

COUNCIL

14 SEPTEMBER 2023

REPORT OF CABINET

2022-23 TREASURY MANAGEMENT ANNUAL REPORT

Recommendation

- 1. The Cabinet recommends that Full Council note the 2022-23 Treasury Management Annual Report in accordance with the Council's Treasury Management Strategy.**

Background

2. This report summarises the treasury management performance and position information for Worcestershire County Council for the year ended 31 March 2023.
3. Treasury management at the Council is conducted within the framework of CIPFA's Treasury Management Code of Practice. In adopting the code, recommended best practice is for members to approve an Annual Treasury Management Strategy, and to then receive a mid-year update on progress against the strategy and a year-end review of actual performance against the strategy. The 2022-23 Annual Treasury Management Strategy was approved by Council on 17 February 2022, the mid-year report was approved on 27 October 2022 and this report details the year end activity for 2022-23.
4. The Strategy for 2023-24 was approved by Full Council on 16 February 2023 along with the Budget with further update reports scheduled for approval by Full Council during the remainder of this cycle. The Council's Treasury Management Annual Report 2022-23 was considered at the meeting of Cabinet on 20 July and the final report was referred to Full Council for noting and compliance with our Treasury Management Strategy.
5. The Council's Capital Financing Requirement (CFR) (or underlying need to borrow) at 31 March 2023 was £691.5 million, compared to £661.1 million at the start of the year. The estimated closing position was £723 million when the 2023-24 Treasury Management Strategy was approved by Council in February 2023. The 2022-23 borrowing need did not increase as much as was expected due to slippage and reprofiling in the capital programme.
6. Total external borrowing and other capital financing liabilities of the Council at 31 March 2023 was £534.5 million and the total interest paid servicing external debt for the year was £28.6 million.
7. The difference between the CFR and external borrowing was c £157 million, which was financed temporarily by 'internal borrowing' i.e. the use of reserves and working capital, which has offset the need to borrow externally.

8. As at 31 March 2023 the Council held cash and cash equivalents of £65.8m and treasury investments valued at £0 million – (in total £44.2 million Treasury Management investments met the cash and cash equivalents criteria, due to investing short term to take advantage of the interest rate increases). The total interest receivable and investment income for the Council for the year was approximately £9 million (£0.9 million related to Treasury Management Investments).

9. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's Treasury Management Strategy.

10. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report, and other reports considered during the financial year fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

11. The Council employs professionally qualified and experienced staff with responsibility for making borrowing and investment decisions. Officers are supported by external advisers who are specialists in their fields. The Council currently employs Link Treasury Services Ltd as treasury management advisers.

12. This approach ensures that the Council has access to a wide pool of relevant market intelligence, knowledge and skills that would be very difficult and costly to replicate internally. However, whilst advisers provide support to the internal treasury function, final decisions on treasury matters always remain with the Council.

13. The Audit and Governance Committee at its meeting on 21 July 2023 considered the 2022-23 Treasury Management Annual Report and had no comments to make.

Mr S E Geraghty
Chairman

Contact Points

Specific Contact Points for this report

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Background Papers

In the opinion of the proper officer (in this case the Assistant Director for Legal and Governance) the following are the background papers relating to the subject matter of this report:

Agenda and background papers for the meeting of Cabinet held on 20 July 2023

[Agenda for Cabinet on Thursday, 20th July, 2023, 10.00 am - Worcestershire County Council \(moderngov.co.uk\)](https://www.moderngov.co.uk/Agenda-for-Cabinet-on-Thursday-20th-July-2023-10.00-am-Worcestershire-County-Council)