

RAPC 483/22

NEW FOREST NATIONAL PARK AUTHORITY

RESOURCES, AUDIT AND PERFORMANCE COMMITTEE – 6 JUNE 2022

FINANCIAL OUTTURN AND TREASURY REPORT 2021/22

Report by: Nigel Stone, Head of Resources (Chief Finance Officer)

Purpose:

This report sets out the detailed projected outturn position for the Authority for the 2021/22 financial year. This information will latterly be formed into the annual Financial Report (Accounts), which will then be audited and presented for consideration and approval by the Authority in October. This report also includes the annual report on the Treasury Service and Prudential Indicators for 2021/22.

Executive Summary:

The original budget for 2021/22, approved as NFNPA 582/21 and set within the context of the Medium-Term Financial Plan, estimated a £100,000 contribution would be required from the Earmarked Reserves to balance the budget. The latest Budgetary Control Report (which came to this Committee in February 2022) estimated that the potential savings and pressures would net off and lead to no significant net variances.

The draft outturn figures (correct as at writing of this report in mid-May) indicate no net variance to the original budget. As a result, no funds will be taken from or added to the Revenue Support Reserve.

1 General Fund Revenue Budget Outturn 2021/22

- 1.1 The draft year-end position is set out in the standard management reporting format in **Annex 1**. Further breakdowns, including within the standard accounting format, is shown in **Annex 2**. Detailed outturn for the Programme Fund and Partnership Projects can be found in **Annexes 3 and 4** respectively. The projected impact on the Reserves (general and earmarked) is shown in **Annex 5**. A report on the Treasury Management Stewardship for the year is shown in **Annex 6**.
- 1.2 The overall original income and expenditure budgets for 2021/22 were £5.32m, as shown in Annex 1. This included £1.4m from Authority-led partnership projects (externally-funded).

- 1.3 The overall expenditure position at year-end shows £4.80m spend (90% of budget). Without the partnership projects, spend was £3.96m from a budget of £3.94m (101%).
- 1.4 The overall income position shows £4.80m received (90% of budget). Without the partnership projects, income was £3.96m from a budget of £3.94m (101%).
- 1.5 The original budget required a contribution from Earmarked Reserves of £100,000 – as a result of the outturn position this rose slightly to £114,000. The variance is broken down in sections 2 to 4 below.

2 Expenditure – Key Variances (from tables in Annex 1)

- 2.1 Employee Costs (£18,000 negative variance) / Programme Fund (£10,000 positive variance)

Additional employee costs were accrued due to the arrangements with the New Forest Marque to host a communication post for them in lieu of some of their agreed financial grant – a corresponding saving is therefore showing on the Programme Fund budget line.

- 2.2 Sustainable Communities Fund (+£14,000 positive variance)

The SCF budget for 2021/22 was £30,000 – of this only £16,000 was claimed during the year and the remainder will be added to the SCF Reserve to be utilised when claimed by the successful applicants.

- 2.3 Planning Costs (£32,000 negative variance)

A number of significant planning cases required substantial legal / counsel support in 2021/22, leading to a net budget overspend at year-end. As previously, this position is funded (smoothed) through use of planning-specific funds and grants set aside in reserve from previous years.

3 Income – Key Variances (from table in Annex 1)

- 3.1 Planning Fees (£3,000 negative variance)

Planning fee income was £3,000 lower than originally forecast (total fees received was £377,000 compared to an original budget of £380,000 – 99%). Given the economic circumstances as a result of the pandemic, this is considered a strong outcome. It should be noted that the planning fees still only cover, on average, under 50% of the cost of determining an application.

3.2 Income Generation (£14,000 positive variance)

The Authority successfully applied for several small additional grants and contributions to its work this year from National Grid, Defra, DLUHC and other Forest organisations.

3.3 Investment & Interest Income (£1,000 negative variance)

A full report on the Treasury function during 2021/22 is attached to this report as **Annex 6**. The interest received on investments and holdings for the year was just £1,300; this equates to a 0.04% return compared to the benchmarked return of 0%.

3.4 Contributions to/from Earmarked Reserves

The original budget projected that we would utilise £100,000 from our earmarked reserves during the 2021/22 financial year, the outturn position shows that in fact we will use a total of £114,000 this year. In addition, £153,000 of external grant funding has been received in advance as at 31 March 2022 and these balances will be added to reserves earmarked for those projects in 2022/23 and beyond.

3.5 Contribution to/from Revenue Support Reserve

The overall financial position requires no contribution from the Revenue Support Reserve this year, as was originally budgeted.

4 Programme Fund – Key Variances (from table in Annex 3)

4.1 Narrative has been added to the table in Annex 3 where significant variances occurred, most of which have some link to the pandemic impacts. The overall total is £213,000 spent compared to an original budget estimate of £223,000 (96%).

4.2 The variance corresponds with the figures anticipated during the budget monitoring reports throughout the year. The underspend will be used to net off the overspend on salaries from increasing our staffing resources within the year.

5 Partnership Projects (from table in Annex 4)

5.1 The Authority spent a total of £840,000 during 2021/22 on Authority-led Partnership Projects as set out in the table in Annex 4. Of this funding, just £50,000 was put in by the Authority; once the project funds are fully spent/claimed, on average for every £1 we put in, a further £17 was generated.

5.2 The variance from the original budgeted project spend of £1,370,000 is largely down to carry over to 2022/23 of significant expenditure from Pedall, Farming in Protected Landscapes and the Green & Blue Horizons projects.

5.3 The remaining partnership project budgets/income will be carried forward to 2022/23 through earmarked reserves.

6 Reserves (from table in Annex 5)

- 6.1 The projected position of the Reserves is shown in Annex 5. The key changes in-year have already been detailed in 3.4 and 3.5 above.
- 6.2 Various transfers to and from earmarked reserves are listed in the table in Annex 5. These generally constitute either spending from existing reserves or ring-fenced funding (received in advance) being added to a reserve, as categorised below:

Spending – Nature Recovery, Health & Wellbeing, OPOF Landscape Partnership, Transport, Capital/Major Projects, Building Maintenance, Climate Change, Access and Planning Grants.

Ring-fenced – Green Halo / Greenprint, Sustainable Communities Fund, Affordable Housing (Bransgore Rental Income), Pedall, Land Advice Service, Green & Blue Horizons and LEI Scheme.

- 6.3 This gives draft 'key' reserve balances of:

Minimum Reserve	£300,000
Revenue Support Reserve	£16,000
Planning / Risk Reserve	£138,000
Capital / Major Projects Reserve	£532,000

7 Developer Contributions (from table in Annex 5)

- 7.1 The first table of Annex 5 shows a summary of the Developer Contributions held by the Authority at year-end. A total of £410,000 was received during the year and £114,000 released.
- 7.2 As Members are aware, a significant proportion of the Affordable Housing contributions will be utilised to fund a pair of homes at the site in Burley.

8 Procurement Waivers

- 8.1 There were no procurement waivers granted in 2021/22.

9 Accounts and Accounting Policies 2021/22

- 9.1 At this time it is not expected that any significant changes will be required to the Authority's existing Accounting Policies in order to produce the Financial Report (Statement of Accounts) for 2021/22. Should any changes latterly be required, this will be reported to the Authority alongside the final Financial Report in October.

10 Summary

- 10.1 The current projection indicates a nil call to or from the Revenue Support Reserve for 2021/22, matching the original balanced budget.
- 10.2 A net £39,000 has been added to the Other Earmarked (Project) Reserves.

11. Recommendations

It is recommended that Members:

- 1 note the provisional outturn position;
- 2 note the Treasury Management Stewardship Report and Prudential Indicators 2021/22 in Annex 6; and
- 3 approve the *indicative* transfers to/(from) Reserves in 2021/22 as set out in section 6 and detailed in Annex 5.

Papers:

RAPC 483/22	Budgetary Control Report
RAPC 483/22 Annex 1	Budget Monitoring
RAPC 483/22 Annex 2	2021/22 Budget Formats
RAPC 483/22 Annex 3	Programme Fund
RAPC 483/22 Annex 4	Authority-led Partnership Projects
RAPC 483/22 Annex 5	Projected Developer Contributions and Reserve Balances
RAPC 483/22 Annex 6	Treasury Management Stewardship - Report & Prudential Indicators

Equality and Diversity Implications:

There are no specific equality or diversity implications arising out of this report.

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Annex 1

Budget Monitoring 2021/22

Summary Accounts for the period 1 April 2021 – 31 March 2022

	Original Budget	Payments / Income	% of Budget Spent
	£000	£000	
<u>Expenditure:</u>			
Employee Costs (Salary, Travel, Pensions etc)	2,815	2,833	101%
Programme Fund	223	213	96%
Sustainable Communities Fund	30	16	53%
Strategy & Planning	68	100	147%
Central Costs (split below)	808	799	99%
Subtotal	3,944	3,961	101%
Authority-led Partnership Projects	1,374	837	61%
Total Expenditure	5,318	4,798	90%

<u>Income:</u>			
Defra National Park Grant	-3,251	-3,251	100%
Planning Income	-380	-377	99%
Shared Services	-186	-179	96%
Income Generation (inc Affordable Housing)	-25	-39	156%
Investment & Interest Income	-2	-1	50%
Net Contribution from Earmarked Reserves	-100	-114	-114%
Subtotal	-3,944	-3,961	101%
Authority-led Partnership Projects	-1,374	-990	72%
T/F to Partnership Project Reserves (grants in advance)	0	153	N/A
Total Income	-5,318	-4,798	90%

Central Costs Split

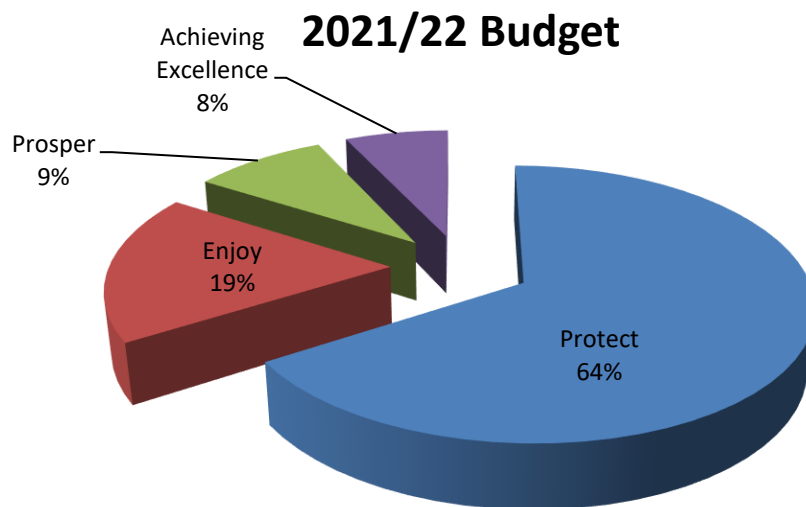
	Latest Budget £000	Payments £000	% of Budget Spent
Secretariat	36	46	128%
Human Resources	72	70	97%
ICT Services	185	197	106%
ICT R&R Fund	90	65	72%
Member Services	60	74	123%
Finance & Audit Services	60	50	83%
Accommodation	219	221	101%
Business Support (e.g. insurance, printing, stationery)	86	76	88%
TOTAL	808	799	99%

Annex 2

2021/22 Original Budget (£3.94m – not including partnership projects) shown as ‘Protect, Enjoy, Prosper & Achieving Excellence’

	Protect*	Enjoy	Prosper	Achieving Excellence
	£000	£000	£000	£000
Employee Costs (allocated)	1,846	472	238	259
Programme Fund	49	126	48	-
Sustainable Communities Fund (approximation)	21	6	3	-
Strategy & Planning	68	-	-	-
Central Costs (allocated)	547	127	64	70
TOTAL	2,531*	731	353	329

*Includes costs directly related to the Planning Service



2021/22 Budget outturn in Authority's formal reporting format

	Budgeted Net Cost of Services 2021/22		Projected Final Expenditure	Projected Final Income	Projected Net Position
	£000		£000	£000	£000
Conservation of the Natural Environment	567		1,263	-687	576
Conservation of Cultural Heritage	329		275	-14	261
Recreation Management and Transport	216		368	-149	219
Promoting Understanding	461		513	-64	449
Rangers, Estates and Volunteers	155		283	-89	194
Development Control	638		1,137	-377	760
Forward Planning and Communities	504		478	-33	445
Corporate and Democratic Core	483		481	-19	462
SUBTOTAL	3,353		4,798	-1,432	3,366
National Park Grant	-3,251				-3,251
Investment & Interest Income	-2				-1
Use of Reserves	-100				-114
TOTAL	0				0

Annex 3

Programme Fund 2021/22	Original Project Budget	Payments	% of Budget Spent	Notes on significant variations
PROTECT*	£000	£000		
Ecology and Catchment Co-ordination	14	14	100%	Work with Freshwater Habitats Trust
Woodland Management Projects (NFLAS)	5	5	100%	
Natural Environment Evidence Base (HBIC / WRC)	10	11	110%	
Archaeology Projects and SLAs	10	8	80%	
Green Halo Partnership	5	2	40%	Further work completed via Greenprint
OTHER (Projects less than £5,000)	5	5	100%	
PROTECT SUBTOTAL	49	45	92%	
ENJOY*	£000	£000		
Access Improvements	8	22	275%	Additional funding from National Grid's Landscape Enhancement Initiative
Health and Wellbeing	5	8	160%	
Education (Travel Grants and Resources)	10	5	50%	
Recreation Management	13	28	215%	Additional funding received from Partners
Interpretation & Information	8	9	113%	
New Forest Show	6	0	0%	Did not take place in 2021
Media and Promotion	23	28	121%	
Publications and Advertising	32	32	100%	
Contact Management System	6	0	0%	Contract Agreed – rolled over into 22/23
Ranger Projects	5	1	20%	Saving funded additional summer staffing
People and Wildlife Ranger Projects	5	4	80%	
OTHER (Projects less than £5,000)	5	6	120%	
ENJOY SUBTOTAL	126	143	113%	

	Original Project Budget	Payments	% of Budget Spent	Notes on significant variations
PROSPER*	£000	£000		
New Forest Marque	25	13	52%	Remainder of 2021/22 budget paid for Comms staffing resource
Sustainability Projects	5	1	20%	Priority for 2022/23
Sustainable Transport	10	6	60%	
OTHER (Projects less than £5,000)	8	5	63%	
PROSPER SUBTOTAL	48	25	52%	
TOTAL EXPENDITURE	223	213	96%	

*The designation of projects to 'Protect, Enjoy & Prosper' are for illustrative purposes only and do not constitute the total funding allocated to each area by the Authority (see Annex 2)

Authority-led Partnership Projects 2021/22

Annex 4

	Authority Contributions	Partner Financial Contributions	Total Project Budget	Total Payments to date	Payments as % of budget	Notes on significant variations
	£000	£000	£000	£000		
Our Past, Our Future (HLF)	0	50	50	50	100%	Project Complete
New Forest Remembers	0	18	18	0	0%	Remaining legacy funding does not have to be spent this year
Pedall (Lottery)	0	250	250	116	46%	Funding rolled over to 2022/23
Higher Level Stewardship	0	90	90	79	88%	
Generation Green	10	65	75	55	73%	Funding rolled over to 2022/23
Green Recovery Fund – New Forest	33	225	258	83	32%	Started in September 2021, until March 2023
Kickstart Posts	0	40	40	40	100%	Project Complete
Paediatric Fellowship Programme	0	36	36	22	61%	£200k of funding over 5 years
Local Listed Buildings Surveys	0	23	23	10	43%	Started in October 2021
Hampshire Greenprint	0	20	20	5	25%	2022/23 Project budgets agreed
Natural Environment Investment Readiness Fund	0	99	99	46	46%	Started in September 2021, continues into 2022/23
Farming In Protected Landscapes	0	260	260	203	78%	Launched in July 2021, revised spend in year, remainder transferred to 2022/23
National Grid LEI - Franchises	0	80	80	77	96%	
Land Advice Service	5	70	75	51	68%	
TOTAL	48	1,326	1,374	837	61%	

On average, for every £1 the Authority contributes it generates a further £17 from partner organisations.

Annex 5

Developer Contributions:

	Affordable Housing	Open Space	Ecological Mitigation	Transport (via HCC)	Solent Mitigation (via Fareham)
	£000	£000	£000	£000	£000
Starting Balance	584	59	114	0*	0*
Funds Received	301	0	67	34	8
Funds Spent / Released	(53)	0	(19)	(34)	(8)
Current Balance	832	59	162	0*	0*

* Funds paid over to the relevant organisations on an annual basis at year-end. Transport contributions over the previous five financial years have totalled £42,000 and Solent Mitigation £60,000.

Current Reserve Balances:

	Starting Balance	Projected Movement	Closing Balance
	£000	£000	£000
General Fund Reserve	300	0	300
Earmarked Reserves:			
Revenue Support Reserve	16	0	16
Capital / Major Projects Reserve	557	(25)	532
Planning / Risk Reserve	138	0	138
Other	844	64	908
TOTAL	1,855	39	1,894

All movements are the *net* overall position for each heading but may incorporate a number of individual movements both to and from those reserves.

Annex 6

ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2021/22

1. Introduction

- 1.1 The annual treasury report is a requirement of the Authority's reporting procedures and covers the treasury activity for 2021/22. The report also covers the actual Prudential Indicators for 2021/22 in accordance with the requirements of the Prudential Code.

2. Background

- 2.1 The Authority's treasury management activities are regulated by a variety of professional codes, statutes and guidance:
- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
 - Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
 - The SI also requires the Authority to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
 - Under the Act, HMCLG has issued Investment Guidance to structure and regulate the Authority's investment activities.
- 2.2 This Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code and the above requirements. These require that the prime objective of the treasury management activity is the effective management of risk, and that any activities are undertaken in a prudent, affordable and sustainable basis.
- 2.3 The Code requires, as a minimum, the regular reporting of treasury management activities to:
- Forecast the likely activity for the forthcoming year (in the Annual Treasury Strategy Report); and

- At least two reports on activity and performance one of which will be the annual report (this report).

2.4 This report sets out the information in the following appendices: -

Appendix 1

- A summary of the treasury strategy agreed for 2021/22;
- A summary of the economic factors affecting the strategy over 2021/22;
- The decisions taken and performance of the treasury service and their revenue effects;
- The Authority's treasury position at 31 March 2022.

Appendix 2

- The main Prudential Indicators and compliance with limits;
- Performance indicators set for 2021/22;
- Risk and performance.

APPENDIX 1

TREASURY MANAGEMENT STEWARDSHIP REPORT – 2021/22

1. Introduction

This appendix sets out the performance for the Authority's treasury management activities.

2. Treasury strategy for 2021/22

The Authority approved the Treasury Management Strategy for 2021/22 in March 2021 (NFNPA 582/21).

The main principles of the investment strategy cover: -

- The security of investments;
- The liquidity of investments;
- Monitoring investment categories and counterparties;
- The use of money brokers;
- Performance indicators.

3. The Economy and Interest Rates

3.1 UK and Global Economic Background & Outlook

Prior to the Covid-19 pandemic, UK GDP growth was low but stable/steady, as was most of continental Europe and the US. Following a sharp initial decline in GDP and other economic output figures globally during 2020 and 2021, there has recently been clear, but slow, signs of recovery in most of the major world economies.

Interest rates have risen several times recently, though are still at historic lows, and are generally projected to continue to rise regularly for some considerable time yet to stave off rising inflation.

Date	Bank Base Rate
At 1 April 2021	0.10%
31 March 2022	0.75%

3.2 UK Interest Rate Forecast(s)

Given the current economic conditions, it is not possible or practical to give further insight or estimates of future interest rate positioning at this time, other than to say that they are likely to rise over the next couple of years.

4. Investment strategy

- 4.1 During the year, no investments were made for 1 year; all were for shorter periods or in deposits with instant access. All investments during the year have allowed for anticipated cash flow movements both on a daily and annual basis.
- 4.2 Short-term temporary investments in 2021/22 have been on average for a period of 30-60 days; this does not include the instant access accounts where the Authority invests.

5. Investments / Holdings

- 5.1 Temporary Investments are deposits which are capable of being repaid within one year. The term of the loans are negotiated from overnight to 364 days.
- 5.2 The interest rate earned on temporary investments for the year was 0.04%.
- 5.3 For 2021/22, the interest receivable on temporary money market investments is £1,300; this is below the estimated £2,000 which was originally budgeted.
- 5.4 A list of investments/holdings at 31 March 2022 is shown below:-

Borrower	Amount £	Interest Rate %	Maturity Date
Temporary Investments/Holdings			
Debt Mngt Office (Govt)	1,500,000	0.44	Instant access
Standard Life Money Market Fund	500,000	0.40	Instant access
Lloyds Current Account	1,255,000	0.00	Instant access
Total	3,255,000		

- 5.5 All temporary investments have been invested according to the parameters set within the Authority's Treasury Policy Statement.

6. Investment benchmark

- 6.1 The temporary investment interest earnings are measured against a target benchmark. It is expected that earnings will at least equal the benchmark.
- 6.2 The benchmark is equivalent to the average 7 day LIBID rate available through the money markets and is measured over the financial year.
- 6.3 The 1 year LIBID benchmark is also included at 6.5 below for comparison purposes as there were two deposits that were invested over a one year term.

Funds were invested in deposits with a variety of maturity dates and this has moderated the overall interest earnings achieved.

- 6.4 The table below shows the performance of the Authority's investments compared to the benchmark.
- 6.5 Results to 31 March 2022 are summarised as follows:

	7 day LIBID %	1 year LIBID %
Benchmark Return	0.00	0.00
Actual Return	0.04	0.04
Return above/(below) Benchmark	0.04	0.04

- 6.6 As at 31 March 2022 temporary investment interest earnings was above of the 7-day benchmark by 0.04%; this equates to around £1,300.

7. Investment instruments

- 7.1 All of the investments are made in money market deposits other than balances held in the Money Market Fund and Heritable bank in default.
- 7.2 All of these deposits earn a yield that is made up entirely of interest earnings. There is no capital appreciation/depreciation. No Gilts or Certificates of Deposits are used.

8. Borrowing Strategy

- 8.1 It was envisaged that no borrowing, other than the bank overdraft facility, would be required in 2021/22 and no loans were raised during the year.
- 8.2 The Authority's overdraft facility with the bank was not used at all during the year and therefore no interest was charged.

9. Compliance with the CIPFA code of practice

- 9.1 All treasury functions and debt management procedures, which were undertaken during the period, complied with the existing CIPFA Code of Practice on Treasury Management, as set out in the Authority's Treasury Policy Statement, and the Treasury Management Strategy for 2021/22.

10. Treasury Position at 31 March 2022

- 10.1 The following table shows the treasury position at the 31 March 2022 compared with the previous year. All investments have interest payable at a fixed coupon rate for the period of the investment other than the Instant Access account and the Money Market Fund which are variable: -

	31 March 2021		31 March 2022	
	Principal	Average Rate	Principal	Average Rate
Temporary Cash-flow Investments				
Bank, Building Society & Gov't Instant Access - Variable Deposit	£2.04m	0%	£2.76m	0.24%
Money Market Fund	£0.50m	0.01%	£0.50m	0.40%
Total Investments	£2.54m	0%	£3.26m	0.26%

APPENDIX 2

PRUDENTIAL INDICATORS AND COMPLIANCE ISSUES TO 31 MARCH 2022

1. Introduction

- 1.1 The Authority is required by the Prudential Code to report the actual prudential indicators after the year-end.
- 1.2 The following table, at Paragraph 2.2, provides a schedule of all the mandatory prudential indicators applicable to the Authority. However only the Authorised Borrowing Limit is statutory and must not be breached; the other prudential indicators are for guidance only.
- 1.3 Certain of these indicators must be compared to others and are detailed later in this appendix.
2. Estimated and actual treasury position and prudential indicators
- 2.1 The following table compares the actual figure for 2021/22 with the original indicator for 2021/22 and the actual figure for 2020/21.
- 2.2 The original indicator for 2021/22 is the same as was included in the Treasury Management Policy and Strategy Report 2021/22 (NFNPA 582/21).

		2020/21 Actual	2021/22 Original Indicator	2021/22 Actual
		£000	£000	£000
1	Capital Expenditure (note: assumed Burley development in 2021/22)	231	600	418
2	Treasury Position at 31 March - Investments	1,750	1,480	2,000
3	Authorised Borrowing Limit (against maximum position)	0	0	0
4	Operational Borrowing Limit (against average position)	0	0	0
5	Investments - Upper limits on fixed interest rates (against maximum position)	Maximum N/A	Maximum 100%	Maximum N/A
6	Investments - Upper limits on variable interest rates (against maximum position)	Maximum 100%	Maximum 100%	Maximum 100%
7	Interest on Net Investments	2	2	1
8	Maximum principal funds invested (against maximum position)	Maximum 3,050	Maximum 4,000	Maximum 3,255
9	Ratio of capital financing costs to net revenue stream	13%	41%	21%

- 2.3 There were no reportable breaches of any statutory limits during the year.
- 2.4 The Authorised Limit must not be breached. The table demonstrates that during 2021/22 the Authority has maintained gross borrowing within its Authorised Limit.

	2021/22
Authorised Limit	£2.00m
Operational Boundary	£0.00m
Maximum gross borrowing position during the year	£0.00m
Minimum gross borrowing position during the year	£0.00m

The Operational Boundary is the expected average borrowing position of the Authority during the year, and periods where the actual position is over the Boundary is acceptable subject to the Authorised Limit not being breached.

- 2.5 In addition to the above the Authority has adopted the CIPFA Code of Practice which is required as a Prudential Indicator.

3. Treasury service performance indicators for 2021/22

- 3.1 The treasury service has set the following performance indicator:
- For money market investments, the benchmark for return should be set above the average 7 day LIBID rate.
- 3.2 The performance indicator was 0% for the year; the performance was 0.04% as explained in paragraph 6.5 in appendix 1 above.

4. Risk and performance

- 4.1 The Authority has complied with all of the relevant statutory and regulatory requirements that limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means that its capital expenditure is prudent, affordable and sustainable, and that its treasury practices demonstrate a cautious approach.
- 4.2 The Authority is aware of the risks of passive management of the treasury portfolio and has proactively managed the investments over the year subject to both counterparty and cash flow constraints but tempered by the uncertain market conditions.
- 4.3 Shorter-term market rates and likely future movements of interest rates predominantly determine the Authority's investment return. These returns can therefore be volatile and, whilst the risk of loss of principal is minimised (though never totally negated) through the annual investment strategy, accurately forecasting future returns can be difficult.

- 4.4 The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of default applies to all of the Authority's deposits, even more so within the current pandemic situation, but there was no evidence at 31 March 2022 that this was likely to crystallise.
- 4.5 Section 5 of appendix 1 shows the returns for 2021/22.