

**Public
Key Decision - No**

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: Treasury Management Outturn Report 2022/23

Meeting/Date: Cabinet – 20th June 2023

Executive Portfolio: Strategic Resources: Councillor B A Mickelburgh
(Executive Councillor for Finance & Resources)

Report by: Chief Finance Officer

Ward(s) affected: All Wards

Executive Summary:

Best practice and prescribed treasury management guidance requires Members to be kept up to date in respect of treasury management activity for the first half of the year, including investment and borrowing activity and treasury performance.

The Council's 2022/23 Treasury Management Strategy was approved by the Council on the 23rd February 2022 and this report sets out the treasury performance for period between 1st April 2022 and 31st March 2023.

The main purpose of Treasury Management is to.

- Ensure the Council has sufficient cash to meet its day to day obligations.
- Invest surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest.
- Borrow when necessary to fund capital expenditure, including borrowing in anticipation of need when rates are low.

The key market Treasury Management issues during 2022/23 influencing the Council's decision-making were.

- During the second half of the year investment interest rates have increased substantially and were nearly 4% by the year end. Whilst good for investing some signs of stress were showing, including as a result of the increased interest rates and inflation, the failure of several regional banks in the US. As a result the council increased use of the Debt Management Office for deposits in preference to single counterparties and Money Market Funds, the DMO being less risky and more recently

increasingly competitive on rates.

- The Bank of England Bank Rate was at 0.75% at the start of the financial year and had increased to 4.25% by March 2023.
- Market rates increased substantially during the year, with the council's weighted average interest rate increasing from 0.82% as at 31st March 2022 to 3.85% as at 31st March 2023.

The Council's responses to the key issues were.

- When the Council has surplus funds, these will primarily be invested on a short-term basis, in bank deposit accounts and money market funds and the Debt Management Office.
- Where possible to take a higher return without sacrificing liquidity.
- When borrowing the Council will use the Public Works Loan Board (PWLB), which offers low fixed rate borrowing, based on gilt yields over a long period.
- Where economic conditions are forecast to deteriorate it is vital to monitor financial institutions credit rating, and credit default swap rates (the cost to insure lending). This information is provided by the Council's treasury adviser – Link Group.

The Council's Commercial Investment Strategy (CIS)

The Commercial Investment Strategy commenced in 2015/16. Indicators relating to the investments are shown in **Appendix A section 3.4** and in **table 16**.

These investments generated £1.3m of investment income for the Council in 2022/23 after taking account of direct costs. The breakdown of the property's portfolio is shown in **Table 8** and the proportion of the investment income in relation to gross service expenditure, in **Table 9 of Appendix A**.

Recommendation(s):

The Cabinet is recommended to

- Comment on the treasury management performance for 2022/23 and to recommend the report to Council for consideration.

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to update councillors on the Council's treasury management activity during 2022/23, including investment and borrowing activity and treasury performance.

2. BACKGROUND

- 2.1 It is regarded as best practice and prescribed treasury management practice, that Members are kept up to date with treasury management activity.
- 2.2 The Council approved the 2022/23 Treasury Management Strategy at its meeting on 23rd February 2022.
- 2.3 All treasury management activity undertaken during 2022/23 complied with the CIPFA Code of Practice and relevant legislative provisions.
- 2.4 The investment strategy is to invest any surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest. The Council's borrowing strategy permits borrowing for cash flow purposes and funding current and future capital expenditure over whatever periods are in the Council's best interests.

3. ANALYSIS

Economic Review

- 3.1 An economic review of the year has been provided by our Treasury Management advisors, Link Group and is attached with an analysis of the local context implications in **Appendix A section 2.0**.

Performance of Council Funds

- 3.2 The treasury management transactions undertaken during 2022/23 and the details of the investments and loans held as at 31st March 2023 are shown in detail in **Appendix A section 3.0 to 3.2**.

Risk Management

- 3.3 The Council's primary objectives for the management of its investment are to give priority to the security and liquidity (how quickly cash can be accessed) of its funds before seeking the best rate of return. For more details see **Appendix A section 3.3**.

Non-Treasury Investments

- 3.5 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. The full details of these investments can be found on **Section**

3.4 of Appendix A.

4. COMPLIANCE

- 4.1 Compliance with specific investment and debt limits are indicated in **table 10** and **11** of **Appendix A**.

5. TREASURY MANAGEMENT INDICATORS

- 5.1 The Council measures and manages its exposure to treasury management risks using indicators which are details in the **Appendix A section 5.0**.

6. COMMENTS OF OVERVIEW & SCRUTINY

- 6.1 Comments to be added after Overview and Scrutiny (Performance and Growth) meeting on 7th June 2023.

List of Appendices;

Appendix A

- Economic review (source: Link Group)
- Borrowing and Investment as at 31st March 2023
- Risk Management
- Non-treasury Investments
- Treasury Management Indicators

Appendix B

- Capital Prudential Indicators

Appendix C

- Glossary

CONTACT OFFICERS

Oliver Colbert, Financial and Treasury Accountant

☎ 01480 388067

Sharon Russell-Surtees, Chief Finance Officer

☎ 01480 388524