

REPORT OF **Finance Manager & Section 151 Officer**

To: **Full Council**

Subject: **Annual Report on Treasury Management 2021-22**

Date: **5th September 2022**

PURPOSE OF REPORT:

To report on the treasury management activity in the year and actual prudential indicators for

1. INTRODUCTION

The Council has adopted the CIPFA Code of Practice in Treasury Management in the Public Sector, which requires that a report should be presented on Treasury Management activity for the previous financial year. This report also includes the actual Prudential Indicators for the year.

2. REPORT

Background

The Council operates its treasury management service in compliance with the code and other statutory requirements. These require that the prime objective of the treasury management activity is the effective management of risk, and that borrowing activity is undertaken on a prudent, affordable, and sustainable basis.

Impact of Covid-19

The Bank of England Base Rate was cut to 0.1% in March 2020, and remained at this level until December 2021 where it was raised to 0.25%. There was a further rise in February 2022 to 0.5% and March 2022 to 0.75%

These rises were towards the end of the year and therefore have only had a small impact on the council's return on investments for 2021/22.

In 2020/21 £31K of interest was earned, which fell to £14K in 2021/22 (a reduction of £17K). However the rise in the base rate will impact the current year (2022/23) significantly, as the base rate continues to rise, resulting in a rise in interest received to around £180K (an increase of £166K).

On top of this, in 2020/21 the council earned £0K interest on its current account. Our current account pays 0.1% below the bank of England Base Rate, which equates to £5K for last year (2021/22), this is expected to increase significantly for 2022/23 to approx. £86K.

This totals a further increase in interest of £81K for 2022/23.(which will be above pre-pandemic interest rates).

Performance for the year 2021/22

The average rate of return achieved by the Council on its short term investments was 0.07% which compared with 0.24% in 2020/21.

The return from short term investments in 2021/22 was £14k, which compared with a return of £31k in 2020/21.

As at the 31st March 2022 the Council had short term investments of £14m lodged with financial institutions, the comparable figure for the 31st March 2021 being £7m.

During 2021/22 the Council repaid £191k of long term Public Loans Board debt, the balance outstanding at the close of 2021/22 being £470k.

The Prudential indicators for the year are attached at Appendix 1.

3. Implications

Legal Implications

There are no specific legal implications

Financial Implications

All treasury management activity carries a level of risk, but adherence to the approved strategy minimises this. However, minimising risk needs to be balanced with the income generated and the expenditure incurred through treasury management activities.

The Council's treasury strategy can be best summarised in order of priority as

- Security of investment
- Liquidity
- Return on investment.

The Council employs Link Asset Services as its external Treasury advisors.

Human Resource Implications

There are no specific substantiality implications

Equality / Diversity

There are no specific equality / Diversity issues

Risk Management

The risk that borrowers may default is minimised by adherence to the Treasury Management Strategy, the credit rating of counter parties being checked prior to making the investments, all financial institutions with which the Council contracts are UK registered and have a Fitch F1 rating.

Compliance with Policies and Strategies

The report fits in within the Council's Treasury Management framework.

Lead Member View

Date of Consultation 18th August 2022 - Councillor Hodson

Torridge District Council has fulfilled its obligations in accordance with Treasury Management Code of Practice. The Prudential Indicators show the impact on the Council's financial position and provide re-assurance that risks are being managed and activity has been undertaken within agreed limits.

4. CONCLUSIONS

Returns on the Council's investments remain low, as the Bank of England has maintained its policy of low interest rates.

5. RECOMMENDATIONS

To comply with the requirements of the CIPFA Code of Practice in Treasury Management in the public sector; Members are asked:

- To note the Treasury Management Report for 2021/22
- To note the actual Prudential Indicators for 2021/22

SUPPORTING INFORMATION

Consultations:	Date of Consultation – 18 August 2022
	Officers Consulted – Chief Executive Finance Manager and S151 Officer Head of Legal and Governance (& Monitoring Officer)
Contact Officer:	Peter Hudson – Senior Capital Accountant & Deputy S151 Officer
Background Papers:	Prudential Indicator calculations