NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

COUNCIL – TUESDAY, 30 JANUARY 2024

Title of Report	**TREASURY MANAGEMENT HALF-YEARLY REPORT 2023/24**	
Presented by	Councillor Nick Rushton Corporate Portfolio Holder	
Background Papers	Prudential Indicators and Treasury Strategies 2023-24 – Council 23 February 2023 Treasury Management Activity Report 2023/24 – Quarter 1 – Audit and Governance Committee 26 July 2023	**Public Report:** Yes
Financial Implications	There are no financial implications as a direct result of this report. **Signed off by the Section 151 Officer**: Yes	
Legal Implications	There are no legal implications as a direct result of this report. **Signed off by the Monitoring Officer**: Yes	
Staffing and Corporate Implications	There are no staffing or corporate implications as a direct result of this report. **Signed off by the Head of Paid Service:** Yes	
Purpose of Report	To inform Council of the Council's Treasury Activity for the period April – September 2023.	
Recommendations	**THAT COUNCIL NOTES:** **1. THE TREASURY MANAGEMENT HALF-YEARLY ACTIVITY REPORT 2023-24 (APPENDIX A); AND** **2. THE PRUDENTIAL INDICATORS HALF-YEARLY UPDATE 2023/24.**	

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 Management Strategies were approved by Council on the 23 February 2023.

1.2 As a minimum, the code requires that the Council reports on the performance of the Treasury Management function at least twice yearly (April to September and at year end). Appendix A is the first report to be presented to Council for the financial year 2023/24 and Appendix B provides an update on the Prudential Indicators for period April to September 2024.

2.0 TREASURY MANAGEMENT ADVISOR'S COMMENTARY – ARLINGCLOSE LTD

2.1 The commentary below has been provided by the Council's treasury management advisors:

2.1.1 The Council 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[1] associated with bank deposits (although indirect exposure is held via the MMFs, this is highly diversified).

2.1.2 Interest rates have been rising globally but are now thought to have peaked, with predictions shifting towards major central bank policy rates being cut in 2024. The Council's investment returns have therefore increased and with inflation falling significantly, are currently earning a positive real return (i.e. adjusting for inflation). The latest client investment benchmarking exercise that the Council took part in (June 2023) showed the Council's return was higher than the average for other local authorities and credit risk (as measured by credit ratings) was lower, for internally managed investments.

2.1.3 Other investment options that may fit with the Council's current risk appetite could include secured bank deposits (up to 12 months), longer-term loans to local authorities (the Council has done this before), covered or supranational bonds and loans to Registered Providers (housing associations), which may also require a longer investment horizon (three to five years).

2.1.4 Going beyond this would be an alternative approach – investing for the long-term (five 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 long-term 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.

[1] Bail-ins are a way for banks to convert debt into equity to increase their capital requirements. Risks of bail-ins include:

- Moral Hazards: by offering the institution a way out of financial trouble, bail-in clauses may encourage irrational and risky behaviour that can lead to turmoil in the future.
- Higher costs of borrowing.

3.0 SUMMARY

3.1 In compliance with the requirements of the CIPFA Code, Appendix A provides Council with a summary report of the Treasury Management activity for the period April 2023 to September 2023. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

3.2 Appendix B shows compliance with the Prudential Indicators for the first half of the financial year.

3.3 Both the Treasury Management Activity Report (Appendix A) and the Prudential Indicators (Appendix B) were considered by Audit Committee on 24 January 2024. An extract of the draft minutes will be provided to Council as an additional paper,

3.4 For the reporting period, there has been no breaches of the Treasury Management Strategy Statement that need bringing to the attention of Council.

Policies and other considerations, as appropriate	
Council Priorities:	The Treasury Strategies and Prudential Indicators help the Council achieve all its properties: - 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, Climate Change and zero carbon:	The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing. Where practical, when making investment decisions ESG will be considered and counterparties with integrated ESG policies and commitments to carbon.
Consultation/Community Engagement:	Audit and Governance Committee – 24 January 2024.
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 advisor (Arlingclose) to proffer expert advice.
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