RAPC 510/23

NEW FOREST NATIONAL PARK AUTHORITY

RESOURCES, AUDIT AND PERFORMANCE COMMITTEE – 5 JUNE 2023

FINANCIAL OUTTURN AND TREASURY REPORT 2022/23

Report by: Nigel Stone, Head of Resources (Chief Finance Officer) and Tom Knott, Finance and Sustainable Performance Officer

Purpose:

This report sets out the detailed projected outturn position for the Authority for the 2022/23 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. This report also includes the annual report on the Treasury Service and Prudential Indicators for 2022/23.

Executive Summary:

The original budget for 2022/23, approved as NFNPA 623/22 and set within the context of the Medium-Term Financial Plan, estimated a £136,000 contribution would be required from the various (project specific) Earmarked Reserves to balance the budget. The latest Budgetary Control Report, which came to this Committee in February 2023, estimated that the potential general savings and pressures would lead to a £30,000 positive net variance.

The draft outturn figures, correct as at writing of this report in mid-May, indicate marginally increased overall income and expenditure figures than originally budgeted and a positive net variance of around £22,000. These funds will be added to the Revenue Support Reserve and utilised in 2023/24 as set out in the budget approved in March 2023.

1 General Fund Revenue Budget Outturn 2022/23

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 2022/23 were £4.96m, as shown in Annex 1. This included £0.9m from Authority-led partnership projects (externally-funded).

1.3 The overall expenditure position at year-end shows £5.01m spend (101% of budget). Without the partnership projects, spend was £4.11m from a budget of £4.05m (101%).

1.4 The overall income position shows £5.01m received (101% of budget). Without the partnership projects, income was £4.21m from a budget of £4.05m (101%).

1.5 The original budget required a contribution from Earmarked Reserves of £136,000 – as a result of the outturn position (and particularly due to the additional £440,000 of core funding from Defra), the final position shows a net contribution to the reserves of £170,000.

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

2.1 Employee Costs (£18,000 positive variance)

Additional employee costs were accrued due to the higher than expected staff pay award for 2022/23, however this was more than netted off by vacancy savings from across the organisation.

2.2 Sustainable Communities Fund (£1,000 positive variance)

The SCF budget for 2022/23 was £30,000 – of this only £29,000 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 (£46,000 negative variance)

A number of significant planning cases required substantial legal / counsel / temporary staffing support in 2022/23, leading to a net budget overspend at year-end. We also had a £35,000 legal costs award against the Authority towards the end of this financial year. As previously, this position is funded (smoothed) through use of planning-specific funds and grants set aside in reserves from previous years.

2.4 Central Costs (£31,000 negative variance)

There were some additional costs (c£12k) to extend the existing planning IT software after the new replacement system was delayed in going live from April until November. Members allowances, meeting costs and audit fees were also all higher than expected this year, whilst the Town Hall utility costs were marginally lower than originally projected.

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

3.1 Defra National Park Grant (£440,000 positive variance)

As members are aware, the Authority was given a one-off additional £440,000 by Defra in 2022/23 to aid our future financial stability. This income was utilised in-year and the resultant income savings elsewhere we set aside in an Earmarked Reserve.

3.2 Planning Fees (£23,000 negative variance)

Planning fee income was £23,000 lower than originally forecast (total fees received was £327,000 compared to an original budget of £350,000 – 93%). The overall figure is often significantly skewed by one-off larger application fees and therefore the result is not unexpected (and was seen throughout the in-year budget monitoring). It should be noted that the planning fees still only cover, on average, under 50% of the cost of determining an application.

3.3 Income Generation (£10,000 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.

3.4 Investment & Interest Income (£39,000 positive variance)

A full report on the Treasury function during 2022/23 is attached to this report as **Annex 6**. The interest received on investments and holdings for the year was just £41,200; this equates to a 2.06% return compared to the benchmarked return of 1.98%.

3.5 Contributions to/from the General Fund Reserve

As set out in the budget report approved by the Authority in March 2023, following a review of risks by the Chief Finance Officer, we have increased the General Fund Reserve by £50,000 to £350,000.

3.6 Contributions to/from the Earmarked Reserves

The original budget projected that we would utilise £136,000 from our Earmarked Reserves during the 2022/23 financial year. The final position, detailed in 6.2 below, shows movements of £350,000 *from* various Earmarked Reserves and £520,000 *into* others, leaving an actual net position of a £170,000 transfer to reserves.

3.7 Contribution to/from the Revenue Support Reserve

The overall financial position provides for a £22,000 contribution to the Revenue Support Reserve this year, as was recently projected in the budget monitoring.

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. The overall total is £294,000 spent compared to an original budget estimate of £297,000 (99%). The small variance corresponds with the figures anticipated during the budget monitoring reports throughout the year.

5 Partnership Projects (from table in Annex 4)

5.1 The Authority spent a total of £900,000 during 2022/23 on Authority-led Partnership Projects as set out in the table in Annex 4. Of this funding, just £30,000 was put in by the Authority; once the project funds are fully spent/claimed, on average for every £1 we put in, a further £30 was generated.

5.2 The variance between total project expenditure and total project income in the Annex 1 table is due to some of the funds being received in advance and therefore the balancing income is a transfer from the Earmarked Reserves.

6 Reserves (from table in Annex 5)

6.1 The projected position of the Reserves is shown in Annex 5.

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:

<u>Utilised Amounts (c£350,000)</u> – Nature Recovery (£48k), Landscape Enhancement Initiative (£47k), Transport (£10k), Vehicle Replacement (£20k), Green & Blue Horizons Project (£52k), Climate Projects (£19k), Pedall (£12k), Capital / Major Projects (£32k), Planning / Risk (£35k), Pay (£10k), ICT Replacement (£55k) and Land Advice Service (£11k).

<u>Set Aside / Ring-fenced Amounts (c£520,000)</u> – Revenue Support (£22k), General Fund (£50k), Financial Sustainability (£440k), Bransgore Housing (£7k) and Sustainable Communities Fund (£1k).

6.3 This gives draft ‘key’ reserve balances of:

Minimum General Fund Reserve	£350,000
Financial Stability Reserve	£440,000
Revenue Support Reserve	£41,000
Planning / Risk Reserve	£103,000*
Capital / Major Projects Reserve	£500,000

*This will be refunded up to £200,000 over the coming five financial years.

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 £140,000 was received during the year and £36,000 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 significant procurement waivers granted in 2022/23.

9 Accounts and Accounting Policies 2022/23

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 2022/23. Should any changes latterly be required, this will be reported to the Authority alongside the final (audited) Financial Report.

10 Summary

10.1 The current projection indicates a net transfer to the Revenue Support Reserve of around £21,000 for 2022/23, matching the projected position expected through the in-year monitoring. A further £440,000 of unused income has been set aside in a new Financial Sustainability Reserve.

11. Recommendations

It is recommended that Members:

1 note the provisional outturn position;
2 note the Treasury Management Stewardship Report and Prudential Indicators 2022/23 in Annex 6; and
3 approve the *indicative* transfers to/(from) Reserves in 2022/23 as set out in section 6 and detailed in Annex 5.

Papers:

RAPC 510/23	Budgetary Control Report
RAPC 510/23 Annex 1	Budget Monitoring
RAPC 510/23 Annex 2	2022/23 Budget Formats
RAPC 510/23 Annex 3	Programme Fund
RAPC 510/23 Annex 4	Authority-led Partnership Projects
RAPC 510/23 Annex 5	Projected Developer Contributions and Reserve Balances
RAPC 510/23 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 2022/23
Summary Accounts for the period 1 April 2022 – 31 March 2023

	Original Budget	Payments / Income	% of Budget Spent
	£000	£000	
Expenditure:			
Employee Costs (Salary, Travel, Pensions etc)	2,887	2,869	99%
Programme Fund	297	294	99%
Sustainable Communities Fund	30	29	97%
Strategy & Planning	69	115	167%
Central Costs (split below)	768	799	104%
Subtotal	**4,051**	**4,106**	**101%**
Authority-led Partnership Projects	907	904	100%
Total Expenditure	**4,958**	**5,010**	**101%**

Income:			
Defra National Park Grant	-3,337	-3,777	113%
Planning Income	-350	-327	93%
Shared Services	-206	-206	100%
Income Generation (inc Affordable Housing)	-20	-30	150%
Investment & Interest Income	-2	-41	
Net Contribution to/(from) Earmarked Reserves	-136	170	
Subtotal	**-4,051**	**4,211**	**101%**
Authority-led Partnership Projects	-907	-799	88%
Total Income	**-4,958**	**-5,010**	**101%**

Central Costs Split

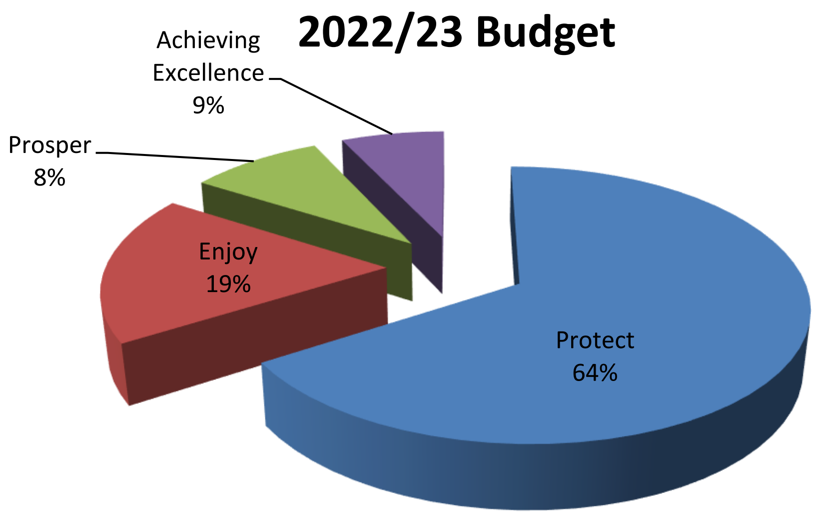
	Latest Budget £000	Payments £000	% of Budget Spent
Secretariat	42	45	107%
Human Resources	73	77	105%
ICT Services	180	182	101%
ICT R&R Fund	35	48	137%
Member Services	61	75	123%
Finance & Audit Services	55	66	120%
Accommodation	240	225	94%
Business Support (e.g. insurance, printing, stationery)	82	81	99%
TOTAL	**768**	**799**	**104%**

Annex 2

2022/23 Original Budget (£3.97m – not including partnership projects) shown as 'Protect, Enjoy, Prosper & Achieving Excellence'

	Protect*	Enjoy	Prosper	Achieving Excellence
	£000	**£000**	**£000**	**£000**
Employee Costs (allocated)	1,885	501	232	269
Programme Fund	52	128	31	-
Sustainable Communities Fund (approximation)	21	6	3	-
Strategy & Planning	69	-	-	-
Central Costs (allocated)	501	133	62	72
TOTAL	**2,528***	**768**	**328**	**341**

*Includes costs directly related to the Planning Service



2022/23 Budget outturn in Authority's formal reporting format

	Budgeted Net Cost of Services 2022/23		Projected Final Expenditure	Projected Final Income	Projected Net Position
	£000		**£000**	**£000**	**£000**
Conservation of the Natural Environment	417		1,117	-639	478
Conservation of Cultural Heritage	204		276	-68	208
Recreation Management and Transport	351		567	-226	341
Promoting Understanding	603		610	-9	601
Rangers, Estates and Volunteers	145		224	-71	153
Development Control	786		1,202	-327	875
Forward Planning and Communities	511		526	0	526
Corporate and Democratic Core	458		488	-22	466
SUBTOTAL	**3,475**		**5,010**	**-1,362**	**3,648**
National Park Grant	-3,337				**-3,777**
Investment & Interest Income	-2				**-41**
Use of Reserves	-136				**170**
TOTAL	**0**				**0**

Annex 3

Programme Fund 2022/23	Original Project Budget	Payments	% of Budget Spent	Notes on significant variations
PROTECT*	**£000**	**£000**		
Ecology and Catchment Co-ordination	13	14	108%	Work with Freshwater Habitats Trust
Woodland Management Projects (NFLAS)	5	5	100%	Grant to NFLAS
Natural Environment Evidence Base (HBIC / WRC)	12	11	92%	
Archaeology Projects and SLAs	12	13	108%	
Green Halo Partnership	5	4	80%	
OTHER (Projects less than £5,000)	5	5	100%	
PROTECT SUBTOTAL	**52**	**52**	**100%**	
ENJOY*	**£000**	**£000**		
Access Improvements	94**	94	100%	**Defra awarded an additional £86,000 capital funds to spend in 2022/23
Health and Wellbeing	5	4	80%	
Education (Travel Grants and Resources)	10	8	80%	
Recreation Management	13	11	85%	
Interpretation & Information	8	13	162%	Additional filming commissioned from other savings
New Forest Show	6	12	200%	Extra materials purchased and used at other events too
Media and Promotion	23	25	109%	
Publications and Advertising	32	30	94%	Parklife, Pocket Guide etc
Contact Management System	8	1	13%	Contract Agreed – rolled over into 23/24
Ranger Projects	5	6	120%	
People and Wildlife Ranger Projects	5	5	100%	
OTHER (Projects less than £5,000)	5	3	60%	
ENJOY SUBTOTAL	**214**	**212**	**99%**	

	Original Project Budget	Payments	% of Budget Spent	Notes on significant variations
PROSPER*	**£000**	**£000**		
New Forest Marque	4	4	100%	Cash grant supplemented by comms and admin staffing support
Sustainability Projects	5	2	40%	
Sustainable Transport	15	19	127%	
OTHER (Projects less than £5,000)	7	5	71%	
PROSPER SUBTOTAL	**31**	**30**	**97%**	
TOTAL EXPENDITURE	**297**	**294**	**99%**	

***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 2022/23

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**		
New Forest Remembers	0	18	18	0	0%	Remaining legacy funding did not have to be spent this year, stays in reserve
Pedall (Lottery)	0	150	150	214	143%	Increased funding available in-year from Defra 'Access for All'
Higher Level Stewardship	0	90	90	88	97%	
Green Recovery Fund – New Forest	22	146	168	168	100%	Completed in 2022/23
Paediatric Fellowship Programme	0	36	36	0	0%	£180k of funding over 5 years
Local Listed Buildings Surveys	0	15	15	15	100%	Completed in 2022/23
Hampshire Greenprint	0	15	15	4	27%	Funding rolled over to 2023/24
National Grid – Landscape Enhancement Initiative Projects	0	120	120	120	100%	Completed in 2022/23
Natural Environment Investment Readiness Fund	0	40	40	40	100%	Completed in 2022/23
Farming In Protected Landscapes	0	180	180	180	100%	Further funding in 2023/24 and 2024/25 confirmed
Land Advice Service	5	70	75	75	100%	
TOTAL	**27**	**880**	**907**	**904**	**100%**	

On average, for every £1 the Authority contributes it generates a further £30 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	832	59	152	0*	0*
Funds Received	0	0	125	0	15
Funds Spent / Released	(1)	0	(20)	0	(15)
Current Balance	**831**	**59**	**257**	**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 £109,000 and Solent Mitigation £76,000.

Current Reserve Balances:

	Starting Balance	Projected Movement	Closing Balance
	£000	**£000**	**£000**
General Fund Reserve	300	50	350
Earmarked Reserves:			
Financial Stability Reserve	0	440	440
Revenue Support Reserve	19	22	41
Capital / Major Projects Reserve	532	(32)	500
Planning / Risk Reserve	138	(35)	103
Other	910	(275)	635
TOTAL	**1,899**	**170**	**2,069**

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 2022/23

1. Introduction

1.1 The annual treasury report is a requirement of the Authority's reporting procedures and covers the treasury activity for 2022/23. The report also covers the actual Prudential Indicators for 2022/23 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 2022/23;
- A summary of the economic factors affecting the strategy over 2022/23;
- The decisions taken and performance of the treasury service and their revenue effects;
- The Authority's treasury position at 31 March 2023.

Appendix 2

- The main Prudential Indicators and compliance with limits;
- Performance indicators set for 2022/23;
- Risk and performance.

APPENDIX 1

TREASURY MANAGEMENT STEWARDSHIP REPORT – 2022/23

1. Introduction

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

2. Treasury strategy for 2022/23

The Authority approved the Treasury Management Strategy for 2022/23 in March 2022 (NFNPA AM 623/22).

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. The UK itself has so far avoid a technical recession but economic conditions are still difficult.

Interest rates have risen significantly recently, to a level around its historic average, with the Bank of England seeking to stave off rising inflation.

Date	Bank Base Rate
At 1 April 2022	0.75%
31 March 2023	4.25%

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 have risen sharply in recent months and most economists seem to expect it to plateau soon.

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 2022/23 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 2.06%.

5.3 For 2022/23, the interest receivable on temporary money market investments was £41,000; this is well above the estimated £2,000 which was originally budgeted.

5.4 A list of investments/holdings at 31 March 2023 is shown below:-

Borrower	**Amount £**	**Interest Rate %**	**Maturity Date**
Temporary Investments/Holdings			
Debt Mmgt Office (Govt)	1,500,000	3.87	Instant access
Standard Life Money Market Fund	500,000	4.03	Instant access
Total	**2,000,000**		

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 2023 are summarised as follows:

	7-day LIBID %	**1-year LIBID %**
Benchmark Return	1.98	2.58
Actual Return	2.06	2.06
Return above/(below) Benchmark	**0.08**	**(0.52)**

6.6 As at 31 March 2023 temporary investment interest earnings was above of the 7-day benchmark by 0.08%; this equates to around £1,600. The one-year rate is not a particularly good comparator this year due to the steep increase in rates towards the end of the financial year skewing the average rate across the year.

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 2022/23 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 2022/23.

10. Treasury Position at 31 March 2023

10.1 The following table shows the treasury position at the 31 March 2023 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 2022		31 March 2023	
	Principal	**Average Rate**	**Principal**	**Average Rate**
Temporary Cash-flow Investments				
Bank, Building Society & Gov’t Instant Access - Variable Deposit	£2.76m	0.24%	£2.24m	2.59%
Money Market Fund	£0.50m	0.40%	£0.50m	4.03%
Total Investments	**£3.26m**	**0.26%**	**£2.74m**	**2.86%**

APPENDIX 2

PRUDENTIAL INDICATORS AND COMPLIANCE ISSUES TO 31 MARCH 2023

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 2022/23 with the original indicator for 2022/23 and the actual figure for 2021/22.

2.2 The original indicator for 2022/23 is the same as was included in the Treasury Management Policy and Strategy Report 2022/23 (NFNPA AM 623/22).

		2021/22 Actual £000	**2022/23 Original Indicator £000**	**2022/23 Actual £000**
1	Capital Expenditure (note: assumed Burley development in 2022/23)	418	600	172
2	Treasury Position at 31 March - Investments	2,000	1,700	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	1	2	41
8	Maximum principal funds invested (against maximum position)	Maximum 3,255	Maximum 4,000	Maximum 3,675

9	Ratio of capital financing costs to net revenue stream	21%	30%	9%

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 2022/23 the Authority has maintained gross borrowing within its Authorised Limit.

	2022/23
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 2022/23

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 1.98% for the year; the performance was 2.06% 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 2023 that this was likely to crystallise.

4.5 Section 5 of appendix 1 shows the returns for 2022/23.