



REPORT TO:	Governance and Audit Committee
DATE:	28 <sup>th</sup> July 2022
SUBJECT:	Annual Treasury Management Review 2021/22
KEY DECISION:	N/A
PORTFOLIO HOLDER:	<i>Cllr Peter Coupland, Portfolio Holder - Finance, Commercialisation &amp; Partnerships</i>
REPORT AUTHOR:	Sean Howsam (Interim Treasury and Investments Manager (PSPS))
WARD(S) AFFECTED:	N/A
EXEMPT REPORT?	No

## **SUMMARY**

Attached at Appendix A is the Annual Treasury Management Review of the Council's activities and actual prudential and treasury indicators for 2021/22. It covers the following areas;

- An economic update for the 2021/22 financial year;
- A review of the Council's investment portfolio for 2021/22;
- A review of the Council's borrowing strategy for 2021/22;
- Debt position;
- Compliance with Treasury and Prudential indicators.

**This Report refers to a key element of the Council's Governance Framework and represents an important contribution to the evidence trail in support of the Annual Governance Statement 2021/22.**

### **RECOMMENDATIONS**

That the Governance and Audit Committee scrutinise the Annual Treasury Management Review 2021/22 at **Appendix A** and to make any comments for consideration by Council when they consider this document for approval at their meeting on 28 September 2022.

### **REASONS FOR RECOMMENDATIONS**

The Council is required to produce an Annual Treasury Management Review after the end of each financial year in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management.

### **OTHER OPTIONS CONSIDERED**

As this is an update report there are no other further options for consideration.

## **REPORT**

The Council approved its Treasury Management Strategy for 2021/22 on 3rd March 2021. This report now provides the Annual Treasury Management Review 2021/22 (**Appendix A**) for Governance and Audit Committee to make any comments for consideration by Council when they consider this document for approval at their meeting on 28 September 2022.

General Fund capital expenditure for 2021/22 was £10.9m which was financed by grants, internal resources and internal borrowing.

Housing Revenue Account capital expenditure for 2021/22 was £5.1m for the General Fund which was financed by capital receipts and the major repairs reserve.

As at 31 March 2022, treasury investment balances were £47.8m compared with £44.6m the previous year and non-treasury investment balances were £8.6m compared with £7.7m the previous year. All treasury investments will mature in less than one year. The non treasury investments are long term equity investments in Welland Homes and loans to Welland Homes which are classified in the financial statements as long term debtors.

A full review of the economy and interest rates is detailed in Section 8 of **Appendix 'A'**

The rate of return on the Council's investments averaged 0.39% for the 2021/22 financial year. Interest earned was £213k against a budget of £194k. This interest was split £193k to the General Fund and £20k to the HRA.

The Council paid interest totalling £2.35m on its HRA borrowing for the year.

The Council's Investment Policy and Strategy is kept under constant review with the aim of balancing risk and reward. The investment criteria agreed for 2021/22 permitted investments with

banks whose parent bank originates from a country with a sovereign rating of A+ or higher and meets Link Groups counterparty investment criteria.

The Council is currently in the process of producing its accounts for 2021/22 which may result in some amendments to the figures being reported in this Annual Report.

## **CONCLUSION**

This report provides a review of treasury management performance for the financial year 2021/22, to Members to ensure Best Practice is maintained as required by CIPFA Code of Practice for Treasury Management.

### **FINANCIAL IMPLICATIONS**

The financial implications are covered in detail in **Appendix A** to this report.

By making the investment criteria relating to financial institutions stringent, the Council receives lower rates of return. The Council therefore aims to strike a balance between risk and reward when considering its portfolio of investments. Treasury Management is a key financial consideration for the Authority especially in respect of its investment returns and Capital Programme.

Total interest received was £213k with £193k to the General Fund and £20k to the Housing Revenue Account. This was above the original budget and can be attributed to higher interest rates in the market during the second half of the financial year.

### **LEGAL IMPLICATIONS**

The council is required to produce an Annual Treasury Management Review after the end of each financial year in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management.

### **CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

None

### **EQUALITY AND SAFEGUARDING IMPLICATIONS**

None

### **OTHER IMPLICATIONS**

Management of the Council's investments portfolios can never be risk free but the risk mediation in place under policies and statements mitigates the exposure to medium risk.

#### **CONSULTATION**

The Portfolio Holder for Finance is briefed on treasury performance on a regular basis.

#### **APPENDICES**

Appendix A - Annual Treasury Management Review 2021/22

#### **BACKGROUND PAPERS**

Background papers used in the production of this report are listed below: -

<b>Document title</b>	<b>Where the document can be viewed</b>
Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.	CIPFA website

#### **CHRONOLOGICAL HISTORY OF THIS REPORT**

A report on this item has not been previously considered by a Council body for the current financial year.

#### **REPORT APPROVAL**

Report author:	Sean Howsam – Interim Treasury & Investments Manager (PSPSL) <a href="mailto:Sean.Howsam@pspsl.co.uk">Sean.Howsam@pspsl.co.uk</a>
Signed off by:	Samantha Knowles, Assistant Director Finance <a href="mailto:SKnowles@sholland.gov.uk">SKnowles@sholland.gov.uk</a>
Approved for publication:	CLlr Peter Coupland, Portfolio Holder - Finance, Commercialisation & Partnerships