Crawley Borough Council

Report to Overview and Scrutiny Commission
26 June 2023

Report to Cabinet
28 June 2023

Treasury Management Outturn 2022-2023

Report of the Head of Corporate Finance – FIN/624

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1. Purpose

1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022/23. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

1.2 During 2022/23 the minimum reporting requirements were that the Full Council should receive the following reports:

- an Annual Treasury Strategy in advance of the year (Council 23/02/2022, FIN/557)
- a mid-year treasury update report (Council 14/12/2022, FIN/593)
- an annual review following the end of the year describing the activity compared to the Strategy (this report)

1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

1.4 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Overview and Scrutiny Commission before they were reported to the Full Council.

2. Recommendations

2.1 To the Overview and Scrutiny Commission:

That the Commission consider the report and decide what comments, if any, it wishes to submit to the Cabinet.

2.2 To the Cabinet

The Cabinet is recommended to:

a) To approve the actual 2022/23 Prudential and Treasury Indicators as set out in the report;
b) To note the Annual Treasury Management Report for 2022/23.

3. Reasons for the Recommendations

3.1 The Council's financial regulations, in accordance with the CIPFA Code of Practice for Treasury Management, requires an annual review following the end of the year describing the activity compared to the Strategy. This report complies with these requirements.

4. The Council's Capital Expenditure and Financing

4.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions, etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

4.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

General Fund £'000	2021/22 Actual	2022/23 Budget	2022/23 Actual
Capital expenditure	**31,416**	**18,845**	**11,739**
Non-financial investments	**0**	**0**	**0**
Financed in year	31,416	13,345	11,695
Unfinanced capital expenditure	**0**	**5,500**	**44**

HRA £'000	2021/22 Actual	2022/23 Budget	2022/23 Actual
Capital expenditure	**13,927**	**35,060**	**19,871**
Financed in year	13,927	35,060	11,173
Unfinanced capital expenditure	**0**	**0**	**8,698**

5. The Council's Overall Borrowing Need

5.1 On 31st March 2023, the Council had net borrowing of £151.300m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in the table below.

£'000	31 March 2023 Actual
CFR General Fund	18,029
CFR HRA	249,325
Total CFR	**267,354**
External borrowing	249,325

£'000	31 March 2023 Actual
Under borrowing	**18,029**
Less: Usable reserves	86,245
Less: Working capital	11,780
Net borrowing	**151,300**

5.2 The Council pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

5.3 **The authorised limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2020/21 the Council has maintained gross borrowing within its authorised limit.

5.4 **The operational boundary –** the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

5.5 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

General Fund £'000	2022/23
Authorised limit	1,000
Maximum gross borrowing position during the year	769
Operational boundary	1,000
Average gross borrowing position	2
Financing costs as a proportion of net revenue stream	-1.33%

HRA £'000	2022/23
Authorised limit	270,325
Maximum gross borrowing position during the year	260,325
Operational boundary	260,325
Average gross borrowing position	260,204
Financing costs as a proportion of net revenue stream	15.31%

6. Treasury Position as at 31 March 2023

6.1 The Council measures and manages its exposures to treasury management risks using the following indicators.

6.2 Security

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Actual 31 March 2023	2022/23 Target	Complied?
Portfolio average credit rating	A+	A	✓

6.3 Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

Liquidity risk indicator	Actual 31 March 2023	2022/23 Target	Complied?
Total cash available within 3 months	£63.0m	£3m	✓

6.4 Interest Rate Exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

Interest rate risk indicator	Actual 31 March 2023	2022/23 Target	Complied?
Upper limit on one-year revenue impact of a 1% rise in interest rates	£0.878m	£1m	✓
Upper limit on one-year revenue impact of a 1% fall in interest rates	£(0.878)m	£(1)m	✓

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

6.5 Maturity Structure of Borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	31 March 2022 Actual £000	2022/23 Original Limits	31 March 2023 Actual £000	Complied?
Under 12 months	11,000 (4%)	10%	12,000 (5%)	✓
12 months and within 24 months	12,000 (5%)	10%	13,000 (5%)	✓
24 months and within 5 years	41,000 (16%)	20%	44,000 (18%)	✓
5 years and within 10 years	92,000 (35%)	40%	98,000 (39%)	✓
10 years and within 20 years	104,325 (40%)	55%	82,325 (33%)	✓
20 years and within 30 years	0 (0%)	10%	0 (0%)	✓
30 years and within 40 years	0 (0%)	10%	0 (0%)	✓
40 years and within 50 years	0 (0%)	10%	0 (0%)	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

6.6 **Principal sums invested for periods longer than a year**
The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities greater than one year beyond the period end were:

	2022/23	2023/24	2024/25
Actual principal invested beyond year end	£5m	£0m	£0m
Limit on principal invested beyond year end	£20m	£20m	£20m
Complied?	✓	✓	✓

6.7 The treasury management position at 31st March 2023 and the change during the year is shown in the table below.

Treasury Management Summary	31.3.22 Balance £000	Movement £000	31.3.23 Balance £000	31.3.23 Rate %
Long-term borrowing	249,325	(12,000)	237,325	3.2
Short-term borrowing	11,000	1,000	12,000	2.7
Total borrowing	**260,325**	**0**	**249,325**	**3.2**
Long-term investments	9,996	(4,996)	5,000	0.50
Short-term investments	98,893	(30,597)	68,296	1.33
Cash and cash equivalents	20,056	4,673	24,729	3.06
Total investments	**128,945**	**(30,920)**	**98,025**	**1.72**
Net borrowing	**131,380**	**19,920**	**151,300**	

7. Borrowing Update and Outturn for 2022/23

7.1 The Council was not planning to borrow to invest primarily for commercial return and so is unaffected by the changes to the Prudential Code.

7.2 At 31st March 2023 the Council held £249.325m of loans, a decrease of £11m to 31st March 2022, which was all for the HRA self-financing settlement.

7.3 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio and, where practicable, to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

7.4 The cost of both long and short-term borrowing rose dramatically over the year, with rates at the end of March around 2% - 4% higher than those at the beginning of April. Rate rises have been driven primarily by inflation and the need for central banks to control this by raising interest rates. Particularly dramatic rises were seen in September after Liz Truss' 'mini-budget' included unfunded tax cuts and additional borrowing to fund consumer energy price subsidies: over a twenty-four-hour period some PWLB rates increased to 6%. Rates have now fallen from September peaks but remain volatile and well above recent historical norms. The PWLB 10 year maturity certainty rate stood at 4.33% at 31st March 2023, 20 years at 4.70% and 30 years at 4.66%.

7.5 A new HRA PWLB rate of gilt yield plus 0.4% (0.4% below the currently available certainty rate) was announced on 15th March 2023. This discounted rate is to support local authorities borrowing for Housing Revenue Accounts and the delivery of social housing and is expected to be available from June 2023, initially for a period of one year.

7.6 In keeping with these objectives, no new borrowing was undertaken.

8. Investment strategy and control of interest rate risk

8.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

8.2 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances ranged between £97.6 and £150.9 million due to timing differences between income and expenditure. The investment position is shown in the table below.

INVESTMENT PORTFOLIO	Actual 31 March 2022 £000	Net Movement £000	Actual 31 March 2023 £000	31 March 2023 Income Return %	31 March 2023 Weighted Average Maturity Days
Treasury investments					
UK Banks	556	(177)	379	1.50%	3
Government	17,189	(5,893)	11,296	2.31%	138
Local authorities	91,700	(29,700)	62,000	1.08%	122
Money Market Funds	9,500	4,850	14,350	4.09%	3
Cash plus funds	10,000	0	10,000	1.65%	5
TOTAL TREASURY INVESTMENTS	128,945	(30,920)	98,025	1.60%	177

8.3 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

8.4 Bank Rate has increased from 0.75% at the beginning of the year to 4.25% at the end of March 2023. Short-dated cash rates, which had ranged between 0.7% - 1.5% at the beginning of April, rose by around 3.5% for overnight/7-day maturities and 3.3% for 6-12 month maturities.

8.5 By the end of March 2023, the rates with the Debt Management Account Deposit Facility (DMADF) ranged between 4.05% and 4.15% depending on the deposit maturity. The return on the Council's sterling Low Volatility Net Asset Value (LVNAV) Money Market Funds ranged between 0.44% - 0.69% in early April and between 3.83% and 4.12% at the end of March

8.6 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in the table below.

Investments managed in-house	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2022 31.03.2023	4.39 4.91	AA- A+	8% 17%	192 104	0.27 1.72
Similar Las **All LAs**	4.74 4.71	A+ A+	63% 59%	56 12	3.55 3.66

8.7 **Externally Managed Pooled Funds**: £10m of the Council's investments is invested in externally managed strategic pooled cash plus funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated an average total return of £0.165m (1.65%), which is used to support services in year, and £0.074m (0.74%) of unrealised capital loss.

8.8 The negative correlation between bonds and equities, which had featured for some years, turned positive in 2022 as both bonds and equities sold off simultaneously against an outlook of sticky inflation and high interest rates. Simultaneously, tighter financial conditions, higher bond yields and challenges in some segments of commercial real estate (e.g. offices post-COVID, high street shops and shopping centres) saw commercial property values fall during 2022, with a large fall in the final calendar quarter.

Dividends continued to be received from the Council's cash plus funds, the payout increasing for most funds in the portfolio.

The change in the Council's funds' capital values and income earned over the 12-month period is shown in 8.2.

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's medium- to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates.

8.9 The DLUHC published a consultation on the IFRS 9 pooled investment fund statutory override for English authorities for fair value gains and losses on pooled investment funds which was due to expire with effect from 2023/24. The options under evaluation were to allow the override to lapse, to extend it, or to make it permanent. The override will be extended for two years and therefore remain in place for the 2023/24 and 2024/25 financial years. Under the Regulations, gains and losses resulting from unrealised fair value movements relating to treasury pooled investment funds, that otherwise must be recognised in profit or loss under IFRS 9, are not charges to the revenue account, and must be taken into an unusable reserve account.

9. Non-Treasury Investments

9.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.

9.2 The Council held £44.841m of commercial investments in directly owned properties.

A full list of the Council's commercial investments is in the table below:

	Purchase Cost £000	Fair Value as at 31/03/2023 £000	Income for year 2022/23 £000	Rate of return %
Atlantic House	4,633	3,574	89	2.49
49-51 High Street	1,576	1,145	12	1.08
Ashdown House	7,915	8,085	386	4.78
Others	N/A	4,896	108	2.20
Sub-total	14,124	17,700	595	3.36
The Create Building	29,582	27,141	0	
TOTAL	43,706	44,841	1,083	

The Create Building was completed in year but currently has no tenants.

9.3 The Council also held £52.568m of service investments in

- directly owned property £52.268m
- loan to The Hawth £0.3m

Service investments are not held primarily for financial return and support service objectives of the Council.

10. Investment Outturn for 2022/23

10.1 **Investment Policy –** the Council's investment policy is governed by Government guidance, which was been implemented in the annual investment strategy approved by the Council on 23 February 2022. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data such as rating outlooks and credit default swaps.

10.2 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

10.3 **Resources** – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows.

Balance Sheet Resources (£'000)	31 March 2022	31 March 2023
General Fund Balance	5,457	6,000
HRA Balance	3,198	3,237
Earmarked reserves (Appendix 3)	20,056	16,918
Major Repairs Reserve	27,007	36,746
Usable capital receipts	19,831	23,344
Working capital	53,396	11,780
Total	**128,945**	**98,025**

10.4 **Investments held by the Council** - the Council maintained an average balance of £137,906,525 of internally managed funds. The internally managed funds earned an average rate of return of 1.05%. See appendix 2 for a list of investments held at 31 March 2023. Revisions of the capital programme in the year (see 4.2) led to higher investment balances than budgeted.

11. Implications

11.1 The financial and legal implications are addressed throughout this report. The Council's investments were managed in compliance with the Treasury Management Code and the Prudential Code through the year.

12. Background Papers

Treasury Management Strategy for 2022/2023 – Cabinet, 2 February 2022 [FIN/557 refers]

Treasury Management Mid-Year Review 2022/23 – Cabinet, 23 November 2022 [FIN/593 refers]

Report author and contact officer: Carey Manger, Finance Business Partner (01293 438021)

Economic background

The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.

Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.

Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.

Following the decision by the UK government under Rishi Sunak and Jeremy Hunt to reverse some of the support to household energy bills announced under Liz Truss, further support in the form of a cap on what energy suppliers could charge household was announced in the March Budget to run from April until end June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April.

The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period December-February showed an unemployment rate of 3.7%.

The inactivity rate was 21.3% in the December-February quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December-February at as 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, however, both measures were negative for that period and have been so throughout most of the year.

Despite household budgets remaining under pressure, consumer confidence rose to -36 in March, following readings of -38 and -45 in the previous two months, and much improved compared to the record-low of -49 in September. Quarterly GDP was soft through the year, registering a 0.1% gain in the April-June period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter. For the October-December period was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Q4 was 0.6%.

The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.

After reaching 9.1% in June, annual US inflation slowed for eight consecutive months to 6% in February. The Federal Reserve continued raising interest rates over the period with consecutive increases at each Federal Open Market Committee meetings, taking policy rates to a range of 4.75%- 5.00% at the March meeting.

From the record-high of 10.6% in October, Eurozone CPI inflation fell steadily to 6.9% in March 2023. Energy prices fell, but upward pressure came from food, alcohol, and tobacco. The European Central Bank continued increasing interest rates over the period, pushing rates up by 0.50% in March, taking the deposit facility rate to 3.0% and the main refinancing rate to 3.5%.

Financial markets

Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.

Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.

Credit review

Early in the period, Moody's affirmed the long-term rating of Guildford BC but revised the outlook to negative. The agency also downgraded Warrington BC and Transport for London.

In July Fitch revised the outlook on Standard Chartered and Bank of Nova Scotia from negative to stable and in the same month Moody's revised the outlook on Bayerische Landesbank to positive. In September S&P revised the outlook on the Greater London Authority to stable from negative and Fitch revised the outlook on HSBC to stable from negative.

The following month Fitch revised the outlook on the UK sovereign to negative from stable. Moody's made the same revision to the UK sovereign, following swiftly after with a similar move for a number of local authorities and UK banks including Barclays Bank, National Westminster Bank (and related entities) and Santander.

During the last few months of the reporting period there were only a handful of credit changes by the rating agencies, then in March the collapse of Silicon Valley Bank (SVB) in the US quickly spilled over into worries of a wider banking crisis as Credit Suisse encountered further problems and was bought by UBS.

Credit Default Prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September/October at the time of the then-government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, they had moderated somewhat by the end of the period as fears of contagion subsided, but many are still above their pre-March levels reflecting that some uncertainty remains.

On the back of this, Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list.

As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remains under constant review.

Local authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. Section 114 notices have been issued by only a handful of authorities with specific issues. While Arlingclose's advice for local authorities on its counterparty list remains unchanged, a degree caution is merited with certain authorities.

Detailed holdings at 31 March 2023

APPENDIX 2

Counter Party	Deal Ref	Issue	Maturity	Days to Mature	Interest Rate	Nominal (£m)	Total (£m)	Limit (£m)	Rating
UK BANKS									
Lloyds Bank plc	20		01/04/2023	3	1.500%	0.379	0.379	10.000	A+
CENTRAL GOVERNMENT									
DMADF Cash Account	2783	31/03/2023	05/04/2023	5	4.050%	6.300	6.300	Unlimited	
United Kingdom Gilts	2672	18/06/2021	31/01/2024	306	0.125%	5.000	4.996	15.000	AA-
LOCAL AUTHORITIES									
Aberdeenshire Council	2729	18/11/2022	01/08/2023	123	1.200%	5.000	5.000	15.000	AA-
Blaenau Gwent County Borough Council	2702	08/04/2022	06/04/2023	6	0.280%	2.000			
	2703	27/05/2022	26/05/2023	56	0.280%	3.000	5.000	15.000	AA-
Brentwood Borough Council	2710	27/10/2022	25/08/2023	147	1.300%	3.000	3.000	15.000	AA-
Cambridgeshire CC	64	22/07/2022	22/01/2024	297	1.000%	5.000	5.000	15.000	AA-
Derbyshire County Council	2721	31/10/2022	31/05/2023	61	1.000%	2.000	2.000	15.000	AA-
Eastleigh Borough Council	2732	16/01/2023	17/04/2023	17	1.120%	5.000	5.000	15.000	AA-
Guildford Borough Council	2734	02/12/2022	03/04/2023	3	0.970%	5.000	5.000	15.000	AA-
Kirklees Metropolitan Council	2698	01/04/2022	02/04/2024	368	0.500%	5.000	5.000	15.000	AA-
Lancashire CC	2749	01/11/2022	01/11/2023	215	2.500%	2.000	2.000	15.000	AA-
City of Liverpool	2727	30/11/2022	31/05/2023	61	1.150%	5.000	5.000	15.000	AA-
North Lanarkshire Council	2752	15/09/2022	19/07/2023	110	2.250%	5.000	5.000	15.000	AA-
Royal Borough of Windsor & Maidenhead	2717	30/09/2022	29/09/2023	182	1.200%	5.000	5.000	15.000	AA-
Rotherham Metropolitan Borough Council	2645	18/06/2021	16/06/2023	77	0.450%	5.000	5.000	15.000	AA-
Stockport MBC	2725	11/11/2022	11/05/2023	41	1.100%	5.000	5.000	15.000	AA-
MONEY MARKET FUNDS									
Aberdeen Liquidity Fund	5		01/04/2023	3	4.055%	3.550	3.550	6.000	AAA
The Public Sector Deposit Fund	6		01/04/2023	3	4.122%	4.950	4.950	5.400	AAA
Deutsche Managed Sterling Fund	3		01/04/2023	3	4.080%	5.000	5.000	6.000	AAA
Federated Prime Rate Cash Man	1		01/04/2023	3	4.092%	0.850	0.850	6.000	AAA
STRATEGIC FUNDS									
Royal London	2714		01/04/2023	5	1.650%	10.000	10.000	10.000	A+
				94			**98.025**		

Counter Party	Deal Ref	Issue	Maturity	Days to Mature	Interest Rate	Nominal (£m)	Total (£m)	Limit (£m)	Rating
INVESTMENT PROPERTIES									
Ashdown House							8.085		
49-51 High Street							1.145		
Atlantic House							3.574		
The Create Building							27.141		
Others							4.896		

							44.841		

							142.866		

Earmarked Reserves

	Balance at 31 March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance at 31 March 2023 £'000
General Fund:				
Capital Programme	2,293	-	209	2,502
Restructuring Impact Reserve	400	-	-	400
Vehicles and Plant	1,632	(123)	594	2,103
Insurance Fund	378	(266)	-	112
ICT Replacement	260	-	100	360
Specialist Equipment at K2 Crawley and Hawth	266	(45)	100	321
Risk Management	265	-	94	359
Heritage Strategy	18	-	-	18
Pathfinder	24	-	-	24
Local Development Framework	423	(15)	99	507
Health & Wellbeing Grant	223	(9)	38	252
Connecting Communities	48	-	-	48
Homeless grant	141	-	-	141
Town Centre and Regeneration Reserve	254	-	-	254
Waste Collection	226	-	-	226
Worth Park HLF	33	(15)	-	18
Grant to voluntary organisations	58	-	-	58
Welfare Reform	397	(113)	137	421
Transparency	1	-	8	9
Shore gap fund	7	-	-	7
Tilgate Park Investment	268	(35)	78	311
New Museum	59	(2)	13	70
Town Centre 75th Entertainment	5	(5)	-	-
EU Exit Funding	91	(41)	-	50
Park Improvement Fund	87	(24)	160	223
Business Rates Pool Cycling	102	(30)	-	72
Homeless Accommodation Acquisition	1,529	(585)	-	944
Queen Square	381	-	-	381
Supported Accommodation	120	-	-	120
Town Funds	45	(42)	-	3
Covid-19 LA Support Grant	817	(817)	-	-
HMO Licenses	46	-	-	46

	Balance at 31 March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance at 31 March 2023 £'000
Transformation and Project Deliver	500	(301)	-	199
Woodland Trust Forestry Work	27	-	14	41
Climate Emergency	7	(7)	-	-
DEFRA Environment Health	17	(13)	-	4
Biodiversity Net Gain Grant	10	-	27	37
Garage maintenance	169	-	-	169
Learning and Development	55	-	50	105
Town Hall Equalisation	150	-	206	356
Licensing New Burdens	14	-	4	18
Election new burden	-	-	10	10
Town fund – Innovation centre	-	-	97	97
Town fund – Cultural Quarter	-	-	63	63
Cost of living	-	-	307	307
CBC Earmarked Reserves	**11,846**	**(2,488)**	**2,408**	**11,766**
Business Rates Equalisation*	7,962	(2,962)	-	5,000
Covid Grants*	167	(66)	11	112
Council Tax Income Guarantee*	81	(41)	-	40
Total Earmarked Reserves	**20,056**	**(5,557)**	**2,419**	**16,918**

APPENDIX 4

Other Information

Revised CIPFA codes, Updated PWLB Lending Facility Guidance: In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more detail and 12 examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20th December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.

The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year if they wish. The Council has opted to defer until 2023/24.
To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decision that will increase the CFR unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.

Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.

Unlike the Prudential Code, there is no mention of the date of initial application in the Treasury Management Code. The TM Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version.
The Council will follow the same process as the Prudential Code, i.e. delaying changes in reporting requirements to the 2023/24 financial year.

IFRS 16: The implementation of the new IFRS 16 Leases accounting standard has an optional delay until 2024/25. The Council have opted to adopt IFRS 16 from 1st April 2022.