



# Borough of Telford and Wrekin

## Full Council

Thursday 10 November 2022

### Treasury Management - 2021/22 Annual Report and 2022/23 Update

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<b>Cabinet Member:</b>	Cllr Rae Evans - Cabinet Member: Finance, Governance and Customer Services
<b>Lead Director:</b>	Ken Clarke - Director: Finance & Human Resources
<b>Service Area:</b>	Finance & Human Resources
<b>Report Author:</b>	Edward Rushton - Group Accountant
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<b>Wards Affected:</b>	All Wards
<b>Key Decision:</b>	Not Key Decision
<b>Forward Plan:</b>	Not Applicable
<b>Report considered by:</b>	Audit Committee - 19 July 2022

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#### 1.0 Recommendations for decision/noting:

Full Council is asked to:

- 1.1 Note the contents of the report; and
- 1.2 Note the performance against Prudential Indicators.

#### 2.0 Purpose of Report

- 2.1 This report updates members on the outcome of Treasury Management activities for 2021/22 and details the position for 2022/23 to 31<sup>st</sup> May 2022.

#### 3.0 Background

- 3.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2021/22. This report meets the requirements

of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2021/22 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year
- a mid-year, treasury update report
- an annual review following the end of the year describing the activity compared to the strategy, (this report)

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council’s policies previously approved by members.

This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to the full Council. Member training on treasury management issues was provided on 25/01/2022 in order to support members’ scrutiny role.

## 4.0 Summary of main proposals

### 4.1 2021/22 Treasury Outturn

#### Treasury portfolio

	31.03.2021 £m	31.03.2022 £m	Movement £m
Borrowing (excl. PFI)	281.1	282.7	1.6
Investments (excl. NuPlace)	(20.7)	(36.5)	(15.8)
<b>Net indebtedness</b>	<b>260.4</b>	<b>246.2</b>	<b>(14.2)</b>

Borrowing can only be undertaken to fund capital investment and not to support the revenue budget which supports the delivery of most Council services. The total value of assets held by the Council at 31 March 2022 was £788.4m some £505.7m greater than debt outstanding.

#### Borrowing Strategy

The borrowing strategy for 2021/22 was to borrow temporarily to take advantage of low interest rates where possible and review opportunities for new longer term borrowing as appropriate. Maintaining high levels of cheap temporary borrowing has contributed to surplus treasury management returns of more than £30m since 2015/16 which has reduced the impact of Government cuts and therefore helped to protect frontline services.

Borrowing (excluding PFI) was £1.7m higher at 31 March 2022 compared to 31 March 2021 in part due to an increase in investments held. Short term borrowing was taken during the year at favourable interest rates generating a significant benefit for the Council’s budget.

### Investment Strategy

The investment strategy for 2021/22 was to gain maximum benefit with security of capital being the key consideration. The average return on investments for the year was 0.07%, slightly higher than the the bench mark of 0.06%. Temporary investments (excluding NuPlace share capital) increased by £15.9m at 31 March 2022 compared to 31<sup>st</sup> March 2021. This was predominantly due to the receipt of Government funding associated with the £150.00 Energy Rebates to be distributed to the vast majority of households in the Borough which was received at the end of March.

The Council continued to face financial pressure in 2021/22, particularly at the start fo the year, as a result of the coronavirus pandemic. As a result, the monitoring of cash flow to ensure that sufficient funds were available to meet financial obligations was key throughout the financial year. Short-term borrowing, through temporary loans mainly from other local authorities, helped to cover cash flow requirements.

### Overall Outturn

Through the application of the above Borrowing and Investment Strategies, treasury delivered a net over-achievement of £4.425m against budget during 2021/22. The majority of the saving resulted from a mix of cash flow benefits together with our active approach of maintaining short-term borrowing, benefiting from low interest rates, and locking into longer term borrowing when conditions were favourable to do so.

The 2021/22 Annual Treasury Management Review is included in Appendix 1 and Treasury Pudential Indicators in Appendix 3.

## 4.2 2022/23 Update

### Treasury Portfolio at 31.05.2022

	<b>31.03.2022</b> <b>£m</b>	<b>31.05.2022</b> <b>£m</b>	<b>Movement</b> <b>£m</b>
Borrowing (excl. PFI)	282.7	285.8	3.1
Investments (excl. NuPlace)	(36.5)	(15.6)	20.9
<b>Net indebtedness</b>	<b>246.2</b>	<b>270.2</b>	<b>24.0</b>

The strategy for 2022/23 remains consistent with that outlined in the 2022/23 Treasury Strategy, which was agreed for approval at Full Council on 3<sup>rd</sup> March 2022 and by this committee on 25<sup>th</sup> January 2022. The Strategy is also in-line with that of the previous year.

## **Borrowing**

New borrowing will be required during the year, in line with the approved capital programme. Consideration will be given to the maturity profile of current debt, interest rates and refinancing risks as well as the source, which is expected to be a mix of temporary loans, long term loans obtained from the Public Works Loans Board and Municipal Investment Loans.

On 19 May 2022 the Council launched a Municipal Investment Loan on the Abundance Platform: the Telford & Wrekin Climate Action Investment. This provides an opportunity for individuals to lend money to the Council which will be used to fund a range of projects across Telford & Wrekin to help tackle the climate emergency, including: replacing 2 fossil-fuel powered minibuses with electric minibuses; working with local organisations and businesses to improve energy efficiency in buildings; and installing renewable technologies, such as solar panels and ground source heat pumps into temporary/supported accommodation properties. With a target of raising £0.5m, loans are for a 5 year period at a fixed interest rate of 2.10% per annum. This is a new borrowing source for the Council (permitted in the approved Treasury Strategy), which is an alternative to PWLB and is specifically aimed to support the Council's Climate Change Agenda. The cost of borrowing to the Council, including fees, was comparable with PWLB rates at the time of entering the arrangement in that on the day the offer was launched the cost of the debt to the Council was lower than PWLB would have been. Legally, the investments are Loans from individual people to the Council.

## **Investments**

Investment opportunities will be reviewed as they arise and we will seek to gain maximum benefit within the agreed risk parameters. The Council does not currently hold any long term investments, which reduces counter-party risk and also reduces net interest costs as longer-term borrowing costs tend to be greater than we are able to earn on new investments.

Link Treasury Services, the Council's treasury advisors, are providing regular investment and borrowing updates, including updated counterparty advice, which is being followed.

### **5.0 Alternative Options**

5.1 N/A

### **6.0 Key Risks**

6.1 See Appendix 1.

### **7.0 Council Priorities**

7.1 Effective management of the Council's Treasury portfolio helps support the Council's overall financial position through minimising borrowing costs and optimising investment income whilst following the principles of Security, Liquidity and Yield; and therefore supports the delivery of all Council priorities.

## **8.0 Financial Implications**

8.1 Where appropriate these are detailed in the body of the report and the appendices.

## **9.0 Legal and HR Implications**

9.1 The Director: Finance & HR (Section 151 Officer), has responsibility for the administration of the financial affairs of the Council. In providing this report the Section 151 Officer is meeting one of the responsibilities of the post contained within the Council's Constitution at Part 2, Officers, Functions of the Chief Financial Officer, para. 8 which states "The Chief Financial Officer will contribute to the promotion and maintenance of high standards of governance, audit, probity and propriety, risk management and the approval of the statement of accounts through provision of support to the Audit Committee."

9.2 The Council has power to raise finance via Community Municipal Loans and this was formally and fully considered as part of the due diligence process prior to the launch of the loans.

## **10.0 Ward Implications**

10.1 There are no impacts on specific wards in this report.

## **11.0 Health, Social and Economic Implications**

11.1 The Economic Climate has direct relevance to Treasury Management and is covered in detail in the report and accompanying appendices.

## **12.0 Equality and Diversity Implications**

12.1 The Council will not knowingly directly invest in organisations whose activities include practices which directly pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the mission and values of the Council. At the same time the Council will take full responsibility for proper management of risk and safeguarding its investments by ensuring that they are diversified and made with organisations that are suitably credit assessed.

## **13.0 Climate Change and Environmental Implications**

13.1 As mentioned in Section 4.2 above, the Council launched a Municipal Investment Loan on the Abundance Platform: the Telford & Wrekin Climate Action Investment which supports the Councils climate change agenda.

## **14.0 Background Papers**

- 1 2020/21 Treasury Update Report and 2021/22 Treasury Management Strategy
- 2 2021/22 Prudential Indicators Report

## Treasury Management – 21/22 Annual Report and 22/23 Update

- 3 2021/22 Treasury Update Report and 2022/23 Treasury Management Strategy

### 15.0 Appendices

- 1 Annual Treasury Management Review 2021/22

### 16.0 Report Sign Off

<b>Signed off by</b>	<b>Date sent</b>	<b>Date signed off</b>	<b>Initials</b>
Finance	26/09/2022	07/10/2022	PH
Legal	26/09/2022	07/10/2022	RP
Director	26/09/2022	07/10/2022	KC