Meeting:	**Audit Committee / Executive / Council**	**Agenda Item:**	
Portfolio Area:	Resources		
Date:	**10 November 2021 / 17 November 2021 / 15 December 2021**		

2021/22 MID YEAR TREASURY MANAGEMENT REVIEW

NON-KEY DECISION

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1. PURPOSE

1.1 To update Members on the Treasury Management activities in 2021/22 and review effectiveness of the 2021/22 Treasury Management and Investment Strategy including the 2021/22 prudential and treasury indicators.

2. RECOMMENDATIONS

2.1 That Council to approve the 2021/22 Treasury Management Mid-Year review.

2.2 That subject to any comments from Executive and the Audit Committee, recommend Council to approve the latest approved Countries for investments (Appendix D).

2.3 That the updated authorised and operational borrowing limits are approved (paragraph 4.4.7).

2.4 That the impact of the outstanding decision set out in paragraph 4.1.4 be noted.

3. BACKGROUND

3.1 This report covers one of three reporting requirements under the Prudential and Treasury Management Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), the other reports being;

- Annual Treasury Strategy (in advance of the year) (last reported to Council 24 February 2021)
- Annual Treasury Management Review after the year end (2020/21 was reported to Council 13 October 2021)

3.2 In December 2017, CIPFA revised the Code to require, all local authorities to report on:

- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- An overview of how the associated risk is managed;
- The implications for future financial sustainability.

These elements are covered in the annual Capital Strategy reported to Council in February each year.

3.3 This report summarises:

- Capital expenditure and financing for 2021/22;
- The overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Reporting of the required prudential and treasury indicators, including the impact of the expenditure on the Council's underlying indebtedness (the Capital Financing Requirement);
- Update on the Treasury Management Strategy Position;
- An economic update for the first part of 2021/22.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 The Council's Capital Expenditure and Financing 2021/22

4.1.1 Capital expenditure[1] can be financed either by capital resources the Council has on its balance sheet (e.g. capital receipts and capital grants) or by making a revenue contribution to capital. If sufficient capital resources are not available to fund the expenditure the Council would need to borrow to meet the funding gap. This borrowing may be taken externally in new loans or internally from cash balances held by the council (see also 4.3.3). The need to borrow is measured and reported through the Prudential Indicators.

4.1.2 The Treasury Management Strategy and Prudential Indicators for 2021/22 were originally approved by Council on the 24 February 2021. Since then, capital budget changes have been approved and the Prudential Indicators updated in the 2020/21 Annual Treasury Management Review (approved by Council 13 October 2021). The Treasury Management Mid-Year Review Indicators have been updated based on the 1st and 2nd quarter capital programme reported to Executive (20 October 2021).

[1] Council expenditure can be classified as capital when it is used to purchase assets with a life of more than one year, exceeds £5,000 in value and meets the guidelines laid out in CIPFA accounting practices.

4.1.3 Table One (see below) shows the original capital programme, the revised capital programme (approved by Executive 20 October 2021) and financing.

Table One: 2021/22 Capital Expenditure and Financing		
	2021/22 Original Capital Strategy (Council February 2021) £'000	2021/22 Revised Mid-Year Review (Q1&Q2 Capital Strategy -Executive October 2021) £'000
Capital Expenditure:		
General Fund Capital Expenditure	17,400	22,322
HRA Capital Expenditure	52,488	53,857
Total Capital Expenditure	**69,888**	**76,180**
· Capital Receipts	(14,958)	(17,828)
· Capital Grants / Contributions	(9,131)	(13,167)
· Capital Reserves	(2,211)	(2,356)
· Revenue contributions	0	(88)
· Major Repairs Reserve	(11,798)	(8,238)
Total Resources Available	**(38,097)**	**(41,676)**
Capital Expenditure Requiring Borrowing	**(31,790)**	**(34,503)**

4.1.4 It should be noted that at the time of writing the report, a decision was yet to be made regarding the demolition costs for Swingate House of £900K. The Council may decide to incur these costs and so the capital programme would be £900K higher, or the site would be sold with these works still to be undertaken and this would be reflected in the capital receipt achieved. A report is due to be taken in December which will include this matter.

4.2 The Council's overall borrowing position.

4.2.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR)[2]. Whether physical borrowing is taken out depends on the level of cash balances held by the Council. The treasury service manages the Council's cash position to ensure sufficient cash is available to meet the capital payments, based on the Council's Capital Strategy and its Treasury Management Strategy. This may be through internal borrowing from utilising cash balances held by the Council in the short to medium term or external borrowing such as from the Government, through the Public Works Loan Board (PWLB), or the money markets.

[2] Capital Financing Requirement (CFR) represents the amount of debt the Council needs to/has taken to fund the capital programme after debt repayments and Minimum Revenue Provision (MRP) are taken into account

4.2.2 The 2021/22 Capital Strategy identified the need for borrowing for financing elements of the capital programme. The Council has not undertaken any new external borrowing to date in 2021/22.

4.2.3 In 2021/22 the average cash holding between April and September was £77.5Million (£62.0Million April to September 2020/21). While investment returns are low the "internal" borrowing rate is significantly cheaper than the cost of external borrowing and remains a prudent use of the Council's cash balances, unless it is prudent to secure long term borrowing in accordance with the HRA Business Plan.

4.2.4 As at the 30 September 2021 the Council had total external borrowing of £218,834,687 which is projected to increase to £252,432,312 by 31 March 2022 if all approved borrowing is taken as per the revised capital programme approved by Executive 20 October 2021.

4.2.5 The General Fund currently has £2,150,687 external borrowing with the PWLB, comprising an Equal Instalments of Principal (EIP) loan with the final principal repayment in February 2023, and a Maturity loan of £1.756Million which matures in March 2028.

4.2.6 The HRA has external borrowing of £216,684,000 with the PWLB, with the majority of the HRA debt (£194,911,000) taken out in March 2012 to finance the payment required to central government for self-financing. This debt was arranged over a number of loans at fixed rates and with varying maturities and is not impacted by the recent changes in PWLB rates.

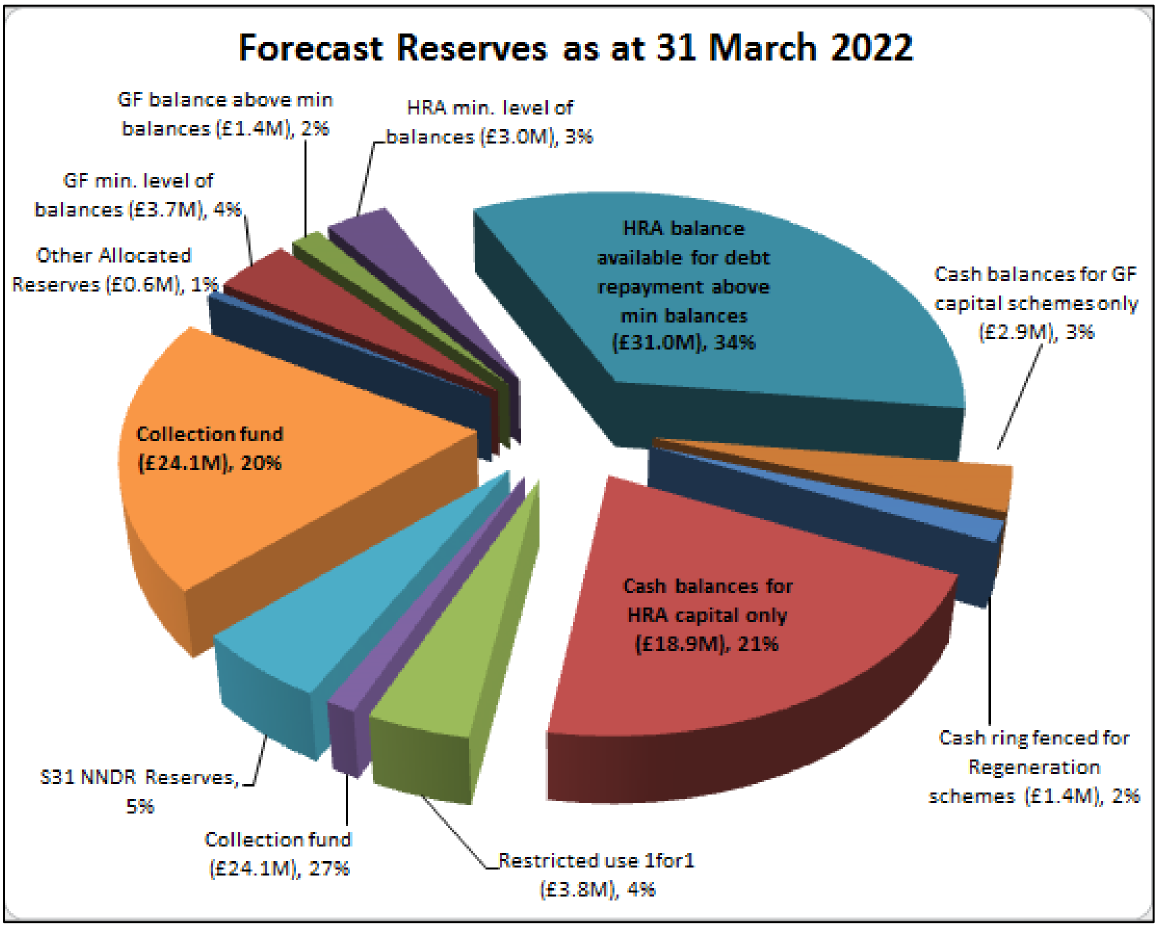
4.2.7 The HRA borrowing includes £7,763,000 used to fund the pre-2012 Decent Homes programme. This debt was called 'supported borrowing' under the former HRA subsidy system but now forms part of the HRA debt portfolio. An additional £10,000,000 was taken in March 2021 to fund additional Decent Homes expenditure.

4.2.8 Since the lifting of the HRA Debt Cap, which was formerly £217,685,000, HRA borrowing limits are based on affordability rather than legislation. These limits are now reviewed as part of the annual HRA Business Plan and through annual budget setting. An MTFS update for the HRA is being reported to Executive on 8 December 2021 as part of the Draft Budget for 2022/23.

4.3 Cash balances and cash flow management

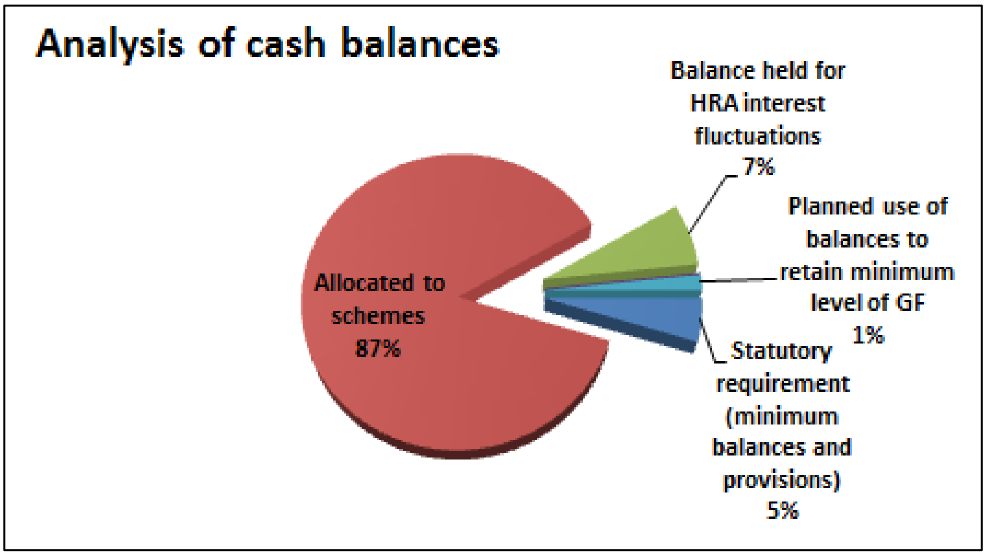
4.3.1 As at 1 April 2021 cash balances held by SBC totalled £73.15Million. The current revised cash balance expected to be held as at 31 March 2022 is £79.5 Million. The breakdown of these cash balances is shown in the following chart.

Chart One: Cash Balances expected as at 31 March 2022



4.3.2 These cash balances can be further analysed between allocated to schemes, held for statutory requirements and held for third parties. This identifies that all of the £79.5 Million of cash resources have been allocated. Unless allocated reserves are no longer needed in the future, there are **currently no cash resources available** for new projects.

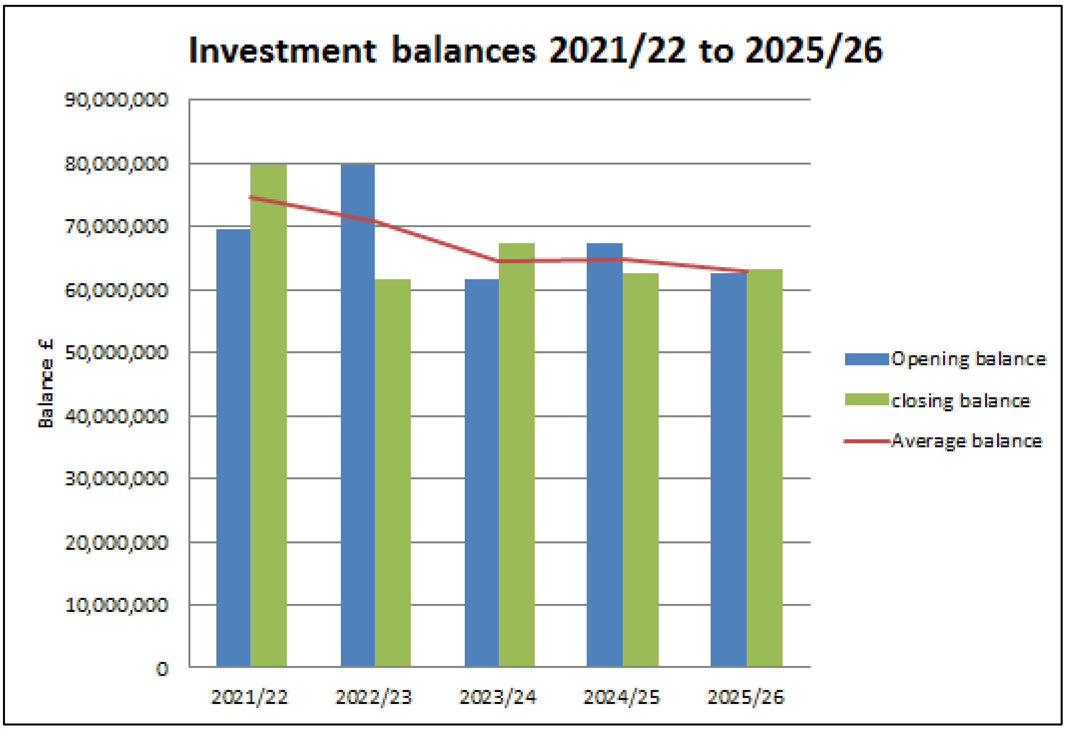
Chart Two: Analysis of Cash Balances



4.3.3 Cash investment balances are expected to be £79.5 Million by 31 March 2022 (reserves and balances of £90.7Million less actual internal borrowing of £11.2 Million), but this is dependent on current spending projections and approved borrowing included in the capital strategy and current HRA business plan (General Fund - £4.182Million and HRA - £29.547Million) for 2021/22. Decisions as to when to take this borrowing will be considered based on cash balances and anticipated interest rates.

4.3.4 The forecast investment balances to 2025/26 has been updated to reflect the latest General Fund MTFS and HRA MTFS projections and the revised capital programme. Note that, like the pie chart in paragraph 4.3.2, the balances in the chart below includes those being held on behalf of third parties.

Chart Three: Investment Balances forecast



4.4 Prudential Indicators

4.4.1 It is a statutory duty for the Council to determine and keep under review its affordable borrowing limits. The Council's approved Treasury and Prudential Indicators, (which measures affordability limits), are included in the approved Treasury Management Strategy and an update on those indicators is included in this report. During the year to date, the Council has operated within the treasury and prudential indicators set out in that strategy. Further explanation of key prudential indicators is given below and is also shown in Appendix A.

4.4.2 **Borrowing and the 2021/22 Capital Financing Requirement (CFR)** - The Council's underlying need to borrow for capital expenditure is referred to as the Capital Financing Requirement (CFR). The Council's original estimate and latest CFR for the year is shown in the table below. The estimate of the CFR for 2021/22 has been updated for the capital strategy approved by Members (20 October 2021 Executive). Further updates may be required pending completion of the external audit of the 2019/20 and 2020/21 accounts.

4.4.3 The HRA MTFS update (HRA 2021/22 - 2025/26) will be reported to the 17 November 2021 Executive, and the Final HRA and Rent Setting Report 2022/23 to Executive to the 19 January 2022 Executive and to Council on 26 January 2022. The CFR and Prudential Indicators included in this report have been updated to reflect the current projections for the HRA revised business plan.

Table Two: Capital Financing Requirement 2021/22			
CFR Calculation	**2021/22 Original: Annual TM Strategy (Approved Council February 2021) £'000**	**2021/22 Revised: Annual TM Review of 2020/21(Approved Council October 2021) £'000**	**2021/22 Revised: Mid-Year Review (Executive November 2021) £'000**
Opening Balance	**264,817**	**266,800**	**266,800**
Closing Capital Financing Requirement (General Fund)	31,010	44,372	37,372
Closing Capital Financing Requirement (Housing Revenue Account)	264,076	262,144	262,144
Closing Balance	**295,086**	**306,516**	**299,516**
Increase/ (Decrease)	**30,269**	**39,716**	**32,716**

4.4.4 Total debt repayments made in the first half of 2021/22 relating to principle on PWLB General Fund loans were £131,579 (paid in August). A further repayment of £131,579 will be made in February 2022 in relation to General Fund debt.

4.4.5 The Council could further reduce its CFR by:

- The application of additional capital financing resources (such as unapplied capital receipts) if available; or
- Charging more than the statutory revenue charge (Minimum Revenue Provision (MRP)) each year through a Voluntary Revenue Provision (VRP) which would increase the cost to the General Fund

4.4.6 The **net borrowing position** of the Council at 31 March 2022 is estimated to be **£172.8Million** (total borrowings/loans of £252.4M less total investments held of £79.6 Million). This updated position also reflects the current projections for the HRA revised business plan.

4.4.7 The **operational boundary and authorised limit** refer to the borrowing limits within which the treasury team operate. To date there have been **no breaches** of either limit in 2021/22).

4.4.8 At the time of publication of this report the external audit of the 2019/20 accounts has yet to be completed and the external audit of the 2020/21 accounts has yet to commence. Any changes following the completion of the external audits will be reported to Members in subsequent reports.

4.4.9 **Minimum Revenue Provision** (MRP)[3] – In 2021/22 the MRP calculated on previous years' borrowing is £465,491, however there will be no MRP charge to the General Fund with respect to borrowing for regeneration assets of £193,703, due to the overpayment calculated following the MRP review, which reviewed the asset lives used in calculating MRP. Based on the current forecasts this 'MRP holiday' period for regeneration assets will result in no MRP charges to the General Fund until 2025/26. Further detail can be found in Appendix E (MRP Policy).

4.4.10 MRP needs to be calculated regardless of whether actual external borrowing has been taken and hence differs from the treasury management arrangements, the latter considers utilising cash balances when borrowing rates are higher than investment interest rates.

4.4.11 The **ratio of financing costs to net revenue stream** is equal to General Fund interest costs divided by the General Fund net revenue income from Council Tax and Business Rates.

4.4.12 The treasury management indicators for 2021/22 onwards have been calculated based on the 1st and 2nd quarter capital programme reported to Executive 20 October 2021. There will be subsequent updates to the capital programme including the capital bidding process for the period 2022/23 to 2026/27 and as such the data relating to future years is indicative only and will be subject to change. The full list of Treasury Prudential Indicators is shown in Appendix A.

4.5 Update on Treasury Management Strategy Position 2021/22

4.5.1 The Council's debt and investment position is managed by the treasury management section to ensure adequate liquidity for revenue and capital activities. In addition, investment decisions are based on the security of the investments and spread over a number of counterparties to manage the Council's exposure to risk.

4.5.2 The Council's **average investment returns** are modest due to the historically low Bank of England Base Rate which is currently 0.10% and the risk appetite in the treasury management strategy. As at 30 September 2021 the 2021/22 average rate of interest being earned on investments was 0.36% (compared to 0.98% earned in 2020/21). This exceeded the 7 day LIBID benchmark rate of 0.00% (source: LINK Asset Services 21 October 2021).

4.5.3 At current interest rates it is still prudent to utilise the Council's cash balances (as shown in paragraph 4.3.1) for short-term internal borrowing. However, PWLB borrowing costs will be kept under review and officers will determine

[3] MRP- The Council must base its borrowing decisions in accordance with the Prudential Code which requires the Council to demonstrate a need to borrow and to show the cost of that borrowing for the General Fund is affordable. The Council's MRP policy, as required by CIPFA guidance, is approved annually by Council as part of the Treasury Management Strategy. The calculation of MRP is based upon prior years' borrowing requirement and the life of the assets for which borrowing was required.

whether it may be prudent to take some borrowing at lower interest rates based on the forecast reduction of future cash balances and borrowing identified in the HRA business plan. The decision and timing of when to borrow is being monitored by officers.

4.5.4 The Council's treasury position for the first half of year was as follows:

Table three: Treasury Position 2021/22						
	30 Sep 2021 Principal £'000s	Rate / Return %	Average Life (Yrs)	31 Mar 2022 Principal £'000s	Rate / Return %	Average Life (Yrs)
Fixed rate loans - PWLB	218,835	3.34	12.07	218,703	3.34	11.6
General Fund Prudential Borrowing				4,182		
HRA Borrowing				29,547		
Total Borrowing	**218,835**	**3.37**	**12.07**	**252,432**	**3.34**	**11.6**
CFR				299,515		
less finance lease and other technical adjustments				(29,982)		
less self-financing agreement				(5,929)		
Over/(under) borrowing*				(11,172)		
Investments Portfolio	**74,930**	**0.36**	**N/A**	**79,490**	**0.31**	**N/A**

** financed by internal borrowing (£3.047Million HRA £8.125Million General Fund)*

4.5.5 The maturity structure of the debt portfolio was as follows (see also Appendix B):

Table four: Maturity of Debt Portfolio for 2020/21 and 2021/22		
Time to maturity	**31 March 2021 Actual £'000's**	**30 September 2021 Actual £'000's**
Maturing within one year	263	263
1 year or more and less than 2 years	263	132
2 years or more and less than 5 years	500	500
5 years or more and less than 10 years	49,656	49,656
10 years or more	168,284	168,284
Total	**218,966**	**218,835**

4.5.6 There are two investments with **maturities over one year** as detailed below:

Table five: Maturities Over One Year					
Counterparty	Country	Rating	Deposit amount	Start date	Maturity on
Cambridgeshire County Council	UK	AA	5,000,000	12/04/2021	12/04/2023
Bury MBC	UK	AA	2,300,000	18/05/2020	18/11/2024
			7,300,000		

4.5.7 All other investments held during the first half of 2021/22 are due to mature within one year. A summary of the Council's exposure to fixed and variable rate investments is shown below in Table Six. (See also Appendix B).

Table Six : Fixed and Variable Rate Investment Totals		
	31 March 2021 Actual	**30 September 2021 Actual**
	£'000's	**£'000's**
Fixed rate principal	41,000	47,000
Variable rate principal	28,700	27,930
Total	**69,700**	**74,930**

4.5.8 Since the last Treasury report, no further Money Market funds have been added to the portfolio, however an application is in progress to add the CCLA Public Sector Deposit Fund due to the recent closure of the Amundi Money Market Fund.

4.5.9 There have been **no breaches** of treasury **counter party limits,** with the investment activity during the year conforming to the approved strategy. Any breach would be notified to the Chief Finance Officer. The Council has had no liquidity difficulties and no funds have been placed with the Debt Management Office (DMO) during 2021/22 to date, demonstrating that counterparty limits and availability for placing funds approved in the TM Strategy were working effectively. It is possible that surplus funds borrowed during 2021/22 will be placed in the DMO temporarily, if PWLB borrowing rates are advantageous and cash balances due to the timing of taking out new loans would breach other counterparty limits.

4.5.10 The list of "Approved Countries for Investments" is detailed in Appendix D.

4.5.11 **Money Market Fund Regulatory Change** took place in early 2019, and Liquidity (non-government) Funds have been converted from Constant Net Asset Value (CNAV) funds to Low Volatility Net Asset Value (LVNAV) pricing. Government-type funds will remain as CNAV funds under the new regulations. This changes have no impact on the Council's Treasury Management Strategy.

4.5.12 As part of the Council regeneration programme and financial security objectives officers have establishing special purpose vehicles (SPV) to deliver regeneration in the town and to improve the offer in the private rented sector. These SPV's have included a Limited Liability partnership and a wholly owned company. As completely separate legal entities the board of Directors of tV needed to delegate authority for the treasury management function to the Council, for officers to invest monies on behalf of the SPV's subject to Director's delegation. Any sums invested on behalf of theses SPV's are to be done in accordance with the Councils own treasury management policies. No such investments have been made on their behalf to date.

4.6 Economic Review & Interest Rate Outlook

4.6.1 UK Growth

The Bank of England's Monetary Policy Report August 2021 reports that UK GDP is expected to have risen by 5% in 2021 Q2, leaving it around 4% below its pre-pandemic level and slightly stronger than expected in the May Report. GDP is expected to grow by around 3% in Q3, somewhat weaker than expected in the May Report, with a small negative impact from recent developments in the pandemic. UK GDP is projected to recover further over the remainder of the year, reaching its pre-pandemic level in 2021 Q4, with demand growth boosted by a waning impact from Covid. Further out, the pace of GDP growth is expected to slow towards more normal rates, partly reflecting the gradual tightening in the stance of announced fiscal policy

4.6.2 Inflation and Bank Rate

Twelve-month CPI inflation fell to 3.1% in September from 3.2% in August. CPI inflation is expected to remain above the 2% target. The latest forecast from the OECD (the Organisation for Economic Co-operation and Development) is that inflation will be running at about 3% at the end of 2022. Inflation has picked up around the world due to higher costs of raw materials, constraints on the supply of goods, stronger consumer demand as economies reopen, and prices bouncing back from drops during the pandemic in some sectors. At its meeting ending on 24 September 2021, the MPC voted unanimously to maintain Bank Rate at 0.1%, which has been the rate since 19 March 2020 in response to the Coronavirus pandemic. Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, however the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. Our current forecasts are for the rise to 0.25% to take place in June.

4.6.3 Wage inflation

Following the August MPC meeting, the Governor of the Bank of England Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." This flagged up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer.

4.6.4 Brexit

The UK left the European Union on 31 January 2020 and an exit deal was agreed between the UK and the EU just before the end of the transition period on 31 December 2020. The initial agreement with the EU only covered trade, so further work remains on the services sector where temporary equivalence has been granted in both directions between the UK and EU and needs to be formalised permanently. Trade agreements with some countries and trading blocs took effect from 1 January 2021. Other agreements are still under discussion with countries where trading agreements were in place before 1 January 2021, and the Government put in place a UK global tariff and is trading with other World Trade Organisation (WTO) members on WTO terms, while trade with eligible developing countries is taking place under the UK's Generalised Scheme of Preferences. Brexit is likely to lead to a long-term structural change in the UK economy, impacting areas such as trade, investment and immigration.

4.6.7 **Budget and Spending Review 2021**

On 27 October 2021 the Chancellor delivered his Budget and Spending Review 2021, including the Office for Budget Responsibility (OBR) forecasts.

The main points from the Chancellor's Budget Statement that are relevant to local government are as follows:

- New grant funding for local government has been announced over the next three years, worth £4.8bn. The details of how this funding will be distributed and which services it will be allocated to were not included in the speech. There was also no announcement on funding reform, and no confirmation that the reset would be delayed beyond 1 April 2022.

- The Spending Review document confirms that the Council Tax referendum limit is expected to remain at 2% per annum for the Spending Review Period, with an additional 1% per annum flexibility for social care authorities to increase the Social Care Precept.

- The Business Rates multiplier will, again, be frozen, rather than rising by inflation, as in 2021/22. It is expected that this will be funded by government through a further increase to the multiplier cap compensation grant. The conclusion of the review of Business Rates was also published on 27 October. This included 3-yearly revaluations from 2023, and a new Business Rates improvement relief, which, from 2023, will allow businesses to make improvements and pay no extra business rates for 12 months (it is expected that this relief would be funded for local government).

- Retail, Hospitality and Leisure relief will be extended at 50% for 2022/23, subject to a £110,000 cash cap. This is £5,000 higher than the cap currently applicable to the 66% relief to businesses, which were not (or would not have been) required to close on 5 January 2021. The Government estimates the relief will be worth £1.7bn to business. Again, it is expected that this will continue to be fully funded for local government.

- £560m will be provided for youth services as part of the levelling up agenda. There will also be new funding for community football pitches (£200m+), to support museums and libraries (£800m), and for 100 new ‘pocket parks’ on small areas of derelict land.

- The public sector pay freeze will not continue, and the intention is to return to the usual system of independent pay commission recommendations for ‘fair and affordable’ pay rises over the whole Spending Review period. The minimum wage will be increased to £9.50 per hour, accepting the Low Pay Commission’s recommendation.

- Total departmental spending will increase over this Parliament by £150bn, or 3.8% per annum in real terms. There will be a real terms rise in spending for every single department.

- The OBR forecasts predict continued higher inflation, with CPI expected to average 4% over the coming year. The Government consider that this high inflation relates to demand exceeding supply (as demand has recovered more quickly than suppliers can re-mobilise, as economies reopen) and also to the surge in demand for energy, despite continuing disruptions to supply.

- Economic recovery is now expected to be quicker, with a return to pre-COVID levels expected at the turn of the year (earlier than was expected in March). The estimates of the impact from COVID have been reduced from 3% to 2%, and the peak unemployment is now expected to be 5.2% (down from the 12% predicted in March).

- The government will publish a new Charter for Budget Responsibility (which will be subject to a vote in Parliament). The Charter will include two rules, which must be met by the third year of a fiscal period: that underlying Public Sector Net Debt (excluding the Bank of England) must be falling as a percentage of GDP, and, in normal times, the state should only borrow to invest (with everyday spending being paid through taxation). Today’s announcement meets these rules. There will also be a target for 3% of GDP to be committed to capital spending.

- Other announcements include an intention to return aid spending to 0.7% in 2024/25 (before the end of the Parliament); reforms to alcohol duties (which will simplify the system using a basic principle that ‘the stronger the drink, the higher the rate’); reductions to Air Passenger Duty for domestic flights and a new ‘super long haul’ rate introduced; a further freeze to fuel duty; and a reduction to the Universal Credit taper from 63% to 55% (which is the amount that Universal Credit falls as income rises from work).

5. IMPLICATIONS

5.1 Financial Implications

5.1.1 This report is of a financial nature and reviews the treasury management function for 2021/22 to date. Any consequential financial impacts of the Strategy will be incorporated into the Capital Strategy updates and subsequent quarterly budget monitoring reports.

5.1.2 During the financial year to date officers have operated within the Treasury and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

5.2 Legal Implications

5.2.1 Approval of the Prudential Code Indicators and the Treasury Management Strategy Indicators are intended to ensure that the Council complies with relevant legislation and best practice.

5.2.2 There have been no changes to PWLB borrowing arrangements since the last Treasury report, however there is ongoing consultation on changes to the Prudential and Treasury Management codes. Officers will ensure that any changes are reflected in treasury operations and reporting requirements.

5.3 Risk Implications

5.3.1 The current policy of minimising external borrowing only remains financially viable while cash balances are high and the differentials between investment income and borrowing rates remain. Should these conditions change the Council may need to take borrowing at higher rates which would increase revenue costs.

5.3.2 There remains uncertainty on the impact of exiting the EU on UK economy and borrowing rates. Officers monitor interest rate forecasts to inform the timing of borrowing decisions.

5.3.3 The Council's Treasury Management Strategy is based on limits for counterparties to reduce risk of investing with only a small number of institutions.

5.3.4 The thresholds and time limits set for investments in the Strategy are based on the relative ratings of investment vehicles and counterparties. These are designed to take into account the relative risk of investments and also to preclude certain grades of investments and counterparties to prevent loss of income to the Council.

5.4 Equalities and Diversity Implications

5.4.1 This report is technical in nature and there are no implications associated with equalities and diversity within this report. In addition to remaining within agreed counterparty rules, the Council retains the discretion not to invest in countries that meet the minimum rating but where there are concerns over human rights issues. Counterparty rules will also be overlaid by any other ethical considerations from time to time as appropriate.

5.4.2 The Treasury Management Policy does not have the potential to discriminate against people on grounds of age; disability; gender; ethnicity; sexual orientation; religion/belief; or by way of financial exclusion. As such a detailed Equality Impact Assessment has not been undertaken.

5.6 Climate Change Implications

5.6.1 The council's investment portfolio is sterling investments and not directly in companies. However the treasury management team will review the use of Money Market funds to ensure, where possible, money market funds that invest in environmentally sustainable companies are used. In this way the TM team will align with the Councils ambition to attempt to be carbon neutral by 2030.

BACKGROUND DOCUMENTS

BD1 Prudential Code Indicators and Treasury Management Strategy 2021/22 (24 February 2021 Council)

BD2 Annual Treasury Management Review of 2020/21 (13 October 2021 Council)

APPENDICES

- Appendix A – Prudential Indicators for Mid Year Review.
- Appendix B – Investment and Loan Portfolios
- Appendix C – Specified & Non-Specified Investment Criteria
- Appendix D – Approved Countries for Investments
- Appendix E – MRP Policy