

**STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL**

**Audit & Accounts Committee**

**24 November 2020**

<b>TITLE:</b>	<b>Treasury Management Update</b>
<b>PORTFOLIO HOLDER:</b>	<b>Councillor Ralphs - Council Leader SMDC</b>
<b>CONTACT OFFICER:</b>	<b>Claire Hazeldene – Interim Executive Director &amp; Chief Finance Officer Emily Bennetts - Finance Business Partner</b>
<b>WARDS INVOLVED:</b>	<b>Non-specific</b>

**Appendices Attached – Appendix A – Treasury Management Mid-Year Update Report to 30<sup>th</sup> September 2020**

**1. Reason for the Report**

- 1.1. The purpose of the report is to allow the robust scrutiny of the Council's Treasury Management performance in 2020/21 in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and generally accepted good practice.

**2. Recommendation**

- 2.1. That Members note the current Treasury Management position as at 30<sup>th</sup> September 2020.

**3. Executive Summary**

- 3.1. The CIPFA Code of Practice on Treasury Management was adopted by the Council in February 2010. This Council fully complies with its requirements, one of which is to produce at least one mid-year operational report.

- 3.2. This report comprises the following:

- The latest interest rate forecast and comment on the impacts of Covid-19;
- Investment income earned to date and projected for 2020/21;
- The current investment portfolio;
- A capital programme update and projected borrowing requirements with associated borrowing costs for 2020/21; and

- Compliance against prudential and treasury indicators set in the Treasury Management Strategy 2020/21.

### 3.3. The main headlines are:

- There is no expectation for any increase to the Bank of England base rate within the medium term.
- The Covid-19 pandemic and resulting economic crisis is considered in terms of the impact on treasury management, in particular the cash flows.
- A shortfall of £48,720 is forecast against the investment income budget due to reducing interest rates.
- An income shortfall of £40,410 is forecast on the Ascent loan interest due to lower interest rates than forecast; and the Debenture income is forecast on target. This is subject to change pending the Ascent Delivery model review and any new loan arrangement.
- The borrowing costs budget to support the existing Ascent loan balance and general fund borrowing requirement is currently forecast to be £132,830 under budget owing to low Intra-Local Authority borrowing interest rates available.
- The average return on investments was 0.25% during the quarter 2. This has reduced from 0.40% in quarter 1.
- The Council's investment portfolio totalled £16.3million spread across seven separate institutions as at 30<sup>th</sup> September 2020.
- The Council's external debt is forecast to be £16million by the end of the year at an average annual borrowing rate of 0.88%.

## 4. How this report links to Corporate Priorities

- 4.1. An effective Treasury Management function is critical in safeguarding and effectively managing the financial resources at the Council's disposal. Sufficient financial resources are required to deliver and underpin all of the Council's main priorities.

## 5. Alternative Options

- 5.1. This report sets out the Treasury Management position for Staffordshire Moorlands District Council for 2020/21 to date and the projected outturn. As such it is a statement of fact and there are no options.

## 6. Implications

- 6.1. Community Safety - (Crime and Disorder Act 1998)

None

6.2. Workforce

None

6.3. Equality and Diversity/Equality Impact Assessment

This report has been prepared in accordance with the Council's Diversity and Equality Policies.

6.4. Financial Considerations

Included throughout the report

6.5. Legal

None

6.6. Climate Change

Ethical Investing under Environmental, Social and Governance (ESG) criteria is considered within the report

6.7. Internal and External Consultation

None

6.8. Risk Assessment

There are a number of inherent financial risks associated with Treasury Management activity, not least the potential for loss of interest and/ or deposits. For this reason, the Council engages the services of external Treasury Management advisors, Link Asset Services ('Link').

Investment and borrowing decisions are made in accordance with the Council's formally adopted Treasury Management Strategy. That Strategy includes a number of risk management features such as the overriding priority that security of deposit takes precedence over return on investment.

**Claire Hazeldene**  
**Interim Executive Director & Chief Finance Officer**

**Web Links and  
Background Papers**

'Treasury Management – Governance & Scrutiny Arrangements' (Audit & Accounts Committee September 2009)

'Treasury Management Strategy Statement 2020/21' (Audit & Accounts Committee February 2020)

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