

Cabinet

16 June 2023

Treasury Management and Investment Outturn Reports 2022/23

Recommendation

That Cabinet considers and endorses the Treasury Management and Investment (Non-Treasury) outturns for 2022/23.

1 Executive Summary

- 1.1 Treasury Management is to do with the management of the Council'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 2022/23, including management of Non-Treasury Investments. Details are attached at Appendix 1 and 2, and highlights are set out in this covering report.
- 1.3 During 2022/23, the Council complied with its legislative and regulatory requirements in respect of Treasury Management.
- 1.4 Investment balances have stayed level at £458m since last 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.
- 1.5 The financial markets were volatile during the year with interest rates escalating from near zero figures in the first half of the year to over 4% in the second half of the year. Treasury investments by their nature prioritise security and liquidity ahead of yield/return, which means investments have been protected and stable, and during the second half of the year the Treasury team were able to take advantage of the higher rates to generate significant interest yield.
- 1.6 Treasury Management Investment returns of 1.58%, an income of £7.5m, were achieved in 2022/23. These exceed the original target (set in March 2022) of 0.26% and budget of £2.81m. Returns also exceed the benchmark

Sterling Overnight Index Average (SONIA) rates for the relevant term for each category of investment.

- 1.7 Non-Treasury Investment returns are riskier in nature than Treasury Management investments and can be held for service or commercial reasons. However, the Council only invests in line with guidance from CIPFA, Department for Levelling Up, Housing and Communities (DLUHC) and Public Works Lending Board (PWLB).
- 1.8 Non-Treasury Investments during the year were driven by new activity in the Warwickshire Recovery and Investment Fund (WRIF), Warwickshire Property and Development Group (WPDG) and several other historical investments that are lending, equity and property holdings. These investments are primarily held for service purposes and are not held for yield. The interest income on Non-Treasury investments was approximately £400k for the year 2022/23.
- 1.9 Total debt has remained at £321m as planned. The Council continues to carry more debt than is necessary at this time, known as 'over-borrowing', due to the rephasing of the capital programme; however, debt restructuring is not normally cost effective due to penalties associated with repaying Public Works Loan Board (PWLB) debt early. This is being kept under constant review by the Treasury Team and debt rescheduling or early repayment will be considered should the market conditions be favourable (i.e. no penalty or a discount offered to repay early).

2 Financial Implications

- 2.1 The actual interest income received for 2022/23 was £7.5m, which is significantly more than the budget of £2.81m.
- 2.2 An accounting loss of £2.48m was made on the capital value of the Threadneedle Social Bond Fund. This asset is a holding of approximately £30m of shares in this fund. The loss due to market volatility is a direct impact to the revenue account however at year end the asset is still held on the Council balance sheet, the loss relates to the reduction in value of the shares only.
- 2.3 The net positive performance of £5.02m, against a budget of £2.81m has helped mitigate some of the Council's net overspend.
- 2.4 The Medium-Term Financial Strategy (MTFS) has increased the overall interest income budget for 2023/24 to £4.68m. Whilst interest rates are currently high, they are anticipated to fall again over the next few years, which means it wouldn't be prudent to agree an on-going income budget higher than this level. Any additional income in the short term will be treated as a one-off windfall within the budget and MTFS.

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, and a similar report regarding the Non-Treasury Investments is included in Appendix 2.

5 Timescales Associated with Next Steps

- 5.1 Not applicable to this report.

Appendices

Appendix 1 - Treasury Management Outturn Report
Appendix 2 – Investments (Non-Treasury) Outturn Report

Background Papers

None.

	Name	Contact Information
Report Author	Emily Reaney	emilyreaney@warwickshire.gov.uk
Assistant Director	Andy Felton Assistant Director Finance	andrewfelton@warwickshire.gov.uk
Strategic Director for Resources	Rob Powell	robpowell@warwickshire.gov.uk
Portfolio Holder for Finance and Property	Peter Butlin	cllrbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:
Local Member(s): n/a