

7th October 2021

TREASURY MANAGEMENT REPORT 2020-21

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 which set out a minimum reporting requirement:
 - an annual report on the strategy and plan to be pursued in the coming year;
 - 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

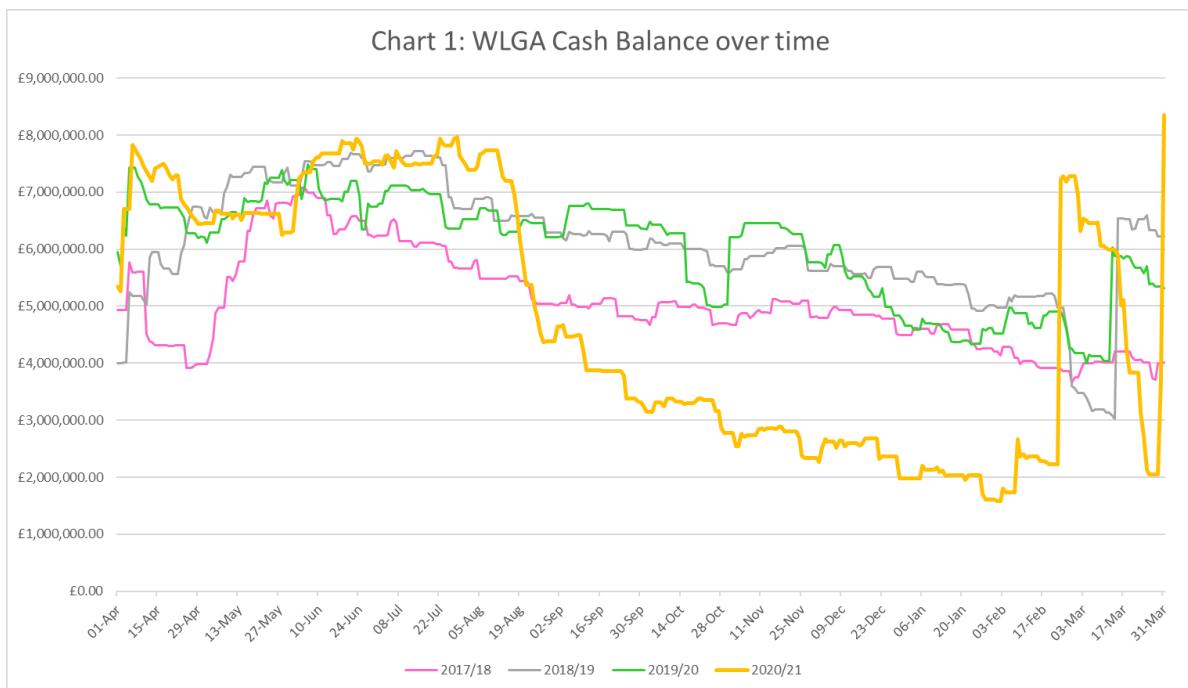
- 5 The UK economy continues to face a challenging outlook as the government continues to battle the COVID-19 pandemic. GDP grew by 2.1% in 2021 compared with 1.5% in 2020. The Consumer Prices Index 12-month rate to March 2021 was 0.7%
- 6 The Bank of England's Monetary Policy Committee reduced the base rate from 0.75% to 0.25% on the 11th of March 2020 and then again to 0.1% on the 19th of March and the rate is currently forecast to remain at a historic low level for the foreseeable future due to the impact of the COVID-19 pandemic 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 Fund.

- 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 2020-21

- 9 The WLGA's bank accounts received interest of £4,224.91 for the period from 1st April 2020 to 31st March 2021.

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 nearly £1.3bn already invested, 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. Last year it was agreed that we can now hold up to £4m.
- 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 once Interest rates begin to rise. This would pose no further risk but just needs to be managed slightly more to maximise interest potential.

Recommendations

15 Members are asked to:

- 15.1 Receive the WLGA Annual Treasury Management report for 2020-21.**

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