of being resolved.
- 3.3** Funds were available for investment on a temporary basis. The level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The authority holds £15m core cash balances for investment purposes (i.e. funds that potentially could be invested for more than one year). As at 30 September the Council has invested £10m into Property and Multi-Asset Funds with the objective of longer term investments helping to improve the overall rate of return.
- 3.4** Table 3 below shows the investments and borrowing position at the end of September 2021.

**TABLE 3: Investments & Borrowing**

	Jun 2021 £'000	Sep 2021 £'000
Aberdeen	3,042	933
Federated Prime Rate	33	2,028
<b>Money Market Funds Total</b>	<b>3,075</b>	<b>2,961</b>
Lloyds	7,985	2,049
<b>Lloyds Banking Group Total</b>	<b>7,985</b>	<b>2,049</b>
NatWest	64	113
Royal Bank of Scotland	3,007	3,000
<b>RBS Banking Group Total</b>	<b>3,071</b>	<b>3,113</b>
Standard Chartered	2,000	7,000
Santander	7,994	7,999
Barclays Bank Plc	8,008	8,009
Svenska Handelsbanken	14	140
Goldman Sachs	8,000	4,000
Qatar National Bank	3,000	
Toronto Dominion		4,000
Coventry Building Society	4,500	5,000
Principality Building Society		2,000
National Counties Building Society		2,000
<b>Other Banks/Building Society Total</b>	<b>33,516</b>	<b>40,148</b>
Dudley Metropolitan Council	1,000	1,000
Thurrock District Council	2,000	1,000
North Lanarkshire	3,000	3,000
<b>Local Authority Total</b>	<b>6,000</b>	<b>5,000</b>
<b>TOTAL INVESTMENTS</b>	<b>£53,647</b>	<b>£53,271</b>
Lothbury	4,000	4,000
Hermes	2,000	2,000
<b>TOTAL PROPERTY FUNDS</b>	<b>£6,000</b>	<b>£6,000</b>
RLAM	3,000	3,000
CCLA	1,000	1,000
<b>TOTAL MULTI ASSET FUNDS</b>	<b>£4,000</b>	<b>£4,000</b>
PWLB	102,717	102,717
<b>TOTAL BORROWING</b>	<b>£102,717</b>	<b>£102,717</b>

## **4. External Borrowing**

- 4.1 The Council's Capital Financing Requirements (CFR) for 2021/2 is £121.834m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (External Borrowing) or from internal balances on a temporary basis (Internal Borrowing). The Council has external PWLB borrowing of £102.717m as at 30 September 2021.

## **5 Compliance with Treasury and Prudential Limits**

- 5.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". Council's approved Treasury and Prudential Indicators are outlined in the approved TMSS.
- 5.2 During the period to 30 September 2021 the Council has operated within treasury limits and Prudential Indicators set out in the Council's TMSS and with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in Appendix A.

## **6 Other Treasury Issues**

- 6.1 Preparation of an Ethical Investment Policy has commenced, with the aim of including the policy in the Treasury Management Strategy 2022-2023 report.

## **7 IMPLICATIONS**

### **7.1 Financial Implications**

There are no financial implications arising from the decision. The report is of a financial monitoring nature.

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### **7.2 Legal Implications**

None directly arising from this report.

One Legal

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### **7.3 Equality Implications**

There are not any specific changes to service delivery proposed within this decision.

### **7.4 Environmental Implications**

Work has commenced on an Ethical Investment policy.