Appendix B

The Treasury Management activity during the year 2022/23

1. Investment activity and interest rates

1.1 Investments were placed with reference to the core balance and cash flow requirements and the outlook for interest rates. Base interest rates averaged during the period were 2.30%.

1.2 During 2022/23 the Bank of England increased bank rate on eight consecutive opportunities, the movements summarised below.

	New Rate	Movement
5 May 2022	1.00%	+0.25%
16 June 2022	1.25%	+0.25%
4 August 2022	1.75%	+0.50%
22 September 2022	2.25%	+0.50%
3 November 2022	3.00%	+0.75%
16 December 2022	3.50%	+0.50%
3 February 2023	4.00%	+0.50%
23 March 2023	4.25%	+0.25%

1.3 There have been continued uncertainties in the markets during the year due to global supply chain disruption, inflationary pressure, and geopolitical turmoil.

1.4 The total amount received in short term interest for 2022/23 was £5.46m at an average rate of 1.89%. This was below the average of base rates in the same period (2.30%). This is as a result of the investment portfolio taking time to catch up with Base rate as investments matured and the funds were able to be re-invested at higher rates.

1.5 Throughout the year bank notice accounts and fixed term deposits with banks were used to invest core balances up to duration of 12 months. Instant access cash money market funds were used to hold liquidity balances to meet day to day creditor requirements.

2. Long term borrowing

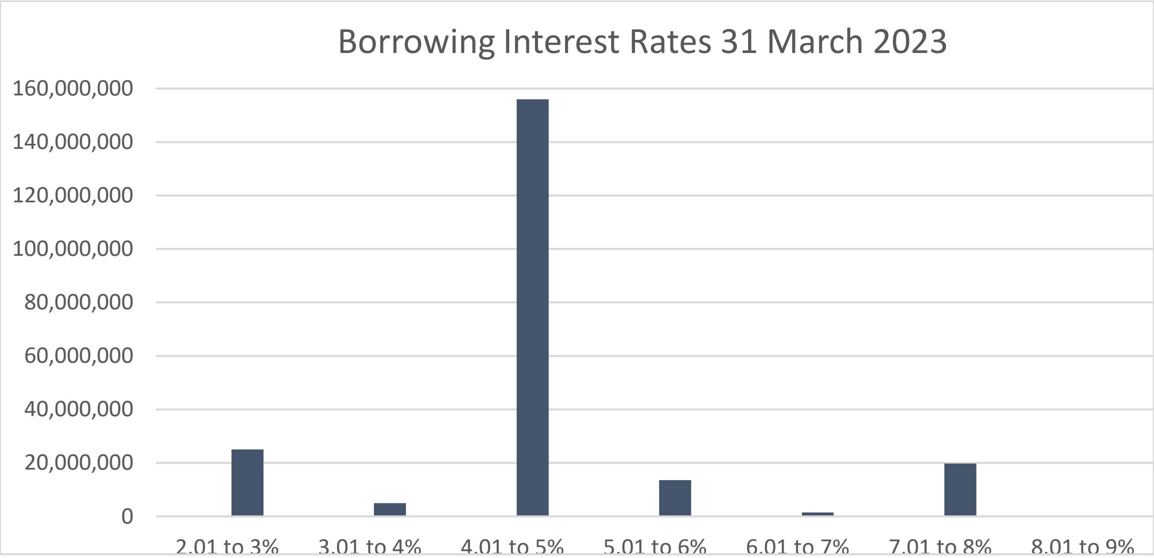
2.1 Officers constantly reviewed the need to borrow taking into consideration the potential movements in borrrowing costs, the need to finance new capital expenditure, refinancing maturing debt, and the cost of carry that might incur a revenue loss between borrowing costs and investment returns.

2.2 During 2022/23 £5.6m of PWLB debt matured at an average rate of 6.90%. This historic maturing debt was not replaced with additional in year new borrowing. The average interest rate of all debt at 31 March 2023 of £220.9m was 4.60%.

2.3 Opportunities to reduce the cost of carry (interest paid against interest received) are constantly being explored as and when options arise. In October 2022, a LOBO market loan was called by the borrower, Commerzbank. Exercising their option to increase the coupon rate of the loan from 3.75% to 4.50%. The Council could accept the new borrowing rate for the next 6 months or repay the principal. The Loan was repaid early by the Council at par value £6.45m. This was the last LOBO loan in the Council’s wider debt portfolio.

2.3 No PWLB rescheduling was undertaken during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates has made rescheduling unviable.

2.4 The range of interest rates payable in all of the loans is illustrated in the graph below:



3. Short term borrowing

3.1 No borrowing was undertaken during 2022/23 to cover temporary overdraft situations.

4. Treasury Management Advisers

4.1 The Strategy for 2022/23 explained that the Council uses Link Asset Services as its treasury management consultant on a range of services which include:

- Technical support on treasury matters, Capital finance issues and advice on reporting;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings from the three main credit rating agencies and other market information;
- Assistance with training on treasury matters:

4.2 Whilst the advisers provide support to the internal treasury function, under current market rules and the Code of Practice the final decision on treasury matters remained with the Council. This service remains subject to regular review.

4.3 Link Asset Services is the largest provider of Treasury Management advice services to local authorities in the UK and they claim to be the market leading treasury management service provider to their clients. The advice has been and will continue to be monitored regularly to ensure a continued excellent advisory service.