



REPORT TO:	Audit and Governance Committee
DATE:	18 <sup>th</sup> July 2022
SUBJECT:	Annual Treasury Management Review 2021/22
KEY DECISION:	N/A
PORTFOLIO HOLDER:	<i>Councillor Noble</i>
REPORT AUTHOR:	Sean Howsam (Interim Treasury & Investments Manager PSPS)
WARD(S) AFFECTED:	N/A
EXEMPT REPORT?	<i>No</i>

## **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

It is recommended that Members of the Audit and Governance Committee consider and approve the contents of the report attached at **Appendix A**.

## 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

- 1.1 The Council approved its Treasury Management Strategy for 2021/22 on 1st March 2021. This report now provides the Annual Treasury Management Review 2021/22 for scrutiny and approval. (**Appendix A**).
- 1.2 Capital expenditure for 2021/22 was £2m which was fully financed by grants and internal resources.
- 1.3 As at 31 March 2022, treasury investment balances were £24.8m compared with £17.7m the previous year and non-treasury investment balances were £22.5m compared with £19.7m the previous year. All treasury investments will mature in less than one year and the non treasury investments are long term investments in property funds.
- 1.4 A full review of the economy and interest rates is detailed in Section 8 of **Appendix 'A'**
- 1.5 The rate of return on the Council's investments averaged 1.74% for the 2021/22 financial year. The net amount of interest earned was £775k after fees against a budget of £820k. The Council paid interest totalling £494k on its borrowing for the year.
- 1.6 The Council's property fund investments made a net contribution to the Council's 2021/22 revenue account of £744k and the combined Net Asset Value of the funds rose by 6.9% from the 31 March 2021 valuations. A full analysis of the Council's property fund investments can be found in Section 9 of **Appendix 'A'**.
- 1.7 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.
- 1.8 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.

During 2021/22 interest earned was £775k which was £45k below the original estimate for the year of £820k. Interest paid on borrowing was £494k in line with the budget of £494k.

### 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 as part of the monthly portfolio meetings.

## APPENDICES

Appendix A - Annual Treasury Management Review 2021/22

## BACKGROUND PAPERS

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

Document title	Where the document can be viewed
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

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