Cabinet

16 June 2022

Treasury Management Outturn Report 2021/22

Recommendation

That Cabinet considers and comments on the Treasury Management outturn for 2021/22.

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 2021/22. Details are attached at Appendix 1 and highlights are set out in this covering report.

1.3 During 2021/22, the Council complied with its legislative and regulatory requirements in respect of Treasury Management.

1.4 In 2021/22 Treasury Management continued to be impacted by the effects of the Covid-19 pandemic, both in investment returns and delays to capital expenditure.

1.5 Investment balances increased to £458m from £395m during the year. These balances are driven by the level of reserves we hold, income we have received in advance of the related spend being incurred and the annual amount we set aside to repay the Council's external borrowing when it is due. All of these factors are taken into account as part of setting the Council's Medium Term Financial Strategy and the affordability of the capital programme. As such the increase in the investment balances does not mean there are additional resources available for allocation beyond the levels highlighted in the Financial outturn report elsewhere on today's agenda.

1.6 The financial markets were volatile during the year in the wake of the pandemic. Treasury investments by their nature prioritise security and liquidity ahead of return, which means investments have been protected and stable, however returns remain low.

1.7 Investment returns of 0.29%, an income of £1.47m, were achieved in 2021/22. This was below the original target of 0.51%, and budget of £2.23m. Returns exceeded the benchmark 30 day LIBID (London Interbank Bid) rate of 0.05% and also the equivalent SONIA (Sterling Overnight Index Average) rate for the same term. LIBID has since been discontinued and will be replaced by SONIA in future years.

1.8 Total debt has remained at £321m as planned. The Council continues to carry more debt than is necessary at this time, due to the rephasing of the capital programme however debt restructuring is not cost effective due to penalties associated with repaying Public Works Loan Board (PWLB) 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 2021/22 saw the launch of the Warwickshire Recovery Investment Fund (WRIF) and Warwickshire Property Development Group (WPDG). While both projects are still in their infancy, there has been some investment activity which is captured in Section 5 of appendix 1. This includes the first WRIF loan in issue, and a working capital facility provided to WPDG.

1.10 Continued improvements are being made within Treasury operations to increase efficiency and accuracy in daily working. An internal audit was conducted in July 2021 and found to have significant improvement in operational controls and control framework since the last audit in December 2018.

- The audit opinion is that controls provide Substantial Assurance that risks are being managed.
- The only outstanding action from this audit is to align both the Treasury strategy statement and constitution with respect to reporting protocols.

2 Financial Implications

2.1 Returns on investment were adversely impacted by Covid-19 during the year 2021/22, however remained above the market average. The actual interest income was £1.47m, against a budget of £2.23m. The lower than expected level of investment income was more than offset by the impact of the rephasing of the capital programme meaning the net position on capital financing costs was an underspend of £1.9m in 2021/22.

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 A detailed assessment and commentary of the Treasury Management position and performance is included in Appendix 1.

5 Timescales Associated with Next Steps

5.1 Not applicable to this report.

Appendices

Appendix 1 - Treasury Management Outturn Report

Background Papers

None

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Local Member(s): n/a
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