

BRECKLAND DISTRICT COUNCIL

Report of: Maxine O'Mahony, Executive Director Strategy & Governance

To: Governance and Audit Committee, 17th December 2020

Author: Alison Chubbock, Chief Accountant

Subject: Mid Year Report 20/21 on Treasury activity

Purpose: The report is a mid-year update on treasury activity

Recommendation:

- 1) That Governance and Audit Committee agree the mid-year report and information on treasury activity

1.0 BACKGROUND

Treasury management is defined as: "The management of the local authority's borrowing, 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".

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations.

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management has been adopted by this Council. The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council (delegated to the Governance and Audit Committee for this Council) of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid Year Review report (this report) and an Annual Report (stewardship report) covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of the scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Governance and Audit Committee.

- 1.1 The new Chartered Institute of Public Finance Accountancy (CIPFA) Code of Practice on Treasury management and the Prudential Code was effective from 01/04/2018. New indicators were added to the Treasury Management Strategy in 19/20 to ensure the same robust procedures for the consideration of risk and return are applied to both financial and non-financial investments.
- 1.2 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
- An economic update for the first half of 2020/21;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - The Council's capital expenditure (prudential indicators);
 - A review of the Council's investment portfolio for 2020/21;
 - A review of the Council's borrowing strategy for 2020/21;
 - A review of compliance with Treasury and Prudential Limits for 2020/21

The management and monitoring of the Treasury Management Policies and Prudential indicators (for financial and non-financial investments) remains the responsibility of Full Council (via the Governance and Audit Committee)

2.0 **KEY CHANGES**

There have been no changes to previously approved documentation this year. The main thing of note is the low interest rate environment and the level of cash we have held in the first 7 months of this year (time of writing this report). Cash peaked at £55m and on average we have held £35m. This is due to the high level of grant funding received which the Council has had to administer in respect of the pandemic.

Investment earnings will be heavily dependent on economic and political developments but interest rates are expected to remain low for the forthcoming budget period. (see Appendix A for more information). Because of the level of cash held and the availability of counterparties to invest with short term, we have on some occasions had to place deposits with the DMO at a negative interest rate, ie we are charged to place the funds. Total cost to date is around £50.

2.0 **OPTIONS**

- 2.1 That Governance and Audit Committee agree the mid-year report and information on treasury activity.

3.0 **REASONS FOR RECOMMENDATION(S)**

- 3.1 To comply with the Local Government Act 2003 and to safeguard the Council's financial assets whilst maximising returns.

4.0 **EXPECTED BENEFITS**

- 4.1 To ensure Members are updated regularly on the Treasury Management service so that they can adequately scrutinise treasury management activity.

5.0 **IMPLICATIONS**

In preparing this report, the author has considered the likely implications of the decision as follows:

5.1 **Financial**

5.1.1 The report is of a financial nature and financial details are included in the report and appendices

5.2 **Risk Management**

5.2.1 I can confirm that risk has been given careful consideration and it is addressed in TMP1 within the Treasury Policy Statement 2020/21.

6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 N/A

7.0 **ACRONYMS**

7.1 Acronyms are dealt with within the report or appendices as they occur.

Background papers:- None

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Key Decision: No

Exempt Decision: No

This report refers to a Mandatory Service

Appendices attached to this report:

Appendix A – Economic Outlook from Link Asset Services
Appendix B – Treasury Management Strategy Statement