

For publication

**Treasury Management Annual Report 2021/22 and Monitoring Report
2022/23**

Meeting:	Council
Date:	19 th October 2022
Cabinet portfolio:	Deputy Leader
Directorate:	Finance

1.0 Purpose of report

- 1.1 To consider the Annual Treasury Management Report for 2021/22.
- 1.2 To consider the Treasury Management activities for the first five months of 2022/23

2.0 Recommendations

- 2.1 The outturn Prudential Indicators for 2021/22 be approved.
- 2.2 The treasury management stewardship report for 2021/22 be approved.
- 2.3 The treasury management position for the first five months of 2022/23 be noted.

3.0 Reasons for recommendations

- 3.1 To keep Members informed about the council's treasury management activities and to comply with the CIPFA Code of Practice for Treasury Management in the Public Services.

4.0 Report Details

4.1 Background

- 4.1.1 The Council's Treasury Management Strategy requires the full Council to receive three treasury reports each financial year; the Strategy report before the start of each financial year, an annual report for the previous financial year and a mid-year review for the current year.

- 4.1.2 The Annual Report for 2021/22 is attached at Appendix A. The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.
- 4.1.3 Following the Icelandic banks collapse in 2008 the regulatory framework places a much greater emphasis on the review and scrutiny by Members of treasury management activities. The attached report provides details of the treasury management activities in 2021/22 and confirms compliance with the Council's approved policies.
- 4.1.4 This report was considered by the Standards and Audit Committee at its meeting on 28 September, 2022 where it was resolved that the report and its recommendations be supported and referred to Council for approval.

4.2 Summary of the Annual Report

- 4.2.1 During 2021/22, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2020/21 Actual £'000	2021/22 Revised £'000	2021/22 Actual £'000
Actual capital expenditure	31,423	75,921	58,185
Capital Financing Requirement:			
- General Fund	24,665	59,624	56,560
- HRA	126,477	124,580	124,579
Total	151,142	184,204	181,139
External debt	125,429	139,089	143,489
Investments	32,420	10,000	27,167
Net borrowing	93,009	129,089	116,322

- 4.2.2 Other prudential and treasury indicators are to be found in Appendix A. The Service Director - Finance also confirms that borrowing over the medium term is only undertaken for a capital purpose and the statutory borrowing limit (the authorised limit) was not breached in 2021/22.
- 4.2.3 The financial year 2021/22 continued the challenging environment of low investment return, with bank base rates remaining at a record low of 0.10% for a significant part of the year. However, as a result of rising, persistent inflation the Bank of England raised bank base rate to 0.25% in December 2021, 0.5% in February 2022 and 0.75% in March 2022. There was a large differential between borrowing and investments rates during the year.
- 4.2.4 **Investments** – Interest income received for the year £21,000 against a budgeted amount of £7,000. The increase was as a direct result of the

increased interest rates towards the latter part of the financial year. During the 2021/22 financial year the Council continued with its policy of prioritising its investments with other local authorities and the Debt Management Office in order to achieve greater security. Further information can be found in Appendix A.

4.2.5 The in-house team managed average balances of £25m earning an average rate of return of 0.06%.

4.2.6 **Borrowing** – As a result of the Council’s increasing CFR due to the capital programme new external borrowing was required during the year. In order to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required a mixture of long and short-term borrowing was undertaken. This comprised of £15m short-term borrowing and £5m of long term PWLB borrowing. In addition, long term loan repayments of £1m were made.

4.2.7 **Treasury Management Advisors** – Arlingclose continued to provide treasury management advice to the Council throughout 2021/22. Treasury recommendations were incorporated into the 2021/22 Treasury Management Strategy Statement that was approved by Council in February 2021.

4.3 Mid-year Review 2022/23

4.3.1 **Annual Investment Strategy** - Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

The increases in Bank Rate at the MPC’s meetings in May, June and August and with the prospect of more increases to come, short-dated cash rates, which had ranged between 0.7% - 1.5% at the end of March, rose on average by 1.15% over the period.

Given the risk of short-term unsecured bank investments, the Council continues to invest with the Debt Management Office to achieve greater security.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the five months ended 31st August 2022.

4.3.2 **Internally Managed Cash Balance** - In the first quarter of the year the interest rates achieved were significantly higher than those assumed when setting the budget (1.13% against 0.2%), which has resulted in internal investment returns being £29,000 better than forecast for the first quarter of the year.

4.3.4 **Borrowing activities in the period** – Short-term borrowing of £10m has been repaid during the first 5 months of 2021/22, of which £5m was re-financed.

4.3.4 **Compliance with Treasury & Prudential Limits** - All treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices have been maintained.

The main Prudential Indicators relating to borrowing are:

- Authorised Borrowing Limit – the limit for the year was set at £180.7m, the limit has not been breached.
- Operational Boundary – this was set at £164.3m for the year, again the limit has not been breached.

5 Alternative options

5.1 There are no alternative options to consider.

6 Implications for consideration – Council Plan

6.1 These arrangements enable the priorities set out in the Council Plan to be achieved.

7 Implications for consideration – Financial and value for money

7.1 The report in its entirety deals with financial and value for money implications.

8 Implications for consideration – Legal

8.1 The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003. There are no other legal implications.

9 Implications for consideration – Human resources

9.1 There are no human resource considerations arising from this report.

10 Implications for consideration – Risk management

10.1 There are a number of risks inherent within any treasury management strategy, the most significant risks at the moment include:

- Reporting is not compliant with statutory guidelines.

- Investment and borrowing activity is outside the approved TM framework.
- Long term borrowing is taken at rates that are not advantageous.
- Investment of principal sums with insecure counterparties.
- Investment returns are volatile and may not meet budgeted amounts.
- Borrowing is not affordable.

11 Implications for consideration – community wellbeing

11.1 Although there are no direct community wellbeing implications to consider in this report, the ability for the Council to appropriately manage its day to day finances and to be able to achieve a balanced budget position is critical to the continued delivery of the full range of council services that are targeted at supporting community wellbeing across the borough.

12 Implications for consideration – Economy and skills

12.1 Although there are no direct economy and skills implications to consider in this report, the ability for the Council to appropriately manage its day to day finances and to be able to achieve a balanced budget position is critical to the continued delivery of the full range of council services that are targeted at supporting the economy and skills agenda across the borough.

13 Implications for consideration – Climate Change

13.1 Individual climate change and environmental impact assessments are not required for the budget process. These are included as part of the decision-making processes for specific spending options.

14 Implications for consideration – Equality and diversity

14.1 There are no and diversity impact implications arising from this report.

Decision information

Key decision number	1134
Wards affected	All

Document information

Report author	Contact number/email
Karen Ludditt	01246 936276 Karen.ludditt@chesterfield.gov.uk
Background documents	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
<i>This must be made available to the public for up to 4 years.</i>	

Appendices to the report	
Appendix A	Annual Treasury Management Report 2021/22