



## AUDIT & SCRUTINY COMMITTEE

11 July 2023

<b>REPORT TITLE:</b>	2022/23 Treasury Management Annual Report
<b>REPORT OF:</b>	Tim Willis, Interim Resources Director

### REPORT SUMMARY

This report provides a summary of treasury management activity during 2022/23.

### RECOMMENDATIONS

**That the Committee approves the actual 2022/23 prudential and treasury indicators in this report (paragraphs 3.4 to 3.13) and notes the annual treasury management report for 2022/23.**

### SUPPORTING INFORMATION

#### 1.0 REASONS FOR RECOMMENDATIONS

1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022/23. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

#### 2.0 OTHER OPTIONS CONSIDERED

2.1 None.

#### 3.0 BACKGROUND INFORMATION

##### Summary of treasury activity

3.1 Borrowing activity was modest during 2022/23, being limited to the refinancing of maturing short-term borrowing with new short-term borrowing. No long-term borrowing, to

refinance maturing borrowing or to finance new capital expenditure, was undertaken during the year. This was due to a combination of slippage in the capital programme and the increase in interest rates during the year. Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%, as the Bank of England has attempted to bring stubborn inflationary pressures under control.

3.2 The Council benefited during the year in the significant increase in interest rates on investments. In April 2022 the rate for overnight investments was around 0.55% and at the end of the year the equivalent rate was around 4%. Interest earnings were £335k compared to the target income of £50k. The average level of investments during the year was approximately £16m, which equates to average interest earning of 2.11%.

3.3 All treasury activity during the year was in compliance with the CIPFA Prudential Code and statutory investment guidance and with the Council's Treasury Management Strategy.

#### Prudential and Treasury Indicators

3.4 The following tables set out the Prudential and Treasury Indicators for 2022/23. They show the outturn position for the year, compared to the outturn position for the previous year and the revised estimate for 2022/23.

#### Capital expenditure and financing.

3.5 The first two tables show the capital expenditure for 2022/23 and how this was financed.

	2021/22 outturn £000	2022/23 Revised Estimate £000	2022/23 outturn £000
General Fund	9,114	4,428	2,842
HRA	6,276	14,501	11,601
<b>Total expenditure</b>	<b>15,390</b>	<b>18,929</b>	<b>14,443</b>

	2021/22 outturn £000	2022/23 Revised Estimate £000	2022/23 outturn £000
Capital receipts	(1,214)	(1,453)	(1,793)
Capital grants & contributions	(437)	(503)	(288)
Major repairs reserve	(4,430)	(8,095)	(7,991)
Borrowing	(9,309)	(8,878)	(4,371)
<b>Total</b>	<b>(15,390)</b>	<b>(18,929)</b>	<b>(14,443)</b>

3.6 More details of the capital outturn, including the reason for slippage on some schemes, is contained in the 2022/23 outturn report elsewhere on this agenda and also presented to Finance, Assets, Investments & Recovery Committee on 12<sup>th</sup> July 2023.

#### Capital Financing Requirement (CFR)

3.6 The CFR is the Council's underlying need to borrow to finance capital expenditure. The CFR is shown in the following table:

	2021/22 outturn £000	2022/23 Estimate £000	2022/23 outturn £000
<b>Total CFR</b>	<b>248,642</b>	<b>256,116</b>	<b>251,767</b>
<b>Increase in CFR</b>			<b>3,125</b>

3.7 The increase in CFR represents the new borrowing of £4.371m used to finance the 2022/23 capital programme, less funds set aside via the minimum revenue provision system to finance the repayment for borrowing in future years.

3.8 To ensure that borrowing levels are prudent over the medium term, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. The following table demonstrates that the Council has complied with this prudential indicator as the gross borrowing position is lower than the CFR.

	2021/22 outturn £000	2022/23 Estimate £000	2022/23 outturn £000
<b>Total CFR</b>	<b>248,642</b>	<b>256,116</b>	<b>251,767</b>
Gross borrowing position	228,019	225,188	226,196
<b>Under funding of CFR</b>	<b>20,623</b>	<b>30,928</b>	<b>25,571</b>

#### Borrowing limits

3.8 The operational boundary is the level above which borrowing is not expected to rise (occasions where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached).

3.9 The authorised limit is the "affordable borrowing limit" required by Section 3 of the Local Government Act 2003. This represents a limit beyond which external debt is prohibited.

3.10 The table below demonstrates that during 2022/23 the Council maintained gross borrowing within this limit

	2021/22 outturn £000	2022/23 Estimate £000	2022/23 outturn £000
Gross debt	228,019	225,188	226,196
Operational Boundary	245,000	260,000	260,000
Authorised Limit	293,000	330,000	330,000

#### Maturity Structure of the borrowing portfolio

3.11 The following table sets out the maturity structure of the Council's borrowing portfolio. The table also show the target upper limits for borrowings as a proportion of total borrowing. The Council sets these targets in order to minimise its exposure to large amounts of borrowing needing to be refinanced in the same year, potentially at higher interest rates.

	31 March 2022 £000	Proportion of total borrowing	Target upper limit	31 March 2023 £000	Proportion of total borrowing	Target upper limit
> 1 year	36,000	16%	50%	34,000	15%	50%
2 to 5 years	10,000	4%	50%	10,400	5%	50%
6 to 10 years	17,400	8%	50%	32,000	14%	50%
Over 10 years	164,796	72%	100%	149,796	66%	100%
<b>Total</b>	<b>228,196</b>	<b>100%</b>		<b>226,196</b>	<b>100%</b>	

3.12 The Council avoids exposure to changes in variable interest rates by arranging all of its borrowings at fixed interest rates.

3.13 The borrowing under one year at 31 March 2023 was all from other local authorities, and all of the borrowing over one year was from the PWLB. The average interest rate on borrowing under one year was 0.85% and on borrowing over one year was 2.37%

#### Investments

3.14 All investments during the year were fixed term deposits for under one year with the Debt Management Agency Deposit Facility, other local authorities and banks and building societies with high credit ratings. This approach mitigated credit risk.

3.14 Credit risk was mitigated during 2022/23 by restricting investments to short term investments and short-term deposits with the Debt Management Agency Deposit Facility, other local authorities and banks and building societies with high credit ratings.

3.15 The following table shows the Council's investment portfolio as at 31 March 2023 by sector

	Amount	Interest rate
Local authorities	£1,000,000	2.150%
DMADF	£5,000,000	4.050%
Banks	£1,000,000	4.220%
<b>Total</b>	<b>£7,000,000</b>	

#### **4.0 FINANCIAL IMPLICATIONS**

4.1 This is a financial report and all the financial implications are contained therein

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#### **5.0 LEGAL IMPLICATIONS**

5.1 None.

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#### **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

6.1 None.

#### **7.0 RELEVANT RISKS**

7.1 TBA

#### **8.0 ENGAGEMENT/CONSULTATION**

8.1 None.

#### **9.0 EQUALITY IMPLICATIONS**

9.1 None.

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#### **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

10.1 None.

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**APPENDICES**

None.

**BACKGROUND PAPERS**

None.