

**Scrutiny of Treasury Management Mid year Review and Prudential Indicators 2021/22**

**Summary**

1. Audit & Governance Committee are responsible for ensuring effective scrutiny of the treasury management strategy and policies, as stated in the Treasury Management Strategy 2021/22 approved by full Council on 25 February 2021. The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (“the Code”) stipulates that:
  - There needs to be, at a minimum, a mid year review of treasury management strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved
  - Those charged with governance are also personally responsible for ensuring they have the necessary skills and training.
2. Attached at Annex 1 is the Treasury Management Mid Year Review and Prudential Indicators 2021/22 report as presented to November 2021 Executive. This information provides Members with an update of treasury management activity for the first six months of 2021/22.

**Recommendations**

3. (a) Audit & Governance Committee note and scrutinise the Treasury Management Mid year Review and Prudential Indicators 2021/22 at Annex A

Reason: That those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

## **Analysis**

3. The coronavirus outbreak has done huge economic damage to the UK and economies around the world. The Executive report attached outlines the current market conditions and forecasts for interest and borrowing rates.
4. There continues to be concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next April, are likely to lead to faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected.
4. Short-term interest rates for investment opportunities continue to be low and the counterparty list, where the council's surplus funds are invested, is limited. The average level of cash balances is higher than in the previous period because of Government COVID related support for businesses through business rate relief. This increase in cash balances means that we have been able to delay taking on long-term debt to finance the capital programme.
5. The Councils long-term borrowing started the year at just over £297m. No new borrowing has been undertaken so far this year, a £2m PWLB loan was repaid in August and therefore the balance, as at 30 September, was £295m. A further £5m of PWLB repayments will be made this financial year.
6. The Government and CIPFA are continuing to consult on a revised Prudential and Treasury Management Code, with further information due to be published in December 2021. Future reports will outline the details and implications of any changes in the Code to this Committee.

## **Consultation**

7. Not applicable

## **Options**

8. It is a statutory requirement under Local Government Act 2003 for the council to operate in accordance with the CIPFA prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice "the Code". No alternative options are available.

## **Council Plan**

9. Treasury management is an integral part of the council's finances providing for cash flow management and financing of capital schemes. It aims to ensure that the council maximises its return on investments, (whilst the priority is for security of capital and liquidity of funds) and minimises the cost of its debts. This allows more resources to be freed up to invest in the Council's priority areas as set out in the council plan. It therefore underpins all of the council's aims.

## **Implications**

10. The implications are
- Financial – the security of the Councils capital funds is a priority, maximising returns on investments is still key along with minimising the finance costs of debt.
  - Human Resources - there are no human resource implications to this report.
  - Equalities - there are no equality implications to this report.
  - Legal - there are no legal implications to this report.
  - Crime and Disorder - there are no crime and disorder implications to this report.
  - Information Technology - there are no information technology implications to this report.
  - Property –there are no property implications to this report.
  - Other – there are no other implications to this report.

## **Risk Management**

11. The treasury management function is a high-risk area because of the volume and level of large money transactions. As a result, the Local Government Act 2003 (as amended), the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required.

### **Contact Details**

#### **Author:**

Debbie Mitchell  
Chief Finance Officer

Emma Audrain  
Principal Technical  
Accountant

#### **Chief Officer responsible for the report:**

Debbie Mitchell  
Chief Finance Officer

Report approved x 18.11.21

**Specialist Implications Officer(s)** None

**Wards Affected:** All ✓

**For further information, please contact the author of this report**

**Background Working Papers**

None

**Annexes**

1. Treasury Management Mid Year Review and Prudential Indicators 2021/22
2. Annex to above report – Prudential Indicators 2021/22