

Report Title:	Treasury Management Outturn Report 2022/23
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Jones, Deputy Leader and Finance
Meeting and Date:	Audit and Governance Committee – 16 th November 2023
Responsible Officer(s):	Andrew Vallance, Deputy Director of Finance
Wards affected:	All

REPORT SUMMARY

The purpose of this report is to:

- a) Inform Members on the delivery of the treasury management strategy approved by Council on 22nd February 2022 and confirm the treasury outturn position as of 31st March 2023.
- b) This report forms part of the monitoring of the treasury management function as recommended in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice which requires that the Council receives a report on its treasury management activity at least twice a year;

Specifically this report includes:

- a review of the Council's borrowing strategy in 2022/23;
- a review of the Council's financial investment portfolio for 2022/23 as of 31st March 2023;
- a review of compliance with the Council's Treasury and Prudential limits for 2022/23.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION:

That Audit and Governance Committee notes the report and approves the Treasury Management Outturn 2022/23 report:

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve treasury management mid-year and annual reports.
- 2.2 The Council's treasury management strategy for 2022/23 was approved at the Council meeting on 22nd February 2022. When borrowing and investing money the Council is exposed to financial risks including the loss of invested funds and the revenue impact of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

3. KEY IMPLICATIONS

- 3.1 A successful treasury management approach will ensure the security of the Council's assets whilst meeting the liquidity requirements of the Council.

Table 1: Key Implications

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	2022/23 Actual
No. of days that counterpart limits are exceeded	>0	<=0	N/A	N/A	0
No of days that the operational boundary for long-term debt is exceeded	>0	<=0	N/A	N/A	0

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 The treasury management position as of 31st March 2023 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.22 Balance £m	Movement £m	31.3.23 Balance £m	31.3.23 Weighted Average Rate %
Long-term borrowing	71.3	40.0	111.3	3.65
Short-term borrowing	134.6	(13.5)	121.1	1.26
Total borrowing	205.9	26.5	232.4	
Short-term investments	9.2	18.0	27.2	3.26
Cash and cash equivalents	32.5	9.5	42.0	2.20
Total investments	41.7	27.5	69.2	
Net borrowing	164.2	(1.0)	163.2	

Borrowing Update

- 4.2 As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continued to address the key issue of affordability without compromising the longer-term stability of the debt portfolio and, where practicable, to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 4.3 The cost of both long and short-term borrowing rose dramatically over the year, with rates at the end of March around 2% to 4% higher than those at the beginning of April. Rate rises have been driven primarily by inflation and the need for central banks to control this by raising interest rates. The PWLB 10-year maturity certainty rate stood at 4.33% on 31st March 2023, 20 years at 4.70% and 30 years at 4.66%.
- 4.4 On 31st March 2023 the Council's total borrowing was £232m, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31st March are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.22 Balance £m	Net Movement £m	31.3.23 Balance £m	31.3.23 Weighted Average Rate %
Public Works Loan Board	43	40	83	4.13
Banks (LOBO)	13	0	13	4.19
Local authorities (long-term)	15	0	15	0.55
Local authorities (short-term)	119	(15)	104	1.26
Funds held on behalf of LEP	16	1	17	2.30
Total borrowing	206	26	232	

- 4.5 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.
- 4.6 To fix in borrowing at favourable rates in the anticipation of interest rates continuing to increase into 2023/24, an additional £40m of long-term PWLB borrowing was arranged during the year. Some of this borrowing was arranged ahead of the requirement in the cashflow and represents the refinancing of internal borrowing in order to take advantage of good value rates that were available at the time.
- 4.7 To enable certainty of cost to be achieved without suffering a cost of carry in the intervening period, the Authority arranged £15m of forward starting 1-year loans for the delivery of cash in 2023/24. The weighted average interest of these forward starting loans is 3.96%.
- 4.8 The Council continues to hold £13m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the year.
- 4.9 The Council held funds on behalf of the LEP and paid interest to the LEP on the balances held at the Bank of England base rate.

Treasury Investment Activity

- 4.10 Treasury management investments are investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 4.11 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £21 and £85 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.22 Balance £m	Net Movement £m	31.3.23 Balance £m	31.3.23 Income Return %
Banks	0.5	0.1	0.6	1.57
Debt Management Office	14	7.4	21.4	3.99
Money Market Funds	18	2	20	4.01
Loans to Associates	9.2	0.5	9.7	4.70
Local Authorities	0	17.5	17.5	4.24
Total investments	41.7	27.5	69.2	

- 4.12 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 4.13 The Bank Rate has increased from 0.75% at the beginning of the year to 4.25% at the end of March 2023. By the end of March 2023, the rates on DMADF deposits ranged between 3.93% and 4.05%. The return on the Council's sterling Low Volatility Net Asset Value (LVNAV) Money Market Funds ranged between 0.61% in April and 4.01% in March.
- 4.14 The level of investments at year end and at times throughout the year was higher than usual due to long-term PWLB borrowing being arranged in advance to protect against rising interest rates.

Non-Treasury Investments

- 4.15 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return.
- 4.16 On 31st March 2023 the Council held £82.6m of such investments in investment properties. These investments generated £2.7m of investment income for the Authority after taking account of direct costs, representing a rate of return of 3.3%.

Compliance

- 4.17 The S151 Officer reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and met its targets set in the Treasury Management Strategy.
- 4.18 The performance against debt and counterparty limits is shown in Tables 5 and 6 below.

Table 5: Debt Limits

	2022/23 Maximum	31.3.23 Actual	2021/22 Operational Boundary	2021/22 Authorised Limit	Complied?
Borrowing	£232m	£232m	£298m	£323m	Yes

Table 6: Counterparty Limits

	2022/23 Actual	2022/23 Target	Complied?
No. of days that counterparty limits are exceeded	0	0	Yes

- 4.19 Limits on the one-year revenue impact of a 1% rise or fall in interest rates are set to control the Council's interest rate exposure. The Council complied with this limit as shown in Table 7 below.

Table 7: Interest Rate Risk Indicator

	31.3.23 Actual	2022/23 Limit	Complied?
Upper limit on one-year revenue impact of a 1% rise in interest rates	£0.78m	£2.58m	Yes
Upper limit on one-year revenue impact of a 1% rise in interest rates	£0.78m	£2.58m	Yes

4.20 The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

Limits are set on the maturity structure of borrowing to control exposure to refinancing risk. The Council complied with these limits as shown in Table 8 below.

Table 8: Refinancing Risk Indicator

	31.3.23 Actual	Upper limit	Lower limit	Complied?
Under 12 months	55%	80%	0%	Yes
12 months and within 24 months	10%	80%	0%	Yes
24 months and within 5 years	5%	100%	0%	Yes
5 years and within 10 years	17%	100%	0%	Yes
10 years and above	13%	100%	0%	Yes

5. LEGAL IMPLICATIONS

5.1 In producing and reviewing this report the Council is meeting legal obligations to properly manage its funds.

6. RISK MANAGEMENT

Table 9: Impact of risk and mitigation

Threat or risk	Impact with no mitigations in place or if all mitigations fail	Likelihood of risk occurring with no mitigations in place.	Mitigations currently in place	Mitigations proposed	Impact of risk once all mitigations in place and working	Likelihood of risk occurring with all mitigations in place.
That a counterparty defaults on repayment of a loan resulting in a loss of capital for the Authority.	Major	Medium	That a counterparty defaults on repayment of a loan resulting in a loss of capital for the Authority.		Moderate	Low
That funds are invested	Moderate	Medium	A cashflow forecast is		Minor	Low

<p>in fixed-term deposits and are not available to meet the Authority's commitment to pay suppliers and payroll.</p>			<p>maintained and referred to when investment decisions are made to ensure that funds are available to meet the Authority's commitment to pay suppliers and payroll.</p>			
--	--	--	--	--	--	--

7. POTENTIAL IMPACTS

7.1 Equalities. An Equality Impact Assessment is available as Appendix A.

7.2 Climate change/sustainability. None identified.

7.3 Data Protection/GDPR. None Identified.

8. CONSULTATION

8.1 Not applicable

9. TIMETABLE FOR IMPLEMENTATION

9.1 Not applicable.

10. APPENDICES

10.1 This report is supported by one appendi

- Appendix A – Equality Impact Assessment

11. BACKGROUND DOCUMENTS

11.1 The Treasury Management Strategy 2022-23 is included as Appendix 4 in the Public Report Pack on the Council's website (link below).
[Choose agenda document pack - Council 22 February 2022 \(moderngov.co.uk\)](#)

12. CONSULTATION

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory:</i>		<i>Statutory Officer (or deputy)</i>	
Elizabeth Griffiths	Executive Director of Resources	7/11/23	
Elaine Browne	Deputy Director of Law & Governance/ Interim Monitoring Officer	7/11/23	
<i>Deputies:</i>			
Andrew Vallance	Deputy Director of Finance	Report Author	

Confirmation relevant Cabinet Member(s) consulted	Deputy Leader and Finance	Yes
---	---------------------------	-----

REPORT HISTORY

Decision type:	Urgency item?	To follow item?
: Key decision	No	No

Report Author: **Ryan Stone, Corporate Accountant, 01628 683233**

Equality Impact Assessment

For support in completing this EQIA, please consult the EQIA Guidance Document or contact equality@rbwm.gov.uk

www.rbwm.gov.uk



Royal Borough
of Windsor &
Maidenhead

1. Background Information

Title of policy/strategy/plan:	<u>Treasury Management</u>
Service area:	<u>Finance</u>
Directorate:	<u>Resources</u>

Provide a brief explanation of the proposal:

- What are its intended outcomes?
- Who will deliver it?
- Is it a new proposal or a change to an existing one?

To provide effective management of the Authority's cash flows, borrowing and investments, and the associated risks. This is to be delivered by finance and is an updated strategy for the forthcoming financial year.

2. Relevance Check

Is this proposal likely to directly impact people, communities or RBWM employees?

- If No, please explain why not, including how you've considered equality issues.
- Will this proposal need a EQIA at a later stage? (for example, for a forthcoming action plan)

No, technical finance report

No

If 'No', proceed to 'Sign off'. If unsure, please contact equality@rbwm.gov.uk

3. Evidence Gathering and Stakeholder Engagement

Who will be affected by this proposal? For example, users of a particular service, residents of a geographical area, staff
N/A
Among those affected by the proposal, are protected characteristics (age, sex, disability, race, religion, sexual orientation, gender reassignment, pregnancy/maternity, marriage/civil partnership) disproportionately represented? For example, compared to the general population do a higher proportion have disabilities?
N/A
What engagement/consultation has been undertaken or planned? <ul style="list-style-type: none">• How has/will equality considerations be taken into account?• Where known, what were the outcomes of this engagement?
N/A
What sources of data and evidence have been used in this assessment? Please consult the Equalities Evidence Grid for relevant data. Examples of other possible sources of information are in the Guidance document.
N/A

4. Equality Analysis

Please detail, **using supporting evidence**:

- How the protected characteristics below might influence the needs and experiences of individuals, in relation to this proposal.
- How these characteristics might affect the impact of this proposal.

Tick positive/negative impact as appropriate. If there is no impact, or a neutral impact, state 'Not Applicable'

More information on each protected characteristic is provided in the Guidance document.

	Details and supporting evidence	Potential positive impact	Potential negative impact
Age	N/A		
Disability	N/A		
Sex	N/A		
Race, ethnicity and religion	N/A		
Sexual orientation and gender reassignment	N/A		
Pregnancy and maternity	N/A		
Marriage and civil partnership	N/A		
Armed forces community	N/A		
Socio-economic considerations e.g. low income, poverty	N/A		
Children in care/Care leavers	N/A		

5. Impact Assessment and Monitoring

If you have not identified any disproportionate impacts and the questions below are not applicable, leave them blank and proceed to Sign Off.

What measures have been taken to ensure that groups with protected characteristics are able to benefit from this change, or are not disadvantaged by it?

For example, adjustments needed to accommodate the needs of a particular group

Where a potential negative impact cannot be avoided, what measures have been put in place to mitigate or minimise this?

- For planned future actions, provide the name of the responsible individual and the target date for implementation.

How will the equality impacts identified here be monitored and reviewed in the future?

See guidance document for examples of appropriate stages to review an EQIA.

6. Sign Off

Completed by: Ryan Stone	Date: 11/07/2023
Approved by: Andrew Vallance	Date: 12/7/23

If this version of the EQIA has been reviewed and/or updated:

Reviewed by:	Date:
---------------------	--------------