NORWICH
City Council

Committee Name: Cabinet

Committee Date: 19/10/2022

Report Title: Treasury Management Review 2021-22

Portfolio: Councillor Kendrick, resources

Report from: Executive director of corporate and commercial services

Wards: All Wards

OPEN PUBLIC ITEM

Purpose

This report sets out the Treasury Management performance for the year to 31 March 2022.

Recommendation:

To note the report and the treasury activity for the year to 31 March 2022 and recommends it for approval by council.

Policy Framework

The Council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the Norwich City Council is in good shape to serve the city corporate priority

This report meets the Treasury management strategy policy adopted by the Council.

Report Details

Background

1. The Council is required by regulations issued under the Local Government Act 2003 to produce an annual review of its treasury management activities and the final prudential and treasury indicators for each financial year. 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).

2. This report details the results of the council's treasury management activities for the financial year 2021/22. It compares this activity to the Treasury Management Strategy (TMS) for 2021/22, approved by full council on 22 February 2021. It will also detail any issues that have arisen in treasury management during this period.

Introduction

3. Treasury management relates to the policies, strategies and processes associated with managing the cash and debt of the council through appropriate borrowing and lending activity. It includes the effective control of the risks associated with the lending and borrowing activity and the pursuit of optimum performance consistent with the risks.

4. For the 2021/22 financial year the reporting requirements were:
    - an annual Treasury Management Strategy in advance of the year (Council 22 February 2021).
    - a mid-year Treasury Management Review report (Council 8 December 2021).
    - an annual review following the end of the year describing the activity compared to the strategy (this report).

5. The regulatory environment places responsibility on members to review and scrutinise 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 which have previously been approved by members. This report summarises the following:
    - Capital activity during the year (paragraphs 6 - 10)
    - The impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement) (paragraphs 11 - 17)
    - The 2021/22 performance against the approved prudential and treasury indicators (paragraphs 18- 24)
    - The overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on its investment balances (paragraphs 25-30)

- The council's borrowing strategy and detailed debt activity (paragraphs 31-40)
- The council's investment strategy and detailed investment activity (paragraphs 41-51)

The Council's Capital Expenditure and Financing 2021-22

6. The 2021-22 capital programme budgets were approved as part of the budget papers approved by full council on 22 February 2021. Subsequent to this there were approved revisions to the 2021-22 capital budgets to include the 2020-21 capital carry forwards and new capital schemes approved during the year. The revised capital programme budget is shown in **Table 1** along with the mid-year position reported to cabinet in December 2021.

7. Actual capital spending was under budget for the year by £33.430m. The actual level of resources needed to finance the expenditure was also less than that originally estimated. Capital expenditure forms one of the required prudential indicators. **Table 1** shows the estimates and then the actual capital expenditure for 2021/22 and how this was financed in the year:

Table 1: Capital Programme Financing

	2021/22 Original Budget	**2021/22 Final Budget**	**2021/22 Mid-Year Estimate**	**2021/22 Actual Outturn**	**Variance from Final Budget**
Capital Expenditure	**£m**	**£m**	**£m**	**£m**	**£m**
General Fund capital expenditure	20.802	21.045	18.380	10.827	(10.218)
General Fund capital loans	0	0	0	0	0
HRA capital expenditure	48.839	45.962	37.209	22.758	(23.204)
Total Expenditure	**69.641**	**67.007**	**55.589**	**33.585**	**(33.422)**
Financed by					
Capital receipts	21.947	21.694	9.092	4.110	(17.584)
Capital grants/contributions	19.621	17.023	15.254	9.529	(7.494)
Capital & earmarked reserves	15.464	18.280	23.072	18.280	0
Revenue	11.934	7.169	7.330	1.106	(6.063)
Total Financing	**68.967**	**64.166**	**54.747**	**33.585**	**(31.141)**
Borrowing need for the year	**0.674**	**2.841**	**0.841**	**0.560**	**(2.281)**

8. Norwich Regeneration Ltd (NRL) is a private limited company wholly owned by Norwich City Council. In order to finance its housing development, NRL borrows money at commercial interest rates from the Council. During 2021-22 NRL repaid loans of £6.500m, with no new loans being made. Therefore, as at 31 March 2022 the company had a loan outstanding with the council of £6.150m (2020/21 £12.650m). These transactions were in line with the lending facility approved by council. The impact of the loan movements on the capital financing requirement is shown in Table 2.

9. Norwich City Services Ltd (NCSL) is a private limited company wholly owned by Norwich City Council. To finance the set-up of the company including capital

works on its depot building, the council has provided NCSL with both loan and equity financing. A 20-year capital loan of £1.140m was advanced to the company as well as a working capital loan of £0.500m. Equity investment was made into the company of £0.370m. During 2021/22 the Council loaned a further £0.180m to NCSL resulting in total loans outstanding with the Council of £1.820m (2020/21: £1.640m). No additional equity was purchased in NCSL by the Council (2020/21: £0.370m purchased).

The impact of these capital loan movements on the capital financing requirement is shown in Table 2.

10. Capital expenditure may either be:

- Financed immediately through the application of capital or revenue resources (e.g. capital receipts, capital grants, revenue contributions etc.), which does not impact on the Council's borrowing need; or
- Financed by either external or internal borrowing, if there is insufficient financing available, or a decision is taken not to immediately apply resources.

Council's overall borrowing need

11. The council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). The CFR increases as the council incurs capital spending and then if it does not apply resources immediately to finance the capital spend, (i.e. capital receipts, capital grants, capital reserves or revenue), a borrowing need arises. The 2021/22 CFR year-end balance is the cumulative total of the 2021/22 unfinanced capital expenditure i.e. £0.560m and prior years' unfinanced capital.

12. Treasury management includes addressing the funding requirements for this borrowing need; it also includes maintaining a position to ensure sufficient cash is available to meet the capital expenditure as they occur. This may be sourced through borrowing from external bodies, e.g. the Government through the Public Works Loan Board (PWLB) or the money markets, or utilising temporary cash resources within the Council (known as internal borrowing).

13. The council's (non-HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. This requirement is met by making an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the non-HRA borrowing need (there is no statutory requirement to reduce the HRA CFR).

14. The total CFR can also be reduced by either:

- the application of additional capital financing resources (such as unapplied capital receipts)
- charging more than the statutory MRP each year through a Voluntary Revenue Provision (VRP).

15. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External borrowing can be taken or repaid at any time, but this does not change the CFR.

16. The Council's CFR for the year is shown below and is a key prudential indicator. It includes leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

Table 2: Capital Financing Requirement

	2021/22 Original Estimate	**2021/22 Revised Estimate**	**2021/22 Outturn (unaudited)**
	£000	**£000**	**£000**
Opening General Fund CFR	**120,100**	**122,330**	**121,183**
Prior years adjustment			
Movement in General Fund CFR	1,200	(9,133)	(7,163)
Closing General Fund CFR	**121,300**	**113,197**	**114,020**
Movement in CFR represented by:			
Borrowing need (capital programme)	674	841	560
Loan repayment	(55)	(8,555)	(6,500)
Less MRP and other financing adj.	581	(1,419)	(1,223)
Movement in General Fund CFR	**1,200**	**(9,133)**	**(7,163)**
Opening HRA Fund CFR	**207,518**	**207,517**	**207,517**
Movement in HRA CFR	0	0	(1)
Closing HRA CFR	**207,518**	**207,517**	**207,516**
TOTAL CFR	**328,818**	**320,714**	**321,536**

17. Borrowing activity is constrained by prudential indicators for borrowing and the CFR, and by the authorised limit.

The prudential and treasury indicators

18. **Gross borrowing and the CFR** - to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2020/21) plus the estimates of any additional capital financing requirement for the current (2021/22) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this indicator.

Table 3: Gross Borrowing

	2021/22 Original Estimate	2021/22 Revised Estimate	2021/22 Actual
	£m	**£m**	**£m**
Gross borrowing	219.853	232.300	262.301
CFR	328.818	320.714	321.536
Over Borrowed/(Under Borrowed)	**(108.965)**	**(88.414)**	**(59.235)**

19. **The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The Table 4 below demonstrates that during 2021/22 the Council has maintained gross borrowing within its authorised limit.

20. **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

Table 4: Authorised Limit & Operational Boundary

	2021/22 Original Estimate	2021/22 Revised Estimate	2021/22 Actual
	£m	**£m**	**£m**
Authorised Limit for external debt			
Borrowing	358.138	358.138	358.138
Other long-term liabilities	0.680	0.680	0.680
Total Agreed Authorised Limit	**358.818**	**358.818**	**358.818**
Operational boundary for external debt			
Borrowing	328.138	328.138	328.138
Other long-term liabilities	0.680	0.680	0.680
Total Agreed Operational Boundary	**328.818**	**328.818**	**328.818**
External debt (including other long-term liabilities e.g. finance leases)			**315.518**

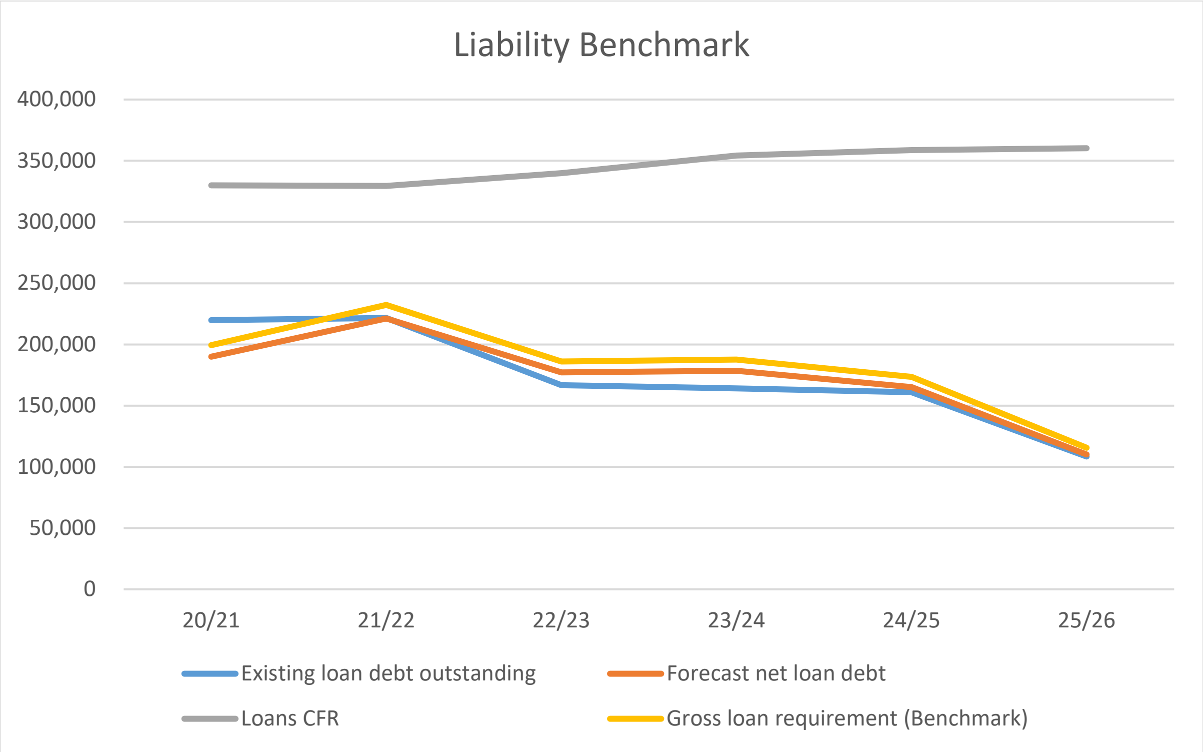
21. **Liability Benchmark**

Following the release of the CIPFA Treasury Management in the Public Services Guidance Notes, CIPFA have introduced the liability benchmark as a new Prudential Indicator. The guidance states that “the liability benchmark is a projection of the amount of loan debt outstanding that the authority needs each year into the future to fund its existing debt liabilities, planned prudential borrowing and other cash flows.” The City Council will need to include this new treasury management indicator from 1st April 2023.

The revised Treasury Management code will require an authority to implement a new debt liability benchmark treasury indicator - to support the financing risk management of the capital financing requirement and is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;

Link Asset Services have prepared a Liability Benchmark template based on the example workings provided within the Treasury Management in the Public Services Guidance Notes. The template will enable the City Council to populate it with our own data and produce the Liability Benchmark chart and tables to be included in formal reporting required from 2023/24.

22. As part of preparations to implement the new required prudential indicators, the City Council has prepared a draft graph presented below.



The liability benchmark is presented as a chart of four balances which are:

■ Existing loan debt outstanding: the authority's existing loans which are still outstanding in future years;

■ Loans CFR: calculated in accordance with the loans CFR definition in the Prudential Code, and projected into the future based on approved prudential borrowing and planned MRP taking account of approved prudential borrowing;

■ Net loans requirement: the authority's gross loan debt, less treasury management investments, at the last financial year end, projected into the future based on its approved prudential borrowing, planned MRP and any other forecast major cash flows and;

■ Liability benchmark (or Gross Loans Requirement) = Net loans requirement + short term liquidity allowance.

Any years where actual loans are less than the benchmark indicate a future borrowing requirement; any years where actual loans outstanding exceed the benchmark represent an overborrowed position which will result in excess cash requiring investment.

The graph above is in line with the Approved MTFS which also includes the Treasury Managements Strategy.

Actual financing costs as a proportion of net revenue stream

23. The authority is required to report on the ratio represented by its net financing costs to its net revenue stream. For the general fund net revenue is represented by the amount that is funded by government grants and council tax payers, while for the HRA it is the rental income paid by tenants. This is intended to be a measure of affordability, indicating how much of the authority's revenue is taken up in financing its debt.

24. Table 5 shows that the general fund outturn is lower than the estimate due to lower than budgeted borrowing costs combined with a higher net revenue due to additional covid-19 related grant income. The HRA affordability ratio is higher than estimated due to the inclusion of £5M of capital costs which have been written back to revenue where the essential adaptations and enhancements to properties carried out did not add value to the asset. Last year's outturn was at a similar level 44.0% (2020-21).

Table 5: Affordability Ratio

	2021/22	**2021/22**
Affordability of financing costs	**Estimate**	**Actual**
General fund - financing costs as a percentage of net revenue	11.59%	8.66%
HRA - financing costs as a percentage of rental income	39.93%	48.44%

Treasury Position as at 31 March 2022

25. The Council's debt and investment position is managed by the in-house treasury management team. All activities are undertaken primarily to ensure security for investments, to ensure that there is adequate liquidity for revenue and capital activities, and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity.

26. During 2021/22 the council's treasury management function operated a target to maintain daily closing current account bank balances between £0 and £200,000. The target was set to ensure a minimal cash liquidity balance and maximise returns on available cash balances. The target measure was for cash balances not to be outside the £0 and £200,000 threshold for more than twelve days in the year. The target was met for the year however, due to a banking system failure, for one day cash balances held overnight in the account exceeded £200,000. From 1st April 2022 the Council has implemented a pooling arrangement for all its bank accounts with Barclays. Interest is now earned on all remaining balances without the need to move these to an interest bearing account.

27. The council's actual borrowing position at 31 March 2022 and activity during 2021/22 is detailed in the table below. Borrowing has remained within the authorised limit of £358.818m throughout the year.

Table 6: Borrowing activity 2021/22 (excluding finance leases)

	PWLB loans £m	Market loans £m	Total £m	Average interest rate %
Opening balance (1 April 2021)	214.107	5.000	219.107	
New borrowing taken	45.000	-	45.000	
Borrowing matured/repaid	(2.500)	-	(2.500)	
Closing balance (31 March 2022)	**256.607**	**5.000**	**261.607**	**3.3**
Authorised limit for external debt			358.818	

28. The maturity structure of the debt portfolio was as follows:

Table 7: Maturity Structure of Fixed Rate Borrowing

	%	31-Mar-22 £m
Under 12 months	19.48	50.96
Between 12 months and 2 years	1.53	4.00
Between 2 years and 5 years	24.15	63.20
Between 5 years and 10 years	23.42	61.26
Over 10 years	31.42	82.19
Perpetually irredeemable stock		0.50
Total borrowing		**262.11**

29. Table 8 shows the movement in investments in the year. The movement is a combination of several factors including: an increase in the Council's internal borrowing (see table 3); repayment of loan agreements; an increase in short term creditors and a reduction in long term debtors. These can be seen on the face of the council's Balance Sheet, shown in the draft Statement of Accounts.

Table 8: Investment Movements

	31 March 2021 £m	Net movement £m	31 March 2022 £m
Short term			
Banks	15.000	25.000	40.000
Building Societies	0.000	25.000	25.000
Local Authorities	15.000	30.000	45.000
Cash Equivalents			
Banks	23.750	(7.225)	16.525
Non-UK Banks	0.000	12.000	12.000
Building Societies	0.000	0.000	0.000
Local Authorities	0.000	0.000	0.000
Money Market Funds	21.070	2.930	24.000
UK Government	0.000	2.000	2.000
Total Internally Managed Funds	**74.820**	**89.705**	**164.525**

30. The maturity structure of the investment portfolio was as follows:

Table 9: Maturity Structure

	31 March 2021 £m	31 March 2022 £m
Under 1 year	74.820	164.525
Over 1 year	0.000	0.000
	74.820	**164.525**

Borrowing Strategy for 2021/22

31. The council maintained an under-borrowed position in 2021/22. This means that the capital borrowing need (the CFR) has not been fully funded with loan debt as cash supporting the council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as during the year investment returns were low and counterparty risk is relatively high.

32. Table 10 below shows the interest rate forecast to June 2025. These forecasts have been provided by the Council's treasury advisor, Link Asset Services and show gradual rises in medium and longer-term fixed borrowing rates over the next two financial years. Variable, or short-term rates, are expected to be the cheaper form of borrowing over the period.

Table 10: Interest Rate View

Link Group Interest Rate View	09.08.22												
	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	2.25	2.50	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25	2.25	2.00
3 month ave earnings	2.50	2.80	3.00	2.90	2.80	2.50	2.40	2.30	2.30	2.30	2.20	2.20	2.20
6 month ave earnings	2.90	3.10	3.10	3.00	2.90	2.80	2.70	2.60	2.50	2.50	2.40	2.30	2.30
12 month ave earnings	3.20	3.30	3.20	3.10	3.00	2.90	2.80	2.70	2.40	2.40	2.40	2.40	2.40
5 yr PWLB	2.80	3.00	3.10	3.10	3.00	3.00	2.90	2.90	2.80	2.80	2.80	2.70	2.70
10 yr PWLB	3.00	3.20	3.30	3.30	3.20	3.10	3.10	3.00	3.00	3.00	2.90	2.90	2.80
25 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.40	3.30	3.30	3.20	3.20	3.20	3.10
50 yr PWLB	3.10	3.20	3.20	3.20	3.20	3.10	3.10	3.00	3.00	2.90	2.90	2.90	2.80

Source: Link Treasury 2022 (PWLB rates include adjustments for Certainty rate discounts)

33. Given the under-borrowed position of the council (Table 3) it was reported mid-year that it would be likely the Council would need to undertake fixed rate long-term borrowing within the short to medium term. On 22/07/21 the council took out a £5m fixed rate 50-year loan with PWLB at an interest rate of 1.64% and a further £10m fixed rate 50-year loan was taken on 05/11/2021 at 1.7%.

34. As interest rates fell again, on 7/12/21 three fixed rate loans for £10m each were taken out with interest rates of 1.38%, 1.4% and 1.41% for 49 years, 47 years and 46 years respectively. This borrowing was in line with the Treasury Strategy and the interest costs are within the 2021/22 revenue budget provision. Given that interest rates have risen significantly subsequently as a response to inflationary pressures this approach has been successful in managing the council's long term debt position at low cost. Any further decisions to borrow will be reported to Cabinet at the next available opportunity.

PWLB rates

35. PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields.

As the interest forecast table for PWLB rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

36. The Council has previously relied on the PWLB as its main source of funding; however, the council will consider alternative sources of borrowing as appropriate and in line with the treasury management strategy. We will continue to liaise closely with our treasury advisors, monitor the borrowing market and update Members as this area evolves.

37. The Municipal Bond Agency are now offering loans to local authorities. This Authority may make use of this emerging source of borrowing as and when appropriate. This is within the existing approved Treasury Management Strategy.

Forward borrowing considerations to mitigate expected future interest rate increases

38. The Council may also look to arrange forward borrowing facilities should the future borrowing risk rise, although the recent increase in rate may mitigate against this in the short term. The policy on forward borrowing has been complied with in 2021-22.

Debt Rescheduling

39. No debt rescheduling was undertaken during 2021-22 as low interest rates during that year would have increase the costs of any redemption premia costs. As interest rates rise in 2022 the use of such an approach will be kept under review.

Borrowing Outturn for 2021-22

40. During 2021-22 the Council repaid £2.5m PWLB debt and borrowed £45m from the PWLB taking advantage of a drop in interest rates. The council paid £8.230m in interest costs on external loans, this compares to a budget of £8.640m. The reduction against budget was due to the continued use of internal borrowing rather than external borrowing as a result of holding sufficient cash balances.

Investment Strategy for 2021-22

41. The TMS for 2021-22, which includes the Annual Investment Strategy, was approved by the council on 22 February 2021. It sets out the council's investment priorities as being Security of capital, Liquidity; and Yield.

42. No policy changes have been made to the investment strategy, the council will continue to aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity.

43. This report does not cover the council's investment strategy in regard to non-financial investments. These investments which include the purchasing of commercial property and lending to third parties were covered under the Non-Financial (Commercial) Investment Strategy published in February 2021 as part of the Budget papers.

44. As part of the new Prudential and Treasury Management codes councils are now required to review assets held for investment purposes against ongoing

borrowing requirements. The code requires councils to consider disposal of investments to finance borrowing where the sale of an investment is financially viable. The Council is currently undertaking a review of its investment portfolio to determine assets returns and the potential cost of disposal.

45. The Treasury Management Strategy is published on the council's website. Following a review of the document and the counterparty credit rating criteria an amendment has been made to the wording to remove potential ambiguity.

46. Link Asset Services have prepared the counterparty list based on their understanding of the original wording to mean that if a building society meets a minimum credit rating applicable to a bank, then the bank maximum duration and counter limit apply – not the building society maximum duration and counterparty limit.

47. The minor wording change has been agreed with Link Asset Services the Council's Treasury advisors and approved by the Executive Director of Finance in accordance with the delegated powers under the council's constitution. The original and revised table is shown at Appendix 1.

Investment Outturn for 2021-22

48. The investment activity during the year conformed to the approved strategy, and the council had no liquidity difficulties.

Reserves

49. The council's cash balances comprise revenue and capital reserves and day to day cash flow monies.

Within the reserve figures below the main reduction year on year was against Earmarked Reserves and was mainly due to the application of Government grants during 2021-22 to compensate the council for loss of income in respect of business rate income due to reliefs given to business in response to the COVID19 Global Pandemic.

There was an increase in the HRA reserve due to the HRA surplus in 2021-22 and the usable capital receipts reserve due to the sale of assets. The council's reserves are shown in the draft 2021-22 statement of accounts and comprise the balances summarised in Table 11 below.

Table 11: Balance Sheet Reserves

	31-Mar-21	**31-Mar-22***
	£m	**£m**
General Reserves	9.890	10.336
HRA	43,370	51.373
Earmarked Reserves	36.992	30.697
Useable Capital receipts	55.726	64.353
Capital grants Unapplied	4.274	4.249
Major Repairs Reserve	10.020	7.281
Total	**160,272**	**168,289**

* Unaudited figures

50. The council's year-end balance of cash and short-term investments was £164.525m. These internally managed funds earned an average rate of return of 0.4%.

51. The council is part of a benchmarking group (facilitated by our treasury management advisors, Link Asset Services) across Norfolk, Suffolk & Cambridgeshire. The table below shows the performance of the council's investments when compared with this benchmark group, and also when compared with the non-metropolitan districts and all authorities that use Link's benchmarking group facility.

Table 12: Link benchmarking - position at 31 March 2022

	Norwich	Benchmark Group 7 (12)	Non met districts (87)	All authorities (224)
WARoR[1]	0.40%	0.45%	0.45%	0.44%
WA Risk[2]	3.33	3.84	2.95	2.95
WAM[3]	70	46	76	74
WATT[4]	136	98	139	142

Source: Link Treasury March 2022

[1] **WARoR** Weighted Average Rate of Return This is the average annualised rate of return weighted by the principal amount in each rate.

[2] **WA Risk** Weighted Average Credit Risk Number Each institution is assigned a colour corresponding to a suggested duration using Link Asset Services' Suggested Credit Methodology.

[3] **WAM** Weighted Average Time to Maturity This is the average time, in days, till the portfolio matures, weighted by principal amount.

[4] **WATT** Weighted Average Total Time This is the average time, in days, that deposits are lent out for, weighted by principal amount.

52. The council's average investments return (0.40%) is comparable with that for the benchmark group (0.45%), the 87 non-met authorities (0.45%) and the population of 224 local authorities (0.44%). The WATT and the average investment return in 2021/22 is slightly higher than the benchmarking group and comparable to the other authorities whilst still allowjng the authority to keep council funds readily available to pay government grants and make capital programme payments as they fell due.

Consultation

53. The report is the outturn position statement to ensure that council are kept informed of treasury activity. No additional consultation has been undertaken.

Implications

Financial and Resources

54. There are no proposals in this report that would reduce or increase resources however it does report on the performance of the council in managing its

borrowing and investment resources which have significant financial implications for the council.

Legal

55. The council is required by regulations issued under the Local Government Act 2003 to produce an annual review of its treasury management 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).

Statutory Considerations

Consideration:	**Details of any implications and proposed measures to address:**
Equality and Diversity	n/a
Health, Social and Economic Impact	n/a
Crime and Disorder	n/a
Children and Adults Safeguarding	n/a
Environmental Impact	Sustainable investment products are an area of growth in the market. These options will be considered where the investments are in line with approved Treasury Management Strategy. Security, liquidity and yield remain the cornerstones of the council's Treasury Management Strategy, and it is vital that all investments ensure the security of council funds as a priority and remain compatible with the risk appetite of the council and its cash flow requirements.

Risk Management

Risk	**Consequence**	**Controls Required**
Future interest rate changes can offer both opportunity and risk.	Future interest rate changes need to be assessed against the cost of borrowing.	To mitigate the risk, we will continue to work closely with the council's advisors to review interest rate forecasts to assess when we would look to borrow.

Other Options Considered

56. No other options to be considered. The report is to inform council of the treasury activity for the year to 31 March 2022.

Reasons for the decision/recommendation

57. To ensure that council are kept informed of treasury activity.

Background papers: None

Appendices:

Appendix 1 – Extract wording from Treasury Management Strategy

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Appendix 1 Treasury Management Strategy

Original wording

Counterparty/Financial instrument	Minimum Credit Criteria or Equivalent	Specified Investments		Non-specified Investments	
		Maximum duration	Counterparty Limit (£m)	Maximum duration	Counterparty Limit (£m)
Term Deposits with UK Building Societies	ratings for banks outlined below / Asset worth at least £2.5bn or both	12 months	£5m	n/a	n/a
Banks (Term deposits, CD, Call & Notice accounts)	AAA	12 months	£20m	2 years	£10m
Banks (Term deposits, CD, Call & Notice accounts)	AA+ AA	12 months	£17m	12 months	£5m
Banks (Term deposits, CD, Call & Notice accounts)	AA- A+ A	12 months	£10m	n/a	n/a
Banks (Term deposits, CD, Call & Notice accounts)	A-	6 months	£5m	n/a	n/a

Amended wording

Counterparty/Financial instrument	Minimum Credit Criteria or Equivalent	Specified Investments		Non-specified Investments	
		Maximum duration	Counterparty Limit (£m)	Maximum duration	Counterparty Limit (£m)
Term Deposits with UK Building Societies	Assets worth at least £2.5bn but do not meet the minimum Bank/Building Society credit Criteria	12 months	£5m	n/a	n/a
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	AAA	12 months	£20m	2 years	£10m
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	AA+ AA	12 months	£17m	12 months	£5m
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	AA- A+ A	12 months	£10m	n/a	n/a
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	A-	6 months	£5m	n/a	n/a