

STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

TUESDAY, 18 JULY 2023

Report Title	Annual Report on Treasury Management Activity and Actual Prudential Indicators 2022/2023			
Purpose of Report	To advise on the treasury management activities in 2022/2023, in accordance with the Council's Treasury Policy Statement. To report on actual 2022/2023 Prudential Indicators in accordance with the requirements of the Prudential Code.			
Decision(s)	The Committee RECOMMENDS THAT COUNCIL approves the treasury management activity annual report for 2022/2023 and the actual Prudential Indicators.			
Consultation and Feedback	Link Asset Services (LAS)			
Report Author	Graham Bailey, Principal Accountant Tel: 01453 754133 Email: graham.bailey@stroud.gov.uk			
Options	None			
Background Papers	None			
Appendices	Appendix 1 – Temporary Investments 2022/2023 Appendix 2 – Actual Prudential Indicators 2022/2023 Appendix 3 – Explanation of the Prudential indicators Appendix 4 – The economy and interest rates 2022/2023 Appendix 5 – Exempt from disclosure by virtue of paragraph 3, Part 1 of Schedule 12A of the Local Government Act 1972.			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	Yes	No	No	No

1. BACKGROUND

- 1.1 The Council fully complies with the CIPFA Treasury Management Code of Practice and the CIPFA Prudential Code for Capital Finance in Local Authorities.
- 1.2 For the financial year 2022/2023 the reporting requirements were for the following reports:
 - Annual treasury strategy
 - Q1 Treasury report
 - Half year Treasury report
 - Q3 Treasury report
 - Annual Report on Treasury Management Activity
- 1.3 Delegation by the Council of the role of scrutiny of treasury management strategy, policy and performance to a specific named body, which in this Council is the Audit and Standards Committee.

2. TREASURY ACTIVITY

2.1 A summary of treasury management activity for 2022/2023 is shown below:

Treasury Activity 2022-23				
	April 2022	Increase	Decrease	March 2023
	£000	£000	£000	£000
Debt				
Borrowing:				
Long-term	-102,717	-	2,000	-100,717
Short-term	-	-	-	-
Total debt	-102,717	-	2,000	-100,717
Investments				
Externally managed	-	-	-	-
Internally managed - Long term	10,754	-	-1,793	8,961
Internally managed - Short term	53,899	-	-7,661	46,238
Total investments	64,653	-	-9,454	55,199
Net debt	-38,064	-	-7,454	-45,518

3. INVESTMENT STRATEGY

3.1 The TMSS for 2022/23 was approved by Council on 17th February 2022. The Council's Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:

1. Security
2. Liquidity
3. Yield
4. Environmental, Social and Governance (ESG)

3.2 In 2022-23 the Council invested in the specified investment category for the longest permitted duration with quality counterparties to maximise return without compromising security, or liquidity. In cases where two investments of similar credit rating would generate the same return the Council selected the investment with the best ESG rating. Otherwise, the length of investments were in line with LAS advice subject to the Council's 3-year upper limit. Whilst interest rates are rising it is good housekeeping to have regular maturities to reinvest at higher rates.

3.3 In February 2022 the Strategy set out an interest rate forecast reaching 1.25% by March 2025. However, experience turned out to be very different to the forecast with base rate at the end of March 2023 reaching 4.25% after nine separate increases during the year.

3.4 Funds were available for investment on a temporary basis. The level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The authority holds £15m core cash balances for investment

purposes (i.e. funds that potentially could be invested for more than one year). During 2022/23 the Council had £10m invested in Property and Multi-Asset Funds.

4. BORROWING OUTTURN 2022/23

4.1 The Council's Capital Financing Requirements (CFR) for 2022/23 is £119.147m. The CFR quantifies the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (External Borrowing) or from internal balances on a temporary basis (Internal Borrowing). The Council has external PWLB borrowing of £100.717m as at 31 March 2023. Internal borrowing was £18.430 as at 31 March 2023.

Lender	Principal	Type	Interest Rate	Years to Maturity	Maturity Date
PWLB	£6m	Fixed Interest Rate	3.32%	9 years	31/03/2032
PWLB	£10m	Fixed Interest Rate	3.45%	14 years	31/03/2037
PWLB	£7m	Fixed Interest Rate	3.51%	19 years	31/03/2042
PWLB	£7m	Fixed Interest Rate	3.51%	19 years	31/03/2042
PWLB	£7m	Fixed Interest Rate	3.53%	24 years	31/03/2047
PWLB	£7m	Fixed Interest Rate	3.53%	24 years	31/03/2047
PWLB	£7m	Fixed Interest Rate	3.52%	29 years	31/03/2052
PWLB	£7m	Fixed Interest Rate	3.52%	29 years	31/03/2052
PWLB	£7m	Fixed Interest Rate	3.51%	34 years	31/03/2057
PWLB	£7m	Fixed Interest Rate	3.51%	34 years	31/03/2057
PWLB	£10m	Fixed Interest Rate	3.48%	38 years	31/03/2061
PWLB	£9.717m	Fixed Interest Rate	3.48%	38 years	31/03/2061
PWLB	£1m	Fixed Interest Rate	2.51%	40 years	21/06/2063
PWLB	£2m	Fixed Interest Rate	3.16%	40 years	20/08/2063
PWLB	£1m	Fixed Interest Rate	3.55%	42 years	28/11/2064
PWLB	£2m	Fixed Interest Rate	3.20%	42 years	18/08/2065
PWLB	£2m	Fixed Interest Rate	2.96%	43 years	11/02/2066
PWLB	£1m	Fixed Interest Rate	2.65%	43 years	14/06/2066
Total Loans	£100.717m				

5. COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS

- 5.1 It is a statutory duty for the Council to determine and keep under review the “Affordable Borrowing Limits”. Council’s approved Treasury and Prudential Indicators are outlined in the approved TMSS.
- 5.2 During 2022/23 the Council has operated within treasury limits and Prudential Indicators set out in the Council’s TMSS and with the Council’s Treasury Management Practices, with the exception of a breach caused by automatic reinvestment of Barclays interest, now resolved. The Prudential and Treasury Indicators are shown in Appendix 1.

6. OTHER ISSUES

- 6.1 Four quarterly ESG rating reports have been received. Bob Swarup of Camdor Global Advisors presented to and took questions from Council Members before the September Audit & Standards Committee.
- 6.2 Appendix 5 is an exempt appendix. It is exempt from disclosure by virtue of paragraph 3, Part 1 of Schedule 12A of the Local Government Act 1972. Any discussion of this appendix should be held in exempt session.

7. IMPLICATIONS

4.1 Financial Implications

The report sets out the financial results of the Council’s Treasury management activities in 2022/23. The Council has an investment risk reserve of £820k to cover any fall in value of the long term funds from their original investment of £10m.

Andrew Cummings, Strategic Director of Resources
Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk

4.2 Legal Implications

None directly arising from this report.

One Legal
Tel: 01684 2722203 Email: legal.service@onelegal.org.uk

4.3 Equality Implications

There are not any specific changes to service delivery proposed within this decision.

4.4 Environmental Implications

There are no significant implications within this category.