



# Cabinet

23 November 2021

**Report of:** Councillor Ronnie de Burle -  
Portfolio Holder for Corporate  
Finance and Resources

## Treasury Management Mid-Year Report 2021/22

<b>Corporate Priority:</b>	Ensuring the right conditions to support Service Delivery
<b>Relevant Ward Member(s):</b>	N/A
<b>Date of consultation with Ward Member(s):</b>	N/A
<b>Exempt Information:</b>	No
<b>Key Decision:</b>	No
<b>Subject to call-in:</b>	No Not key decision

### 1 Summary

- 1.1 The Mid-Year Treasury Report is a requirement of the Council's reporting procedures and provides a summary of the Treasury activities to the end of September 2021. The report also covers the actual position to date on the Prudential Indicators in accordance with the Prudential Code.
- 1.2 The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both codes through Regulations issued under the Local Government Act 2003.

### 2 Recommendations

- That Cabinet:
- 2.1 recommend to Council that the mid-year position on treasury activity for 2021-22 be noted
- 2.2 recommend to Council that the mid-year position on the prudential indicators for 2021-22 be approved

### **3 Reason for Recommendations**

- 3.1 The Treasury Management Code requires the Council to provide a mid-year update on Treasury Management activities to the Council. It is a requirement that Treasury Management performance is scrutinised during the year prior to consideration by the Council which falls within Cabinet's remit.
- 3.2 To facilitate the decision making process and support capital investment decisions the Prudential Code requires the Council to agree and monitor a minimum number of prudential indicators

### **4 Background**

- 4.1 The Treasury Management & Prudential Indicators mid-year report for 2021-22 is attached at Appendix A.
- 4.2 The underlying purpose of the report supports the objective in the revised CIPFA Code of Practice on Treasury Management and the Department for Communities & Local Government (DCLG) Investment Guidance/Investment regulations. These state that Members receive and adequately scrutinise Treasury Management services.

### **5 Main Considerations**

- 5.1 The underlying economic environment remains difficult for the Council, foremost being the improving, but still challenging, concerns over investment counterparty risk and impact of COVID on investment returns. This background encourages the Council to continue maintaining investments relatively short term (i.e. one year or less) and with high quality counterparties.
- 5.2 The report shows that the basis of the treasury management strategy, the investment strategy and the PI's have not materially changed, except where shown.
- 5.3 The report is structured to highlight the key changes to the Councils capital activity (the prudential indicators), the economic outlook and the actual and proposed treasury management activity (borrowing and investment).
- 5.4 The Bank Rate remains unchanged at 0.10% and the programme of quantitative easing is due to finish by the end of this year. Some economists are suggesting a rise in bank rate could happen in February 2022 with a move to 0.25%
- 5.5 The implementation of IFRS 16 bringing currently off-balance sheet leased assets on to the balance sheet, has been delayed for a further year until 2022/23. The council is preparing for its implementation.
- 5.6 Members will be aware of the recent decision taken by Cabinet and Council to enter a Staged Payment Agreement with the County Council, to enable them to secure the Housing Infrastructure Fund and deliver the southern section of the Melton Mowbray Distributor Road (MMDR). The Borough Council have agreed to make an infrastructure contribution, in a series of staged payments, up to a cap of £1.75m (subject to indexation). The decision to borrow this money will have an impact on the budgets in later years in line with a staged payment plan and will be incorporated into the Treasury Management Strategy for 2022/23.

- 5.7 On the 21 September 2021 CIPFA released a consultation on a review of the Prudential Code for Capital Finance in Local Authorities (Stage 2). This consultation closes on 16 November 2021. The main focus of the proposals is to address the risks associated with commercial property acquisitions, following comment from the Public Accounts Committee and National Audit Office reports. An update will be provided to members in due course once the new code has been finalised.

## **6 Options Considered**

No other options considered. If the report was not provided councillors would not be aware of the ongoing management of the treasury functions and appropriate scrutiny would not be undertaken in accordance with the treasury framework.

## **7 Consultation**

- 7.1 Consultation has been undertaken with the portfolio holder regarding the position for the 2021-22 financial year.

## **8 Next Steps – Implementation and Communication**

- 8.1 This report will be submitted to the Council meeting on 16<sup>th</sup> December 2021.

## **9 Financial Implications**

- 9.1 The Treasury Management Strategy and Policy are core financial policies which underpin all the work of the Treasury Management function and incorporate any implications arising from the capital programme.
- 9.2 The impact of COVID-19 continued to be felt at the beginning of this financial year with interest rates and associated investment returns remaining low during Q1. However, as the global economy begins to recover interest rates during Q2 have started to increase again and forecasting to remain more positive over the remainder of the year. Officers as always continue to maximise returns with the latest forecast predicts a surplus of £18k against a budgeted income level of £178k.
- 9.3 In terms of performance in comparison to the benchmarking group Melton is part of, at the end of Q2 the council is achieving a return of 0.30%, which is above the benchmark average of 0.17% which includes county level authorities as well. This is a positive achievement as the council looks to maximise its returns whilst striving to balance risk and return. This excludes the property fund which is averaging around 4% return.
- 9.4 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30th September 2021, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2021/22.
- 9.5 The Director for Corporate Services can confirm that no difficulties are envisaged for the current or future years in complying with these indicators and that all treasury

management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

**Financial Implications reviewed by: Director for Corporate Services**

## 10 Legal and Governance Implications

- 10.1 The Local Government Act 2003 provides the powers to invest and borrow as well as providing controls and limits on the activity.
- 10.2 This report is submitted in accordance with the Budget and Policy Framework Procedure rules.

**Legal Implications reviewed by: Monitoring Officer**

## 11 Equality and Safeguarding Implications

- 11.1 There are no direct equality or safeguarding issues arising from this report.

## 12 Community Safety Implications

- 12.1 There are no direct links to community safety arising from this report.

## 13 Environmental and Climate Change Implications

- 13.1 No implications have been identified directly with this report but members may wish to note the council has funds placed in a sustainable green investment deposit.

## 14 Other Implications (where significant)

- 14.1 No other implications have been identified

## 15 Risk & Mitigation

These are assessed as part of the Corporate Services Risk Register.

Risk No	Risk Description	Likelihood	Impact	Risk
1	Loss of investment income during 2021-22 as result of any further COVID-19 impacts / lockdowns and associated reduction in interest rates	Low	Marginal	Low Risk
2	Reduction in the valuation of the Councils Property Fund investment. The Treasury Management Policy has various limits in place in order to mitigate any likelihood of loss to the Council. A fund has been established to mitigate any losses in the property fund.	Low	Marginal	Low Risk

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High				
	4 Significant				
	3 Low		1, 2		
	2 Very Low				
	1 Almost impossible				

## 16 Background Papers.

16.1 Treasury Management Strategy Statement 2021/22

## 17 Appendices

17.1 Appendix A – Mid-Year Treasury Management Review 2021/22

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