TRAFFORD COUNCIL

Report to:	**Accounts & Audit Committee – 25 November 2021** **Executive – 13 December 2021**
Report for:	**Information**
Report of:	**The Executive Member for Finance and Governance and the Director of Finance and Systems**

Report Title

Treasury Management 2021-22 Mid-Year Performance Report

Summary

This report gives Members a summary of the Treasury Management activities undertaken for the first half of 2021/22 as follows;

Debt Activity:-

- The level of external debt fell from £380.1m at 31 March to £350.5m at 30 September 2021,
- Gross loan interest costs totalling £9.8m are to be contained within the current year budget provision,

Investment Activity:-

- The level of investments increased from £97.3m at 31 March to £127.2m at 30 September 2021,
- Investment interest earned for 2021/22 of £0.3m in line the current year budget requirement,
- Overall Rate of Return achieved during the period April to September 2021 was 0.29%, or 0.37%, £209k above the comparable performance indicator of average 7-day **L**ondon **I**nterbank **BID** interest rate of -0.08%.

Prudential indicators:-

- The Council complied with its legislative and regulatory requirements and
- There were no breaches of prudential indicators.

Recommendations

That the Accounts & Audit Committee & Executive be requested to:

1. Note the Treasury Management activities undertaken in the first half of 2021/22.

Contact person for background papers and further information:

Name: Graham Perkins
Extension: 4017 Background papers: None

Relationship Corporate Priorities	Value for Money
Relationship to GM Policy or Strategy Framework	Not applicable
Financial	Treasury Management impacts on the Council's budget in terms of borrowing costs and investment returns. Earlier this year it was reported in the Council's bi-monthly Revenue monitor reports, that a shortfall in the treasury management budgets of £0.4m (primarily due to the Manchester Airport Group activities) is forecasted for 2021/22. This shortfall will be met from a contribution from the Council's COVID-19 contingency budget.
Legal Implications:	Treasury Management activities are subject to requirements detailed in legislation, Department for Levelling Up, Housing and Communities (DLUHC) guidance, Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and Treasury Management Code of Practice. The report sets out details of compliance in respect of these requirements.
Equality/Diversity Implications	All treasury management transactions undertaken by the Council are carried out with institutions with no known direct links to any illegal regimes or which promote the use of forced labour.
Sustainability Implications	Opportunities to invest monies in products which both supports sustainable assets and complies with the Council's investment strategy will continue to be explored as and when they become available.
Carbon Reduction	Not directly applicable – See above
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities and these factors have been incorporated into the systems and procedures for this function which are independently tested on a regular basis. Failure to properly manage and monitor the Council's loans and investments could lead to service failure and a loss of reputation. No Treasury Management activity is without risk and the Council's in-house team continually monitor risks to ensure that security of capital sums is maintained at all times and adverse fluctuations in interest rates are avoided.
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

Executive Summary

This report provides Members with a summary of the treasury management activities undertaken during the first half year of 2021/22.

Economic position (Section 2)

- In response to the implementation of effective vaccination programmes and public health strategies, the global economy has shown strong signs of a rebound to pre-pandemic levels in the near future.
- The Monetary Policy Committee (MPC) has kept both the Bank Rate at 0.10% and Quantitative Easing at £895bn. Whilst market forecasters are indicating that the next movement in interest rates will be up from 0.10% to 0.25% in quarter 2 2022, the timing of this may be brought forward due to Consumer Price Index (CPI) pressures.

Debt (Section 5)

- Total loan debt fell from £380.1m 31.03.2021 to £350.5m 30.09.2021 a net decrease of £29.6m comprising of:
    - £2.6m Public Works Loan Board (PWLB), £26.7m (Short term) from Local Authorities and £0.3m Salix.
    - There were no new loans taken during this period.
- Total loan interest of £9.8m is forecasted to be paid in the year of which £4.5m relates to the Council’s capital Strategic Investment programme and is funded from rental income received. The balance of £5.3m relates to debt taken to fund historical and current capital spend.
- The average rate of interest payable has risen from 2.53% at 31.03.2021 to 2.67% at 30.09.2021 due to the repayment of £26.7m of low interest rated (0.07%) temporary loans.

Investments (See Section 6)

- The level of investments increased from £97.3m at 31.03.2021 to £127.2m at 30.09.2021 a movement of £29.9m with the main factors for this being;
    - Temporary cash flow timing issues as a result of COVID-19 related transactions,
    - Income received ahead of spend and
    - Repayment of funds advanced under the Council’s capital Strategic Investment programme which were funded internally.
- The Rate of Return for all investments during the first half of 2021/22 was 0.29% which is £20k above budget for this period and 0.37% or £0.2m above the recognised performance indicator of 7-day LIBID which was -0.08%.
- The Investment interest forecasted to be earned for 2021/22 is currently on target to meet the budget set of £0.3m.
- All investments were repaid on time without issue and placed in accordance with the Council’s approved strategy.
- Income from the provision of a new car parking facility totalling £0.4m was forecasted to be received from Manchester Airport Group however as a result of the current COVID-19 pandemic, this will not be forthcoming in 2021/22. To reduce the impact this will have on the treasury management projected outturn for 2021/22, a contribution from the Council's COVID-19 contingency budget will be applied.

Prudential Indicators and limits (Section 8)

No breaches to any of these limits occurred during this period.

1. BACKGROUND

1.1 This report has been produced in accordance with the requirements of the CIPFA Code of Practice on Treasury Management (2017) which stipulates that the Council receives 3 separate Treasury Management reports on an annual basis as follows;

- 3 year Strategy Statement including the Annual Investment Strategy and Minimum Revenue Provision Policy (issued February),
- Mid-year Review (this report) and
- Performance update, covering activities undertaken during the previous financial year (issued July).

1.2 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it highlights the treasury management activities undertaken during the first half year of 2021/22.

1.3 For reference CIPFA has defined treasury management as:

"The management of the local authority's borrowing, 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 optimum performance consistent with those risks".

1.4 This report comprises of the following sections:

- Major Economic Headlines (Section 2);
- Interest Rates (Section 3);
- Treasury Position (Section 4);
- Borrowing Position (Section 5);
- Investment Position (Section 6);
- Risk Benchmarking (Section 7);
- Prudential and Performance indicators (Section 8);
- Outlook 2021/22(Section 9);
- Recommendations (Section 10);
- Appendices

1.5 The treasury management operation ensures;

- The Council's cash flows are well planned and funded,
- That all surplus monies are invested in low risk counterparties, providing sufficient liquidity before considering investment return,
- All new borrowing required for managing the financing of the Council's multi-million pound capital programme is taken in the form of either long or short term loans or using longer term cash flow surpluses and
- That debt previously taken is restructured when opportunities arise to meet Council risk or cost objectives.

1.6 The Treasury Management Strategy Statement, for 2021/22 was approved by Council on 17 February 2021 and there are no policy changes to this. Details in this report reflect the updated economic situation and actual activities undertaken.

2. MAJOR ECONOMIC HEADLINES

2.1 A brief summary of the main economic headlines which occurred during the first half of 2021/22 are outlined below with a revised forecast of the key indicators for 2021 shown at Appendix B for reference:

GLOBAL

- The World Bank has forecasted that the global economy is expected to expand by 5.6% in 2021, which is the strongest rate of growth in 80 years and is due to the majority of major economies being able to open up once again following the pandemic. This recovery however is not expected to be as strong in many of the emerging and developing economies, due to obstacles in their vaccination rollout programme.
- High inflation as a result of shortages in both supplies and labour, pent up demand for goods and higher energy costs will impact on this recovery well into 2022 though.

UK

- The continuing fast and successful rollout programme of the COVID-19 vaccine enables positive steps to be made for a return to a new normal life to take shape.
- The bank rate remains unchanged, since March 2020, at 0.10% and Quantitative Easing levels also remain unchanged since November 2020 at £895bn.
- Consumer Price Index (CPI) was 3.1% in September 2021 which is 1.1% above the Government's target rate of 2.0%.
- Unemployment was at 4.6%, 0.6% above pre-pandemic levels for the period May to July a level much lower than that previously forecasted for the year at 7.4%.

USA

- President Biden's COVID-19 recovery package of $1.9trn together with the $900bn support package previously announced in December 2020 under President Trump and fast vaccination programme, has enabled the economy to open up rapidly.
- It is currently predicted that the pace of economic growth in 2021 could be the second fastest in 38 years.

EUROZONE

- The initial slow roll out of COVID-19 vaccines delayed the economic recovery with the growth rate in Q1 contacting by -0.3%. However as the rate of vaccinations picked up sharply so did the economy, with Q2 seeing strong growth of 2.2% and this trend is likely to continue for the rest of the year. Some countries who are more dependent on tourism may struggle to see these levels of economic growth.
- A resurgence of the Eurozone sovereign debt crisis could arise from Italy, due to the cost of the COVID-19 crisis adding to its already huge debt mountain and slow economic growth leaving it vulnerable to markets taking the view its level of debt is unsupportable.

OTHER COUNTRIES

- **Japan –** Following the declaration of a second state of emergency on 7th January resulting in negative growth in Q1, the economy was expected to make a strong recovery to pre-pandemic Gross Domestic Product (GDP) levels during the rest of the year as the slow roll out of vaccines eventually gathers momentum.
- **China -** China's economy benefited from the shift towards online spending by consumers in developed markets helping its economy to outperform any of the western economies during 2021.

3 INTEREST RATES

3.1 The Council's treasury management advisors Link Group (LG), provide interest rate forecasts periodically through-out the year and the table below outlines the latest **average** forecasted rates, as issued in September 2021, for the periods stated:

	2021-22 Original Forecast %	**2021-22 Revised Forecast %**	**2022-23 Revised Forecast %**	**2023-24 Revised Forecast %**
Bank Rate	0.10	0.10	0.25	0.56
Investment Rates				
3 month	0.10	0.10	0.28	0.35
1 Year	0.20	0.20	0.53	0.85
PWLB Loan Rates				
5 Year	0.80	1.40	1.55	1.68
25 Year	1.60	2.20	2.35	2.50
50 Year	1.40	2.00	2.18	2.30

3.2 The COVID-19 pandemic has done huge economic damage to both the UK and world economies with some forecasters previously suggesting that UK interest rates could go into negative territory. The likelihood of this happening has now disappeared and it is currently forecasted that the next movement in rates will be up in quarter 2 of 2022. Recent market forecasts however have suggested that this movement in rates may now be brought forward to either December or February as a result of persistent inflation pressures.

3.3 As the economy recovers it can be seen from the table above that when interest rates start to increase they will not be rising as quickly or as high as in previous decades. It therefore has to be acknowledged that the levels of returns expected to be generated from the Council's investments over the forthcoming couple of years will remain low.

3.4 World Governments will also be keen to see that interest rates stay low for as long as possible, as every rise in central rates will add to the interest cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates).

3.5 In order to ensure any risk aspects arising from this situation are kept as low as possible, the Council's in-house treasury team will continue its policy to take a cautious approach when undertaking all money market transactions.

4. TREASURY POSITION

4.1 The Council's investment and debt positions at the beginning and mid-way through the current financial year are listed in the table below;

	31 March 2021		30 September 2021	
	Principal £m	**Average Interest Rate %**	**Principal £m**	**Average Interest Rate %**
DEBT				
Short term (payable before 31.03.22)				
PWLB	2.7	8.80	0.1	2.80
Market	26.7	0.07	0.0	0.00
Government Loans - Salix	0.5	0.00	0.2	0.00
Sub-total	29.9	0.86	0.3	0.60
Long term (payable after 31.03.22)				
PWLB	313.9	2.45	313.9	2.45
Market	36.0	4.56	36.0	4.56
Government Loans - Salix	0.3	0.00	0.3	0.00
Sub-total	350.2	2.67	350.2	2.67
Total debt	**380.1**	**2.53**	**350.5**	**2.67**
INVESTMENTS				
Short term(less than 1 year duration)				
- Instant access*	12.5	0.03	20.4	0.02
- Call accounts*	22.9	0.07	30.3	0.07
- Term deposit	39.5	0.17	53.7	0.14
Sub-total	74.9	0.12	104.4	0.10
Long term (greater than 1 year duration)				
- CCLA	4.8	4.51	5.2	4.29
- Strategic Investment programme (SIP)	17.6	n/a	17.6	n/a
Sub-total	22.4	4.51	22.8	4.29
Total Investments	**97.3**	**0.99**	**127.2**	**0.76**

*Some investments were previously reported as Instant Access and have been re-classified as Call Accounts

Information in the above table reflects the;

- level of funds available on a temporary basis for investment purposes which fluctuate on a daily basis due to the timing of precept payments, receipt of grants and spend progress on the capital programme and
- repayment of monies borrowed.

5. BORROWING POSITION

5.1 The Council's total borrowing requirement as highlighted by the Capital Financing Requirement (CFR), reflects the underlying need to borrow for capital purposes and represents the level of capital expenditure incurred not yet paid for by revenue or other capital resources, for example capital receipts or grants. As at 31st March 2021 the CFR was £423.5m which was higher than the actual level of external debt of £380.1m and reflects that the Council was under borrowed by the difference of £43.4m as at that date. As in previous years this situation will require ongoing monitoring to avoid any adverse costs being incurred from sudden interest rate movements.

5.2 During the first half of 2021/22, loans to the value of £29.6m were repaid, £26.7m temporary debt, Salix £0.3m, PWLB £2.6m with no new loans being taken. As a result of this the Council's total external loans reduced from £380.1m to £350.5m as per the table below:

Loans	31 March 2021 £m	Borrowed £m	Repaid £m	30 September 2021 £m
Short Term - (less than 1 Year duration)	29.9	0.0	29.6	0.3
Long Term - (more than 1 Year duration)	350.2	0.0	0.0	350.2
Total	**380.1**	**0.0**	**29.6**	**350.5**

5.3 The table below provides an outline of the Council's loan portfolio as at 30th September 2021;

Lender	No. Loans	Interest rate range	Maturity	Total Principal £m
PWLB	23	1.21% to 9%	Feb 2023 to Oct 2069	314.0
Market (long term)	3	4.41% to 4.99%	Aug 2042 to Dec 2067	21.0
Market LOBO (long term)	2	4.20% to 4.27%	Dec 2036 to Dec 2038	15.0
Government - Salix	1	0.00%	Aug 2022	0.5
Total	**29**			**350.5**

5.4 As highlighted in the above table the Council holds, £36.0m of Market loans and of these £15.0m are held as variable rates of interest in the form of Lender's Option Borrower's Option (LOBO) loans. With regards to this type of loan, the lender has the option to propose an increase in the interest rate at set dates and should this situation occur then the Council can either accept the new rate or repay the loan at no additional cost. In accordance with the Director of Finance and Systems delegated authority, should an opportunity present itself to repay a LOBO loan then this option will be fully examined to determine whether any financial benefit could be obtained including taking a replacement loan from another lender. The remainder of the Market loans, £21.0m are held at fixed rates of interest.

5.5 For 2021/22 the total loan interest costs are currently forecasted to be £9.8m of which £5.3m is being met from the 2021/22 revenue loan interest budget provision together with an application of £4.5m rental returns generated from the Council's capital Strategic Investment programme.

5.6 The PWLB has 2 main sets of interest rates which Public Sector organisations can borrow funds at referred to as Standard and Certainty rates which offer rates of interest based on:

- Standard rate - prevailing market gilt rate for each respective period plus 100pts (1.00%) and
- Certainty rate - prevailing market gilt rate for each respective period plus 80pts (0.80%).

5.7 In order for the Council to remain eligible to be able to take new PWLB loans at the lower Certainty rate, this has to be applied for annually by providing a range of information to the PWLB. The in-house treasury management team successfully completed this task in May 2021 thereby enabling savings of £20k per p.a. for every £10m borrowed to be achieved should any funds be taken from the PWLB.

5.8 As a consequence of the current low interest rate environment, debt rescheduling opportunities continue to be expensive as a result of the high breakage costs (premium). During the first half of the year no debt restructuring was undertaken, however this situation will continue to be monitored.

6. INVESTMENT POSITION

6.1 Whenever the in-house treasury management team places any temporary surplus funds with an external institution, it does so in compliance with the Council's Annual Investment Strategy, approved by Council in February 2021. This follows the same criteria adopted in previous years of **S**ecurity of capital, **L**iquidity and finally obtaining an appropriate level of **Y**ield.

6.2 The table below highlights the level of investment transactions carried out during the first half of 2021/22;

Investments	31 March 2021 £m	New £m	Repaid £m	Fund value changes £m	30 Sept. 2021 £m
Instant Access*	12.5	213.4	205.5	0.0	20.4
Call Accounts*	22.9	25.0	17.6	0.0	30.3
Term Deposit	39.5	43.2	29.0	0.0	53.7
CCLA**	4.8	0.0	0.0	0.4	5.2
Strategic Investment programme	17.6	0.0	0.0	0.0	17.6
Total	**97.3**	**281.6**	**252.1**	**0.4**	**127.2**

Note –*Some investments were previously reported as Instant Access and have been re-classified as Call Accounts

**Estimated movement in valuation of the funds invested at that date.

6.3 The movement in the level of investments as at 31 March 2021 to 30 September 2021 reflects the day to day cash flow activities including;

- COVID-19 related transactions as highlighted in the Council's Budget Monitoring Reports,
- Balances applied to fund short term capital spend thereby enabling loan servicing costs to be kept to a minimum,
- Short term debt being repaid and
- Receipt of funds previously lent from the Council's capital Strategic Investment programme which were funded internally.

6.4 Despite the economic crisis caused from COVID-19 all of the Council's investments maturing during the first half of the financial year were repaid on time without any difficulties.

6.5 A breakdown of the Council's temporary investments as at 31 March 2021 compared to 30 September 2021 per each classification of institution is provided below for reference:

Sector	31 March 2021 £m	30 September 2021 £m
UK Banks	12.9	10.4
Non UK Banks	5.5	40.7
Building Societies	0.0	13.0
Money Market Funds	25.0	30.3
Local Authority	31.5	10.0
Other - CCLA	4.8	5.2
Strategic Investment programme	17.6	17.6
Total	**97.3**	**127.2**

The maturity structure of the investment portfolio was as follows:

Period	31 March 2021 £m	30 September 2021 £m
Instant Access*	12.6	20.4
Call Accounts*	22.9	30.3
Up to 3 Months	21.0	0.0
3 to 6 Months	13.4	17.0
6 to 9 Months**	0.0	26.2
9 to 12 months	5.0	10.5
Over 1 year	22.4	22.8
Total	**97.3**	**127.2**

*Some investments were previously reported as Instant Access and have been re-classified as Call Accounts.

**Investments in the 6 to 9 months period reflect normal year end cash flow requirements.

6.6 During the first half of the year, a total of 63 short term temporary investments were undertaken by the Council's in-house treasury management team in a historically low interest rate environment. The table below highlights the results of the **short term** investment activities and this clearly illustrates the Council outperforming the 7day LIBID benchmark, a recognised market performance indicator, by 0.17% whilst ensuring that all risk was kept to a minimum during this period.

Average level of short term investments (up to 1 yr.) 1 April to 30 Sept £m	Average interest rate earned %	Average 7 day LIBID rate %	Additional interest earned against 7 day LIBID £k
108.0	0.09	-0.08	(92)

6.7 With regards to the Council's 2 **long term** investments totalling £22.8m, details of these investments are provided below;

- **Church Commissioners Local Authority (CCLA)** - In September 2015, the Council invested £5m, for a minimum period of 5 years in the Local Authority Property Investment fund, managed by CCLA and this enabled 1,643,872 units to be purchased in the fund. The objective of this fund which invests in commercial property throughout the UK, is to create long term returns in the form of capital growth and short term income from quarterly dividend returns. At 31 March 2021 the Council's investment was worth £4.83m and by 30th September 2021 this had increased to £5.16m as a result of a recovery in the Commercial property market. The level of dividends received for the first half of 2021/22 generated an annualised return of 4.29% gross of fees compared to 4.52% for the same period in 2020/21. It is currently anticipated that returns for the remainder of the year will be in line to that achieved for the first half year, with a continuing positive outlook going forward.
- **Strategic Investment Programme** - In August 2019 the Council entered into a £17.6m 5 year loan facility agreement with Queens Holding Limited secured on 4 prominent income producing properties known as Albert Estate within Manchester City Centre. All interest repayments on the facility have been made in full and on time.

6.8 For 2021/22 the level of investment interest to be generated from all of the Council's investments is currently forecasted to be on target to that budgeted for of £(0.3)m.

6.9 As shown by the interest rate forecasts in section 2, due to the Bank Rate being cut 0.10% in March 2020 and only set to rise marginally to 0.75% by March 2024, investment returns are expected to remain low for the foreseeable future.

6.10 Whilst it has to be acknowledged that all investments carry some form of risk, the Council's in-house team ensures that this is at all times kept to a minimum, as monies are only placed in low risk institutions with returns set to reflect this strategy.

6.11 For reference Appendix A details the Council's investments, as at 30th September 2021.

6.12 Income totaling £0.4m was forecasted to be received during 2021/22 from monies invested in Manchester Airport Group in 2020 by the Council along with the other 9 Greater Manchester LAs for the provision of a new car parking facility. As a result of the current COVID-19 pandemic, returns will not be forthcoming and it is envisaged that once the current restrictions on air travel are relaxed then an income stream from this project will start to be received. To reduce the impact this will have on the treasury management projected outturn for 2021/22, a contribution from the Council's COVID-19 contingency budget will be applied.

7. RISK BENCHMARKING

7.1 In accordance with the Code and DLUHC Investment Guidance, appropriate security and liquidity benchmarks are used by the in-house treasury management team to monitor the current and future potential risk conditions enabling any corrective action to the strategy to be applied if required.

7.2 These benchmarks are simple guides to maximum risk (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria.

7.3 During the first half of 2021/22 it can be reported that no benchmarks, which were set in the Strategy report in February 2021, were breached as shown from the table below.

Indicator	Target	Actual
Security – potential default rate of the Council's investment portfolio based on rates issued by the 3 main credit rating agencies.	Max 0.05%	Max 0.03%
Liquidity – investments available within 1 week notice	£5m min.	Achieved
Liquidity – Weighted Average Life of investments (ex CCLA Property Fund)	6 months	This was not breached and as at 30 September was 2 months.
Yield – Investment interest return to exceed 7 day **L**ondon **I**nterbank **BID** rate	-0.08% (Avg. 7 day LIBID)	0.29% (All Investments 1 April to 30 Sept)
Origin of investments placed - maximum investments to be directly placed with non-UK counterparties.	UK institutions 100% Non UK institutions 40%	Achieved

8. PRUDENTIAL AND PERFORMANCE INDICATORS

8.1 In accordance with DLUHC Guidance and the Code, a number of prudential indicators are in place ensuring that the Council's capital expenditure plans and borrowing remain robust, prudent and sustainable.

8.2 These indicators as set out in the Council's Treasury Management Strategy report for 2021/22 were approved by Council in February 2021 and are monitored monthly. During the half year ended 30th September 2021, the Council has operated within these indicators and no breaches occurred.

8.3 Due to the nature of the treasury management function the Council’s in-house team processes multi-million pound transactions on a daily basis and to ensure the Council’s finances are protected and all associated risk kept to a minimum, robust systems and procedures have been put into place. These systems and procedures are continually reviewed by the in-house team to ensure they remain fit for purpose. Confirmation of this was received by the Council’s Audit & Assurance Service, when following a review of the treasury management function during the summer, their report was issued for the 15th year in succession stating that the in-house treasury management team offered a Substantial Assurance (highest level) and there were no recommendations required to be implemented.

9. OUTLOOK 2021/22

9.1 The world economy is showing positive signs of recovering from the effects of the COVID-19 pandemic however this recovery is likely to be dependent on the effectiveness of vaccination rollout programmes along with the implementation of effective public health strategies and potential future variants of this virus being managed effectively.

9.2 The global economy is projected to grow 5.6% in 2021 and 4.9% in 2022 and although inflation is expected to return to its pre-pandemic ranges in most countries during 2022, short term high inflation is currently causing most economies problems.

9.3 Several EU nations have recently started to see higher numbers of Covid-19 infections as a result of increasing complacency together with the initial slow uptake of the vaccine. Depending on how quickly this situation can be resolved will determine what the impact this will have their economy.

9.4 An updated forecast of key indicators for 2021 is shown at Appendix B for reference.

9.5 In September 2021, CIPFA released the second proposed set of changes to the current version of the Treasury Management Code (previously updated in 2017) to all local authorities for consultation. Upon the conclusion of this exercise an update will be given to Members at the first opportunity.

10. RECOMMENDATIONS

10.1 That the Accounts & Audit Committee & Executive be requested to;

- Note the Treasury Management activities undertaken in the first half of 2021/22.

Other Options

This report is a mandatory report which has been produced in order to comply with Financial Regulations, relevant legislation and provides an overview of transactions undertaken during the first half of 2021/22. There are no other options to consider.

Consultation

There are no applicable consultation requirements in respect of this report.

Reasons for Recommendation

The report is a mandatory report which has been produced in order to comply with the requirements of the Council's Financial Procedure Rules which incorporate the requirements of both the CIPFA Prudential Code for Capital Finance and the CIPFA Code of Practice on Treasury Management.

Finance Officer Clearance …PC …….

Legal Officer Clearance …JLF ……..

DIRECTOR'S SIGNATURE G. Bentley

APPENDIX A

Breakdown of Investments as at 30 September 2021

Counterparty	**Amount (31 March 2021) £**	**Amount (30 Sept 2021) £**	**Long Term Credit Rating**
Money Market Fund – instant access			
Aberdeen	2,000,000	2,550,000	AAA
CCLA	8,250,000	5,000,000	AAA
Federated Investors	1,600,000	4,010,000	AAA
Invesco Aim	700,000	2,850,000	AAA
Morgan Stanley	0	6,000,000	AAA
Sub total	12,550,000	20,410,000	
Call Accounts			
Australia and New Zealand Bank	0	10,000,000	AA
Federated Cash Plus*	12,500,000	10,000,000	AAA
First Abu Dhabi Bank	0	10,000,000	AA
Lloyds Bank	10,370,000	370,000	A
Sub total	22,870,000	30,370,000	
Term Deposit			
Ashford Borough Council	2,500,000	0	Not rated
Australia and New Zealand Bank	5,500,000	10,500,000	AA
Brentwood Council	5,000,000	5,000,000	Not rated
Close Brothers	2,500,000	0	A
Development bank of Singapore	0	5,200,000	AA
Eastleigh Borough Council	10,000,000	0	Not rated
First Abu Dhabi Bank	0	5,000,000	AA
Flintshire County Council	6,000,000	0	Not rated
Monmouthshire County Council	0	5,000,000	AA
National Bank of Kuwait (International)	0	10,000,000	A-
Newcastle Building Society	0	3,000,000	Not rated
North Lanarkshire Council	3,000,000	0	Not rated
Principality Building Society	0	5,000,000	Not rated
Warrington Borough Council	5,000,000	0	Not rated
West Bromwich Building Society	0	5,000,000	Not rated
Sub total	39,500,000	53,700,000	
Property Funds			
Church Commissioners Local Authority	4,826,901	5,163,566	Not rated
Sub total	4,826,901	5,163,566	
Other			
Strategic Investment Programme	17,600,000	17,600,000	Not rated
Sub total	17,600,000	17,600,000	
Total	**97,346,901**	**127,243,566**	

*This was previously reported as Instant Access

APPENDIX B

Major Economic Forecasts for Calendar Year 2021

Original - February 2021

Location	Gross Domestic Product	Unemployment Rate	Consumer Price Index	Bank Rate
UK	3.2%	7.4%	1.9%	0.10%
Euro Area	4.0%	8.8%	1.4%	0.00%
USA	3.7%	6.5%	1.5%	0.25%
China	5.6%	5.4%	1.9%	3.70%

Revised - September 2021

Location	Gross Domestic Product	Unemployment Rate	Consumer Price Index	Bank Rate
UK	7.1%	5.3%	3.2%	0.10%
Euro Area	4.8%	7.5%	2.2%	0.00%
USA	5.4%	5.4%	5.4%	0.25%
China	6.0%	3.8%	2.0%	3.85%

Source of information International Monetary Fund, Trading Economics and Assets Publishing Service