Gravesham Borough Council

Report to: Finance and Audit Committee

Date: 10 November 2021

Reporting officer: Director (Corporate Services)

Subject: Treasury Management Mid-Year Review 2021/22

Purpose and summary of report:

To provide a mid-year review update report to Members of the Finance and Audit Committee on treasury management activity undertaken during the period April to September 2021.

Recommendations:

1. The Finance and Audit Committee note the contents of this report and to recommend to Full Council that the amendment to the non-specified investment counterparty criteria as set out in Para 10.5 is agreed.
2. The Finance and Audit Committee delegate responsibility to the Chair of the Committee to amend the authorised limit and operational boundary as needed in response to the final accounting treatment agreed in respect of the St George's Centre transaction and make any necessary recommendations to Full Council.

1. BACKGROUND

1.1 **Capital Strategy** In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA) issued revised Prudential and Treasury Management Codes. From 2020/21, all local authorities have been required to prepare a Capital Strategy which is to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

1.2 **Treasury management** The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

1.3 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.4 Accordingly, treasury management is defined 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."

2. INTRODUCTION

2.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (revised 2017). The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the Full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a **Mid-year Review Report** and an Annual Report (stewardship report) covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Finance and Audit Committee.

2.2 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2021/22 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2021/22;
- A review of the Council's borrowing strategy for 2021/22;
- A review of any debt rescheduling undertaken during 2021/22;
- A review of compliance with Treasury and Prudential Limits for 2021/22.

3. ECONOMIC BACKGROUND

3.1 The following economic performance update has been provided by Link Asset Services – Treasury Solutions as at 6 October 2021.

3.2 At its September meeting, the Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn.

3.3 The MPC has now indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next April, are likely to lead to faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. The primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.

3.4 Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation.

3.5 **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows:-

- Placing the focus on raising Bank Rate as "the active instrument in most circumstances".
- Raising Bank Rate to 0.50% before starting on reducing its holdings.
- Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.

Once Bank Rate had risen to at least 1%, it would start selling its holdings.

3.6 COVID-19 vaccines have been the game changer which have enormously boosted confidence that life in the UK could largely return to normal during the summer after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel, and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

3.7 Supply shortages - The pandemic and extreme weather events have been highly disruptive of extended worldwide supply chains. At the current time there are major queues of ships unable to unload their goods at ports in New York, California and China. Such issues have led to mis-distribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods on shelves.

4. INTEREST RATE FORECASTS

4.1 The Council's treasury advisor, Link Asset Services, has provided the following interest rate forecast.

Link Group Interest Rate View 29.9.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

4.2 The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings. As shown in the forecast table above, one increase in Bank Rate from 0.10% to 0.25% has now been included in quarter 2 of 2022/23, a second increase to 0.50% in quarter 2 of 23/24 and a third one to 0.75% in quarter 4 of 23/24.

4.3 **The balance of risks to the UK**

4.4 The overall balance of risks to economic growth in the UK is now to the upside though there are still residual risks from Covid variants - both domestically and their potential effects worldwide, and from various shortages.

4.5 Significant risks to current forecasts for UK gilt yields and PWLB rates currently include

- COVID-19 vaccinations do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation
- The pandemic causes major long-term scarring of the economy
- The Government implements an austerity programme that supresses GDP Growth
- The MPC tightens monetary policy too early – by raising Bank Rate or unwinding QE
- The MPC tightens monetary policy tool ate to ward off building inflationary pressures
- Major stock markets eg in the US, become increasingly judged as being over valued and susceptible to major price corrections

- Geo-political risks are widespread

5. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY UPDATE

5.1 The Treasury Management Strategy Statement (TMSS) for 2021/22 was approved by Full Council on 23 February 2021.

5.2 There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

6. THE COUNCIL'S CAPITAL POSITION (PRUDENTIAL INDICATORS)

6.1 This part of the report is structured to update:

- The Council's capital expenditure plans
- How these plans are being financed
- The impact of changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

6.2 **Prudential Indicator for Capital Expenditure -** The table below shows the revised estimates for capital expenditure and the changes since the capital programme was agreed by Council as part of the budget.

Capital Expenditure	2021/22 Original Estimate £m	2021/22 Current Position £m	2021/22 Revised Estimate £m
Non HRA	53.194	8.810	24.618
HRA	20.019	11.682	20.904
Commercial activities/non-financial investments	0.000	0.000	0.000
Total	73.213	20.492	45.522

6.3 The revised estimate for Non HRA and HRA capital schemes reflects the carried forward items from 2020/21.

6.4 **Changes to the Financing of the Capital Programme** - The following table draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increased the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2021/22 Original Estimate £m	2021/22 Current Position £m	2021/22 Revised Estimate £m
Total	73.213	20.492	45.522
Financed by:			
Capital Receipts	3.450	1.973	4.894
Grants/Contributions	6.290	0.871	2.440
Reserves	1.570	0.592	2.816
Revenue	0.497	0.000	0.715
Major Repairs Reserve	7.812	6.042	6.883
Revenue Grants not yet applied	0.155	0.143	0.488
Total Financing	**19.774**	**9.621**	**18.236**
Borrowing Need	53.439	10.871	27.286

6.5 The borrowing need for 2021/22 currently stands at £27.286m, which is based on the forecast capital programme spend for the current year. Of the total borrowing need, £1m internal borrowing will be utilised and £26.286m external borrowing will be sought.

6.6 **Changes to the Prudential Indicator for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary** - The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position, which is termed the Operational Boundary.

	2021/22 Original Estimate £m	2021/22 Current Position £m	2021/22 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement			
CFR – Non HRA	169.918	128.807	140.302
CFR – HRA	83.093	75.552	80.470
CFR – Commercial activities/non-financing activities	6.164	6.164	6.164
Total CFR	259.175	210.522	226.936
Net Movement in CFR (between years)	**47.634**	**5.090**	**21.504**
Prudential Indicator – the Operational Boundary for external debt			
Borrowing	154.260	154.260	154.260
Other Long Term Liabilities	97.920	97.920	97.920

Commercial activities	30.000	30.000	30.000
Total Debt (year end position)	**282.180**	**282.180**	**282.180**

6.7 The operational boundary is the maximum amount of borrowing which the council is permitted to undertake on a day to day basis and must not be breached other than for temporary cash flow demand purposes. This level has not been breached during the first six months of 2021/22.

6.8 The current debt position above and the revised estimate of the operational boundary is the same as that which was set when the TMSS for 2020/21 was agreed by Full Council on 23 February 2021, which includes an allowance for the St George's Finance Lease. The final accounts process for 2019/20 has identified an alternative treatment for this transaction and therefore the above figures may be subject to change when the final treatment is agreed between the Council and Grant Thornton, the Council's external auditors. If the operational boundary needs to be amended, this will be discussed with the Chair of the Finance and Audit Committee in due course and will be required to be subsequently approved by Full Council.

6.9 **Limits to Borrowing Activity** - The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

Borrowing Activity	2021/22 Original Estimate £m	2021/22 Current Position £m	2021/22 Revised Estimate £m
Debt as at 1 April	88.697	81.477	81.477
Expected change in debt	41.575	12.400	21.367
Other long term liabilities (OLTL)	93.196	93.197	93.197
Expected change in OLTL	(0.281)	0.000	(0.281)
Total Gross Debt	**223.187**	**187.074**	**195.760**
CFR (year-end position)	259.175	210.522	226.936

6.10 The Director (Corporate Services) reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

6.11 **Prudential Indicator for the Authorised Limit** - A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

6.12 As per Para 6.10, the authorised limit reported below is at the same level that was set when the TMSS for 2021/22 was agreed by Full Council on 23 February 2021, which includes an allowance for the St George's Finance Lease. If the authorised limit needs to be amended, this will be discussed with the Chair of the Finance and Audit Committee in due course and will be required to be subsequently approved by Full Council.

Authorised limit for External Debt	2021/22 Original Estimate* £m	2021/22 Current Position £m	2021/22 Revised Estimate £m
Borrowing	159.260	159.260	159.260
Borrowing – Commercial activities/non-financial investments	35.000	35.000	35.000
Other long-term liabilities	102.920	102.920	102.920
Total	297.180	297.180	297.180

7. BORROWING

7.1 The Council's forecast Capital Financing Requirement (CFR) for 2021/22 is £226.936m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The table at Para 6.29 shows the Council has borrowings of £93.877m and has utilised £17.996m of cashflow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

7.2 Due to the overall financial position and the underlying need to borrow for capital purposes (the CFR), new external borrowing of £12.4m was undertaken, with a further £6m arranged but not yet drawn. The capital programme is being kept under regular review because of coronavirus and shortages of material and labour. Our borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, to achieve optimum value and risk exposure in the long-term.

New Loans	Principal	Interest Rate	Start Date	Maturity Date
Halton BC	£5.7m	0.50%	28/04/21	26/04/24
Oxfordshire CC	£2.5m	0.48%	14/06/21	26/04/24
Oxfordshire CC	£1.8m	0.48%	12/07/21	26/04/24
Oxfordshire CC	£2.4m	0.48%	13/09/21	26/04/24
The following loans have been pre-arranged but not yet received				
Vale of White Horse DC	£3m	0.30%	28/10/21	24/04/24
South Oxfordshire DC	£3m	0.30%	30/11/21	24/04/24

7.3 It is anticipated that further borrowing will be undertaken during this financial year.

7.4 PWLB rates have mostly been on a falling trend since May apart from very short term rates which have been rising marginally. The 50-year PWLB target rate for new long-term borrowing started in April at 1.90%, rose to 2.00% in May and finished in August at 1.70%. The current PWLB rates are set as margins over gilts as follows:-

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

8. DEBT RESCHEDULING

8.1 Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

9. COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS

9.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2021, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2021/22. The Director Corporate Services reports that no difficulties are envisaged for the current or future years in complying with these indicators.

9.2 All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

10. ANNUAL INVESTMENT STRATEGY

10.1 The Treasury Management Strategy Statement (TMSS) for 2021/22, which includes the Annual Investment Strategy, was approved by the Council on 23 February 2021. In accordance with the CIPFA Treasury Management Code, it is the Council's priority to ensure

- security of capital
- liquidity, and
- yield

10.2 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to see out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

10.3 As shown by the interest rate forecasts in section 4, it is now impossible to earn the level of interest rates commonly seen in previous decades as all short term money market investment rates have only risen weakly since Bank Rate was cut to 0.10% in March 2020until the MPC meeting on 24th September 2021 when 6 and 12 month rates rose in anticipation of Bank Rate going up in 2022. Given this environment and the fact that Bank Rate may only rise marginally, or not at all, before mid-2023, investment returns are expected to remain low.

10.4 **Creditworthiness** – Significant levels of downgrades to Short or Long Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

10.5 **Investment Counterparty Criteria** – The current investment counterparty criteria selection approved in the TMSS needs to be updated to allow the Council to place non-specified investments (ie investments over 1 year). The Finance and Audit Committee are requested to recommend this amendment to the TMSS for 2021/22 to Full Council.

Counterparty Description	Minimum Credit Rating	Current Max Maturity Profile	Revised Max Maturity Profile
Term deposits with unrated counterparties: ie Local Authorities, Police Authorities, Fire Authorities, Housing Associations	UK Sovereign Rating	2 years	50 years

10.6 **Investment Balances** – The average levels of funds available for investment purposes during the first half of the year to 30 September 2021 was £32.954m. These funds are available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme. The Council holds £20m cost cash balances for investment purposes (ie funds available for more than one year).

10.7 Appendix 2 provides full list of investments held as at 30 September 2021.

10.8 **Investment Performance on Internal Investments**

Period	LIBID Benchmark Return	Council Performance	Investment Interest Earned*
April - Sept	-0.05%	0.21%	£181,073

* Investment interest earned based on returns received as at end of September. Q2 income from externally managed property funds is not received until October and November.

10.9 As illustrated, the Council outperformed the benchmark by 26 bps on its internally managed investments.

10.10 **Investment Returns –** The Council's budgeted investment return for both internally and externally managed investments for 2021/22 is £772k. No variance has been reported as part of the Quarter 2 Budget Monitoring Report.

10.11 **PROPERTY FUNDS AND MULTI ASSET FUNDS**

10.12 In the 2016/17, £10m was placed in three Externally Managed Property Funds. In 2017/18, a further £10m was placed in three Multi Asset Funds.

10.13 The table shows the Net Asset Value (NAV) for each of the Property Funds and Multi Asset Funds as at end of September compared to the Purchase Price, along with the average gross return on investment to date.

	Purchase Price	Sept NAV	% Change NAV	Average Gross Return on Investment
Property Funds				
CCLA	£1,873,528	£1,993,273	6.39%	4.91%
Lothbury	£4,949,648	£5,229,380	5.65%	3.96%
Hermes	£2,883,821	£3,330,938	15.50%	4.71%
Multi Asset Funds				
JP Morgan	£5,000,000	£5,090,206	-1.80%	3.27%
Jupiter	£3,000,000	£2,633,291	-12.22%	2.47%
Aberdeen	£2,000,000	£1,897,359	-5.13%	4.31%
Total	£19,706,997	£20,174,447	2.37%	-

Note – The average gross return is based on the 12 months to 30 September.

10.14 **Property Funds** - The % change in capital values above are based on movement from the original investment in 2016. Since 2016 the capital values of the funds had generally increased but towards the end of 2019/20 and during 2020/21 the capital values fell as a direct result of the COVID-19 pandemic. However, the capital values have gradually increased and all three have varying rates of capital growth.

10.15 Dividend returns have been slightly affected by the pandemic as companies reassess their property requirement post Covid-19. Officers are closely monitoring capital values and remain in regular contact with the Property Fund Managers, to ensure they are aware of the latest developments.

10.16 **Multi Asset Funds** - The effect of the COVID-19 pandemic has been much more obvious on the Multi Asset funds, as can clearly be seen in the table above.

10.17 Despite the value of the Multi Asset funds increasing during the course of 2019/20, as the impact of the pandemic began to be felt across the world, equity markets fell in value and the resulting capital values of the funds reduced significantly. Capital values have started to increase but a level of volatility remains in the face of current economic uncertainty. Despite these issues, funds continue to pay dividends albeit they continue to be at a lower rate than previous returns.

10.18 As with the Property Funds, Officers are closely monitoring capital values and remain in regular contact with Fund Managers, to ensure they are aware of the latest developments

10.19 It must be remembered that investment in Property Funds and Multi Asset Funds need to be viewed as a long term investments and that values can go up as well as down. As can be seen from the table above, across all of the Property Funds and Multi Asset Funds, there is a small increase in the capital values. This is particularly relevant following the introduction of International Financial Reporting Standard 9 (IFRS9) which came into effect from 1 April 2018.

11. Environmental, Social and Governance (ESG) Investments

11.1 When placing an investment, the Council's investment priorities are security, liquidity and yield and therefore it does not have a set of ESG standards to screen potential internally managed investments at this time. However, these factors are extremely important to the Council and opportunities will be explored as and when they arise.

11.2 However, ESG factors are an important consideration for the Council's external fund managers who administer both the Property Funds and Multi Asset Funds and therefore a significant proportion of the Council's investment portfolio is managed with these considerations in mind. Whilst we cannot stipulate what is and is not acceptable for these Funds to consider, Officers do discuss and receive briefings from Fund Managers as to the ESG credentials of the funds on a regular basis.

12. OTHER

12.1 In February 2015 the Authority became a shareholder in the Municipal Bonds Agency (MBA), with an investment of £20,000. The MBA was established by the Local Government Association (LGA) in the belief that it would provide councils with the opportunity to raise funds at significantly lower rates that those offered by the Public Works Loan Board (PWLB).

12.2 The MBA has now issued its first bond and officers are continuing to work closely with the MBA and will consider the appropriateness of any borrowing offer when the need to borrow arises.

BACKGROUND PAPERS

There are no Background Papers pertaining to this Report.

IMPLICATIONS	APPENDIX 1
Legal	As per section 1.13B.67 of the Council's Constitution, the Chief Finance officer has delegated responsibility from Cabinet. "in respect of borrowing and investments to arrange such loans as are legally permitted to meet the Council's borrowing requirements"
Finance and Value for Money	A summary of the perceived risks associated with Treasury Management were identified in the Treasury Management Strategy approved by Council on 23 February 2021. Officers continue to monitor the risks on a day to day basis and identify mitigating actions to minimise risks. In order to achieve a balanced budget, the authority relies upon generating maximum interest from its investments whilst minimising the exposure to risk. In order to achieve this, investments are only placed with institutions which meet the criteria set out within this report. Investment durations do not exceed those as advised by Capita Asset Services credit ratings which are associated with the specific institutions. Where the authority is required to borrow to meet the needs of the authority, officers will seek advice from Capita Asset Services on timings and options in order to ensure the best deal for the authority.
Risk Assessment	The risks associated with Treasury Management and capital expenditure are detailed within this report.
Data Protection Impact Assessment	*A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.*
	a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data? A definition of each type of data can be found on the Information Commissioner's Office website via the above links. N/A
	b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? N/A
	c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk. N/A

Equality Impact Assessment	a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer. N/A
	b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer. N/A
	In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above
Corporate Plan	Strategic Objective #3 Progress; Sound Financial Management & Successfully Managing Key Business Risks.
Crime and Disorder	Treasury Management activities are carried out in accordance with the Treasury Management Strategy and Annual Investment Strategy which minimises the risk of criminal activities. The arrangements to ensure appropriate governance around capital expenditure are set out in the Capital Strategy.
Climate Change	Climate Change implications are one consideration of ESG investments which are covered in Section 11 of this report.
Digital and website implications	N/A
Safeguarding children and vulnerable adults	N/A