

**REPORT OF** Finance Manager & Section 151 Officer  
**To:** Full Council  
**Subject:** Annual Report on Treasury Management 2022-23  
**Date:** 4<sup>th</sup> September 2023

**PURPOSE OF REPORT:**

To report on the treasury management activity in the year and actual prudential indicators for 2022/23.

**1. INTRODUCTION**

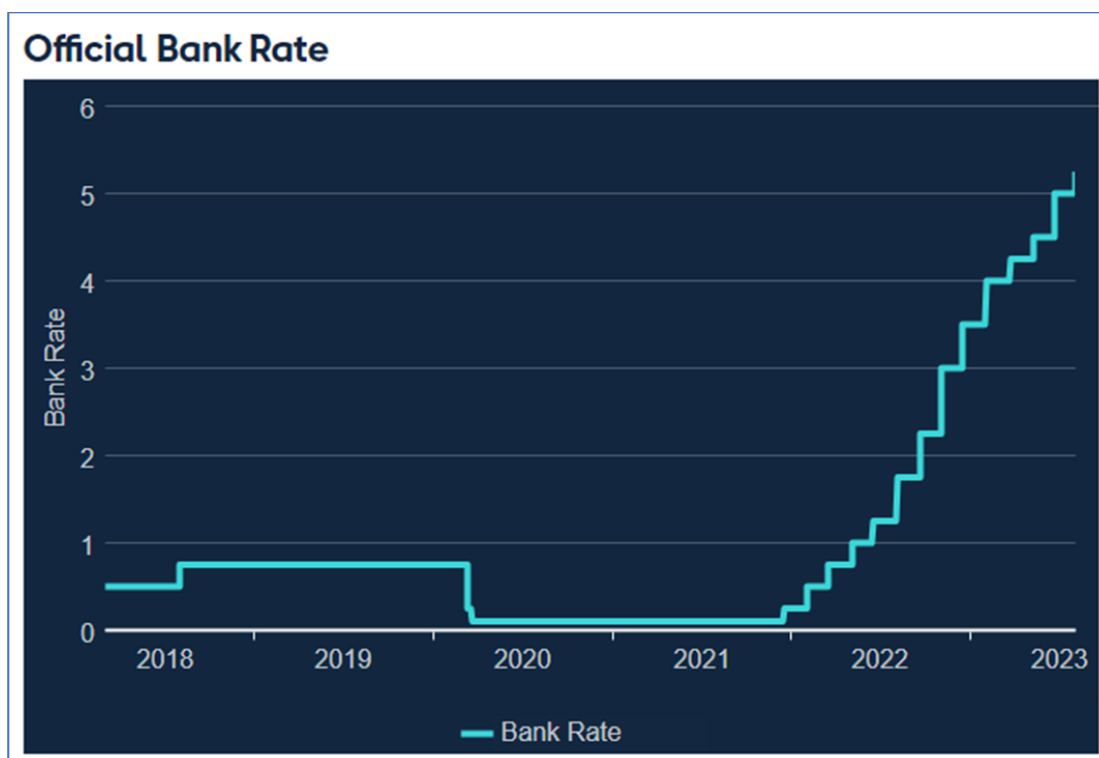
The Council has adopted the CIPFA Code of Practice in Treasury Management in the Public Sector, which requires that a report should be presented on Treasury Management activity for the previous financial year. This report also includes the actual Prudential Indicators for the year.

**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.

**Bank of England and Inflation**



The Bank of England cut the base rate to 0.1% in March 2020 in response to the Covid pandemic. With inflationary pressures increasing, the Bank of England began increasing the base rate in December 2021.

The Bank of England Base rate:

- 21/22 started at 0.10% rising to 0.75% by the year end.
- 22/23 started at 0.75% rising to 4.25% by the year end.

In 2021/22 £19K of total interest was earned, which increased to £558K in 2022/23 (an increase of £539K).

The continued rise in the base rate will impact the current year (2023/24) significantly, resulting in a rise in total interest received to a forecasted £1,200K (a further increase of £661K).

### **Performance for the year 2022/23**

The average rate of return achieved by the Council on its short-term investments was 2.22% which compared with 0.07% in 2021/22.

The return from short term investments in 2022/23 was £400k, which compared with a return of £14k in 2021/22.

As at the 31<sup>st</sup> March 2023 the Council had short term investments of £15m lodged with financial institutions, the comparable figure for the 31<sup>st</sup> March 2022 being £14m.

During 2022/23 no repayments were due on long term Public Loans Board debt, the balance outstanding at the close of 2022/23 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 HR implications.

#### Equality / Diversity

There are no specific equality or 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 8<sup>th</sup> August 2023 - Councillor Bushby

Torrige 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 have significantly increased, as the Bank of England continues to raise rates to combat inflation.

### **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 2022/23
- To note the actual Prudential Indicators for 2022/23

## **SUPPORTING INFORMATION**

Consultations:                    Date of Consultation – 15 August 2023

   Officers Consulted –  
   Chief Executive  
   Finance Manager and S151 Officer  
   Head of Legal and Governance (& Monitoring Officer)

Contact Officer:                 Peter Hudson – Principal Accountant & Deputy S151 Officer

Background Papers:             Prudential Indicator calculations