

# CEREDIGION COUNTY COUNCIL

**Report to:** Cabinet

**Date of meeting:** 7th December 2021

**Title:** Mid-year review of the Treasury Management Strategy for 2021/22

**Purpose of the report:** To report on the 2021/22 Treasury Management Strategy

**For:** INFORMATION

**Cabinet Portfolio:** Finance & Procurement Services and Public Protection Services

**Cabinet Member:** Cllr Gareth Lloyd

## 1. INTRODUCTION

This report is presented in accordance with the revised CIPFA Code of Practice on Treasury Management in the Public Services (the code). It is a requirement of the code to report to Cabinet on the expected treasury activity for the forthcoming year, a mid-year review and the performance of the Council's treasury management activities at the end of the year.

Treasury management is defined by CIPFA as:

*“The management of the authority’s 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 the optimum performance consistent with those risks.”*

## 2. PORTFOLIO POSITION

The Council's summarised debt and investment position is shown below, with further details analysed in Appendix A (Investments) and Appendix B (Debt).

	<u>As at</u> <u>30/09/2021</u> <u>£m</u>	<u>As at</u> <u>31/03/2021</u> <u>£m</u>
<u>External Borrowing</u>		
PWLB loans	109.5	110.0
Market loan	5.8	5.8
WG Repayable loan funding	0.9	0.9

<b>Total Debt</b>	<b>116.2</b>	<b>116.7</b>
<u>Investments held</u>		
In-house	39.5	29.2
<b>Total Investments</b>	<b>39.5</b>	<b>29.2</b>
<b>Net Debt</b>	<b>76.7</b>	<b>87.5</b>

### 3. ECONOMIC UPDATE

#### The position as at the end of September 2021:

As the Covid-19 vaccine program continues the economy is emerging from the worst of the pandemic with high levels of GDP growth of 5.5% in Q2 2021. As at Sept 2021 GDP is around 2.5% below it's pre Covid-19 level. There does remain some uncertainty because of predicted spikes in Covid-19 cases during the autumn and winter which may lead to further lockdowns and/or restrictions that could stifle economic activity. There is also evidence of historically lengthy supplier delivery times, backlogs of work, significant material and labour shortages in a number of sectors that may also stifle productivity.

UK unemployment remains relatively low in historic terms at 4.5% as at August 2021, although uncertainty remains around the outlook for the labour market as questions remain around how the economy will adjust to the closure of the furlough scheme at the end of September 2021. There are few signs of any increase of redundancies, and available vacancies have increased with indicators showing widespread recruitment difficulties. There are signs of pay growth as a result.

Inflation currently stands at 3.1% (CPI) and 4.9% (RPI). The MPC has stated that it now expects inflation (CPI) to push above 4% this year and stay at this level into Q2 2022, although they have reiterated their previous view that global price pressures will prove transitory.

The Bank of England base rate remains at 0.1% where it has remained since March 2020 at the start of the Covid-19 outbreak. The MPC has indicated that recent economic developments have strengthened the case for a modest increase in the base rate, and all members agreed that any future initial tightening of monetary policy should be implemented by an increase in Bank Rate.

### 4. STRATEGY FOR 2021/22

The Council's Treasury Management strategy for the current year was approved by Full Council in March 2021. The Council's Investment Strategy outlined the Council's investment priorities as being security of capital and liquidity, with the aim of achieving the optimum return on investments commensurate with the proper levels of security and liquidity. Generally it was anticipated that investments for core cashflow requirements would be for periods of up to 3 months, but with scope

to invest for longer periods (up to 1 year) if surplus investment balances are available. All Investments in the year to date have been in line with the strategy.

On the borrowing side, the Strategy indicated that there was an estimated funding requirement of £8.5m. The Council has a fairly significant cash balance and is maintaining an internal borrowing position which is helping to deliver short term revenue savings.

## **5. INVESTMENT PORTFOLIO**

A full list of investments held as at 30/09/2021 is shown in Appendix A. The majority of investments are short term, ensuring that the key dates relating to salaries, housing benefit and creditor payment runs are covered within a month. Where funds allow, these investments are supplemented with longer dated maturities to take advantage of increased returns.

## **6. BORROWING PORTFOLIO**

During 2021/22, no new PWLB loans have so far been taken out, there are also no PWLB loan maturities due during the year.

A full list of loans held as at 30/09/2021 is shown in Appendix B.

## **7. DEBT RESCHEDULING**

Debt rescheduling opportunities continue to be virtually non-existent in the current economic climate and the resultant structure of PWLB interest rates across the curve. Therefore no premature repayment of debt, or debt rescheduling, has taken place to date in this financial year.

## **8. COMPLIANCE WITH TREASURY LIMITS**

During the financial year to date the Council has operated within the Treasury limits and Prudential Indicators set out in the Council's approved Treasury Management Strategy report for the year.

## **9. TREASURY ADVISORS**

The Council employs Link Treasury Solutions Ltd as the Council's external Treasury advisor on a contract that runs until 31/08/2022. Link support by providing an analysis of investment counterparty creditworthiness, provide forecasts of movements in PWLB rates, undertake Balance Sheet reviews, they provide regular updates on economic and political changes together with advice on any changes to legislation or accounting standards.

## 10. BANKING CONTRACT

The Council has a contract with Barclays for the delivery of banking services, which runs until 29/02/2024. Barclays is a UK based bank, with a long-term credit rating of A1 (Moody's), and continues to provide the Council with an excellent service, in particular during the Covid 19 Pandemic. Barclays has operated local government sector specialism for over 15 years, currently providing transactional banking services to just under 25% of all local authorities and holding treasury relationships with close to 70% in the UK. The number of providers of banking services to the local government sector is very limited and it should be noted Barclays was the only bank that expressed an interest in the Council's business last time the contract was procured. There is high confidence in the measures Barclays has in place to counter fraud, a critical consideration in present times. Barclays has delivered high quality cyber fraud awareness training to Council officers that was free of charge which is referenced below. This a good example of the extra support services received under the contract.

## 11. TRAINING

Cyber criminals have taken advantage of businesses having to make changes to their processes due to the pandemic, and they are always adapting their tactics. To help protect the Council from this threat Barclays hosted a webinar which twenty officers recently attended called 'Fraud and Cyber Security: how to protect your organisation'.

	<b>Has an Integrated Impact Assessment been completed? If, not, please state why</b>	No: Report for information
<b>Wellbeing of Future Generations:</b>	<b>Summary:</b> <b>Long term:</b> <b>Integration:</b> <b>Collaboration:</b> <b>Involvement:</b> <b>Prevention:</b>	
<b>Recommendation(s):</b>	<b>To note the contents of the report</b>	
<b>Reasons for decision:</b>	<b>None required</b>	

**Overview and Scrutiny:** Considered during the Strategy approval process

**Policy Framework:** 2021/22 Treasury Management Strategy

**Corporate Priorities:** Treasury Mgmt underpins all Corporate Priorities

**Financial Implications:** Finance: Investment Income/External interest paid

**Statutory Powers:** Local Government Act 2003

**Background Papers:** 2021/22 Treasury Management Strategy report to Full Council (March 2021)

**Appendices:** Appendix A - Investment Portfolio  
Appendix B - Debt Portfolio

**Head of Service:** Stephen Johnson (Finance & Procurement)

**Reporting Officer:** Justin Davies (Corporate Manager - Core Finance)

**Date:** 22/10/2021

## Appendix A

### INVESTMENT PORTFOLIO AS AT 30/09/2021:

DETAILS	VALUE	INTEREST RATE	INVESTMENT	
	£	%	FROM	TO
<u>Investments held</u>				
Bank of Scotland Tranche	2,000,000	0.03	20/09/2021	22/10/2021
Coventry Building Society	1,500,000	0.02	01/09/2021	29/10/2021
Coventry Building Society	1,000,000	0.02	31/08/2021	29/10/2021
Coventry Building Society	1,000,000	0.02	20/09/2021	19/11/2021
DMADF	1,000,000	0.01	03/09/2021	08/10/2021
DMADF	1,000,000	0.01	06/09/2021	11/10/2021
DMADF	1,000,000	0.01	07/09/2021	19/10/2021
DMADF	1,000,000	0.01	22/09/2021	12/10/2021
DMADF	500,000	0.01	03/09/2021	07/10/2021
Goldman Sachs International	2,000,000	0.165	15/09/2021	15/03/2022
Goldman Sachs International	2,000,000	0.14	30/09/2021	30/03/2022
	<u>14,000,000</u>			
<u>Deposits in Barclays Reserve a/c</u>				
Barclays Bank	<u>10,507,467</u>	0.05	30/09/2021	-
<u>Deposits in Notice Account</u>				
Nat West 35 Day	6,982,706	0.05	30/09/2021	-
Bank of Scotland 32 Day	4,000,000	0.03	30/09/2021	-
Santander 95 Day	4,000,000	0.20	30/09/2021	-
	<u>14,982,706</u>			
<b>Total Investments as at 30/09/21</b>	<b><u>39,490,172</u></b>			

**DEBT PORTFOLIO AS AT 30/09/2021:****Appendix B**

Loan Ref	Repayment Method	Start Date	Maturity Date	Original Interest rate	Balance as at 30/09/21
<b><u>PWLB Loans</u></b>					
417195	A	24-Dec-71	02-Dec-31	8.000%	19,819
419325	A	21-Mar-72	02-Dec-31	7.750%	13,893
427730	A	12-Jun-73	02-Jun-33	9.875%	20,625
478179	M	26-Sep-96	31-Mar-56	8.125%	5,000,000
478585	M	10-Dec-96	30-Sep-56	7.500%	3,000,000
480055	M	13-Oct-97	30-Sep-57	6.375%	6,000,000
480689	M	27-Mar-98	30-Sep-52	5.875%	2,000,000
481159	M	20-Jul-98	31-Mar-53	5.500%	3,500,000
490819	M	24-Nov-05	31-Mar-31	4.250%	2,000,000
490981	M	11-Jan-06	31-Mar-51	3.900%	2,000,000
491703	M	07-Jun-06	30-Sep-41	4.350%	2,700,000
491819	M	07-Jul-06	30-Sep-31	4.500%	5,300,000
491837	M	12-Jul-06	02-Jun-39	4.450%	2,000,000
492936	M	20-Feb-07	06-Aug-32	4.550%	6,000,000
493401	M	22-Jun-07	30-Sep-22	5.400%	6,700,000
493733	M	10-Aug-07	30-Sep-37	4.750%	9,551,120
501411	A	10-Jul-12	31-Mar-32	2.860%	1,368,530
501928	A	01-Mar-13	31-Mar-29	2.630%	1,524,400
502054	A	28-Mar-13	06-Feb-33	2.860%	1,478,826
502477	A	13-Aug-13	30-Sep-28	3.110%	1,533,064
502596	M	10-Oct-13	09-Oct-36	4.210%	5,000,000
502827	M	06-Feb-14	10-Jan-25	3.660%	3,000,000
502828	M	06-Feb-14	10-Jan-27	3.840%	2,000,000
502981	A	09-Apr-14	31-Mar-34	3.680%	1,626,172
502982	A	09-Apr-14	30-Sep-28	3.230%	2,162,642
503489	M	25-Nov-14	31-Mar-45	3.670%	5,000,000
503490	A	25-Nov-14	31-Mar-44	3.400%	1,189,694
503728	M	09-Feb-15	31-Mar-60	2.750%	4,000,000
503729	M	09-Feb-15	31-Mar-61	2.750%	4,000,000
504645	A	04-Feb-16	30-Sep-45	2.760%	2,250,310
506318	M	06-Sep-17	01-Sep-28	1.970%	2,000,000
506319	M	06-Sep-17	01-Sep-46	2.560%	6,000,000
507963	M	30-Oct-18	31-Mar-34	2.500%	2,000,000
507964	M	30-Oct-18	30-Sep-48	2.460%	1,800,000
508214	M	13-Dec-18	30-Sep-39	2.520%	2,000,000
509622	M	08-Aug-19	30-Sep-58	1.970%	2,000,000
509623	M	08-Aug-19	30-Sep-34	1.730%	1,800,000
					<b>109,539,093</b>
<b><u>Market Loan</u></b>					
Barclays	M	20-Jun-16	13-Sep-66	3.660%	5,750,000
<b><u>WG Repayable Loan funding</u></b>					
Housing Improvement & Empty Property Loan 1	M	06-Mar-15	31-Mar-30	0.000%	556,075
Housing Improvement & Empty Property Loan 2	M	27-Mar-20	31-Mar-35	0.000%	250,000
Housing Improvement & Empty Property Loan 3	M	19-Feb-21	31-Mar-27	0.000%	80,000
					<b>886,075</b>
<b>TOTAL</b>					<b>116,175,168</b>

**Key**

A - Annuity

M - Maturity