

Committee/Date:	Council 20 October 2022
Report Title:	2021/22 Annual Treasury Management Review
Directorate:	Finance and Governance
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Wards affected:	None specifically
Public Access	Open
Appendices	1. 2021/22 Annual Treasury Management Review

1. SUMMARY

1.1. This review has been prepared in compliance with CIPFA's Code of practice on Treasury Management. The report asks Council to agree the 2021/22 Annual Treasury Management Review. This Annual review covers the following:

- Capital activity during the year 2021-22.
- The impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement).
- The actual prudential and treasury indicators.
- Overall treasury position identifying how the Council has borrowed in relation to indebtedness, and the impact on investment balances.
- Summary of interest rate movements in the year.
- Debt activity as at 31st March 2022
- Investment activity as at 31st March 2022.

The Council borrowed and invested substantial sums of money and is potentially exposed to financial risk from loss of invested funds and the revenue impact from changing interest rates. This report covers activity on treasury managed investments and borrowings and the associated monitoring and control.

2. RECOMMENDATION

- 2.1. Audit & Governance Committee recommend Council
 - 2.1.1. Agree the content of Treasury Management activities and performance against targets for financial year 2021-22 as detailed in the report.

3. KEY HIGHLIGHTS

- 3.1 Investment income for the year 2021-22 was £0.127m and interest payable outturn was £11.4m compared to budget of £13.9m– a saving of £2.5m in 2021/22.
- 3.2 The Council's average investments for the year is £75m with an average rate 0.11% against the benchmark of the average o/n SONIA of 0.08%.
- 3.3 All treasury management activities within the year have been in accordance with the approved limits and prudential indicators as set out in the Treasury Management Strategy Statement 2021/22.
- 3.4 The Council borrowed £50m of PWLB fixed long-term loan at maturity.

4. BACKGROUND

- 4.1. Treasury Management in the context of the report is defined as:

“The Management of the local authority's 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.” (CIPFA Treasury Management Code of Practice 2011)
- 4.2. The Council has powers under Part 1 of the Local government Act 2003 to borrow (i.e. prudential borrowing) and invest money in accordance with statute. In carrying out these functions, the Council is required to have regard to statutory guidance, which is currently found in the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice. As this is statutory guidance, the Council should follow the guidance unless there is good reason not to. The Guidance requires the Council to agree a treasury strategy for borrowing and to prepare an annual investment strategy, an interim report and an annual treasury management review this report
- 4.3. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Treasury Management Strategy Group, and for the execution and administration of treasury management decisions to the Strategic Director of Finance & Governance (S151 Officer) who will act in accordance with the organisation's policy statement and TMPs. He is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

5. Treasury Management Summary

- 5.1. The Council's Treasury Position as at 31st March 2022 shown in the table below:

The Council held £74.4m of investments as at 31st March 2022, with an average rate of 0.28%. The average investment for the year is £75m with an average rate 0.11% against the benchmark of the average o/n SONIA of 0.08%.

The LIBOR rate was replaced by the SONIA (Sterling Overnight Interbank Average Rate) at the end of 2021. These are the average of interest rates that banks pay to borrow sterling overnight from other financial institutions.

- 5.2. The debts portfolio as at 31st March 2022 was £381.1m with an average interest payable rate of 3.16% and an average maturity profile of 25 years. On the 23rd February 2022 the Council executed £50m PWLB fixed long-term loan on maturity as follows (£30m for 49 years at 2.19% and £20m for 48 years at 2.21%). The purpose of the borrowing is to replace short-term borrowing with long-term debts that were incurred to finance historical capital expenditures.

6. PROPOSAL

- 6.1 The attached appendix – The Annual Treasury Management Review 2021/22 - is presented to the committee and then to Council for approval. This report details the treasury activities for the year, in relation to the overall treasury position and identifying how the Council has borrowed, and the impact on investment balances.

7. CONSULTATION

- 7.1 The Treasury Management Team and Treasury Strategy Group were consulted on the content of this report. Membership of these groups includes the following officers: Head of Treasury and Pensions, Strategic Director of Finance and Governance, Director of Finance – Return on Investments, Strategic Finance Advisors and Chief Accountant.

8. IMPLICATIONS

8.1 Finance

- 8.1.1 This report details financial activity in respect of treasury strategy for the year ending 31st March 2022. Recommended treasury strategies were implemented to maximise the value and effective utilisation of the Council's finances and in accordance with CIPFA's Code of Practice

8.2 Legal

- 8.2.1 The Council's constitution provides that all money held by the Council shall be aggregated for the purposes of Treasury Management and shall be under the control of the officer responsible for the proper administration of the Council's financial affairs Strategic Director of Finance and Governance (Section 151 officer).
- 8.2.2 This report sets out the Council's position regarding its legal requirements under the CIPFA Prudential Code, Code of Practice on Treasury Management in Local government, and other regulations

8.3 Equalities and Diversity

8.3.1 There are no specific implications, and as such, no Equality Impact Assessment is required

8.4 Sustainability (including climate change, health, crime and disorder)

8.4.1 There are no specific implications

8.5 Council Infrastructure

8.5.1 There are no specific implications

BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)

1. Treasury Strategy Group & Treasury Management Team Minutes (restricted)
2. Treasury Management Practices
3. Local Government Act 2003 and related Regulations
4. CIPFA guidance on Prudential Indicators