

Title of Report	TREASURY MANAGEMENT ACTIVITY REPORT - QUARTER 3	
Presented by	Anna Crouch Finance Team Manager & Deputy S151 Officer	
Background Papers	Prudential Indicators and Treasury Strategies 2022-23	Public Report: Yes
Purpose of Report	To inform Members of the Council's Treasury Activity for the period April – December 2022.	
Recommendations	THAT MEMBERS APPROVE THIS REPORT AND COMMENT AS APPROPRIATE.	

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. Appendix A is the second of four reports 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 TREASURY MANAGEMENT ADVISORS' COMMENTARY – ARLINGCLOSE LTD

- 2.1 This commentary below has been provided by our treasury management advisors:
- 2.2 NWLDC is currently taking a relatively low credit and liquidity risk approach to its investment strategy by investing mainly in deposits with UK central government, Money Market Funds (MMFs), UK local authorities, 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).

- 2.3 Interest rates have been rising globally, including UK Bank Rate, and further increases in the policy rate are expected, albeit uncertainty is high given recent political, fiscal, economic and market volatility. The council's investment returns have therefore increased 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 (September 2022) showed the council's credit risk (as measured by credit ratings) and return were both slightly lower than the average for other local authorities on internally managed investments.
- 2.4 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 or supranational bonds and loans to Registered Providers (housing associations), which would also require a longer investment horizon (3 to 5 years).
- 2.5 Going beyond this would be an alternative approach – investing for the long-term (5 years +) in asset classes such as property, bonds and equities which fluctuate in value, and carry a different and typically higher set of risks but offer the potential for higher returns. The Council would need to identify a long-term investment horizon and/or these types of investments may need to be part of a documented strategy to manage liquidity, interest rate, exchange rate and/or inflation risks.

3.0 SUMMARY

- 3.1 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 December 2022. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.
- 3.2 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.

Policies and other considerations, as appropriate	
Council Priorities:	<p>The Treasury Strategies and Prudential Indicators help the Council achieve all its properties:</p> <ul style="list-style-type: none"> - Supporting Coalville to be a more vibrant, family-friendly town - Support for businesses and helping people into local jobs - Developing a clean and green district - Local people live in high quality, affordable homes - Our communities are safe, healthy and connected
Policy Considerations:	Not applicable
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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