

Meeting of:	Cabinet
Date of Meeting:	Thursday, 06 July 2023
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Annual Treasury Management Report 2022/23
Purpose of Report:	To present to Cabinet the annual review report on Treasury Management 2022/23
Report Owner:	Executive Leader and Cabinet Member for Performance and Resources
Responsible Officer:	Matt Bowmer, Head of Finance / Section 151 Officer
Elected Member and Officer Consultation:	This report does not require Ward Member consultation.
Policy Framework:	This is a matter for Executive decision by Cabinet and for referral to Full Council for Approval
<p>Executive Summary:</p> <p>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 Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (the Code), the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) and the Welsh Government (WG) revised guide on Local Government Investments (April 2010).</p> <p>The Council's borrowing requirement reduced by £2.052M in 2022/23 giving a total Capital Financing Requirement of £195.622M on 31st March, 2023. At the same date, the Council held £148.482M of Gross External Borrowing. The Council was therefore under borrowed by £47.140M as of 31st March, 2023.</p> <p>The Council's External Borrowing was well within the Authorised Limit and Operational Boundary set for 2022/23. The Council borrowed £3M from the Public Works Loan Board (PWLb) to refinance maturing debt.</p>	

The Council's debt portfolio as of 31st March, 2023 was as follows:

Debt Portfolio	31st March, 2023
	Principal
	£M
Public Works Loan Board (PWLB)	141.808
Concessionary Loans	0.500
Town Centre Loans	0.550
Salix Loans	1.524
Market Loans	4.000
Temporary Loan	0.100
Total Debt	148.482

The Council spent £80.791M during 2022/23 and most of that was financed by Capital Grant, S106 and Reserves. The Council continued to finance new Capital Expenditure of £3.451M from internal borrowing.

The Council held investments of £93.920M on 31st March, 2023.

The Councils Council's investment portfolio as of 31st March, 2023 was as follows:

Investment Portfolio	31st March, 2023
	Principal
	£M
Debt Management Account Deposit Facility / Local Authorities	74.650
Federated Hermes Money Market Fund	9.000
CCLA Money Market Fund	2.000
Treasury Bills	8.250
Lloyds Instant Access	0.010
Lloyds Monthly Bonus	0.010
Santander Corporate Notice Accounts	0.000
Total Investments	93.920

Interest Rates have been volatile and on an upward trend right throughout 2020/23 as the Bank of England (BOE) attempted to combat the inflationary pressures in the economy.

The upward movement in investment rates meant that the Council was faced with the challenge of pro-active investment of surplus cash for the first time in over a decade. This emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance could be struck between maintaining cash for liquidity purposes and laddering deposits on a rolling basis to lock in the increase in investment rates.

With the UK economy experiencing a rising interest rate environment investment returns have increased significantly from just over £0.100M in 2021/22 to £1.687M in 2022/23 whereas total debt interest charges have increased by a much lesser amount from £7.329M in 2021/22 to £7.987M in 2022/23. Consequently, financing

costs as a proportion of net stream for both Council tax & Housing Rents are below the 2022/2023 originally budgeted amount.

Recommendation

1. That Cabinet accepts the annual report on Treasury Management 2022/23 and that the report be referred to the Corporate Performance Resources Scrutiny Committee prior to being referred to Full Council for approval.

Reason for Recommendation

1. To accept and refer the report to the relevant Scrutiny Committee and Full Council.

1. Background

- 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), the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) and the Welsh Government (WG) revised guide on Local Government Investments (April 2010).
- 1.2 During 2022/23 the reporting requirements were that Full Council should receive the following reports:
 - An Annual Treasury Strategy in advance of the year (Council 07/03/2022, minute no 920).
 - A Mid-year Treasury Update Report (Council 05/12/2022, minute no 500).
 - An Annual Review Report comparing actual activity to the strategy (this report).
- 1.3 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all the above treasury management reports before they were reported to the Full Council. Member training on treasury management issues was undertaken during the year on 26th June, 2022 and 27th February, 2023 to support Members' scrutiny role.
- 1.4 This annual outturn Treasury Management Report covers.
 - The Economy/Interest rates in 2022/23
 - The Strategy for 2022/23
 - Compliance with Treasury Limits and Prudential Indicators
 - The Borrowing Outturn for 2022/23
 - The Investment Outturn for 2022/23

The UK Economy and Interest Rates 2022/23

- 1.5** The following information has been prepared by the Authority's Treasury Management Advisors Link Asset Services and sets out the changing conditions under which Treasury Management operations were carried out.
- 1.6** Forecasts at the time of approval of the Treasury Management and Investment Strategy in March 2022 can be found at Appendix 1.
- 1.7** Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine and a range of different UK Government policies, UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields for all of 2022/23.
- 1.8** Misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200 basis points 2022. The table below provides a snapshot of the conundrum facing central banks where inflation is elevated but labour markets are extraordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	4.25%	3.00%	4.75%-5.00%
GDP	0.1%quarter/quarter Quarter 4 (4.1%year/year)	+0.1%quarter/quarter Quarter 4 (1.9%year/year)	2.6% Quarter 4 Annualised
Inflation	10.4% year/year (February 2023)	6.9% year/year (March 2023)	6.0% year/year (February 2023)
Unemployment Rate	3.7% (January 2023)	6.6% (February 2023)	3.6% (February 2023)

- 1.9** In Quarter2 of 2022 UK Gross Domestic Product (GDP) grew by +0.1% quarter/quarter, but this was quickly reversed in the third quarter. Some of the fall in GDP can be attributed to the extra Bank Holiday in the wake of the Queen's passing. Quarter 4 GDP was positive at 0.1% quarter/quarter.
- 1.10** January 2023 saw a 0.3% month/month increase in GDP as there was reduction in the number of strikes compared to December 2022. In addition, there was a resilience in economic activity at the end of 2022 in part due to a 1.3% quarter/quarter rise in real household disposable incomes. A big part of that reflected the £5.7bn payments received by households from the government under the Energy Bills Support Scheme
- 1.11** Consumer Price Index (CPI) inflation picked up to a peak reading of 11.1% in October 2022. Hopes for significant falls from this level rest on the movements in the gas and electricity markets as well as the supply-side factors impacting food

prices. The CPI measure of inflation is forecast to drop back towards 4.0% by the end of 2023. As of March 2023, CPI was 10.1%.

- 1.12** The UK unemployment rate fell throughout 2022 to a 48-year low to 3.6% despite a net increase in migration of circa 500k. However, with many economic participants registered as long-term sick, the UK labour force shrunk by circa 500k in the year to June 2022. Without an increase in the labour force participation rate, it is hard to envisage how the UK economy will be able to grow its way to prosperity. Together with average wage increases running at over 6% the Monetary Policy Committee (MPC) will be concerned that wage inflation will prove just as hard to eradicate as are the major supply-side shocks to food (up 18.3% year/year in February 2023) and energy that have endured since Russia's Invasion of Ukraine on 22nd February, 2022.
- 1.13** Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%.
- 1.14** The cost of borrowing from the Public Works Loan Board (PWLB) rose significantly during 2022/23. The certainty rate for a 50-year maturity loan was 2.38% as of 1st April, 2022, the rate then peaked at 5.51% on 27th September, 2022 before finishing the year on 31st March, 2023 at 4.41%.
- 1.15** As previous mentioned GDP has been tepid throughout 2022/23 although the most recent composite Purchasing Manager Indices (PMI's) for the UK, US, Eurozone (EZ) and China have all surprised to the upside, registering survey scores just above 50 which suggests economies are expanding. Whether that means a shallow recession, or worse, will be avoided during 2023 is still unclear.
- 1.16** Ultimately, the MPC will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels.
- 1.17** The value of the sterling in relation to the major foreign currencies has remained resilient throughout n the latter half of 2022/23. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.
- 1.18** The FTSE 100 started strongly in 2023 rising to a record high of 8,014 on 20th February, 2023. However, global equities fell sharply after concerns over the health of the global banking system emerged early in March 2022 and the FTSE 100 is now 5.2% below that record high.

Other Economies & Interest Rates 2022/23

- 1.19** US markets are still pricing in a further interest rate increases of 25-50 basis points on top of the current interest rate range of 4.75% - 5.00%. Interest rates started the financial year 2022/23 in the range of 0.25% to 0.50%.
- 1.20** The US inflation rate was 5% in March 2023. However, with the economy expected to weaken during 2023 and wage data already falling back there is the prospect that should the US economy slide into a recession of any kind there will be scope for rates to be cut at the backend of 2023 or shortly after.
- 1.21** As of 6th March 2023, the inflation rate in the EZ stood at 6.9%. However, the European Central Bank (ECB) will still be mindful that there is still further work to do to dampen inflation expectations and it seems highly likely that bank rates will rise to 4% to achieve this goal.
- 1.22** Like in the UK economic growth in the Eurozone has remained more robust than anticipated but a recession in 2023 is still forecast.

Treasury Management Strategy 2022/23

- 1.23** During 2022/23 inflationary pressures following the fallout from the Russian Invasion of Ukraine, the pandemic and Brexit had a significant impact on the Council's treasury management activities.
- 1.24** Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23. However, by August 2022 it had become clear that inflation was moving up towards 40-year high and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting during 2022 and into 2023 by increasing Bank Rate by 0.25% or 0.5% each time.
- 1.25** The Council's annual Treasury Management & Investment Strategy for 2022/203 was written in January 2022 against a backdrop of low bank rates in the range of 0.75% rising to 1.25% by March 2025.
- 1.26** The tables in Appendix 1 supplied by Link Asset Services show quarterly forecast path of interest rates throughout 2022/23.
- 1.27** The upward movement in investment rates meant that the Council was faced with the challenge of pro-active investment of surplus cash for the first time in over a decade. This emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance could be struck between maintaining cash for liquidity purposes and laddering deposits on a rolling basis to lock in the increase in investment rates.

- 1.28** In addition, throughout the latter half of 2022/2023. the Bank of England maintained various monetary policy easing measures as required to ensure specific markets, the banking system and the economy had appropriate levels of liquidity at times of stress. Therefore, despite the opening of the world economies post pandemic the placement of funds in the investment market continued to be challenging due to excess liquidity.
- 1.29** With the UK economy experiencing a rising interest rate environment investment returns increased significantly from just over £0.100M in 2021/22 to £1.687M in 2022/23. A full breakdown of these investment returns is detailed later in this report.
- 1.30** Funds available for investment continued to be placed with the Debt Management Office (DMO), other Local Authorities, Money Market Funds (MMFS,) Lloyds Instant Access Accounts and Treasury Bills. All funds placed with Santander Bank PLC were withdrawn as longer dated maturities prevented the Council from taking advantage of the cycle of interest rates rises.
- 1.31** Money Market Funds (MMFs) were the most beneficial investment tool during 2022/23 as not only did they permit instant access to the funds invested, the rates of return were also calculated daily and moved simultaneously with the upward movement in interest rates.
- 1.32** Cash flow forecasting continued to be problematic as it was difficult to profile the Council's financial commitments with the grant monies received from the Welsh Government to help households during the cost-of-living crisis.
- 1.33** The Section 151 Officer continued to adopt a cautious approach with respect to treasury management investment operations. The Council's primary objectives for the management of its investments are to give priority to the security and liquidity of its funds before seeking the best rate of return.
- 1.34** Throughout 2022/23 investment balances have continued to be kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost due to the differential between borrowing and investment rates. External borrowing was only undertaken to refinance maturing external debt. Maturing Debt was refinanced at a lower interest rate.
- 1.35** This potential reduction of the Council's investments balances was still considered the most prudent option available to the Council at times of elevated credit risk, the continued threat of the Coronavirus pandemic and the uncertainty of Brexit & the Russian Invasion of Ukraine.
- 1.36** The Council's primary objective for the management of its debt is to ensure its long-term affordability. Most of its loans have therefore been borrowed from the

Public Works Loan Board at long term fixed rates of interest. Borrowing long term with fixed interest rates also provides certainty to the budget setting process.

- 1.37** The Section 151 Officer advises that all treasury management activity undertaken during the financial year complied with the approved strategy, the CIPFA Code of Practice, and the relevant legislative provisions.

2. Key Issues for Consideration

The Council's Capital Expenditure and Financing

- 2.1** The Council undertakes Capital Expenditure on long term assets. These activities may either be financed immediately through capital or revenue resources e.g., capital receipts, capital grants etc. Alternatively, the activities can give rise to a borrowing need which would create an increase in the Council's Capital Financing Requirement (CFR).
- 2.2** The Treasury Strategy for 2022/23 was set assuming planned expenditure of £85.206M split (£45.428M GF and £39.778M HRA). The Capital Outturn shows a reduction of £4.415M against this sum largely due to significant slippage most notable £17.368m for HRA.
- 2.3** The table below shows the Council's capital expenditure and how it is financed.

In Year Movement in Capital Financing Requirement	2022/23	2022/23	2022/23
	General Fund	HRA	Total
	£M	£M	£M
Total Capital Expenditure	58.422	22.369	80.791
Financed in Year	(54.971)	(22.369)	(77.340)
Minimum Revenue Provision	(3.885)	(1.618)	(5.503)
Movement in Capital Finance Requirement/Unfinanced Capital Expenditure*	(0.434)	(1.618)	(2.052)

*This is capital expenditure that will be funded by a reduction in the Council's borrowing requirement.

The Council's Overall Borrowing Need

- 2.4** The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend.

- 2.5** Part of the Council’s treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council’s cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLB], or the money markets), or utilising temporary cash resources within the Council.
- 2.6** The Council’s underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP) to reduce the CFR. This is effectively a repayment of the General Fund and Housing Revenue Account (HRA) borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.
- 2.7** The Council’s 2022/23 MRP Policy, (as required by Welsh Government), was approved as part of the Treasury Management Strategy Report 2022/23 by Full Council on 7th March, 2022.

Gross Borrowing and the Capital Financing Requirement (CFR)

- 2.8** To ensure that borrowing levels are prudent over the medium term and only for a capital purpose, 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 (2021/22) plus the estimates of any additional CFR for the current year (2022/23) and the next two financial years. The Council has complied with this prudential indicator in 2022/23.
- 2.9** The table below highlights the Council's Gross External Borrowing position against the CFR.

	31 March 2022	31 March 2023	31 March 2023
	Actual	Budget	Actual
	£M	£M	£M
CFR General Fund	119.593	126.943	119.159
CFR HRA	78.081	104.078	76.463
Total CFR	197.674	231.021	195.622
Gross Borrowing Position	(153.347)	(198.382)	(148.482)
Under/(Over) Borrowing of CFR	44.328	32.639	47.140

- 2.10** The table above shows that from April 2022 to March 2023 there was a reduction in the total loans raised to finance the capital expenditure after providing for the Minimum Revenue Provision (MRP). The amount outstanding fell well below the

2022/23 estimate. This was mainly due to the slippage of capital programme into 2023/24 and future years. Consequently, total external borrowing also fell well below the 2022/23 estimate as firstly there was less new capital expenditure to finance and secondly, where possible was funded from reserves and balances. In addition, maturing external debt was only partially refinanced with new external debt with the Council again opting to fund from revenue.

2.11 The Authorised Limit

The Authorised Limit is the affordable borrowing limit required by Section 3 of the Local Government Act 2003. Once it has been set, the Council does not have the power to borrow above this level.

2.12 The Operational Boundary

The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or above the boundary is acceptable subject to the Authorised Limit not being breached.

2.13 The Council's performance against the above indicators in 2022/23 is set out in the table below.

2.14 Authorised Limit / Operation Boundary v Gross Borrowing

	2022/23
	£M
Authorised Limit	225.439
Maximum Gross Borrowing Position in Year	154.539
Operational Boundary	212.292
Average Gross Borrowing Position	151.784

2.15 Interest Rate Exposure

	2021/22	2022/23
	£M	£M
Upper Limit for Fixed Interest Rate Exposure	149.247	144.382
Upper Limit for Variable Rate Exposure expressed as an absolute value	0	0

2.16 Actual Financing Costs as a Proportion of Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and long-term obligation costs net of investment income) against the net revenue stream.

2.17 Financing Costs as a proportion of Net Revenue Stream

	Non HRA (Council Tax)	HRA (Rents)
	%	%
2022/23 Budget	2.84	21.74
2022/23 Actual	2.57	19.99

Treasury Position

2.18 The Council's treasury management debt and investment position is organised by the treasury management service to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting and through officer activity detailed in the Council's Treasury Management Practices.

2.19 At the beginning and the end of 2022/23, the Council's treasury position was as follows.

Debt Portfolio	31st March, 2022		31st March, 2023	
	Principal	Rate Payable	Principal	Rate Payable
	£M	%	£M	%
Fixed Rate Funding				
PWLB	146.502	4.518	141.808	4.466
Concessionary Loans	0.500	0.000	0.500	0.000
Town Centre Loans	0.550	0.000	0.550	0.000
Salix Loans	1.695	0.000	1.524	0.000
Variable Rate Funding				
Market Loans	4.000	4.500	4.000	4.500
Temporary Loan	0.100	0.140	0.100	2.238
Total Debt	153.347		148.482	
CFR	(197.675)		(195.622)	
Over/(Under) Borrowing	(44.328)		(47.140)	

Movement in Net Debt

	31st March, 2022	31st March, 2023	Movement
	£M	£M	
Total Debt	153.347	148.482	(4.865)
Total Investments	(93.620)	(93.920)	(0.300)
Net Debt	59.727	54.562	(5.165)

Maturity Structure of Debt Portfolio

2.20 The Maturity Structure of the Debt Portfolio (excluding accrued interest and accounting adjustments) is set out below.

	2022/23 Original Limits	2022/23 Actual*	2022/23 Actual
	%	£M	%
Less than one year	20	10.171	6.85
Between one and two years	20	7.961	5.36
Between two and five years	30	23.869	16.07
Between five and ten years	40	22.439	15.11
Between ten and twenty years	100	50.406	33.95
Between twenty and thirty years	100	10.186	6.86
Between thirty and forty years	100	17.450	11.75
Between forty and fifty years	100	6.000	4.05
Total		148.482	100.00

2.21 The above table shows that the Council's debt portfolio has a good spread of maturities and that in each period the amount of maturing debt falls well within the percentages of total debt permitted within the treasury management approved strategy.

Borrowing Outturn 2022/23

2.22 The total charges for interest and principal including for prudential borrowing during the year 2022/23 were £7,986,785 and £5,503,042, respectively.

2.23 The Council raised one loan for supported borrowing in the sum of £3.451M as part of the Council's General Capital Funding for 2022/23 this was financed by internal borrowing. An average rate of interest was charged to reflect the use of capital resources. No prudential borrowing was undertaken in 2022/23.

2.24 Loans borrowed from the Public Works Loan Board (PWLB) are intended to assist local authorities in meeting their long term borrowing requirements.

2.25 The Council externally borrowed two new loans from the PWLB totalling £3.000M during 2022/23 at an average rate of 3.07%, these funds were used to refinance maturing debt. New capital expenditure borrowing was financed from internal resources.

2.26 During 2022/23 the Council maintained an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement) was not fully funded with external loan debt as cash supporting the Council's reserves,

balances and cash flow were used as an interim measure. This avoided the cost of carry on any new long term borrowing that was not immediately used to finance capital expenditure.

- 2.27** The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this is being kept under review by the Section 151 Officer to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or refinancing maturing debt.
- 2.28** Market loans represent non PWLB loans. This debt comprises of one Lenders Option/ Borrowers Option (LOBO) loan for £4M which will mature on the 23rd of February 2054.
- 2.29** The Concessionary Loan for £0.500M was due to mature in August 2022 but the maturity date has now been extended until the financial year 2024/25. This loan was advanced by Welsh Government and is interest free.
- 2.30** The Town Centre Loan for £0.550M is repayable on 31st March, 2035. The loan is interest free and advanced by Welsh Government.
- 2.31** The loans advanced by Salix and Salix SEELS are to fund the street lighting energy reduction scheme and the installation of a new boiler at Stanwell Comprehensive School. These are repayable over 10 and 9.1 years in equal instalments. The loans are interest free funding.
- 2.32** Temporary Loans represent loans that have no fixed maturity date. Current loans have been borrowed from the Vale of Glamorgan Welsh Church Act Fund. Interest is calculated using SONIA (Sterling Overnight Interbank Average) rate.

Borrowing In Advance of Need

- 2.33** The Council is under borrowed on 31st March, 2023 and has not borrowed in advance of its needs during 2022/23.

Debt Rescheduling

- 2.34** The Council did not undertake any rescheduling activities during 2022/23 as the average differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Investment Outturn for 2022/23

- 2.35** All investment activity during 2022/23 conformed to the approved strategy and the Council did not encounter any liquidity difficulties in year.

Internally Managed Investments

2.36 The Council manages investments in house and can invest with those institutions which meet the minimum credit rating criteria and are included on the approved lending list as laid out in the investment strategy. The Council currently invests short term for a range of periods from overnight to 364 days, dependent on its cash flows, its interest rate view, and the interest rates/periods on offer although this will be reviewed during 2022/23.

2.37 Investment movements for 2022/23 are summarised as follows.

Investment Portfolio	Actual 31st March 2022	Actual Return	Actual 31st March 2023	Actual Return	Interest 2022/23
	£M	%	£M	%	£'000S
Debt Management Account Deposit Facility / Local Authorities	82.150	0.1178	74.650	1.5849	962
Federated Hermes Money Market Fund	0.100	0.1336	9.000	2.2800	189
CCLA Money Market Fund	4.100	0.1878	2.000	2.0191	151
Treasury Bills	6.500	0.2474	8.250	1.5974	379
Lloyds Instant Access	0.010	0.0100	0.010	0.6000	0
Lloyds Monthly Bonus	0.010	0.0100	0.010	0.6000	0
Santander Corporate Notice Accounts	0.750	0.1944	0.000	1.3300	6
Total	93.620		93.920		1,688

All interest amounts stated in the above table are inclusive of accrued interest.

2.38 Investment interest better than anticipated and link to revenue outturn generated surplus for the Council.

2.39 Deposits placed with local authorities and the DMO were for periods between overnight and 364 days.

2.40 Deposits placed with Money Market Funds and the Lloyds Accounts had instant access and were drawn down when needed to meet the Council's financial commitments.

2.41 Treasury Bills during 2022/23 were invested for periods of three and six months.

- 2.42** Deposits with Santander Bank PLC were all withdrawn during 2022-23.
- 2.43** The Section 151 Officer will continue to keep the borrowing and investment strategies under review.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** The Treasury Management and Investment Strategy ensures that the financial plans of the Council are sustainable into the future and do not adversely impact on future generations.
- 3.2** The Treasury and Investment Strategy underpins the financial management of the Council and its ability to achieve its well-being objectives as set out in the Corporate Plan.

4. Climate Change and Nature Implications

- 4.1** Councils and the UK Government are widely implemented on policy on the response to climate change.
- 4.2** Money Market Funds selected by the Council regularly monitor the environmental, social and governance (ESG) risk management activities with whom they invest.

5. Resources and Legal Considerations

Financial

- 5.1** Money is borrowed for capital purposes and interest is charged to revenue accounts.

Employment

- 5.2** There are no direct employment issues relating to this report

Legal (Including Equalities)

- 5.3** Compliance with the Local Government Act 2003 and CIPFA's "Code of Practice for Treasury Management in the Public Services" is mandatory.

6. Background Papers

- 6.1** CIPFA's Code of Practice for Treasury Management in the Public Services" (2017 Edition), "The Prudential Code" (2017 Edition) and WG guidance on local authority investments.



Annual Treasury Management Report 2020/23

Appendix 1

The UK Economy and Interest Rates 2022/23

1.6

Forecasts at the time of approval of the Treasury Management and Investment Strategy in March 2022.

Link Group Interest Rate View as at 7th February 2022													
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Bank Rate	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3 month ave earnings	0.80	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
6 month ave earnings	1.00	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
12 month ave earnings	1.40	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40
5yr PWLB	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
10yr PWLB	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
25yr PWLB	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
50yr PWLB	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40

Treasury Management Strategy 2022/23

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Quarterly interest rates forecast throughout 2022/23.

Quarter 1 Link Group Interest Rate View as at 10th May 2022													
	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	JUN-25
Bank Rate	1.25	1.50	1.75	2.00	2.00	2.00	2.00	2.00	1.75	1.75	1.75	1.75	1.75
3 month ave earnings	1.20	1.50	1.70	2.00	2.00	2.00	2.00	2.00	1.70	1.70	1.70	1.70	1.70
6 month ave earnings	1.60	1.90	2.10	2.20	2.20	2.20	2.20	2.10	2.00	1.90	1.90	1.90	1.90
12 month ave earnings	2.00	2.20	2.30	2.40	2.40	2.30	2.30	2.20	2.20	2.10	2.10	2.10	2.10
5yr PWLB	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.50	2.50	2.50	2.50	2.50
10yr PWLB	2.80	2.80	2.90	2.90	2.90	2.90	2.90	2.90	2.80	2.80	2.80	2.80	2.80
25yr PWLB	3.00	3.10	3.10	3.20	3.20	3.20	3.10	3.10	3.00	3.00	3.00	3.00	3.00
50yr PWLB	2.70	2.80	2.80	2.90	2.90	2.90	2.80	2.80	2.70	2.70	2.70	2.70	2.70

Quarter 2 Link Group Interest Rate View as at 27TH September 2022													
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Bank Rate	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20	3.20
10yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20	3.20
25yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40	3.40
50yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10	3.10

Quarter 3 Link Group Interest Rate View as at 19TH December 2022													
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Bank Rate	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

Quarter 4 Link Group Interest Rate View as at 27th March 2023													
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
Bank Rate	4.50	4.50	4.25	4.00	3.50	3.25	3.00	2.75	2.75	2.50	2.50	2.50	2.50
3 month ave earnings	4.50	4.40	4.30	4.00	3.50	3.30	3.00	2.80	2.80	2.50	2.50	2.50	2.50
6 month ave earnings	4.50	4.40	4.20	3.90	3.40	3.20	2.90	2.80	2.80	2.60	2.60	2.60	2.60
12 month ave earnings	4.50	4.40	4.20	3.80	3.30	3.10	2.70	2.70	2.70	2.70	2.70	2.70	2.70
5yr PWLB	4.10	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.20	3.10	3.10
10yr PWLB	4.20	4.20	4.00	3.90	3.80	3.70	3.50	3.50	3.40	3.30	3.30	3.20	3.20
25yr PWLB	4.60	4.50	4.40	4.20	4.10	4.00	3.80	3.70	3.60	3.50	3.50	3.40	3.40
50yr PWLB	4.30	4.20	4.10	3.90	3.80	3.70	3.50	3.50	3.30	3.20	3.20	3.10	3.10

