

Title of Report	TREASURY MANAGEMENT STEWARDSHIP REPORT 2022/23	
Presented by	Councillor Nick Rushton Corporate Portfolio Holder PH Briefed <input type="checkbox" value="Yes"/>	
Background Papers	<u>Prudential Indicators and Treasury Strategies 2022/23</u> – Council 24 February 2022 <u>Budget and Council Tax 2022/2023</u> – Council 24 February 2022 <u>Treasury Management Activity Report Quarter 3</u> – Audit and Governance Committee 25 January 2023 <u>Treasury Management Stewardship Report 2022/23</u> – Audit and Governance Committee 26 April 2023	Public Report: Yes Key Decision: No
Financial Implications	During the 2022/23 financial year, £1.1 million interest was earned on cash balances. This is mainly split between the General Fund (£623,000), Housing Revenue Account (HRA) (£260,000) and S106 Fund (£137,000). Principal repayments of £1.2 million was paid on Public Works Loan Board (PWLB) annuity loans and a loan with Cornwall County Council of £1 million was repaid. In addition, interest on loans of £2.2m was paid on external debt, of which £1.8 million was in relation to the Housing Revenue Account (HRA) and £400,000 for the General Fund. The above has impacted on the available financial resources available to the Council. Signed off by the Section 151 Officer: Yes	
Legal Implications	The Council is required to report Treasury Management activity to Cabinet. Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	None Signed off by the Head of Paid Service: Yes	
Purpose of Report	To inform Cabinet of the Council's Treasury Management Activity undertaken during the 2022/23 financial year.	

Reason for Decision	Informing Cabinet of the Council's Treasury Management Activity is a statutory requirement.
Recommendations	THAT CABINET: <ol style="list-style-type: none"> 1. ENDORSE THE COUNCIL'S APPROACH TO TREASURY MANAGEMENT IN 2022/23. 2. REQUESTS A FUTURE REPORT COVERING ACTIVITIES IN 2023/24.

1.0 BACKGROUND

- 1.1 Treasury Management activity is underpinned by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, which requires local authorities to produce Prudential Indicators and a Treasury Management Strategy Statement annually on the likely financing and investment activity.
- 1.2 This report fulfils the Council's legal obligation under the Local Government Act, 2003, to have regard to both the CIPFA Code and the Statutory Guidance on Local Government Investments.
- 1.3 Council approved its Capital Strategy and Treasury Management Strategy Statement, including the Borrowing Strategy, Debt Rescheduling Strategy, Annual Investment Policy and Strategy, Interest Apportionment Policy, Prudential Indicators and Annual Minimum Revenue Position Statement for 2022/23 at its meeting on 24 February 2022.
- 1.4 Investing or borrowing activities expose the Council to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risks are therefore central to the Council's treasury management strategy.

2.0 TREASURY MANAGEMENT ADVISORS' COMMENTARY – ARLINGCLOSE LTD

- 2.1 The commentary below has been provided by the Council's treasury management advisors:
- 2.2 The Council is currently taking a relatively low credit and liquidity risk approach to its investment strategy by investing mainly in deposits with UK central government, Money Market Funds (MMFs), UK local authorities, and a small number of UK banks, for short terms (up to 12 months). Most of these options avoid the direct bail-in risk associated with bank deposits (although indirect exposure is held via the MMFs, this is highly diversified).
- 2.3 Interest rates have been rising globally but are generally expected to be nearing their peak, albeit uncertainty remains, in particular regarding how much further UK Bank Rate may increase. The Council's investment returns have therefore increased but the level of real return (i.e. adjusting for inflation) is negative given current high inflation. The latest client investment benchmarking exercise that the Council took part in (March 2023) showed the return was slightly lower than the average for other local authorities but credit risk (as measured by credit ratings) was also lower, for internally managed investments.
- 2.4 Other investment options that may fit with the Council's current risk appetite could include secured bank deposits (up to 12 months), longer-term loans to local authorities (the Council has done this before), covered or supranational bonds and loans to Registered Providers (housing associations), which may also require a longer investment horizon (three to five years).
- 2.5 Going beyond this would be an alternative approach – investing for the long-term (five years +) in asset classes such as property, bonds and equities which fluctuate in value, and

carry a different and typically higher set of risks but offer the potential for higher long-term returns. The Council would need to identify a long-term investment horizon and/or these types of investments may need to be part of a documented strategy to manage liquidity, interest rate, exchange rate and/or inflation risks.

3.0 SUMMARY

3.1 In compliance with the requirements of the CIPFA code of practice, Appendix A provides Cabinet with a summary report of the Treasury Management activity for the period April 2022 to March 2023. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

Policies and other considerations, as appropriate	
Council Priorities:	<p>Effective Treasury Managements helps the Council achieve all of its priorities:</p> <ul style="list-style-type: none"> - Supporting Coalville to be a more vibrant, family-friendly town - Support for businesses and helping people into local jobs - Developing a clean and green district - Local people live in high quality, affordable homes - Our communities are safe, healthy and connected
Policy Considerations:	Treasury Management Strategy Statement 2022/23
Safeguarding:	Not applicable
Equalities/Diversity:	Not applicable
Customer Impact:	Not applicable
Economic and Social Impact:	Not applicable
Environment and Climate Change:	Not applicable
Consultation/Community/Tenant Engagement:	Audit and Governance Committee – 26 April 2023
Risks:	Borrowing and investment both carry an element of risk. This risk is mitigated through the adoption of the Treasury and Investment Strategies, compliance with the CIPFA code of Treasury Management and the retention of Treasury Management Advisors (Arlingclose) to proffer expert advice
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