



REPORT TO:	Audit and Governance Committee
DATE:	13th July 2023
SUBJECT:	Annual Treasury Management Review 2022/23
KEY DECISION:	No
PORTFOLIO HOLDER:	Councillor Sandeep Ghosh
REPORT AUTHOR:	Sean Howsam (Interim Treasury & Investments Manager PSPSL)
WARD(S) AFFECTED:	None directly
EXEMPT REPORT?	No

## SUMMARY

Attached at **Appendix A** is the Annual Treasury Management Review of the Council's activities and actual prudential and treasury indicators for 2022/23. It covers the following areas;

- An economic update for the 2022/23 financial year;
- A review of the Council's investment portfolio for 2022/23;
- A review of the Council's borrowing strategy for 2022/23;
- Debt position;
- Compliance with Treasury and Prudential indicators.

This Report refers to a key element of the Council's Governance Framework and represents an important contribution to the evidence trail in support of the Annual Governance Statement 2022/23.

## RECOMMENDATIONS

It is recommended that Members of the Audit and Governance Committee consider and approve the contents of the report attached at **Appendix A**.

## REASONS FOR RECOMMENDATIONS

The Council is required to produce an Annual Treasury Management Review after the end of each financial year in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management.

## OTHER OPTIONS CONSIDERED

As this is an update report there are no further options for consideration.

### 1. BACKGROUND

1.1 The Council approved its Treasury Management Strategy for 2022/23 on 7th March 2022. This report now provides the Annual Treasury Management Review 2022/23 for scrutiny and approval. (**Appendix A**).

### 2. REPORT

2.1 Capital expenditure for 2022/23 was £3.7m which was fully financed by grants and internal resources.

2.2 As at 31 March 2023, treasury investment balances were £20.5m compared with £24.8m the previous year and non-treasury investment balances were £16.5m compared with £22.5m the previous year. All treasury investments will mature in less than one year and the non treasury investments are long term investments in property funds.

2.3 A full review of the economy and interest rates is detailed in Section 8 of **Appendix 'A'**.

2.4 The rate of return on the Council's investments averaged 2.56% for the 2022/23 financial year. The net amount of interest earned was £1.145m after fees against a budget of £748k. The Council paid interest totalling £494k on its borrowing for the year.

2.5 The Council's property fund investments made a net contribution to the Council's 2022/23 revenue account of £611k and the combined Net Asset Value of the funds fell by £3.3m from the 31 March 2022 valuations. A full analysis of the Council's property fund investments can be found in Section 9 of **Appendix 'A'**.

2.6 The Council's Investment Policy and Strategy is kept under constant review with the aim of balancing risk and reward. The investment criteria agreed for 2022/23 permitted investments with banks whose parent bank originates from a country with a sovereign rating of A+ or higher and meets Link Groups counterparty investment criteria.

2.7 The Council's 2022/23 accounts are subject to external audit which may result in some amendments to the figures being reported in this Annual Report.

### 3 CONCLUSION

- 3.1 This report provides a review of treasury management performance for the financial year 2022/23, to Members to ensure best practice is maintained as required by the CIPFA Code of Practice for Treasury Management.

#### **FINANCIAL IMPLICATIONS**

The financial implications are covered in detail in **Appendix A** to this report.

By making the investment criteria relating to financial institutions stringent, the Council receives lower rates of return. The Council therefore aims to strike a balance between risk and reward when considering its portfolio of investments. Treasury Management is a key financial consideration for the Authority especially in respect of its investment returns and Capital Programme.

During 2022/23 interest earned was £1.145m net of fees which was £397k above the original estimate for the year of £748k. Interest paid on borrowing was £494k in line with the budget of £494k.

#### **LEGAL IMPLICATIONS**

The council is required to produce an Annual Treasury Management Review after the end of each financial year in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management.

#### **CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

None

#### **EQUALITY AND SAFEGUARDING IMPLICATIONS**

None

#### **OTHER IMPLICATIONS**

##### **Risk Management**

The Council's priority is the security of its investments.

##### **Impact on Performance**

There is a requirement to try and balance the risks and rewards from investing our available cash resources, as outlined within the Treasury Management Strategy 2022/23.

## Reputation

There is potential reputation risk if the invested funds are not received back in full.

## CONSULTATION

The Portfolio Holder for Finance is briefed on treasury performance on a regular basis as part of the monthly portfolio meetings.

## APPENDICES

**Appendix A** - Annual Treasury Management Review 2022/23

## BACKGROUND PAPERS

Background papers used in the production of this report are listed below: -

Document title	Where the document can be viewed
Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.	CIPFA website

## CHRONOLOGICAL HISTORY OF THIS REPORT

A report on this item has not been previously considered by a Council body for the current financial year but quarterly reports have been received by the Audit and Governance Committee.

## REPORT APPROVAL

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