

**Audit & Governance**

**30 November 2022**

Report of the Chief Finance Officer

**Scrutiny of Treasury Management Mid-Year Review and Prudential Indicators 2022/23**

**Summary**

1. Audit & Governance Committee are responsible for ensuring effective scrutiny of the treasury management strategy and policies, as stated in the Treasury Management Strategy 2023/23 approved by full Council on 17 February 2022. The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (“the Code”) stipulates that:
  - There needs to be, at a minimum, a mid-year review of treasury management strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved
  - Those charged with governance are also personally responsible for ensuring they have the necessary skills and training.
2. Attached at Annex 1 is the Treasury Management Mid-Year Review and Prudential Indicators 2022/23 report as presented to November 2022 Executive. This information provides Members with an update of treasury management activity for the first six months of 2022/23.

**Recommendations**

3. (a) Audit & Governance Committee note and scrutinise the Treasury Management Mid-Year Review and Prudential Indicators 2022/23 at Annex A

Reason: That those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

## **Analysis**

4. In September and October 2022 there had been a step change in government policy and the fiscal loosening from its proposed tax cuts were likely to add to existing domestic inflationary pressures and could have potentially left a legacy of higher interest rates and public debt. Gilt yields had increased, and sterling had fallen following the “fiscal event” of the new Prime Minister and Chancellor on 23rd September 2022 adding further upward pressure to interest rates.
5. However, following the reversal of the Truss/Kwarteng fiscal policies Rishi Sunak’s appointment as the UK’s new Prime Minister has ushered in a period of calm in UK financial markets. Much of the extra political risk percentages on gilts that emerged in the wake of the mini-budget on 23rd September appears to have unravelled.
6. Market interest rate expectations have been pared back in recent weeks as announced fiscal policy has become less loose. And although tighter fiscal policy may go some way to reducing the upward pressure on interest rates, stickier inflation means that Bank Rate is still expected to peak at 5.00%.
7. The Bank of England Monetary Policy Committee has increased interest rates to their highest level since the Global Financial Crisis to date.
8. No new borrowing has been undertaken in the first months of the year.

## **Consultation**

9. Not applicable

## **Options**

10. It is a statutory requirement under Local Government Act 2003 for the council to operate in accordance with the CIPFA prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice “the Code”. No alternative options are available.

## **Council Plan**

11. Treasury management is an integral part of the council’s finances providing for cash flow management and financing of capital schemes. It aims to ensure that the council maximises its return on investments, (whilst the priority is for security of capital and liquidity of funds) and minimises the cost of its debts. This allows more resources to be freed up to invest in the Council’s priority areas as set out in the council plan. It therefore underpins all of the council’s aims.

## **Implications**

12. The implications are
- Financial – the security of the Councils capital funds is a priority, maximising returns on investments is still key along with minimising the finance costs of debt.
  - Human Resources - there are no human resource implications to this report.
  - Equalities - there are no equality implications to this report.
  - Legal - there are no legal implications to this report.
  - Crime and Disorder - there are no crime and disorder implications to this report.
  - Information Technology - there are no information technology implications to this report.
  - Property –there are no property implications to this report.
  - Other – there are no other implications to this report.

## **Risk Management**

13. The treasury management function is a high-risk area because of the volume and level of large money transactions. As a result, the Local Government Act 2003 (as amended), the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required.

### **Contact Details**

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Report approved

15.11.22

**Specialist Implications Officer(s)** None

**Wards Affected:**

**All** ✓

**For further information, please contact the author of this report**

**Background Working Papers**

None

**Annexes**

1. Treasury Management Mid-Year Review and Prudential Indicators 2022/23
2. Annex to above report – Prudential Indicators 2022/23