

STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

TUESDAY, 29 NOVEMBER 2022

Report Title	Half Year Treasury Management Report 2022/23			
Purpose of Report	To provide an update on Treasury Management activity as at 30/09/2022			
Decision(s)	The Audit and Standards Committee RESOLVES to accept the Treasury Management half year report			
Consultation and Feedback	Link Asset Services (LAS)			
Report Author	Graham Bailey, Principal Accountant Tel: 01453 754133 Email: graham.bailey@stroud.gov.uk			
Options	None			
Background Papers	None			
Appendices	Appendix A – Prudential Indicators as at 30 September 2022 Appendix B – Explanation of the Prudential Indicators Appendix C – Economic Update			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

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 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 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

2. TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY UPDATE

- 2.1 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
 2. Liquidity
 3. Yield
 4. Environmental, Social and Governance (ESG)
- 2.2 In 2022-23 the Council will continue to invest in the specified investment category for the longest permitted duration with quality counterparties to maximise return without compromising security, or liquidity. In cases where two investments of similar credit rating would generate the same return the Council will select the investment with the best ESG rating. The Section 151 Officer may 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. Whilst interest rates are rising it is good housekeeping to have regular maturities to reinvest at higher rates.
- 2.3 In February 2022 the Strategy set out an interest rate forecast reaching 1.25% by March 2025. Rates in November 2022 have climbed to 3% and are expected to rise higher in an effort to bring inflation under control.
- 2.4 The composition of the Council's investment portfolio at 30 September 2022 is shown in Table 4 of this report. Investments and borrowing during the year have been in line with the strategy.
- 2.5 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

- 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 Council will also consider the ESG rating of a financial institution as a fourth local consideration. The investment portfolio yield for the first half year is shown in Table 1 below:

TABLE 1: Investment Performance Quarters 1 and 2 2022/23

	Period	Investment Interest Earned £	Average Investment £m	Rate of Return
Internally Managed Specified		111,045	56,503	0.788%
Property Fund / Multi-Asset Fund	01/04/2022 - 30/06/2022	74,900	10,000	3.004%
Total Quarter 1		185,945	66,503	1.121%
Internally Managed Specified		243,109	61,142	1.552%
Property Fund / Multi-Asset Fund	01/07/2022 - 30/09/2022	70,730	10,000	2.83%
Total Quarter 2		313,839	71,142	1.750%
HALF YEAR TOTAL	01/04/2022 - 30/09/2022	499,784	68,837	1.448%

3.2 Performance of the Property Fund and Multi-Asset Funds is shown in Table 2.

TABLE 2: Property and Multi-Asset Fund Performance Quarters 1 and 2 2022/23

Fund	Initial Investment £m	Value as at 30/06/22 £m	Return Apr - Jun 2022	Value as at 30/09/22 £m	Return Apr - Sep 2022
Lothbury	4.000	4.542	3.09%	4.324	1.46%
Hermes	2.000	2.388	3.28%	2.254	1.62%
TOTAL PROPERTY FUNDS	6.000	6.930	3.15%	6.578	3.01%
Royal London	3.000	2.706	2.48%	2.482	1.31%
CCLA	1.000	0.988	3.70%	0.966	1.58%
TOTAL MULTI-ASSET FUNDS	4.000	3.694	2.78%	3.448	2.74%
TOTAL FUND INVESTMENTS	10.000	10.624	3.004%	10.026	2.90%

3.3 Comparative returns quarter by quarter are set out in Table 3 below.

TABLE 3: Comparative Quarterly Returns

Quarter	Specified Investments % return	Fund Investments % return	Overall % Return
Q1 21/22	0.181%	2.880%	0.570%
Q2 21/22	0.182%	2.940%	0.570%
Q3 21/22	0.187%	2.800%	0.550%
Q4 21/22	0.223%	2.790%	0.690%
Q1 22/23	0.788%	3.004%	1.121%
Q2 22/23	1.552%	2.900%	1.448%

- 3.4 The approved limits as set out in the Treasury Management Strategy report to Council 17 February 2022 within the Annual Investment Strategy were not breached during the first 6 months of 2022/23.
- 3.5 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). 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.
- 3.6 Table 4 below shows the investments and borrowing position at the end of September 2022.

TABLE 4: Investment and Borrowing at the end of Quarters 1 and 2 2022/23

	Jun 2022 £'000	Sep 2022 £'000
Aberdeen	3,045	566
Federated Prime Rate	3,950	2,421
Goldman Sachs	3,927	1
Money Market Funds Total	10,922	2,988
Lloyds	2,000	7,000
Lloyds Banking Group Total	2,000	7,000
NatWest	3,460	5,000
Royal Bank of Scotland	3,000	0
RBS Banking Group Total	6,460	5,000
Standard Chartered	3,700	8,000
Santander	7,999	7,999
Barclays Bank Plc	7,793	7,800
Svenska Handelsbanken	14	14
National Bank of Canada	3,000	3,000
Debt Management Office	4,000	3,000
Toronto Dominion	5,000	5,000
Bayerische Landesbank	3,000	2,000
Landesbank Hessen Thuringen		2,000
Progressive Building Society		1,000
Goldman Sachs International		2,000
Other Banks/Building Society Total	34,506	41,813
Thurrock District Council	1,000	0
Local Authority Total	1,000	0
TOTAL INVESTMENTS	£54,888	£56,801
Lothbury	4,000	4,000
Hermes	2,000	2,000
TOTAL PROPERTY FUNDS	£6,000	£6,000
RLAM	3,000	3,000
CCLA	1,000	1,000
TOTAL MULTI ASSET FUNDS	£4,000	£4,000
PWLB	102,717	102,717
TOTAL BORROWING	£102,717	£102,717

4. EXTERNAL BORROWING

- 3.7 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 external PWLB borrowing of £102.717m as of 30 September 2022.

5. COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS

- 3.8 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.
- 3.9 During the period to 30 September 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.

6. OTHER TREASURY ISSUES

- 3.10 An ESG rating report covering quarter 1 was received and Bob Swarup of Camdor Global Advisors presented to and took questions from council Members before the September Audit & Standards Committee.

4. IMPLICATIONS

4.1 Financial Implications

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

Andrew Cummings, Strategic Director of Resources
Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk

4.2 Legal Implications

None directly arising from this report.

One Legal
Tel: 01684 2722203 Email: legal.service@onelegal.org.uk

4.3 Equality Implications

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

4.4 Environmental Implications

There are no significant implications within this category.