

<b>Title of Report</b>	<b>TREASURY MANAGEMENT ACTIVITY REPORT - QUARTER 1</b>	
<b>Presented by</b>	Anna Crouch Finance Team Manager & Deputy S151 Officer	
<b>Background Papers</b>	<a href="#">Prudential Indicators and Treasury Strategies 2022/34– Council 24 February 2022</a>	<b>Public Report:</b> Yes/No
<b>Purpose of Report</b>	To inform Members of the Council’s Treasury Activity for the first quarter of 2022/23 (April -June 2022).	
<b>Recommendations</b>	<b>THAT MEMBERS APPROVE THIS REPORT AND COMMENT AS APPROPRIATE.</b>	

## 1.0 BACKGROUND

- 1.1 Treasury Management activity is underpinned by the Chartered Institute of Public Finance and Accountancy’s Treasury Management in the Public Services: Code of Practice (the CIPFA Code), which requires local authorities to produce Prudential Indicators and a Treasury Management Strategy Statement annually on the likely financing and investment activity. The Prudential Indicators and Treasury Strategies were approved by Council on the 24 February 2022.
- 1.2 As a minimum, the code requires that the council reports on the performance of the Treasury Management function at least twice yearly (mid-year and at year end. Documented in Appendix A is the first report to be presented in 2022/23 designed to inform Members of the council’s treasury activity and enable scrutiny of activity and performance.

## 2.0 CARBON ZERO AND ECONOMICAL, SOCIAL AND GOVERNANCE (ESG) UPDATE

- 2.1 The Council declared a climate emergency in June 2019 and has a target to achieve a Net Carbon Council by 2030 and a Net Carbon District by 2050. Within the Council’s Treasury Management activity there is opportunity to ensure that investment counterparties comply with this target.
- 2.2 Work has been ongoing to review the Council’s current treasury position in regard to the Net Carbon target alongside Environmental, Social and Governance (ESG) standards. This is an area for development, and we will be reviewing the Council’s Treasury Management Strategy for 2023/24 to ensure compliance. Although no action has yet been taken around this, confirmation has been sought that all our investment

counterparties currently have a 2050 net carbon zero goal and integrated ESG policies.

### **3.0 TREASURY MANAGEMENT ADVISORS' COMMENTARY – ARLINGCLOSE LTD**

- 3.1 This commentary below has been provided by our treasury management advisors:
- 3.2 NWLDC is currently taking a relatively low credit and liquidity risk approach to its investment strategy by investing mainly in Money Market Funds (MMFs), local authorities, UK central government and a small number of UK banks, for short terms (up to 12 months). Most of these options avoid the direct bail-in risk associated with bank deposits (although indirect exposure is held via the MMFs, this is highly diversified).
- 3.3 Interest rates have started to rise globally, including UK Bank Rate, and this is expected to continue at least in the short term. The council's investment returns have therefore started to increase but the level of real return (i.e. adjusting for inflation) is negative given current high inflation. The latest client investment benchmarking exercise that NWLDC took part in (June 2022) showed the council's credit risk (as measured by credit ratings) and return were slightly better than the average for other local authorities on internally managed investments.
- 3.4 Other investment options that may fit with the council's current risk appetite could include longer- term loans to local authorities (the council has done this before), covered bonds and loans to Registered Providers (housing associations), which would also require a longer investment horizon (3 to 5 years).
- 3.5 Going beyond this would be an alternative approach – that a portion of the investment portfolio is invested strategically for income. This would involve investing in asset classes such as property, bonds and equities (typically via pooled funds). This would carry a different and typically higher set of risks but also generate a higher return. An appropriate risk/return balance is key and these would be long-term investments, the value of which would fluctuate over time. These types of investments may need to be part of a documented strategy to manage liquidity, interest rate, exchange rate and/or inflation risks.

### **4.0 SUMMARY**

- 4.1 In compliance with the requirements of the CIPFA code of practice, Appendix A provides Members with a summary report of the Treasury Management activity for the period April 2022 to June 2022. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.
- 4.2 For the reporting period, there has been no breaches of Treasury Management Strategy Statement that need bringing to the attention of the committee and the Treasury Management practices have been complied with.

<b>Policies and other considerations, as appropriate</b>	
Council Priorities:	The Treasury Strategies and Prudential Indicators help the Council achieve all its properties.
Policy Considerations:	<a href="#">Prudential Indicators and Treasury Strategies 2022/34– Council 24 February 2022</a>
Safeguarding:	Not applicable
Equalities/Diversity:	Not applicable
Customer Impact:	Not applicable
Economic and Social Impact:	Not applicable
Environment and Climate Change:	Not applicable
Consultation/Community Engagement:	Not applicable
Risks:	Borrowing and investment both carry an element of risk. This risk is mitigated through the adoption of the Treasury and Investment Strategies, compliance with the CIPFA code of Treasury Management and the retention of Treasury Management advisors (Arlingclose) to proffer expert advice.
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