

Westmorland and Furness Council

Report Title:	2022/23 Treasury Management Outturn Report for Barrow Borough Council, Eden District Council, South Lakeland District Council and Cumbria County Council
Meeting:	Council
Meeting Date:	23 November 2023
Report Author:	Pam Duke, Director of Resources & S151 Officer
Lead Cabinet Member(s):	Cllr Andrew Jarvis, Cabinet Member for Finance
Wards Affected?	All
PUBLIC, PART EXEMPT OR FULLY EXEMPT	N/A
List of Appendices (if any)	A. 2023/24 Treasury Management Outturn Report for Barrow Borough Council B. 2023/24 Treasury Management Outturn Report for Eden District Council C. 2023/24 Treasury Management Outturn Report for South Lakeland District Council D. 2023/24 Treasury Management Outturn Report for Cumbria County Council

1. Executive Summary

- 1.1 This report provides an outturn report for the Treasury Management function for Barrow Borough Council, Eden District Council, South Lakeland District Council and Cumbria County Council.
- 1.2 The report highlights performance and activities which confirm all Treasury Management activities undertaken during the period within the legacy Councils were in compliance with the respective Annual Strategy agreed by each legacy Council.
- 1.3 The recommendations in this report were approved for consideration by Council, at the Cabinet meeting held on the 17 October 2023.

2. Recommendation

For the reasons set out in this report, it is recommended that Council:

- Note the 2022/23 Treasury Management Annual Report for Barrow Borough Council; Eden District Council; South Lakeland District Council; and Cumbria County Council; and
- Note that each Council fully complied with their respective treasury management policies and practices during 2022/23 including Prudential Indicators.

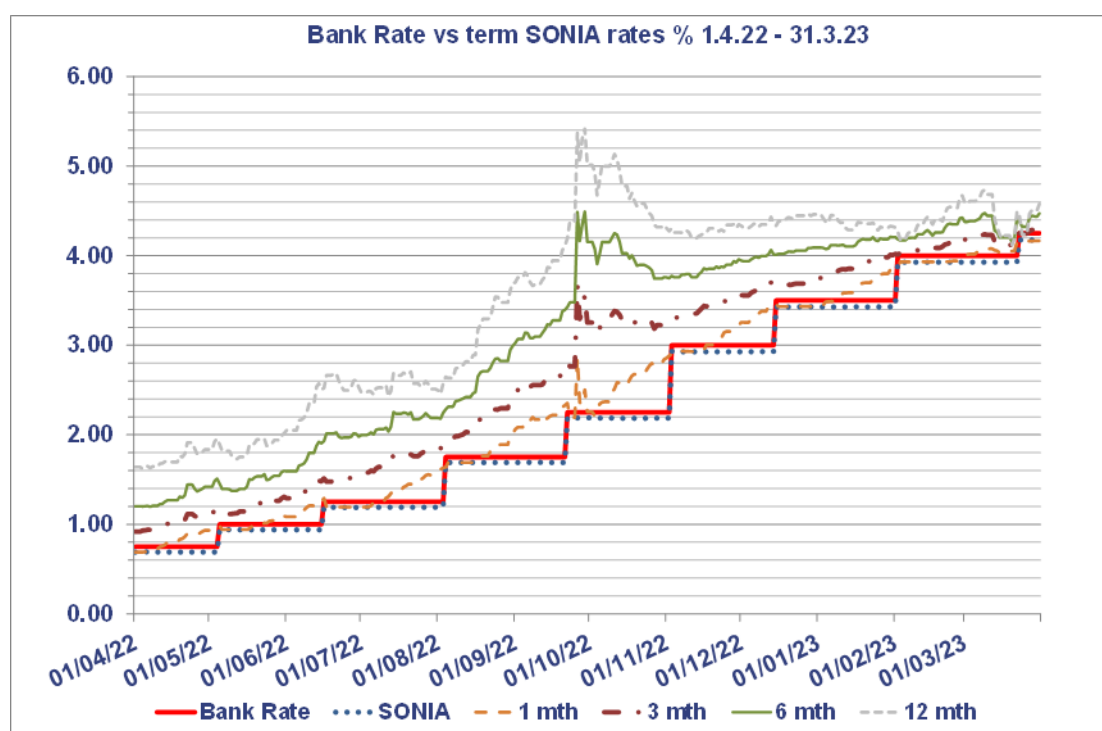
3. Information: the Rationale and Evidence

- 3.1 This report sets out the 2022/23 Treasury Management position for the former District Councils within the geographical boundary of Westmorland and Furness Council namely Barrow Borough Council, Eden District Council and South Lakeland District Council.
- 3.2 The recommendations set out in this report were presented to Cabinet at the meeting held on the 17 October 2023. The recommendations were approved for consideration by Council in accordance with the requirements of the Treasury Management Code of Practice.
- 3.3 As part of the Local Government Reorganisation arrangements, Westmorland & Furness Council is responsible for legacy issues associated with the financial obligations of Cumbria County Council and consequently this report also includes the 2022/23 Treasury Management position for the County Council.
- 3.4 In accordance with good practice, each legacy Council followed the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (as revised) ("the Code"). The primary requirements of the Code include receipt by full Council of:
- an Annual Treasury Management Strategy Statement (TMSS), including the Annual Investment Strategy and Minimum Revenue Provision Policy, for the year ahead;
 - a mid-year strategy review report; and
 - an annual review report following the end of the year, describing activities compared to the set strategy (attached for each legacy Council at Appendices A-D).
- 3.5 The regulatory environment continues to place a strong emphasis on Members for the review and scrutiny of treasury management policy and activities.
- 3.6 Key to the Treasury function of each Council was the effective control of the associated risks and the pursuit of optimum performance consistent with those risks. To achieve this, the Treasury function of each Council aimed to ensure that short-term cash reserves were securely held (i.e. security of principal) and

that appropriate levels of cash were available to manage day to day payments (i.e. liquidity). After both security and liquidity were considered, Treasury officers aimed to maximise investment returns (i.e. income generation).

3.7 **2022/23 Economic Context**

- 3.7.1 Financial markets experienced a high level of volatility throughout 2022/23. The key drivers included realisations that inflationary pressures were not transitory and, as such, interest rate forecasts initially projected only gradual rises during 2022/23. However, throughout the year it had become clearer that inflation was increasing towards 40-year highs, with inflation, as measured by the Consumer Price Index (CPI), rising above 10% in the UK.
- 3.7.2 Whilst this reflected an increase in prices for goods and services, investment returns also increased during the course of 2022/23 as central banks, including the Bank of England, engaged in monetary policy tightening, increasing base rates during 2022 and into 2023.
- 3.7.3 Against this backdrop investment rates saw a marked increase as markets priced in expectations of future rate increases. In summary, in April 2022 the Bank Rate was 0.75% having increased in the previous months from the historic low of 0.1%. Throughout the year, the Bank Rate increased steadily in steps of either 0.25% or 0.5%, reaching 4.25% by the end of the financial year.



- 3.7.4 Whilst inflation increased rapidly from the beginning of 2022, with corresponding base rate rises attracting much higher rates of interest on

fixed term deposits, the priority for Treasury Management in each of the legacy Councils remained keeping sufficient monies readily available i.e. to ensure adequate liquidity for revenue and capital activities, security of investments, and to manage all other Treasury risks. Where possible during the year, each legacy Council placed excess cash in short term deposits, in accordance with their respective Treasury Management Strategy Statements enabling the Councils to secure higher rates of return whilst still ensuring appropriate liquidity to respond to service needs.

3.8 Local Government Reorganisation (LGR)

- 3.8.1 Throughout 2022/23, Officers within each legacy Council prepared for LGR and worked through the impact this would have on their respective Treasury Management functions and associated strategies e.g. the Capital programme, prudential indicators and all forecasts beyond the vesting date of 1 April 2023. The work included planning for these functions for the new unitary authorities.
- 3.8.2 Significant work was also undertaken to prepare Westmorland & Furness Council for vesting date including the setting up of new bank accounts for the Council, procuring Link Group as professional Treasury Management advisors to the new Council and developing a Treasury Management Strategy Statement for the new Council which was approved by the Shadow Cabinet in February 2023. This work ensured that the new Council was able to comply with the Code from vesting date.
- 3.9 Appendices A-D set out the Annual Treasury Management report for each of the legacy Councils for 2022/23. As set out in these appendices, each of the legacy Councils' Treasury Management activities in 2022/23 operated within the limits detailed in their respective Council's Treasury Policy Statement and Treasury Strategy Statement including the Prudential Indicators.
- 4. Link to Council Plan Priorities: (People, Climate, Communities, Economy and Culture, Customers, Workforce)**
- 4.1 This report reviews the 2022/23 Treasury Management position for each legacy Council. Each legacy Council set their respective Treasury Management policy for 2022/23 in accordance with their legacy Council plan priorities.
- 5. Consultation Outcomes (with services, ward councillors & public consultation where required)**
- 5.1 There has been no consultation on this report.
- 6. Alternative Options Considered**
- 6.1 Council may either:

6.1.1 Note the 2022/23 outturn reports for Barrow Borough Council, Eden District Council, South Lakeland District Council, and Cumbria County Council; or

6.1.2 Request further information relating to Treasury Management activities from the Director of Resources (S151 Officer).

7. Financial Implications and risk

7.1 The financial implications are detailed throughout this report. It is noted that each legacy Council complied with their respective Treasury Management policies in 2022/23 including compliance with their Prudential Indicators.

8. Legal & Governance Implications

8.1 This report is to note and there are no direct legal implications arising out of this report.

9. Human Resources Implications

9.1 There are no human resources implications arising from this report.

10. Equality & Diversity Implications (including the public sector equality duty, Armed Forces Families, Care Leavers and Health inequalities implications)

10.1 There are no equality and diversity implications associated with this report.

11. Background Information & Sources (used in preparation of this Report)

11.1 None.