

Agenda Item

REPORT OF Deputy S151 Officer
To: Full Council
Subject: Mid-Year Review of Treasury Management
Date: 13 December 2021 **Reference:**

PURPOSE OF REPORT:

To report on the treasury management activity in the year to date.

1. INTRODUCTION

The Council has adopted the CIPFA Code of Treasury Management, which requires that a mid-year review should be presented on treasury management activity.

2. REPORT

This Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this code and the other statutory requirements. These require that the prime objective of the treasury management activity is the effective management of risk, and that borrowing activities are undertaken on a prudent, affordable and sustainable basis.

This report sets out:

- The performance for the year 2021/22 so far
- Implications
- Conclusion
- Recommendation

The Council's Strategy and Performance so far

The Treasury Strategy and Investment Strategy were agreed by Full Council at its meeting on 22nd February 2021 (***attached as Appendix 1***).

No new borrowing was proposed and investments would be short-term but periods would be spread to take best advantage of interest rates.

The Council currently has Public Loans Board debt of £661k outstanding.

Currently the Council has short term investments of £23m lodged with financial institutions, the comparable figure for the same time last year being £17m.

Short-term interest rate returns have fallen significantly due to the current global pandemic and are around the in Bank of England's Base Rate of 0.10%.

The average rate of return earned by the Council on its short term investments is forecast to be 0.07% which compares with 0.24% in 2020/21.

The forecasted return from short term investments for 2021/22 is £14k, which compares with a return of £31k in 2020/21.



The Council sets parameters pertaining to the Counterparties with which it invests its funds. These criteria include the minimum acceptable credit quality of the counter parties; i.e. their creditworthiness.

The counterparty list also enables diversification and thus helps to avoid the concentration of risk.

The creditworthiness methodology used to assess the Counterparty list takes account of the rating published by the Fitch rating agency and utilisation of Capita's Treasury Management Services.

Counterparty List is attached in Appendix 2 for information.

Counterparty Limits during the Global Pandemic

Due to the global pandemic Torrington has paid out millions in grants to local businesses.

The most recent of these (The surplus balance of £5.4m from the Jan-March lockdown & Restart grants), were returned to central government during November 2021.

This has meant that during the year, the council has exceeded its counterparty limit with its main banker Lloyds. We are currently holding £8m with Lloyds on an instant access basis (this is in addition to the £5m limit)

This will be moved to other counterparties within the constraints of the treasury management policy and cashflow considerations (which will use most of these funds in the run up to the end of the financial year).

3. IMPLICATIONS

Legal Implications

There are no specific legal implications.

Financial Implications

All treasury management activity carries a level of risk, but adherence to the approved strategy minimises this. However, minimising risk needs to be balanced with the income generated and the expenditure incurred through treasury management activities.

The Council's treasury strategy can be best summarised in order of priority as

- Security of investment
- Liquidity
- Return on investment.

The Council employs Capita Asset Services as its external Treasury advisors.

Human Resources Implications

There are no specific human resources implications.

Sustainability Implications

There are no specific sustainability implications.

Equality/Diversity

There are no specific equality/diversity issues.



Risk Management

The risk that borrowers may default is minimised by adherence to the Treasury Management Strategy, the credit rating of counter parties being checked prior to making the investments, all financial institutions with which the Council contracts are UK registered and have a Fitch F1 rating.

Compliance with Policies and Strategies

The report fits within the Council's Treasury Management framework.

Ward Member and Lead Member Views

Lead Member Cllr. C. Hodson has been consulted in the writing of this report and commented:-
"We continue to be in a low interest environment. With this in mind, the treasury management mid year review confirms that the investment strategy set out at the start of the financial year is delivering a reasonable rate of return, whilst having regard for the security of investments. Going forward the uncertainties in the wider economy will continue to impact on interest rates."

Date of Consultation – 01 December 2021

4. CONCLUSIONS

Returns on the Council's investments have reduced, as the Bank of England cut of interest rates due to the global pandemic has taken full effect

The economic situation remains uncertain but is monitored so that appropriate treasury management action can be taken as required.

5. RECOMMENDATION

Members are asked to note the Mid-Year Treasury Management Review.

Members are asked to note the breach of the counterparty limit with Lloyds bank, due to the administration of grants from central government to businesses during the global pandemic

SUPPORTING INFORMATION

Consultations:	Date of Consultation – 01 December 2021 Officers Consulted – Chief Executive Head of Legal and Governance (& Monitoring Officer) Finance Manager and Section 151 Officer
Contact Officer:	Peter Hudson – Senior Capital Accountant & Deputy S151 Officer
Background Papers:	Treasury Management papers held in the Accountancy Section at Riverbank House.

