

EAST STAFFORDSHIRE BOROUGH COUNCIL

REPORT COVER SHEET

Title of Report:	Mid-Year Treasury Management Review Report 2022-23
Meeting of:	Audit Committee
Date:	7 th December 2022
Is this an Executive Decision:	NO
Is this a Key Decision:	NO
Is the report Confidential:	NO
If so, please state relevant paragraph from Schedule 12A LGA 1972:	-
Essential Signatories: ALL REPORTS MUST BE IN THE NAME OF A HEAD OF SERVICE Monitoring Officer – John Teasdale Date Signature	
Head of Service and Chief Finance Officer – Sal Khan Date Signature	

EAST STAFFORDSHIRE BOROUGH COUNCIL

Report to Audit Committee

Date 7th December 2022

TITLE:	Mid-Year Treasury Management Review Report 2022-23
PORTFOLIO:	Finance, Treasury Management and Communications
HEAD OF SERVICE:	Sal Khan
CONTACT OFFICER:	Lisa Turner – Chief Accountant ext. No. 1399
WARD(S) AFFECTED:	All

1. Purpose of the Report

- 1.1 The Council has a duty to comply with the Treasury Management Code of Practice, published by the Chartered Institute of Public Finance and Accountancy. The code requires authorities to present a mid-year report on their treasury management activities. This report fulfils this requirement, providing an update against the Treasury Management Strategy Statement (TMSS), setting out current investment and borrowing portfolios and outlining any other treasury related matters.

2. Contribution to Corporate Priorities

- 2.1 By minimising the cost to the Council of borrowing associated with capital spending, whilst at the same time maximising the Council's income from the investment of surplus funds and maintaining the security and liquidity of those funds, this provides underlying support to all corporate priorities.

3. Mid-Year Treasury Management Report – Executive Summary

3.1 An Economic Update

3.1.1 The attached report provides an economic update and reflects the volatility that has taken place during the first half of the year. This includes the high inflation levels, an increasing bank rate, rising energy prices the surge in gilt yields and fall in sterling following the fiscal event in September together with signs of economic activity losing momentum. Further details can be found at Section 3 and Annex 3 of the report together with a forecast of interest rates from our treasury management advisors shown at Annex 4.

3.2 A review of the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy

3.2.1 The TMSS was approved on 7th March 2022 and establishes the Council's investment priorities as being the security of capital, liquidity and the achievement of the optimum returns commensurate with the proper levels of security and liquidity in line with the Professional Codes issued by the Chartered Institute of Public Finance and Accountancy.

3.2.2 Borrowing and investments have been in line with the approved strategy and there have been no deviations. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions using the treasury advisors creditworthiness approach, including minimum sovereign credit rating and credit default swap (CDS) overlay.

3.2.3 The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2022/23. However, considering that we are in a rising interest rates environment at the time when the UK economy is entering a recession, it is important to keep under review our investment strategy and creditworthiness policy to ensure that the Council is well positioned for the challenges ahead.

3.2.4 Generally, the current investment counterparty criteria selection approved in the Treasury Management Strategy Statement is meeting the requirements of the treasury function. However, there is one proposed amendment outlined below to the treasury management limits.

Proposed Change to Investment Limit

- Due to the high level of balances and limited availability of high quality credit it has been necessary to utilise Government T-Bills and their deposit facility for some time, it is therefore proposed to increase the limits for AAA rated Money Market Funds (MMFs) from the current £4m to £6m. The Council's treasury management advisors have indicated that this would be appropriate as it would enable the Council to utilise MMF's for liquidity management and then focus on high quality banks for term deposits providing more flexibility in a rising market and ensuring prudent management of our cash balances, without compromising security of our investments.

3.3 The Council Investment portfolio for 2022/23

3.3.1 Investments stood at £69.5m as at 30th September 2022, with a daily average of £68.9m for the first six months of the year. With the bank rate increasing during the first half of the year, standing at 2.25% at the end of September. Average returns for the first six months stood at 1.15% (0.06% 30th September 2021). Due to the rising rates, this is well above the level set within the budget of 0.50%, and investment rates are forecast to increase for the remainder of the year resulting in forecast investment income significantly higher than the budget.

3.3.2 The investment portfolio includes certificates of deposits and call accounts held with a number of UK banks, highly rated foreign banks, UK Government Treasury Bills as well as a deposit account and AAA rated money market funds. These instruments offer significant counterparty strength as well as diversification of the portfolio.

3.4 The Council Borrowing Strategy and debt rescheduling for 2022/23

3.4.1 The latest forecasts indicate that the Council's Capital Financing Requirement (CFR) or underlying need to borrow is expected to be higher than when the budget was set. This primarily relates to the latest information in relation to the timing of capital receipts which are partially being utilised to repay debt and deliver savings to the revenue budget.

4. Financial Considerations

This section has been approved by the following member of the Finance Team: (Lisa Turner).

4.1 The report is solely related to financial matters.

5. Risk Assessment and Management

5.1 The main risks associated with this report and the Council achieving its objectives are the same as those contained within the Treasury Management Strategy Statement, these are monitored and managed by the finance team throughout the year and incorporated into the Corporate and Strategic Risk Register

6. Legal Considerations

This section has been approved by the following member of the Legal Team: John Teasdale.

- 6.1 The Local Government Act 2003 requires local authorities “to have regard” to the Prudential Code for capital finance. This report supports this requirement.

7. Equality and Health

- 7.1 Equality impacts: The subject of this Report is not a policy, strategy, function or service that is new or being revised. An equality and health impact assessment is not required.

8. Human Rights

- 8.1 There are no Human Rights issues arising from this Report.

9. Sustainability (including climate change & change adaptation measures)

- 9.1 There are no related issues within this report.

10. Data Protection Implications – Data Protection Impact Assessment (DPIA)

- 10.1 A DPIA must be completed where there are plans to:

- use systematic and extensive profiling with significant effects;
- process special category or criminal offence data on a large scale; or
- systematically monitor publicly accessible places on a large scale
- use new technologies;
- use profiling or special category data to decide on access to services;
- profile individuals on a large scale;
- process biometric data;
- process genetic data;
- match data or combine datasets from different sources;
- collect personal data from a source other than the individual without providing them with a privacy notice (‘invisible processing’);
- track individuals’ location or behaviour;
- profile children or target marketing or online services at them; or
- process data that might endanger the individual’s physical health or safety in the event of a security breach

- 10.2 Following consideration of the above, there are no Data Protection implications arising from this report which would require a DPIA.

11. Recommendation

- 11.1 To consider the mid-year Treasury Management Report as set out in Appendix A and make comments and observations to full Council as the Committee sees fit.

12. Background papers

- 12.1 Treasury Management Strategy Statement 2022/23 – approved by full Council on 7th March 2022.

13. Appendix

- 13.1 Mid- Year Treasury Management Report – Appendix A.