



AUDIT & GOVERNANCE COMMITTEE

Monday, 20 September 2021

Subject	Treasury Management Outturn 2020/21 and Mid-Year 2021/22 Report
Report by	Councillor Maurice Cook, Cabinet Member with responsibility for Resources
Supporting Officer	Brian Mew Chief Finance Officer and Section 151 Officer Brian.mew@eastsoffolk.gov.uk 01394 444571

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information.	Not applicable
Wards Affected:	All Wards

Purpose and high-level overview

Purpose of Report:

The Treasury Management Policy Statement for 2020/21 requires an annual report (Outturn) and mid-year report on the Treasury Management function to be produced annually. The report reviews performance of the treasury management function including prudential indicators for 2020/21 and incorporates a mid-year review of 2021/22

Options:

To comply with the CIPFA Treasury Management code the report is required to be produced and presented to members, and consequently, no other options have been considered.

Recommendation/s:

That the Annual Report on the Council's Treasury Management activity for 2020/21 incorporating the Mid-Year review for 2021/22 be noted.

That the Prudential Indicators Outturn position for 2020/21 in Appendix B be noted

Corporate Impact Assessment

Governance:

The report complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management code to provide information and scrutiny on the Councils Treasury Management function.

ESC policies and strategies that directly apply to the proposal:

East Suffolk Council Strategic Plan

Environmental:

No impacts.

Equalities and Diversity:

No impacts.

Financial:

Management of the Council's cash flows; banking; and capital market transactions.

Human Resources:

No impacts.

ICT:

No impacts.

Legal:

No impacts.

Risk:

Treasury Management in Local Government is governed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in the Public Services and in this context is the “management of the Council’s cash flows, its banking and its capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks”. This Council has adopted the Code and complies with its requirements.

External Consultees:	None
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Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i>		Primary priority	Secondary priorities
T01	Growing our Economy		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T02	Enabling our Communities		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being, and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
T03	Maintaining Financial Sustainability		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
T04	Delivering Digital Transformation		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T05	Caring for our Environment		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>

P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education, and influence	<input type="checkbox"/>	<input type="checkbox"/>
XXX	Governance		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>

How does this proposal support the priorities selected?

Production of the Treasury Management Outturn and Mid-Year report is a requirement under the CIPFA Treasury Management Code demonstrating the Council's governance of its investment and loans portfolio.

Background and Justification for Recommendation

1 Background facts

1.1 The Treasury Management Policy Statement for 2020/21 requires an annual report and mid-year report on the Treasury Management function to be produced annually.

The report reviews performance of the treasury management function including prudential indicators for 2020/21 and incorporates a mid-year review of 2021/22.

2020/21 Summary:

- East Suffolk Council's short-term Investments totalled £71.00m, long term investments totalled £33.86m and liquidity investments totalled £15.00m as at 31st March 2021
- Total Investments as at 31st March 2021 was £119.86m
- Interest received on investment balances during the year totalled £1.15m.
- East Suffolk Council operated within its approved Prudential Indicator Limits for 2020/21.

2021/22 Summary to date:

- Total investments at 31st August 2021 totalled £149.92m
- These investments are summarised as Short-term Investments £68.00m, Long-term Investments £33.92m and Liquidity Investments £48.00m.
- Interest received to 31st August 2021 totalled £0.257m.

2 Current position

2.1 **TREASURY MANAGEMENT OUTTURN 2020/21**

BORROWING

During 2020/21 the Council did not enter any new borrowing arrangements.

The debt portfolio for 2020/21 can be seen in the table below and is summarised by £71.17m attributable to the HRA which includes £68.30m of Self-Financing loans taken out in 2011/12 and £6.08m of General Fund loans.

Loans as at 31 st March 2021	Principal £m	Rate Range %	Maturity Range (years)
PWLB Fixed Rate Maturity/Equal Instalments of Principal Loans	66.96	3.01 - 8.38	1.0- 41.0
PWLB Variable Rate Maturity Loans	10.29	0.23%	1.0
Total	77.25	0.88 - 8.38	1.0 - 41.0

2.2 INVESTMENT ACTIVITY

The average cash balances held during the year was £165.84m, this included Covid-19 grant being paid to local businesses. Investment income received was £1.15m which exceeded the planned budget of £800k. This is mainly due to the increased return on the Property Investment and Diversified Income investments along with an increased number of short-term Local Authority investments in the last quarter of 2020/21 which outperformed despite the difficulties faced with the Covid-19 pandemic.

	Balance at 1 st April 2020	Investment made	Investments repaid	Balance at 31 st March 2021
INVESTMENTS	£m	£m	£m	£m
Term Investments (liquidity & term <60 months)	109.68	536.28	-526.10	119.86

Details of the Councils investment balances at 31st March 2021 can be seen at Appendix A.

Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2020/21.

Investments during the year included call accounts, deposits with UK Banks and Building Societies and Local Authorities, CCLA and NinetyOne. During the year there were no investments placed with counterparties outside of the UK. Externally Managed Pooled Funds: £18.86m of investments are held in externally managed strategic pooled multi-asset and property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.

Following a review of the Councils investment portfolio and in consultation with the Councils external treasury advisors it was agreed that further diversification of the portfolio could be obtained and increase the rate of return by investing in a second multi asset fund separate to the one held with CCLA. In February 2021 £5m was placed in the multi asset fund administered by NinetyOne (formally Investec).

2.3 COMPLIANCE WITH PRUDENTIAL INDICATORS

The Council complied with its Prudential Indicators for 2020/21, these were approved by Full Council on 22nd January 2020. The Prudential Indicators for 2020/21 can be found at Appendix B.

3 How to address current situation

3.1 TREASURY MANAGEMENT MID YEAR REVIEW 2021/22

The East Suffolk Council Treasury Management Strategy Statement (TMSS) for 2021/22 was approved by Council on 27th January 2021 and there have been no policy changes to date. The Treasury Management Practices (TMP's) which document procedural practices of the Treasury function have been updated to reflect the most recent extension to the banking contract and the external treasury management advisor contract. A copy of the Councils TMP's can be viewed on Sharepoint.

3.2 DAILY CASH MANAGEMENT

The Council's counterparty list (investment list) is continuously reviewed and updated taking into account published credit rating information, financial accounts, share prices, asset size, Government support and information from the Council's Treasury Advisors, Arlingclose.

3.3 INVESTMENT PORTFOLIO 2021/22

The Council held £149.92m of investments at the 31st of August 2021; the table below illustrates the maturity of investments over the forthcoming months and the average interest rate achieved on the investment.

	1st April 2021 £m	1st April Interest Rate %	31st August 2021 £m	31st August Interest Rate %
Call Accounts (Liquidity Funds)	15.00	0.08% - 0.10%	38.00	0.08% - 0.10%
Money Market Funds	0.00	0.03%	10.00	0.03%
Term Investments: 3 to 24 months	86.00	0.05% – 1.0%	83.00	0.05% - 0.90%
Property Investment Fund	9.17	4.49%	9.17	4.49%
Multi Asset Fund	9.69	3.36% - 3.82%	9.75	3.36% - 3.82%

Total	119.86		149.92	
<p>With the bank base rate at an all-time low of 0.10%, and with the outlook likely to be at this level or lower for the next 3 years, this has resulted in marked decreases in the investment rates that Local Authorities can achieve.</p> <p>The Council's investment portfolio in the short term is looking healthy with both the Property Investment and Multi Asset Fund still performing well despite the continued challenges of Covid-19. The Property Fund Investment has seen little effect on its income stream with the Multi Asset Fund also holding up well due to the range of different investments it holds.</p> <p>Inter Local Authority investments continue to remain at a low rate with the occasional upturn led by consumer demand.</p> <p>The Council is currently estimating that, despite interest rates being low, the investment income budget for the year of £650k will be achievable.</p>				

4 Reason/s for recommendation

4.1	The CIPFA Treasury Management code requires a report to be produced and noted at Full Council of the Treasury Management outturn position for the previous financial year and an update on the current year on or around the mid-year point.
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Appendices

Appendices:

Appendix A	Investment Balances as at 31.3.2021
Appendix B	Prudential Indicators Outturn position for 2020/21

Background reference papers:

Date	Type	Available From