Cabinet

17 June 2021

Treasury Management Outturn Report

Recommendation

That Cabinet considers and comments on the Treasury Management outturn in respect of 2020/21.

1 Executive Summary

1.1 Treasury Management is to do with the management of the local authority's 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.

1.2 This report sets out the activities and performance of the Treasury Management function during 2020/21. Details are attached at Appendix 1 and highlights are set out in this covering report.

1.3 2020/21 was an extraordinary year for the Council, being impacted in many different ways by the effects of the Covid pandemic and these impacts included Treasury Management.

1.4 Significant volatility was experienced in financial markets generally however, treasury investments by their nature prioritise security and liquidity first and rate of return is a lesser priority. This means that the returns have been low but investment principal has been protected and stable.

1.5 Treasury investment returns reduced during the year partly driven by the impact of the pandemic upon interest rates and the investment environment, and also driven by the conscious decision to prioritise liquidity in order to ensure that the Council had access to cash urgently should it be required to deal with impacts of the pandemic.

1.6 Although investment returns were low (0.52%) compared to the previous year (0.99%), returns did exceed the benchmark set for the year which was 0.41%.

1.7 The reductions in interest earned were mitigated by retaining our holdings in the CCLA Property Fund (£10m) and the Threadneedle Social Bond Fund (£33m). These investments are longer term in nature and provide higher returns in return for exposure to higher risk.

1.8 Total debt has reduced by £20m to £321m due to some debt maturing and being repaid, and no new debt was taken out during the year. The Council continues to carry more debt than is necessary at this time however debt restructuring is not cost effective due to penalties associated with repaying Public Works Loan Board debt early. The current plans for capital expenditure and non-treasury investments will see this position changing, and the Council does not expect to continue to be overborrowed.

1.9 The Council currently has some relatively small and historic investments of a non-treasury nature (where the objective of the investment is not for treasury purposes). These are reported on in the appendix (Section 6), however reporting on non-treasury investments will become significantly higher in profile in 2021/22 with the introduction of the Warwickshire Property Development Group and potentially other non-treasury investment developments.

2 Financial Implications

2.1 Returns on investment were adversely impacted by Covid-19 during the year 2020/21 however have remained positive compared to benchmark.

3 Environmental Implications

3.1 Pooled funds invested in will include investment in a range of different companies which will have a range of carbon footprints and climate impacts. The impact is not currently measured but climate change is an increasingly high profile matter for investment considerations whilst keeping in perspective the primary requirements for security, liquidity and yield.

4 Supporting Information

4.1 None.

5 Timescales Associated with Next Steps

5.1 None.

Appendix

Treasury Management Outturn Report

Background Papers

None

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The report was not circulated to members prior to publication