

**Agenda Item No 8**

**Resources Board**

**20 June 2022**

**Report of the Corporate Director -  
Resources**

**Annual Treasury Report for  
2021/22**

**1 Summary**

- 1.1 This report shows the out-turn for 2021/22 and highlights any areas of significance.

**Recommendation to the Board**

- a That the Annual Treasury Report for 2021/22 be noted; and**

**Recommendation to the Council**

- b That the Annual Treasury Report be approved.**

**2 Report**

- 2.1 The Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2021/22. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, 2018 Edition (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 2.2 During 2021/22 the minimum reporting requirements were that the Resources Board and full Council should receive the following reports:
- An annual treasury strategy in advance of the year (Resources Board 24 January 2022).
  - A mid-year treasury update report (Resources Board 8 November 2021); and
  - An annual report following the year describing the activity compared to the strategy (this report).
- 2.3 The regulatory environment places an onus on Members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the out-turn position for treasury

activities and highlights compliance with the Council's policies previously approved by Members.

2.4 This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all the above treasury management reports by the Resources Board before they were reported to the full Council.

2.5 Treasury Management in this context is defined as: *The management of the local authority's investments and cash flows, its banking, money market and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.*

2.6 The Annual Treasury report covers:

- The Council's treasury position as at 31 March 2022
- Performance measurement
- The strategy for 2021/22
- The economy in 2021/22
- The borrowing out-turn for 2021/22
- Compliance with treasury limits and Prudential Indicators
- Investment rates in 2021/22
- Investment out-turn for 2021/22

### 3 Current Treasury Position as at 31 March 2022

3.1 The Council's debt and investment position at the beginning and end of the year was as follows:

	<b>31 March 2021 Principal £m</b>	<b>Ave Rate %</b>	<b>31 March 2022 Principal £m</b>	<b>Ave Rate %</b>	<b>Average Life Years</b>
Fixed Rate Funding: PWLB	46.489	3.05	44.239	3.10	8.08
Internal borrowing	12.451	0.18	12.098	0.18	19.55
Short-term Funding	-	-	2.000	0.59	-
<b>Total Debt</b>	<b>58.940</b>	<b>2.40</b>	<b>58.337</b>	<b>2.41</b>	<b>10.55</b>
Investments	29.500	0.18	28.500	0.39	159 days

3.2 The investments held include £2,344,347 held on behalf of other organisations (£1,867,956 in 2020/21).

## 4 Performance Measurement

- 4.1 Part of the Code relates to the use of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed, this is still a difficult area for a small Authority with limited cash balances, as generally we are only able to place funds for short periods and consequently at lower rates. For this reason, we measure investment interest against the 7-day LIBID rate. We exceeded the 7-day LIBID rate for three quarters of the year but fell behind it in the final quarter due to successive rate increases.
- 4.2 As a member of the Link Investment Benchmarking Group for the region, we can compare our treasury performance against those of other authorities in the Warwickshire, Worcestershire and Oxfordshire region. Overall, for 2021/22, our performance has compared unfavourably to these authorities, with our investment portfolio providing a lower rate of return than the average benchmarked performance. The higher level of investments held by comparator authorities can often allow better rates to be accessed. However, differences in the length of time investments are held and the greater use of call accounts made by some comparators will be assessed to see if improvements can be made to our investment strategy.

## 5 The Strategy for 2021/22

- 5.1 Within the Treasury Strategy for 2021/22, it was assumed that interest rates would remain at 0.10% throughout the period. However, following the lifting of Covid restrictions in 2021, there were 3 interest rate rises during the last 4 months of the year. By March 2022, the interest rate had risen to 0.75%.
- 5.2 Given the low levels of investment interest available at the start of the year, the treasury strategy was to postpone external borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk. As a result, we continued to use internal borrowing for General Fund debt. Towards the end of March, two short loans were borrowed from other local authorities.

## 6 Borrowing Outturn for 2021/22

- 6.1 The Council's external borrowing of £44.239 million at the 31 March 2022 is shown below and relates entirely to the Housing Revenue Account (HRA). The repayments were profiled to take account of expected surpluses in the HRA, having regard to the HRA Business Plan, whilst still allowing some flexibility within the plan for unexpected events.

<b>Years</b>	<b>Total loans £000</b>	<b>Rate %</b>
1-5	12,010	2.56 – 3.01
6-10	18,280	3.08 – 3.30
11-15	3,949	3.34 – 3.34
16-20	10,000	3.49 – 3.50

6.2 The Council took out two short term loans during the year. These loans were for £1m each and borrowed from other local authorities in March 2022, to cover temporary cash flow shortfalls.

## **7 Investment Out-Turn for 2021/22**

7.1 The Council's investment policy is governed by CLG guidance, which has been implemented in the annual investment strategy. The Council manages its investments in-house with the institutions which fulfil its requirements with regards to credit ratings and security. Investments were made for a range of periods, although predominantly in Certificate of Deposits, enhanced money market funds and money market funds.

7.2 The Council invested with external bodies on 17 occasions when the bank accounts had a surplus of funds. Investments were made in a Certificate of Deposit (through broker King & Shaxson) on 14 occasions and in a Money Market Fund on 1 occasion. The remaining 2 investments were with banks for a fixed term. Funds were invested over a range of periods to take advantage of the better interest rates available or to fund expenditure later in the year, e.g. payment of precepts. The average amount invested was £1,558,824. The average total investment held was £32.4 million, and the rate of return was 0.39%, earning a total of £63,714 in the year.

## **8 Prudential Indicators**

8.1 The Prudential Code for Capital Finance in Local Authorities includes requirements for the way in which capital spending plans are to be considered and approved. The prudential code was developed which requires the Council to consider the affordability of its proposals, their prudence and sustainability, value for money, asset management planning, practicality and service objectives.

8.2 The Council is required to set and review regularly a range of indicators that have been developed as part of the Code, which will be used to support capital investment decision-making. In February 2021, the capital prudential indicators for 2021/22 were reported to the Executive Board as part of the 3-Year Capital programme and the treasury indicators were reported to the Resources Board as part of the Council's Treasury Policy Statement and Annual Treasury Strategy Statement.

8.3 During the financial year the Council operated within the treasury limits.

## **9 Report Implications**

### **9.1 Finance and Value for Money Implications**

9.1.1 During 2021/22 the net interest earned on investments was £63,714.

## 9.2 Environment, Climate Change and Health Implications

9.2.1 By having effective and prudent treasury management, this contributes towards sustainability and providing services that improve the quality of life for the communities of North Warwickshire.

## 9.3 Risk Management Implications

9.3.1 Credit ratings are used in assessing the institutions on the lending list and the maximum investment level permitted.

## 9.4 Legal Implications

9.4.1 As indicated above, the Council is required by law to publish an annual treasury report and to adhere to the Code of Practice on Treasury Management and the Prudential Code for Capital Finance. This report demonstrates compliance with those requirements.

The Contact Officer for this report is Daniel Hogan (719337).

### Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date