

ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	13 December 2021
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Treasury Management Strategy – Mid-Year Review
REPORT NUMBER	RES/21/304
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TERMS OF REFERENCE	Council, 5 and 6

1. PURPOSE OF REPORT

- 1.1 To update the Council on Treasury Management activities undertaken to date, during financial year 2021/22.

2. RECOMMENDATION

That the Council:-

- 2.1 Note the Treasury Management activities undertaken in the 2021/22 financial year to date, as detailed in this report.

3. BACKGROUND

Introduction

- 3.1 The Council approved a Treasury Management policy for the financial years of 2021/22 to 2023/24 on 3 March 2021. Part of this policy is to report on Treasury Management activities undertaken during the financial year 2021/22 to date.
- 3.2 Historically, the Council's annual programme of capital investment has been funded by Treasury Management activities, such as additional long-term borrowing. It is a requirement of CIPFA "Code of Practice for Treasury Management in the Public Services" that Treasury Management is carried out in accordance with good professional practice, which this Council does.
- 3.3 **Treasury Management 2021/22**
The following is a summary of the significant Treasury Management activities which have been undertaken to date during financial year 2021/22: -
- 3.4 Long-Term Borrowing – No new long-term Public Works Loan Board loans have been drawn down during this financial year to date.

- 3.5 Although some long-term borrowing was planned for this year, this has not been necessary to date due to the level of investments held and the availability of relatively cheap short-term borrowing. We will monitor this situation throughout the remaining part of the financial year as it could be influenced by progress achieved on the Council's Capital programme, which in turn is being influenced by the response to the Covid-19 pandemic. We remain open to the possibility of undertaking some longer-term borrowing, should market conditions become favourable.
- 3.6 Short-Term Borrowing - At the time of writing, the Council currently has c£96m of temporary borrowing from other local authorities. The average interest rate on these loans is 0.07%. More borrowing of this type may be undertaken during the year, should market conditions continue to be favourable, but only once the level of investments held begins to fall.
- 3.7 The Council's Loans Fund has an ongoing Temporary Loan from the North East of Scotland Pension Fund. This helps the Pension Fund by providing it with a reasonable rate of return on their temporary excess funds, while also assisting the Council's short-term cashflow liquidity. The level of the temporary loan is c£49m at the time of writing.
- 3.8 Investments - The Council currently has c£114m of Temporary Investments. These funds are invested across a range of highly rated Banks and Money Market Funds in line with the Council's current Counterparty List. The average rate of these investments is 0.14%. This figure includes the Pension Fund's Temporary Loan funds, these are kept in call accounts that enable the funds to be repaid at very short notice.
- 3.9 Money Market Funds - Money Market Funds are AAA rated, short term pooled investment vehicles. They offer security, counterparty diversification and instant access to funds, when required. The Council operates eight Money Market Fund accounts. These Money Market Fund accounts greatly assist the Council in spreading its Counterparty risk while also improving short-term cashflow liquidity.
- 3.10 Common Good Fund Investment - A decision was taken by the Council earlier this year to invest £30m of Common Good cash in a Multi-Asset Income fund, which will generate greater income for the fund, when compared with traditional fixed-term bank deposits.

Several funds were considered for this purpose, and after a period of meetings and further due diligence, the decision was taken to proceed with Fidelity International's Multi-Asset Income fund.

4. FINANCIAL IMPLICATIONS

- 4.1 Treasury Management activities influence the loans pool interest rates and aim to minimise the cost of borrowing. This directly impacts on costs chargeable to the Council's revenue budgets through the interest rates that are applied to capital financing costs. Whilst the level of borrowing a Council can undertake is now devolved from the Scottish Government to individual Councils, it will still be constrained by the requirement for capital investment to be affordable,

sustainable and prudent. The main test of affordability will be whether the capital financing costs can be contained within the revenue budgets.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report, however it should be noted that the issuance of the Bonds requires the Council to comply with the Market Abuse Regulations, the Disclosure and Transparency Rules, the Listing Rules and ongoing obligations as set out in the London Stock Exchange Admission and Disclosure Standards.

6. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
Financial	Loss of deposit in a failed bank or financial institution	L	The Council has strict lending criteria, only financial institutions with the highest credit ratings are included on the Council's Counterparty list. The list is compiled in conjunction with the Council's Treasury Advisors and is under constant review.

7. OUTCOMES

The proposals in this report have no impact on the Council Delivery Plan.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	Full impact assessment not required
Data Protection Impact Assessment	Not required

9. BACKGROUND PAPERS

- 9.1 CIPFA "Code of Practice for Treasury Management in the Public Services "
 CIPFA "The Prudential Code for Capital Finance in Local Authorities"
 Link Asset Services "Treasury Management Annual Investment Strategy"
 Scottish Government "The Investment of Money by Scottish Local Authorities"

10. APPENDICES – None

11. REPORT AUTHOR CONTACT DETAILS

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