

STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

27 SEPTEMBER 2022

Report Title	1ST QUARTER TREASURY MANAGEMENT ACTIVITY REPORT 2022/23			
Purpose of Report	To provide an update on treasury management activity as at 30/06/2022.			
Recommendation(s)	The Committee is asked to accept the treasury management activity first quarter report for 2022/2023.			
Consultation and Feedback	Link Asset Services (LAS).			
Report Author	Maxine Bell, Snr Accounting Officer Tel: 01453 754134 E-mail: maxine.bell@stroud.gov.uk			
Options	None			
Background Papers	None			
Appendices	A – Prudential Indicators as at 30 June 2022 B – Explanation of prudential indicators			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

Background

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.’
2. This report is presented to the Audit and Standards Committee to provide an overview of the investment activity and performance for the first quarter of the financial year, and to report on prudential indicators and compliance with treasury limits. A quarterly report is regarded as good practice, but is not essential under the Code of Practice for Treasury Management (the Code).

Discussion

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 first quarter 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 2022/23
 - A review of the Council’s borrowing strategy for 2022/23
 - A review of compliance with Treasury and Prudential Limits for 2022/23.
 - Other Treasury Issues

Treasury Management Strategy Statement and Investment Strategy update

4. The TMSS for 2022/23 was approved by Council on 17th February 2022. The Council's Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:
 1. Security of Capital
 2. Liquidity
 3. Yield
5. In 2022-23 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.
6. A breakdown of the Council's investment portfolio as at 30 June 2022 is shown in Table 3 of this report.
7. 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.

Investment Portfolio 2022/23

8. 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 quarter is shown in the table 1 below.
9. LIBID/LIBOR benchmarks have been subject to a review convened by the Bank of England and as part of that process they were withdrawn at the end of 2021. As set out in the Council's 2022-23 Strategy specified investments, from 2022-23 financial year, will be benchmarked against the SONIA (Sterling Overnight Index Average) compounded 7-day and 3-month rates. The Council's investment funds will be benchmarked against the 0 – 35% shares index.

TABLE 1: Average Interest Rate

	Period	Investment Interest Earned £	Average Investment £m	Rate of Return
Internally Managed Specified Property Fund / Multi-Asset Fund TOTAL		111,045	56.503	0.788%
	01/04/2022 -30/06/2022	74,900	10.000	3.004%
		185,945	66.503	1.121%

TABLE 2: Funds Performance – Quarter 1 2022-23

Fund	Initial Investment £m	Value as at 30/06/2022 £m	Return Apr - Jun 2022
Lothbury	4.000	4.542	3.09%
Hermes	2.000	2.388	3.28%
TOTAL PROPERTY FUNDS	6.000	6.930	3.15%
Royal London	3.000	2.706	2.48%
CCLA	1.000	0.988	3.70%
TOTAL MULTI-ASSET FUNDS	4.000	3.694	2.78%
TOTAL FUND INVESTMENTS	10.000	10.624	3.004%

10. The approved limits as set out in the Treasury Management Strategy report to Council 17th February 2022 within the Annual Investment Strategy were not breached during the first 3 months of 2022/23.
11. 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). The Council has invested £10m into Property and Multi-Asset Funds with the objective of longer term investments improving the overall rate of return in future years.
12. Table 3 below shows the investments and borrowing position at the end of June 2022.

TABLE 3: Investments & Borrowing

	Jun 2022 £'000
Aberdeen	3,045
Federated Prime Rate	3,950
Goldman Sachs	3,927
Money Market Funds Total	10,922
Lloyds	2,000
Lloyds Banking Group Total	2,000
NatWest	3,460
Royal Bank of Scotland	3,000
RBS Banking Group Total	6,460
Standard Chartered	3,700
Santander	7,999
Barclays Bank Plc	7,793
Svenska Handelsbanken	14
National Bank of Canada	3,000
Debt Management Office	4,000
Toronto Dominion	5,000
Bayerische Landesbank	3,000
Other Banks/Building Society Total	34,506
Thurrock District Council	1,000
Local Authority Total	1,000
TOTAL INVESTMENTS	£54,888
Lothbury	4,000
Hermes	2,000
TOTAL PROPERTY FUNDS	£6,000
RLAM	3,000
CCLA	1,000
TOTAL MULTI ASSET FUNDS	£4,000
PWLB	102,717
TOTAL BORROWING	£102,717

External Borrowing

13. The Council's Capital Financing Requirements (CFR) for 2022/23 is £130.644m. 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 borrowing of £102.717m as at 30 June 2022.

14. Compliance with Treasury and Prudential Limits

15. 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.

16. During the period to 30 June 2022 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.

17. IMPLICATIONS

17.1 Financial Implications

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

Lucy Clothier, Accountancy Manager
Email: lucy.clothier@stroud.gov.uk

17.2 Legal Implications

There are no specific legal implications arising from this report and its recommendations.

Hayley Sims, Head of Law
Email: legalservices@onelegal.org.uk

17.3 Equality Implications

There are no equality implications arising from the recommendations made in this report.

17.4 Environmental Implications

There are no environmental implications arising from the recommendations made in this report.