REVIEW OF TREASURY MANAGEMENT ACTIVITY 2022/23

REPORT OF:	DIRECTOR OF RESOUCES AND ORGANISATIONAL DEVELOPMENT
Contact Officer:	Rachel Jarvis, Assistant Director of Corporate Resources and S151 Officer, Email: rachel.jarvis@midsussex.gov.uk
Wards Affected:	All
Key Decision:	No
Report to:	Audit Committee 18 September 2023

Purpose of Report

1. This report sets out the Council's Treasury Management activity for the year ended 31 March 2023.

Summary

2. The report confirms that all transactions are in order and the performance of the service has been in keeping with the requirements of the Service Level Agreement (SLA) with our shared services provider.

Recommendations

3. The Audit Committee is requested to:
   - **i. Note the contents of the report.**
   - **ii. Recommend to propose that Council agree the 2022/23 prudential indicators; and**
   - **iii. Note the Treasury Management Annual Report at Appendix A.**

Background

4. The Treasury Management function of this Council has been provided by Adur and Worthing Councils as a shared service since October 2010. This has enabled the cost of the service to be affordable whilst giving access to specialist advice and the administration skills of a larger authority. The SLA was extended for a further three years from October 2022.

5. The outturn performance for investment income was a return of £1.465m. The shared service will continue to monitor the market carefully for the best possible interest rates. All counterparty lending limits approved at the start of the year were met, and all prudential limits were adhered to.

Policy Context

6. The presentation of this report is part of the requirements under the Council's Treasury Management policy to produce an annual report. This reporting regime Provides Audit Committee, the opportunity for the oversight and review of Treasury Management activities for 2022/23.

Other Options Considered

7. N/A

Financial Implications

8. None

Risk Management Implications

9. This report has no specific implications for the risk profile of the Council.

Equality and Customer Service Implications

10. None

Other Material Implications

11. None

Sustainability Implications

12. None

Appendices

- Treasury Management Annual Report

Background Papers

- Treasury Management Strategy Statement & Annual Investment Strategy 2022/23 to 2024/25 (Council on 11th May 2022), and Review of Treasury Management Activity 1 April – 30 September 2022.
- The CIPFA code of Practice on Treasury Management (the code).
- CIPFA Prudential code for Capital Finance in Local Authorities (the Prudential Code)
- Link Asset Services Report Template (April 2023)

Appendix A –Treasury Management Annual Report

1. SUMMARY

1.1 This report summarises the outcome of the operation of the treasury management service for the financial year 2022/23.

2. INTRODUCTION AND BACKGROUND

2.1 Treasury management is defined as: "The management of the local authority's cash flows and investments, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks"

2.2 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities including 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).

2.3 This report provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

2.4 For 2022/23 the minimum reporting requirements were that full Council should receive the following reports, which incorporate a variety of policies, estimates and actuals:

1. The Annual Treasury Management Strategy Statement and Annual Investment Strategy approved by full Council in advance of the year on 11 May 2022.

2. The mid-year treasury management operations update report.

3. An annual review (this report) to be presented to the Audit Committee following the end of the year, describing the activity compared to the strategy.

2.5 The Council has complied with these requirements. In addition, training was also supplied to members by Link Asset Services on the 13 December 2022.

3. THE COUNCIL'S CAPITAL FINANCING AND EXPENDITURE

3.1 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.

3.2 The actual capital expenditure forms one of the required prudential indicators, because the Council must ensure that capital expenditure is affordable, approved and monitored. The table below shows the actual capital expenditure and how this was financed.

£m	2021/22 Actual	2022/23 Strategy	2022/23 Actual
Capital expenditure	**10.842**	**2.038**	**04.633**
Financed in year	**10.842**	**2.038**	**4.633**
Unfinanced capital expenditure	**0.000**	**0.000**	**0.000**

4. THE COUNCIL'S OVERALL BORROWING NEED

4.1 A Council's capital expenditure is funded immediately by, for example, capital grants, capital receipts from the sale of assets, or from contributions from the revenue budget (capital funded by revenue as approved by statute). Capital expenditure that is not funded by any of these means is described as "the underlying need to borrow" and is termed the Capital Financing Requirement (CFR). A Council decides to borrow these amounts externally, or alternatively to use cash that would otherwise be invested (internal borrowing). This decision is based on a number of factors, including the prevailing interest rates for borrowing compared to those for investing, the likelihood of a capital receipt or return on investment in the near future or a forecast of additional capital grants.

4.2 **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2022/23) plus the estimates of any additional capital financing requirement for the current (2023/24) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs to take advantage of, say, low interest rates. The table below highlights the Council's gross borrowing position against the CFR.

	31 March 2022 Actual	31 March 2023 Strategy	31 March 2023 Actual
CFR (£m)	**6.661**	**6.114**	**6.114**
External Debt	**(0.153)**	**(0.000)**	**(0.000)**
Finance Lease *	**(1.970)**	**(1.676)**	**(1.676)**
Total Borrowing	**(2.123)**	**(1.676)**	**(1.676)**
Under borrowing	**4.538**	**4.438**	**4.438**

*The Authority has a contract with SERCO for the provision of waste collection. The fleet of vehicles used to provide the service is shown as Property, Plant and Equipment in the Balance Sheet, with a vehicle life of 10 years 4 months which ends 30 July 2028. Accordingly, this is recognised as a Finance Lease.

4.3 The difference between the CFR and the gross borrowing position is termed under or over-borrowing. If a Council is under borrowed, it is using some of its internal cash that could otherwise be invested. It can therefore choose to borrow externally up to the CFR to take advantage of favourable interest rates. If a Council is over-borrowed, it needs to ensure that this position is remedied over a two-year period. The Council was under borrowed by £4.438m at the 31 March 2023, and repaid the final instalment of PWLB debt in March 2023.

4.4 **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 2022/23 the Council has maintained gross borrowing within its authorised limit.

4.5 **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. The Council did not breach the operational boundary during the year.

4.6 **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. The costs incurred through capital expenditure are the interest payable on money borrowed and the Minimum Revenue Provision (MRP see section 9), which is a statutory annual revenue charge to reduce the indebtedness of a Council, based on the amount of unfunded capital expenditure.

4.7 Investment income is deducted from the costs and the net figure is then compared to the Council's net revenue stream – the income received from grants and taxation as shown in the Statement of Accounts. Consequently, if only the costs of the capital programme increase or the investment income decreases, the proportion of financing costs to net revenue stream will increase. If only the net revenue stream increases, then the proportion will reduce. Usually there will be a combination of both factors.

	2022/23
Authorised limit	£34.000m
Maximum gross borrowing position during the year	£2.123m
Operational boundary	£32.000m
Average gross borrowing position	£1.062
Financing costs as a proportion of net revenue stream	N/A

5. THE COUNCIL'S TREASURY POSITION 31 MARCH 2023

5.1 The Council's treasury position at the beginning and end of the year was as follows: -

	Principal at 31.03.22 £m	Average Interest Rate	Average Life in Years	Principal at 31.03.23 £m	Average Interest Rate	Average Life in Years
Borrowing						
PWLB	(0.153)	4.55%	0.92	0	0	0
Other Borrowing	0	0	0	0	0	0
Finance lease	(1.970)			(1.676)		
TOTAL BORROWING	**(2.123)**			**(1.676)**		
CFR	**6.661**			**6.114**		
(Over)/under borrowing	**4.540**			**4.438**		
Investments:						
Local Authority Property Fund	6.687	3.98%	n/a	5.584	4.13%	n/a
In-house:						
Long Term	6.025	0.38%	1.29	2.000	1.20%	1.57
Short Term	63.604	0.23%	< 1 year	66.730	1.71%	< 1 year
TOTAL INVESTMENTS	**76.316**			**74.315**		
NET INVESTMENTS	**74.193**			**72.639**		

5.2 The maturity structure of debt table that follows demonstrates that procedures are in place to prevent the maturity of too much debt in a single period, when only high interest rates may be available for refinancing the debt, if required.

	31 March 22 actual	2022/23 original limits	31 March 2023 actual
Under 12 months	0.447	80%	0.300
12 months and within 24 months	0.300	70%	0.307
2 year to 5 years	0.939	80%	0.958
Over 5 Years	0.436	80%	0.110

5.3 **Investments held at 31 March 2023 (excluding the Local Authority Property Fund):**

Counterparty	Issue Date	Maturity Date	Principal	Current Interest Rate	Long Term Rating
CAMBRIDGE BUILDING SOCIETY	09/07/2021	05/07/2023	£1,000,000.00	0.4000	*
CAMBRIDGE BUILDING SOCIETY	05/07/2021	05/07/2023	£2,000,000.00	0.4000	*
CCLA Investment Management Limited	06/02/2020	n/a	£1,420,000.00	4.1223	AAA
CHESHIIRE EAST COUNCIL	23/03/2023	26/09/2023	£2,000,000.00	4.3000	AA-
CLOSE BROTHERS LIMITED	05/09/2022	05/09/2023	£2,000,000.00	2.8000	A-
CLOSE BROTHERS LIMITED	08/09/2022	11/09/2023	£1,000,000.00	3.9000	A-
CLOSE BROTHERS LIMITED	30/03/2023	30/09/2024	£2,000,000.00	4.7500	A-
CLYDESDALE BANK GLASGOW	10/08/2022	11/08/2023	£4,000,000.00	2.8200	A-
Coventry Building Society	10/08/2022	09/08/2023	£1,000,000.00	2.3200	A-
Coventry Building Society	18/08/2022	18/08/2023	£1,000,000.00	2.7000	A-
GLOUCESTER POLICE	28/03/2023	28/06/2023	£1,000,000.00	4.6000	AA-
Goldman Sachs International Bank	06/04/2022	06/04/2023	£1,000,000.00	1.9550	A+
Goldman Sachs International Bank	02/03/2023	01/03/2024	£1,500,000.00	4.6500	A+
Goldman Sachs International Bank	06/03/2023	05/03/2024	£1,000,000.00	4.6850	A+
Goldman Sachs International Bank	31/03/2023	28/03/2024	£1,500,000.00	4.9550	A+
Handles fixed term deposit	08/08/2022	08/08/2023	£3,000,000.00	2.4800	AA
HSBC ESG MMF	14/04/2022	n/a	£2,810,000.00	4.1000	AAA
LEEDS BUILDING SOCIETY	05/04/2022	05/04/2023	£3,000,000.00	1.5400	A-
Lloyds Call Account	31/03/2023	n/a	£2,500,000.00	4.1600	A+
MONMOUTHSHIRE BUILDING SOCIETY	02/08/2021	07/08/2023	£3,000,000.00	0.3500	*
NATIONAL COUNTIES B SOC	05/05/2022	05/05/2023	£1,000,000.00	1.7800	*
National Westminster Bank	29/06/2022	29/06/2023	£3,000,000.00	2.5500	A+
National Westminster Bank	30/06/2022	30/06/2023	£1,000,000.00	2.5500	A+
NATIONWIDE BLDG SOCIETY	30/06/2022	30/06/2023	£1,000,000.00	2.3400	A
NATIONWIDE BLDG SOCIETY	08/08/2022	08/08/2023	£3,000,000.00	2.4300	A
Newcastle Building Soc.	07/04/2022	06/04/2023	£3,000,000.00	1.2500	*
Principality Building Soc	09/06/2022	09/06/2023	£3,000,000.00	1.7800	BBB
Progressive Building Society	05/07/2022	05/07/2023	£1,000,000.00	2.4000	*
STANDARD CHARTERED BANK	29/07/2022	28/07/2023	£1,000,000.00	2.7900	A+
STANDARD CHARTERED BANK	31/03/2023	29/12/2023	£1,000,000.00	4.8200	A+
STANDARD CHARTERED BANK	31/03/2023	28/03/2024	£2,000,000.00	4.9000	A+
Surrey Heath Borough Council	26/09/2022	26/09/2023	£3,000,000.00	2.7000	AA-
THURROCK BOROUGH COUNCIL	25/05/2022	24/05/2023	£2,000,000.00	1.7000	AA-
West Bromwich Building So	05/07/2022	05/07/2023	£2,000,000.00	2.1000	BB-
West Bromwich Building So	05/07/2022	05/07/2023	£1,000,000.00	2.1000	BB-
Yorkshire Building Society	26/07/2022	26/07/2023	£3,000,000.00	2.5200	A-

TOTAL			£68,730,000.00		

* - Not on credit list

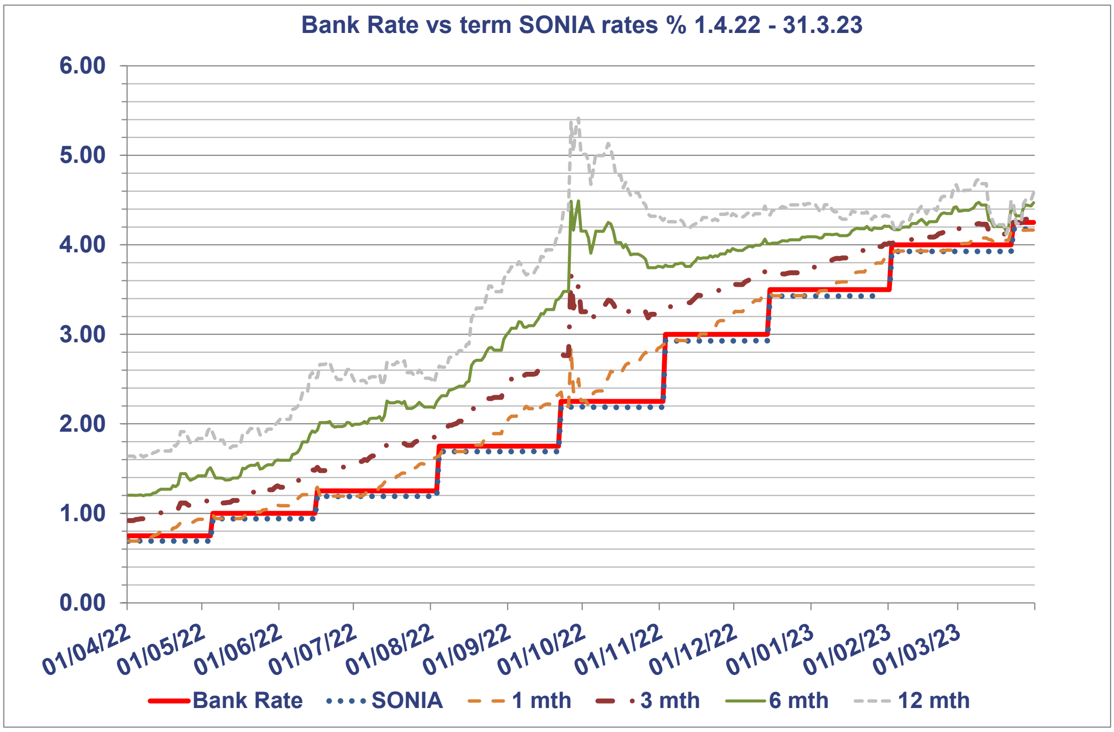
5.4 **Local Authority Property Fund** – the Council has also invested £6m with the Local Authorities' Property Fund.

6. THE STRATEGY FOR 2022/23

6.1 Some of the information and tables in the following paragraphs are supplied by the shared service provider's treasury advisors, Link Asset Services and consist of detailed economic and market information which informed the Council's treasury management decisions throughout the year.

6.2 Investment strategy and control of interest rate risk

SONIA: the Sterling Overnight Index Average, a replacement set of indices (for LIBID)



6.3 Investment returns picked up throughout the course of 2022/23 as central banks, including the Bank of England, realised that inflationary pressures were not transitory, and that tighter monetary policy was called for. Starting April at 0.75%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 4.25% by the end of the financial year, with the potential for a further one or two increases in 2023/24.

6.4 The sea-change in investment rates meant local authorities were faced with the challenge of pro-active investment of surplus cash for the first time in over a decade, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and "laddering" deposits on a rolling basis to lock in the increase in investment rates as duration was extended, became an on-going feature of the investment landscape.

6.5 With bond markets selling off, equity valuations struggling to make progress and, latterly, property funds enduring a wretched Q4 2022, the more traditional investment options, such as specified investments (simple to understand, and less than a year in duration) became more actively used.

6.6 Meantime, through the autumn, and then in March 2023, the Bank of England maintained various monetary policy easing measures as required to ensure specific markets, the banking system and the economy had appropriate levels of liquidity at times of stress.

6.7 Nonetheless, while the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the Great Financial Crisis of 2008/9. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

6.8 **Borrowing strategy and control of interest rate risk**

6.9 During 2022/23, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were initially low and minimising counterparty risk on placing investments also needed to be considered.

6.10 A cost of carry generally remained in place during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns. As the cost of carry dissipated, the Council sought to avoid taking on long-term borrowing at elevated levels (>4%) and has focused on a policy of internal and temporary borrowing, supplemented by short-dated borrowing (<3 years) as appropriate.

6.11 The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this has been kept under review to avoid incurring higher borrowing costs in the future when this Authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

6.12 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Director of Finance therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks (please adapt this outline to what you actually did in the year):

- if it had been felt that there was a significant risk of a sharp FALL in long and short-term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.

- if it had been felt that there was a significant risk of a much sharper RISE in long and short-term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

6.13 Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time. Currently the CPI measure of inflation is still above 10% in the UK but is expected to fall back towards 4% by year end. Nonetheless, there remain significant risks to that central forecast.

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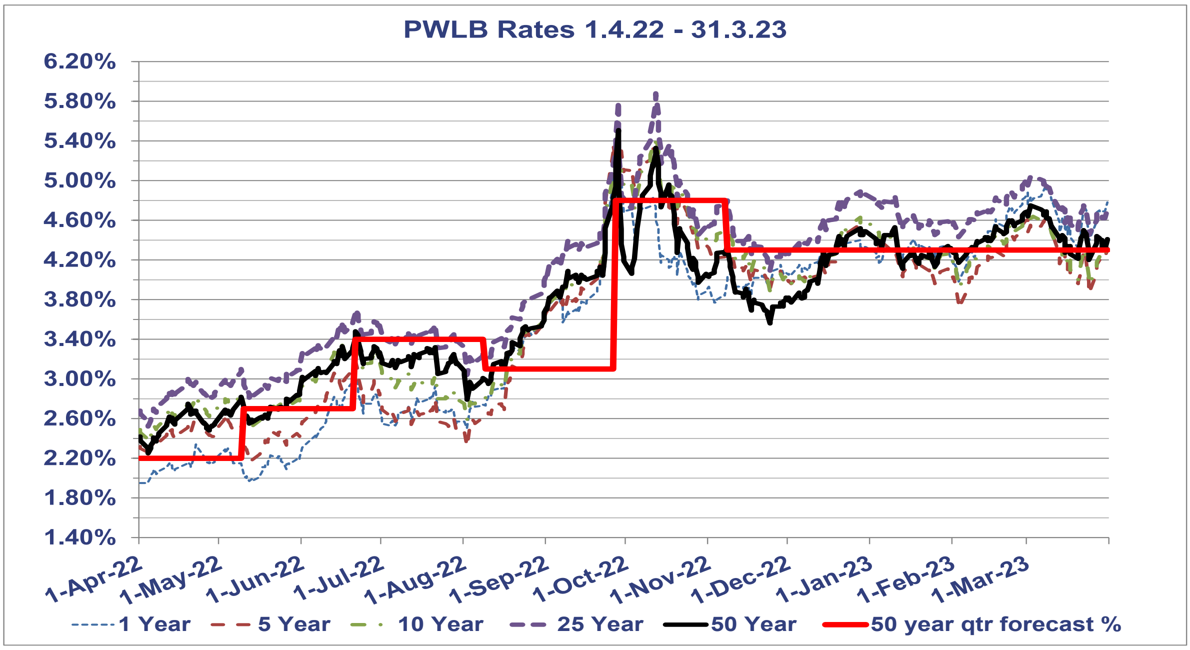
Link Group Interest Rate View	7.2.22											
	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3 month ave earnings	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
6 month ave earnings	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
12 month ave earnings	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40
5 yr PWLB	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
10 yr PWLB	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
25 yr PWLB	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
50 yr PWLB	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40

6.15 PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. Indeed, in recent years many bonds yield up to 10 years in the Eurozone turned negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

6.16 However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the FOMC, ECB and Bank of England are all being challenged by persistent inflation that is exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.



6.18 Gilt yields have been on a continual rise since the start of 2021, peaking in the autumn of 2022. Currently, yields are broadly range bound between 3% and 4.25%. At the close of the day on 31 March 2023, all gilt yields from 1 to 50 years were between 3.64% and 4.18%, with the 1 year being the highest and 6-7.5 years being the lowest yield. Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

6.19 There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate first rises to dampen inflationary pressures and a tight labour market, and is then cut as the economy slows, unemployment rises, and inflation (on the Consumer Price Index measure) moves closer to the Bank of England's 2% target.

7 BORROWING OUTTURN for 2022/23

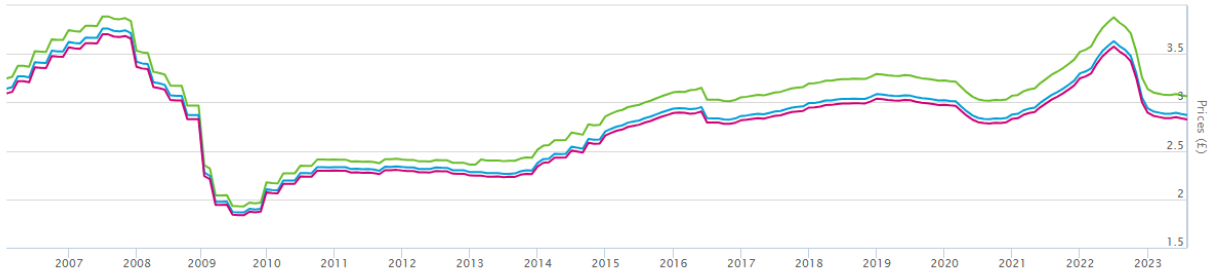
7.1 The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

7.3 The Council's debt at 31 March 2023 comprises solely of the Finance Lease with SERCO, which is recognised in the Council's accounts. The final instalment of PWLB borrowing was repaid in March 2023.

8 INVESTMENT OUTTURN FOR 2022/23

8.1 **Investment Policy** – the Council's investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by the Council on 11 May 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, credit default swaps, bank share prices etc.). The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

8.2 **Local Authorities' Property Fund** – the Council has invested £6m with the Local Authorities' Property Fund. Since 2020/21 and during the Cost-of-Living crisis the Property Fund has declined in value. This reflects the general decline in property prices in the UK. The fund should be viewed as long term. Similar losses occurred in 2008 from which the fund recovered. The fund has consistently provided good dividends and earned £242k in dividend income in 2022/23.



8.3 **Investments held by the Council (excluding the Local Authorities' Property Fund)**

- The internally managed funds earned an average rate of return of 1.65%
- This compares with a previous average rate of 0.5%.
- Total investment income was £1.465m.

8.4 **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	31 March 2022 £'000s	31 March 2023 £'000s
Balances	**9.502**	**12.359**
Earmarked Reserves	**22.333**	**20.012**
Provisions	**3.419**	**2.186**
Usable Capital Receipts	**5.731**	**5.122**
Capital Grants Unapplied	**5.185**	**6.781**
Amount available for investment	**46.170**	**46.460**

9. MINIMUM REVENUE PROVISIONS (MRP) FOR REPAYMENT OF DEBT

9.1 The Council, in accordance with legislation, makes a provision from revenue to enable the repayment of borrowing that has been undertaken to fund the capital programme. This provision is known as the Minimum Revenue Provision (MRP) and is charged to the General Fund Revenue Account each year. MRP is set aside each year at an amount equivalent to the value of debt repaid in the year.

9.2 For 2022/23 an amount of £547k has been set aside in the annual accounts as the MRP for repayment of debt.

10. OTHER ISSUES AND MATTERS

Shared Services Arrangements

10.1 The Council's treasury management services are provided under a shared services arrangement (SSA) performed by the in-house treasury management team formed out of partnership working between Adur District Council and Worthing Borough Council. The treasury management team is based at Worthing Town Hall, but services all three Councils' treasury management operations from this location utilising similar banking arrangements. The SSA is provided under a Service Level Agreement that was renewed from October 2022, and which defines the respective roles of the client and provider authorities for a period of three years.

10.2 **Statutory override**

Following the consultation undertaken by the Department of Levelling Up, Housing and Communities [DLUHC] on IFRS 9, the Government has extended the mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to 31st March 2025. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

11. CONCLUSION

11.1 This report fulfils the requirements of the CIPFA Codes as well as the Council's own treasury management practices to present an annual outturn report on treasury management activity.

11.2 Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time, which accounts for considerable overachievement of the budget. The shared service will continue to monitor the market carefully for the best possible interest rates.