



<u>Committee and Date</u>	<u>Item</u>
Cabinet 08 September 2021	
Audit Committee 16 September 2021	
Council 23 September 2021	<u>Public</u>

## **ANNUAL TREASURY REPORT 2020/21**

**Responsible Officer** James Walton

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### **1. Synopsis**

As at 31.03.21 the Council held £148m investments and £304m borrowing. This report shows the borrowing & investment strategy, outturn for 2020/21 and investment performance of the internal treasury team, confirming activities align with the approved Treasury Management Strategy.

### **2. Executive Summary**

- 2.1. The report informs members of treasury activities for Shropshire Council for 2020/21, including the investment performance of the internal treasury team to 31 March 2021. The internal treasury team outperformed their investment benchmark by 0.47% in 2020/21 and performance for the last three years is 0.40% per annum above benchmark. Treasury activities during the year have been within approved prudential and treasury indicators set and have complied with the Treasury Strategy.
- 2.2. During 2020/21 the performance of the Treasury Team delivered an under spend of £3.21 million compared to budget as highlighted in paragraph 5.2 of this report. This was mainly due to Minimum Revenue Provision (MRP) savings following the Council's review of the policy and interest payable savings as no borrowing was undertaken.
- 2.3. The Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and the actual prudential

and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities

### **3. Recommendations**

- 3.1. Members are asked to accept the position as set out in the report.

## **REPORT**

### **4. Risk Assessment and Opportunities Appraisal**

- 4.1. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 4.2. There are no direct environmental, equalities or climate change consequences arising from this report.
- 4.3. Compliance with the CIPFA Code of Practice on Treasury Management, the Council's Treasury Policy Statement and Treasury Management Practices and the Prudential Code for Capital Finance together with the rigorous internal controls will enable the Council to manage the risk associated with Treasury Management activities and the potential for financial loss.
- 4.4. The Council's Audit Committee is the committee responsible for ensuring effective consideration of the Council's Treasury Management Strategy and policies.

### **5. Financial Implications**

- 5.1. The Council makes assumptions about the levels of borrowing and investment income over the financial year. Reduced borrowing as a result of capital receipt generation or delays in delivery of the capital programme will both have a positive impact of the council's cash position. Similarly, higher than benchmarked returns on available cash will also help the Council's financial position. For monitoring purposes, assumptions are made early in year about borrowing and returns based on the strategies agreed by Council in the preceding February. Performance outside of these assumptions results in increased or reduced income for the Council.
- 5.2. The 2020/21 performance is above benchmark for the reasons outlined in paragraph 2.2 of this report and has delivered additional income of £3.21 million which has been reflected in the final Revenue Monitor report for 2020/21.

## 6. Climate Change Appraisal

6.1. The Council's Financial Strategy includes proposals to deliver a reduced carbon footprint for the Council therefore the Treasury Team is working with the Council in order to achieve this. There are no climate change impacts arising from this report.

## 7. Background

- 7.1. The Council defines its treasury management activities as "the management of the authority's investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks".
- 7.2. The Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.
- 7.3. Changes in the regulatory environment place a much greater onus on members for the review and scrutiny of treasury management policy and activities. Minimum reporting requirements are that the Council should receive the following reports:
- An annual treasury strategy in advance of the year.
  - A mid-year treasury update report.
  - An annual report following the year describing the activity compared to the strategy.
- 7.4. The CIPFA Code of Practice on Treasury Management states that these reports should be scrutinised by a nominated committee. These reports were scrutinised by the Audit Committee before they were reported to full Council for approval.
- 7.5. In addition to the minimum reporting requirements, the Executive Director's and Cabinet also receive quarterly treasury management update reports for information.
- 7.6. The Treasury Strategy for 2020/21 was approved by Council in February 2020, the mid-year treasury update report was approved by Council in December 2020. This Annual Report sets out our actual treasury performance for the year and shows how the actual treasury performance varied from our estimates and planning assumptions.

## **8. Borrowing Strategy and Outturn for 2020/21**

8.1. The Council's Borrowing Strategy and Outturn position for 2020/21 can be found in Appendix C.

## **9. Debt rescheduling**

9.1. No debt restructuring was undertaken during 2020/21. Further information is included within Appendix C.

## **10. Investment Strategy & Outturn for 2020/21**

10.1. The Council's Investment Strategy and Outturn position for 2020/21 can be found in Appendix C.

## **11. Compliance with Treasury Limits and Prudential Indicators**

11.1 Compliance with the Council's Treasury Limits and Prudential Indicators can be found in Appendix B & C.

### **List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Council, February 2020, Treasury Strategy 2020/21.

Council, December 2020, Treasury Strategy 2020/21 Mid-Year Review.

Council, February 2021, Treasury Strategy 2021/22.

Cabinet, September 2020, Treasury Management Update Quarter 1 2020/21.

Cabinet, December 2020, Treasury Management Update Quarter 2 2020/21.

Cabinet, February 2021, Treasury Management Update Quarter 3 2020/21.

Cabinet, July 2021, Treasury Management Update Quarter 4 2020/21.

### **Cabinet Member:**

Gwilym Butler, Portfolio Holder for Resources

### **Local Member**

N/A

### **Appendices**

A. Debt Maturity Profile as at 31 March 2021

B. Prudential Indicators 2020/21

C. Council's Borrowing & Investment Strategy and Outturn Position 2020/21