

**Public  
Key Decision - No**

## **HUNTINGDONSHIRE DISTRICT COUNCIL**

**Title:** Treasury Management 6 Month Performance Review

**Meeting/Date:** Cabinet – 12 December 2022

**Executive Portfolio:** Executive Councillor for Finance & Resources

**Report by:** Director of Finance and Corporate Resources

**Ward(s) affected:** All Wards

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### **Executive Summary:**

Best practice and prescribed treasury management guidance requires Members to be kept up to date in respect of treasury management activity for the first half of the year, including investment and borrowing activity and treasury performance.

The Council's 2022/23 Treasury Management Strategy was approved by the Council on the 23<sup>rd</sup> February 2022 and this report sets out the Treasury Performance for period between 1<sup>st</sup> April 2022 and 30<sup>th</sup> September 2022.

### **The main purpose of Treasury Management is to**

- Ensure the Council has sufficient cash to meet its day to day obligations.
- Borrow when necessary to fund capital expenditure, including borrowing in anticipation of need when rates are low.
- Invest surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest.

### **The key market Treasury Management issues through the first half of 2022/23 influencing the Council's decision-making were.**

- The Bank of England (BoE) held Bank Rate increased over the period to 2.25% from 0.75% in March.
- Rising Gilt rates following the mini budget on 23<sup>rd</sup> September, and continued volatility.

- Gilt rates (5 year) rose from 1.41% to 4.4%, feeding into the rates paid for lending to the Debt Management Office.
- The Sterling Overnight Rate averaged 1.22%

**The Council's responses to the key issues were.**

- When the Council has surplus funds, these will primarily be invested on a short term basis, primarily in the DMO, money market funds, and the council's transaction bank Natwest.
- Where possible to take a higher return without sacrificing liquidity eg use of timed deposits at the DMO.
- Where economic conditions are forecast to deteriorate it is vital to monitor financial institutions credit rating, and credit default swap rates (the cost to insure lending). This information is provided by the Council's treasury adviser - Arlingclose.

**The Council's Commercial Investment Strategy (CIS)**

The Commercial Investment Strategy commenced in 2015/16. Indicators relating to the investments are shown in **Appendix A section 3.5**.

These investments generated £2.8m of investment income for the Council in 2022/23 after taking account of direct costs. The breakdown of the property's portfolio is shown in **Table 6** and the proportion of the investment income in relation to gross service expenditure, in **Table 7 of Appendix A**.

**Recommendation(s):**

The Cabinet is recommended to

- Note the treasury management performance for the first 6 months of 2022/23 and to recommend the report to Council for consideration.

## **1. PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to update Members on the Council's treasury management activity for the first 6 months of the year, including investment and borrowing activity and treasury performance.

## **2. BACKGROUND**

- 2.1 It is regarded as best practice and prescribed treasury management practice, that Members are kept up to date with treasury management activity.
- 2.2 The Council approved the 2022/23 Treasury Management Strategy at its meeting on 23rd February 2022.
- 2.3 All treasury management activity undertaken during the first half of 2022/23 complied with the CIPFA Code of Practice and relevant legislative provisions.
- 2.4 The investment strategy is to invest any surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest. The Council's borrowing strategy permits borrowing for cash flow purposes and funding current and future capital expenditure over whatever periods are in the Council's best interests.

## **3. ANALYSIS**

### **Economic Review**

- 3.1 An economic review of the year has been provided by our Treasury Management advisors, Arlingclose and is attached with an analysis of the local context implications in **Appendix A section 2.0**.

### **Performance of Council Funds**

- 3.2 The treasury management transactions undertaken during the first 6 months of 2022/23 financial year and the details of the investments and loans held as at 30<sup>th</sup> September 2022 are shown in detail in **Appendix A section 3.0 to 3.3**.

### **Risk Management**

- 3.3 The Council's primary objectives for the management of its investment are to give priority to the security and liquidity (how quickly cash can be accessed) of its funds before seeking the best rate of return. For more details see **Appendix A section 3.4**.

### **Non-Treasury Investments**

- 3.4 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial

return. The full details of these investments can be found on **Section 3.5 of Appendix A.**

### **Compliance**

- 3.5 Compliance with specific investment and debt limits are indicated in **tables 8 and 9 of Appendix A.**

### **Treasury Management Indicators**

- 3.6 The Council measures and manages its exposure to treasury management risks using indicators which are details in the **Appendix A section 5.0.**

## **4. COMMENTS OF OVERVIEW & SCRUTINY**

- 4.1 Comments of the relevant Overview and Scrutiny Panel will be circulated ahead of the meeting.

### **List of Appendices**

#### **Appendix A**

- Economic review (source: Arlingclose)
- Borrowing and Investment as at 30<sup>th</sup> September 2022
- Risk Management
- Non-treasury Investments (CIS and service loans)
- Treasury Management Compliance and Indicators
- Outlook for the remainder of 2022/23

#### **Appendix B**

- Capital Prudential Indicators

#### **Appendix C**

- Glossary

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