

Gloucester City Council

Meeting:	Cabinet Audit and Governance Committee	Date:	14 June 2023 17 July 2023
Subject:	Treasury Management Update – Annual Report 2022/23		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Greg Maw, Head of Finance and Resources		
	Email: greg.maw@gloucester.gov.uk		Tel: 396422
Appendices:	1. Prudential and Treasury Indicators 2. Interest Rate Forecasts		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (TMSS, annual and midyear reports). This report covers the six months 1st Oct 2022 to 31st March 2023 and therefore, ensures this Council is implementing best practice in accordance with the Code.
- 1.2 This report will highlight issues specific to the Council and also highlight interest rate forecasts as provided by the Council's treasury advisors Link Asset Services.
- 1.3 The body of the report provides an overview of the Council's performance for the financial year 2022/23;
 - **Appendix 1** highlights the key performance indicators in line with the Council's Treasury Management Strategy.
 - **Appendix 2** Interest Rate Forecast.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked, subject to any recommendations it wishes to make to Cabinet, to note the contents of the report.
- 2.2 Cabinet is asked to **RESOLVE** that the contents of the report be noted.

3.0 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2022/23, which includes the Annual Investment Strategy, was approved by the Council on 24th March 2022. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield

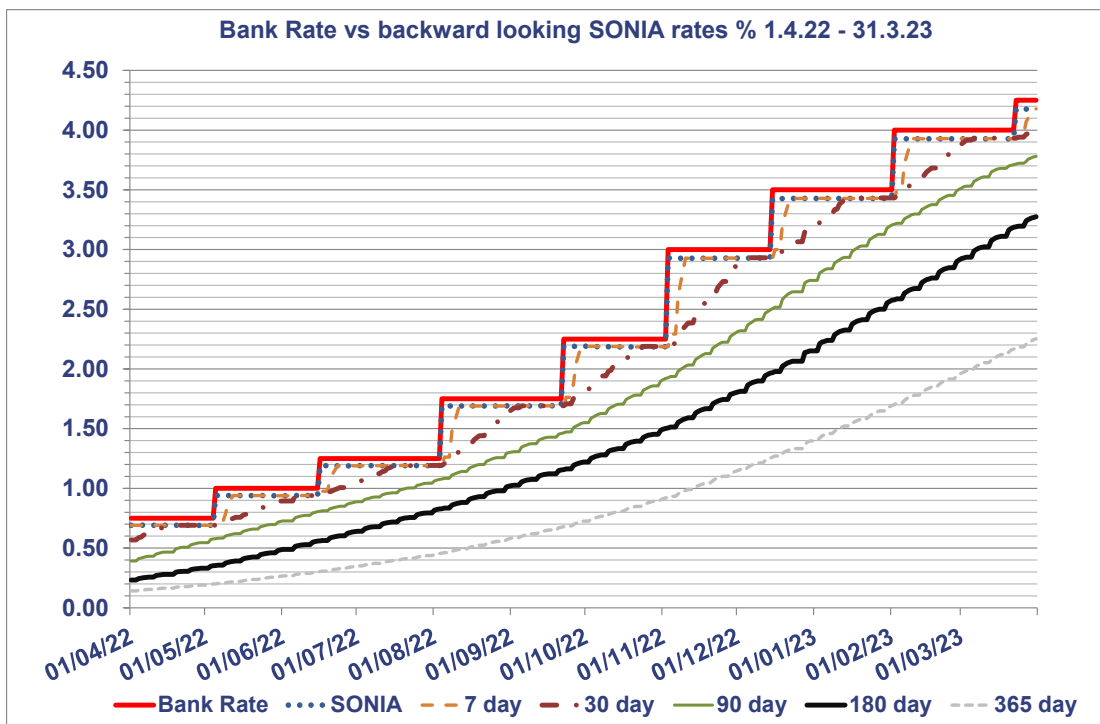
- 3.1 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months, with highly credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information.
- 3.2 The average level of funds available for investment purposes during the year to was £22.4m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.
- 3.3 The Council holds £11.3m core cash balances for investment purposes (i.e. funds available for more than one year), the majority of these funds are held with the CCLA and have delivered £332k in dividends for the year.

Investment performance for the financial year to date as at 31st March 2023

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	2.20%	2.11%	£473,992
1 month	2.09%	N/A	N/A
3 month	1.81%	N/A	N/A
6 month	1.42%	N/A	N/A
12 month	0.90%	N/A	N/A

As illustrated, the Council underperformed the benchmark by 0.09 bps on 7 day investment returns.

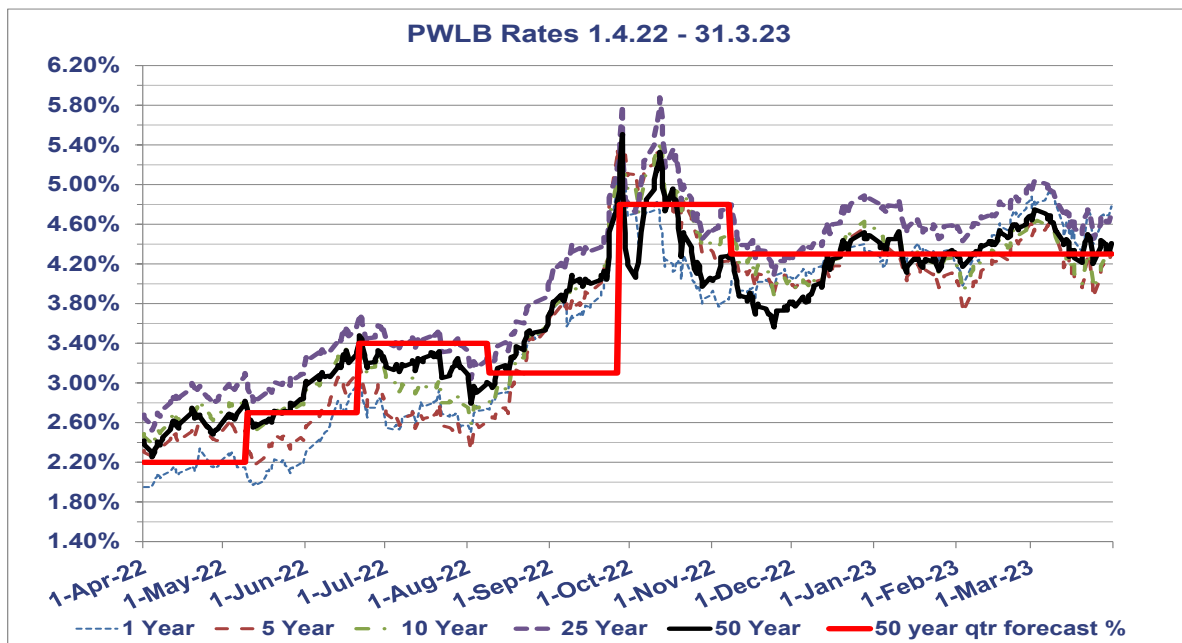
Interest Rate Profile - year ended 31 March 2023



FINANCIAL YEAR TO QUARTER ENDED 31/03/2023							
	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	4.25	4.18	4.18	4.00	3.78	3.27	2.25
High Date	23/03/2023	31/03/2023	31/03/2023	31/03/2023	31/03/2023	31/03/2023	31/03/2023
Low	0.75	0.69	0.69	0.57	0.39	0.23	0.14
Low Date	01/04/2022	28/04/2022	29/04/2022	01/04/2022	01/04/2022	01/04/2022	01/04/2022
Average	2.30	2.24	2.20	2.09	1.81	1.42	0.90
Spread	3.50	3.49	3.49	3.43	3.39	3.04	2.11

4.0 New Borrowing

- 4.1 No long term borrowing was undertaken during the period ended 31st March 2023.
- 4.2 Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time. Currently the CPI measure of inflation is still above 10% in the UK but is expected to fall back towards 4% by year end. Nonetheless, there remain significant risks to that central forecast.



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.45%	5.88%	5.51%
Date	28/09/2022	28/09/2022	12/10/2022	12/10/2022	28/09/2022
Average	3.57%	3.62%	3.76%	4.07%	3.74%
Spread	3.16%	3.26%	3.09%	3.36%	3.26%

5.0 Debt Rescheduling

- 5.1 Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

6.0 Compliance with Treasury and Prudential Limits

- 6.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.
- 6.2 During the financial year the Council has operated within the treasury limits set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

7.0 Other

- 7.1 The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy should be brought to members' attention in treasury management update reports.
- 7.2 The Council will continue to monitor its approach to short term borrowing in accordance with our treasury advisor forecasts and future Council events which impact on the Council borrowing requirement.

8.0 Social Value Considerations

- 8.1 This report notes the treasury management performance of the Council. There are no anticipated Social Value considerations from this report as it is reporting performance and not making investment decisions.

9.0 Environmental Implications

- 9.1 This report notes the treasury management performance of the Council. There are no anticipated environmental implications from this report.

10.0 Financial Implications

- 10.1 Contained in the report

(Financial Services have been consulted in the preparation of this report.)

11.0 Legal Implications

- 11.1 The legal implications are detailed in the body of the report

(Legal Services have been consulted in the preparation of this report.)

12.0 Risk & Opportunity Management Implications

12.1 There are no specific risks or opportunities as a result of this report

13.0 People Impact Assessment (PIA):

13.1 A PIA screening assessment has been undertaken and the impact is neutral. A full PIA is not required.

14.0 Other Corporate Implications

Community Safety

14.1 None

Sustainability

14.2 None

Staffing & Trade Union

14.3 None