

<b>SIGNED OFF BY</b>	Chief Finance Officer
<b>AUTHOR</b>	Jacque Aboagye, Finance Manager
<b>TELEPHONE</b>	01737 276302
<b>EMAIL</b>	<a href="mailto:Jacqueline.Aboagye@reigate-banstead.gov.uk">Jacqueline.Aboagye@reigate-banstead.gov.uk</a>
<b>TO</b>	Audit Committee Executive Council
<b>DATE</b>	Wednesday 7 December 2022 Thursday 15 December 2022 Thursday 9 February 2023
<b>EXECUTIVE MEMBER</b>	Deputy Leader and Portfolio Holder for Finance and Governance
<b>KEY DECISION REQUIRED</b>	Y
<b>WARDS AFFECTED</b>	(All Wards);

<b>SUBJECT</b>	Treasury Management Mid-Year Report 2022/23
----------------	---

<p><b>RECOMMENDATIONS</b></p> <p><b>Audit Committee</b></p> <p>(i) To consider this update on Treasury Management Performance for the year to date and provide any comments for consideration by Executive.</p> <p><b>Executive and Council</b></p> <p>(i) To note the Treasury Management Performance for the year to date and the updated prudential indicators.</p>
--

## REASONS FOR RECOMMENDATIONS

This report confirms compliance with the requirements of the regulatory framework for treasury management.

The Council is required to receive and approve, as a minimum, three treasury reports each year, which incorporate relevant policies, estimates and actuals:

- (i) **Prudential and Treasury Indicators and Treasury Strategy** – sets the framework for treasury management activities in the following financial year.
  - The Treasury Management Strategy and Performance Indicators for 2022/23 were previously approved by Council on the 7 April 2022.
- (ii) **Half-Year Treasury Management Report** – updates Members on the current borrowing and investment position, whilst amending prudential indicators and revising policies where necessary.
  - This report.
- (iii) **Annual Treasury Management Outturn Report** – a backward-looking review focussing on the previous year's performance.
  - The outturn report for 2021/22 was reported to Audit Committee on 7 September 2022, Executive on 20 October 2022 and approved by Council on 27 October 2022.

## EXECUTIVE SUMMARY

This report sets out treasury management performance for 2022/23 to date including performance against the Prudential and Treasury Management Indicators.

It will be presented to Audit Committee on 7 December 2022, Executive on 15 December 2022 and on 9 February 2023 full Council will be asked to approve the recommendations.

At 30 September 2022, the position is that:

- No external borrowing has been required as the Council continues to hold sufficient cash balances to fund its expenditure plans;
- Investments in Money Market Funds totalled £26.5 million, slightly down from £26.6 million at the end of March 2022; and
- Long-term investments in companies have risen from £17.3 million at the end of March 2022 to £17.7 million in September, due to the addition of accrued loan interest.

The forecast year end position:

- External borrowing is still not anticipated before March 2023;
- Money Market Funds will continue to be utilised as they ensure achievement of the Council's security, liquidity, and yield objectives. Balances are forecast to decrease to £20.5 million; and

- Company investments, including interest, are forecast to be £18.2 million by year-end.

**Council has authority to approve the recommendations.**

## **STATUTORY POWERS**

1. The Council is required to approve an annual Treasury Management Strategy Statement, Prudential Indicators, Minimum Revenue Provision Policy and Borrowing Limits so that borrowing and investments are prudent, affordable and sustainable.
2. Treasury management activity is managed as an integral part of the Council's statutory obligation to effectively manage its finances under the Local Government Act 2003 and associated guidance.
3. Treasury Management activities are undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, the Prudential Code for Capital Finance in Local Authorities, and the Government's (DLUHC) Investment Guidance.

## **BACKGROUND**

4. The Council is required to approve an annual Treasury Management Strategy Statement ('the Strategy'), Prudential Indicators, Minimum Revenue Provision Policy and Borrowing Limits to help ensure that borrowing and investments are prudent, affordable and sustainable.
5. The Treasury Management Strategy and Performance Indicators for 2022/23 were approved by Council on 7 April 2022.
6. This report provides an update on performance at 30 September 2022.

### Compliance with the Approved Strategy

7. One matter is highlighted with regard to the approved Treasury Management Strategy Statement for 2022/23:
  - Table 14 (Counterparty lists) specifies that non-UK banks must be domiciled in a country which has a minimum sovereign long-term rating of 'AA-';
  - This is not consistent with paragraph 4.3 and Appendix 5.5 in the Strategy which stipulates that the Council will only invest in countries which have sovereign ratings of AAA or higher;
  - No investments have been made outside of the UK; therefore, this has not resulted in a breach of the Treasury Management Strategy Statement;

- The inconsistency will be updated in the 2023/24 Strategy.

8. There has been one minor breach of counter-party limits during the first six months:
- Lloyds and Bank of Scotland investments

Quarter	Days in period	Days above limit	Average above limit £
One	60	1	168,194
Two	64	-	-

Action has been taken to review investment procedures to ensure against recurrence.

## OPTIONS

9. There are three options:

- (i) For Audit Committee:

**Option 1** – Receive the report and provide any feedback for consideration by Executive

This is the recommended option.

**Option 2** – To note the report and ask Officers to provide more information and/or clarification on any specific points

**Option 3** – To reject the report. This would result in delays in achieving compliance with the guidance which requires approval of a mid-year report.

- (ii) For Executive and Council:

**Option 1** – Approve the report

This is the recommended option.

**Option 2** – To note the report and ask Officers to provide more information and/or clarification on any specific points

**Option 3** – To reject the report. This would result in delays in achieving compliance with the guidance which requires approval of a mid-year report.

## LEGAL IMPLICATIONS

10. There are no further legal implications arising from this report

## **FINANCIAL IMPLICATIONS**

11. The financial implications of treasury management activities were reported in the budget section of the Quarter 1 Performance Report to Executive on 20 October 2022. There are no additional direct financial implications that arise from this report.

## **EQUALITIES IMPLICATIONS**

12. There are no equality implications arising from this report.

## **ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS**

13. The Treasury Management Code includes specific reference to Environmental, Social and Governance ESG considerations relating to credit and counterparty risk management: *'...The organisation's credit and counterparty policies should set out its policy and practices relating to ESG investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will include ESG scoring or other real-time ESG criteria at individual investment level...'*
14. CIPFA has indicated that they will be working with the local authority sector during 2022/23 to develop an ESG scoring methodology for treasury management investments. In the meantime CIPFA expect local authorities to have a general regard to their own existing policies for ESG issues, such as climate change, for investment decisions.

## **COMMUNICATION IMPLICATIONS**

15. There are no communications implications arising from this report

## **RISK MANAGEMENT CONSIDERATIONS**

16. Key risks are managed in accordance with Prudential Code guidance, with emphasis on ensuring Security, Liquidity and Yield for investments.

## **CONSULTATION**

17. Audit Committee will be asked to consider this report at its meeting on 7 December 2022 and it will be reported to Executive on 15 December 2022. It will then be presented to Council on 9 February 2023.

## **POLICY FRAMEWORK**

18. This report is submitted in accordance with the Council's Treasury Management Policy.

## **Annexes**

1. Treasury Management Mid-Year Report 2022/23

**BACKGROUND PAPERS**

Executive 24 March 2022 – *Treasury Management Strategy 2022/23*