

ANNUAL TREASURY MANAGEMENT REPORT 2021-22

Purpose

- 1 To present the Annual Treasury Management Report for the previous financial year to the WLGA Audit Committee.

Background

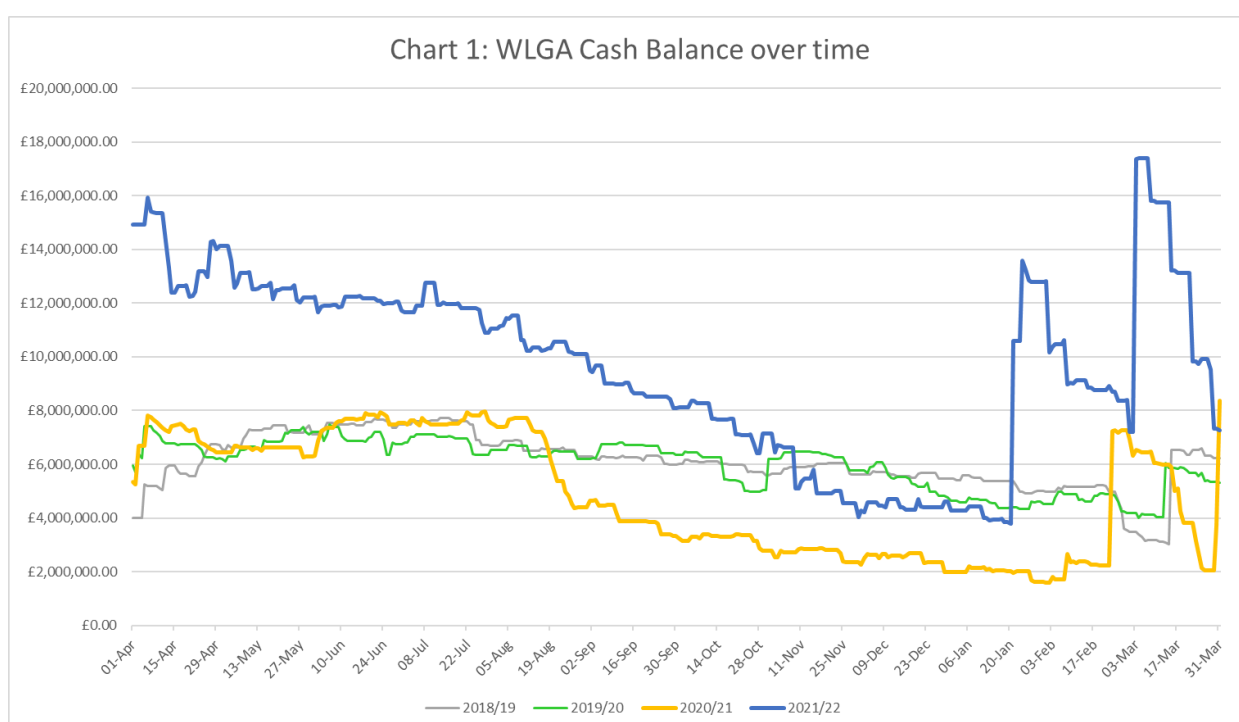
- 2 The Audit Committee received and approved the WLGA's updated Treasury Management Policy Statement at its inaugural meeting on 5th October 2017. As there are no changes to the policy the only minimum reporting requirement remains:
 - an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year; and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.
- 3 It should be noted that the WLGA does not undertake any borrowing, so the treasury management function is concerned only with managing any cash balances.
- 4 As set out in the Treasury Management Policy Statement, the primary objective of the WLGA's treasury management activities is the security of the principal sums available for investment.

Economic Background

- 5 The UK economy continues to face a challenging outlook as the government continues to battle the aftermath of the COVID-19 pandemic, war on Ukraine and the cost-of-living crisis. Gross Domestic Product (GDP) grew by 2.1% in 2021 compared with 1.5% in 2020. The Consumer Prices Index 12-month rate to March 2022 was 7.8% showing an increase of over 7% over the last 12 months.
- 6 The Bank of England's Monetary Policy Committee increased the base rate from historic lows of 0.1% to 0.75% during the later part of 2021-22, rates have continued to rise during the early stages of 2022-23 to the current rate of 2.25%. The base rate is currently forecast to continue rising for the foreseeable future to help among other things stabilising the pound sterling and fight inflation, both of which are having a significant negative effect on the economy.

Cash Flow Patterns and Investment Strategy 2021-22

- 7 Day to day cash flows are managed by Data Cymru on behalf of the WLGA. The WLGA operates 2 bank accounts with HSBC Bank plc, a business current account, through which all transactions flow, where the balance is maintained at around £1,000 and a Business Money Manager account where the cash balances are held. As recommended by an internal audit health check the WLGA also hold a significant balance (£2.5 Million) in the CCLA's Public Sector Deposit Fund¹.
- 8 The daily cash HSBC balances for the last four full financial years are shown in Chart 1 below. This shows that there is an annual pattern where cash balances peak in the first quarter of each financial year, as the WLGA received its income for subscriptions and year-end grant claims for the previous financial year. As the financial year progresses, regular expenditure then depletes those cash balances until around March when grants start to flow in.



Investment Performance 2021-22

- 9 The WLGA's bank accounts received interest of just £2,694.77 for the period from 1st April 2021 to 31st March 2022 due to interest rates being at record level lows for most of the year.

Diversifying cash holdings with other providers

- 10 In previous years the Audit Committee has received reports recommending that the WLGA should consider dividing its cash balances across at least 1 other provider.
- 11 Looking at the options available with low interest rates across the board it was decided to invest in the CCLA's public sector deposit fund that has £1.05bn already invested,

¹ [Home | CCLA](#)

the fund is aimed at local authorities and public sector investors seeking a high level of capital security and a competitive rate of interest for their short-term investments. We can get almost instant access to our funds but with triple a rated security and market leading interest rates.

- 12 The fund is invested in a diversified portfolio of high-quality sterling denominated deposits and securities. All investments purchased have the highest available short-term credit rating and a correspondingly strong long-term rating.
- 13 We currently hold £2.5m with CCLA which was the maximum amount originally agreed by the Audit Committee that we could hold without compromising the Association's cashflow position. In 2019-20 it was agreed that we can now hold up to £4m if we so wish and have the available funds.
- 14 Members should be aware that we will Investigate opening a 'Money Market' Interest Account with HSBC which also earns a little more than our standard deposit account now Interest rates are beginning to rise. This would pose no further risk but just needs to be managed slightly more to maximise interest potential.

Recommendations

- 15 That the Audit Committee receives the Annual Treasury Management report for the WLGA for 2021-22**

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