

RAPC 536/24

NEW FOREST NATIONAL PARK AUTHORITY

RESOURCES, AUDIT AND PERFORMANCE COMMITTEE – 3 JUNE 2024

FINANCIAL OUTTURN AND TREASURY REPORT 2023/24

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 2023/24 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 2023/24.

Executive Summary:

The original budget for 2023/24, approved unanimously by members as NFNPA 645/23 and set within the context of the Medium-Term Financial Plan, estimated a £22,000 contribution would be made to the Revenue Support Reserve (for use in future years). The latest Budgetary Control Report, which came to this Committee in February 2024, estimated that the potential general savings and pressures would net off, giving no overall variance.

The draft outturn figures, correct as at writing of this report in mid-May, indicate overall net income and expenditure figures similar to those originally budgeted. £22,000 will be added to the Revenue Support Reserve and utilised in 2024-27 as set out in the budget approved in March 2024.

1 General Fund Revenue Budget Outturn 2023/24

- 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**.

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- 1.2 The overall original income and expenditure budgets for 2023/24 were £4.96m, as shown in Annex 1. This included £1.0m from Authority-led partnership projects (externally-funded).
 - 1.3 The overall expenditure position at year-end shows £4.86m spend (98% of budget). Without the partnership projects, spend was £3.98m from a budget of £3.92m (101%).
 - 1.4 The overall income position shows £4.86m received (98% of budget). Without the partnership projects, income was £3.98m from a budget of £3.92m (101%).

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

- 2.1 Employee Costs (£68,000 positive variance) / Strategy & Planning (£49,000 negative variance)

A number of vacancy savings accrued during the year from across the organisation. A significant proportion of this saving, that related to the planning function, was spent on some temporary external support to cover the vacancies, the expenditure for which shows as an overspend on the 'Strategy & Planning' budget line.

- 2.2 Sustainable Communities Fund (£28,000 'negative' variance)

The SCF budget for 2023/24 was reduced to £10,000 in the knowledge that an unused pot was building up in the corresponding reserve – the £28,000 variance will be taken from the SCF reserve to balance the books in 2023/24. Given we have now fully utilised the unused funding, the core SCF budget was returned to £30,000 for 2024/25.

- 2.3 Central Costs (£38,000 negative variance)

There were some additional external audit costs (c£20k), solely due to the rising national costs of audit, plus some additional ICT replacements were undertaken which will be 100% funded by a corresponding transfer from that reserve.

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

- 3.1 Investment & Interest Income (£62,000 positive variance)

As discussed in the quarterly monitoring reports through the year, due to the high national interest rates, our investments (reserves) have brought us significantly more interest this year. A full report on the Treasury function during 2023/24 is attached to this report as **Annex 6**.

- 3.2 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 £209,000 spent compared to an original budget estimate of £200,000 (105%). 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 £712,000 during 2023/24 on Authority-led Partnership Projects as set out in the table in Annex 4. Of this funding, just £20,000 was put in by the Authority; once the project funds are fully spent/claimed, on average for every £1 we put in, a further £36 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 to 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:

Utilised Amounts (c£179,000) – Nature Recovery (£12k), Comms (£8k), Transport (£9k), Climate (£4k), ICT Replacement (£27k), Sustainable Communities Fund (£27k), Pedall (£19k), Land Advice Service (£28k) and Financial Sustainability (£44k).

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).

Set Aside / Ring-fenced Amounts (c£368,000) – Revenue Support (£22k), Housing (£16k), Landscape Enhancement Initiative (£78k), Pedall (£36k), YouCAN (£103k), Pay (£25k), Routes (£29k), Forest Farming (£17k) and Planning / Risk (£44k).

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

Minimum General Fund Reserve	£350,000
Financial Stability Reserve	£396,000
Revenue Support Reserve	£63,000
Planning / Risk Reserve	£120,000*
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 £133,000 was received during the year and £80,000 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 in 2024/25.

8 Procurement Waivers

- 8.1 There were no significant procurement waivers granted in 2023/24.

9 Accounts and Accounting Policies 2023/24

- 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 2023/24. 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 £22,000 for 2023/24, matching the projected position expected through the in-year monitoring.

11. Recommendations

It is recommended that Members:

- 1 note the provisional outturn position;**
- 2 note the Treasury Management Stewardship Report and Prudential Indicators 2023/24 in Annex 6; and**
- 3 approve the *indicative* transfers to/(from) Reserves in 2023/24 as set out in section 6 and detailed in Annex 5.**

Papers:

- | | |
|---------------------|------------------------------------|
| RAPC 536/24 | Budgetary Control Report |
| RAPC 536/24 Annex 1 | Budget Monitoring |
| RAPC 536/24 Annex 2 | 2023/24 Budget Formats |
| RAPC 536/24 Annex 3 | Programme Fund |
| RAPC 536/24 Annex 4 | Authority-led Partnership Projects |

RAPC 536/24 Annex 5	Projected Developer Contributions and Reserve Balances
RAPC 536/24 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 2023/24

Summary Accounts for the period 1 April 2023 – 31 March 2024

	Original Budget	Payments / Income	% of Budget Spent
	£000	£000	
<u>Expenditure:</u>			
Employee Costs (Salary, Travel, Pensions etc)	2,856	2,788	98%
Programme Fund	200	209	105%
Sustainable Communities Fund	10	38	380%
Strategy & Planning	81	130	160%
Central Costs (split below)	776	814	105%
Subtotal	3,923	3,979	101%
Authority-led Partnership Projects	1,037	712	69%
Net Contribution to Earmarked Project Reserves	0	167	-
Total Expenditure	4,960	4,858	98%

<u>Income:</u>			
Defra National Park Grant	-3,251	-3,251	100%
Planning Income	-330	-323	98%
Shared Services	-254	-257	101%
Income Generation (inc Affordable Housing)	-40	-38	95%
Investment & Interest Income	-70	-132	189%
Contribution to/(from) Revenue Support Reserve	22	22	100%
Subtotal	-3,923	-3,979	101%
Authority-led Partnership Projects	-1,037	-879	85%
Total Income	-4,960	-4,858	98%

Central Costs Split

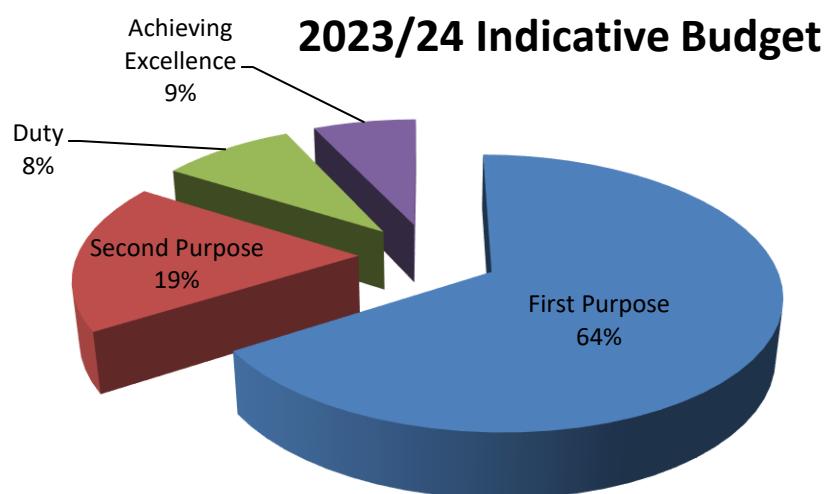
	Latest Budget £000	Payments £000	% of Budget Spent
Secretariat	46	41	89%
Human Resources	74	80	108%
ICT Services	175	175	100%
ICT R&R Fund	35	58	166%
Member Services	65	70	108%
Finance & Audit Services	64	87	136%
Accommodation	235	225	96%
Business Support (e.g. insurance, printing, stationery)	82	78	95%
TOTAL	776	814	105%

Annex 2

2023/24 Original Budget (£3.92m – not including partnership projects):

	First Purpose*	Second Purpose	Duty	Achieving Excellence
	£000	£000	£000	£000
Employee Costs (allocated)	1,874	494	220	268
Programme Fund	49	129	22	-
Sustainable Communities Fund (approximation)	6	3	1	-
Strategy & Planning	81	-	-	-
Central Costs (allocated)	509	134	60	73
TOTAL	2,519*	760	303	341

*Includes costs directly related to the Planning Service



2023/24 Budget outturn in Authority's formal reporting format

	Budgeted Net Cost of Services 2023/24	Projected Final Expenditure	Projected Final Income	Projected Net Position
	£000	£000	£000	£000
Conservation of the Natural Environment	281	721	-643	78
Conservation of Cultural Heritage	199	311	-70	241
Recreation Management and Transport	308	521	-155	366
Promoting Understanding	566	755	-216	539
Rangers, Estates and Volunteers	145	179	-55	124
Development Control	907	1,299	-323	976
Forward Planning and Communities	443	425	0	425
Corporate and Democratic Core	450	480	-35	445
SUBTOTAL	3,299	4,691	-1,497	3,194
National Park Grant	-3,251			-3,251
Investment & Interest Income	-70			-132
Use of Reserves	22			189
TOTAL	0			0

Annex 3

Programme Fund 2023/24	Original Project Budget	Payments	% of Budget Spent	Notes on significant variations
FIRST PURPOSE - PROTECT*	£000	£000		
Ecology and Catchment Co-ordination	12	12	100%	Work with Freshwater Habitats Trust
Woodland Management Projects (NFLAS)	5	5	100%	Grant to NFLAS
Natural Environment Evidence Base (HBIC / WRC)	12	14	117%	
Archaeology Projects and SLAs	10	6	60%	
Green Halo Partnership	5	2	40%	Projects agreed with partners
OTHER (Projects less than £5,000)	5	31	620%	Additional Waterside links ARUP Report = £26k
PROTECT SUBTOTAL	49	70	143%	
SECOND PURPOSE - ENJOY*	£000	£000		
Access Improvements	9	9	100%	
Health and Wellbeing	5	4	80%	
Education (Travel Grants and Resources)	10	9	90%	
Recreation Management	13	5	38%	
Interpretation & Information	8	6	75%	
New Forest Show	6	10	167%	Extra materials purchased and used at other events too
Media and Promotion	23	23	100%	
Publications and Advertising	32	31	97%	Parklife, Pocket Guide etc
Contact Management System	8	5	63%	
Ranger Projects	5	2	40%	
People and Wildlife Ranger Projects	5	5	100%	
OTHER (Projects less than £5,000)	5	5	100%	
ENJOY SUBTOTAL	129	114	88%	

	Original Project Budget £000	Payments £000	% of Budget Spent	Notes on significant variations
DUTY - PROSPER*				
New Forest Marque	4	9	225%	Cash grant supplemented by comms and admin staffing support (up to total of £25k)
Sustainability Projects	3	2	67%	
Sustainable Transport	8	8	100%	
OTHER (Projects less than £5,000)	7	6	86%	
PROSPER SUBTOTAL	22	25	114%	
TOTAL EXPENDITURE	200	209	105%	

*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 2023/24

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	117	78%	5 further years' lottery funding agreed in Q4
YouCAN	10	220	230	107	47%	Project approval slightly delayed but project will be same length
Higher Level Stewardship	0	90	90	88	97%	
Paediatric Fellowship Programme	0	36	36	0	0%	As yet unclaimed, £180k of funding over 5 years
Hampshire Greenprint	0	15	15	0	0%	Funding rolled over to 2024/25
Forest Farming Group	5	20	25	5	20%	Funding rolled over to 2024/25
National Grid – Landscape Enhancement Initiative Projects	0	100	100	22	22%	Projects continue in 2024/25
Farming In Protected Landscapes	0	318	318	318	100%	Further funding in 2024/25
Land Advice Service	5	70	75	55	73%	
TOTAL	20	1,037	1,057	712	67%	

On average, for every £1 the Authority contributes it generates a further £23 from partner organisations.

Annex 5

Developer Contributions:

* Funds paid over to the relevant organisations on an annual basis at year-end.

	Affordable Housing	Open Space	Ecological Mitigation	Transport (via HCC)	Solent Mitigation (via Fareham)
	£000	£000	£000	£000	£000
Starting Balance	831	59	258	0*	0*
Funds Received	0	21	102	0	10
Funds Spent / Released	0	0	(70)	0	(10)
Current Balance	831	80	290	0*	0*

Transport contributions over the previous five financial years have totalled £68,000 and Solent Mitigation £72,000.

Current Reserve Balances:

	Starting Balance	Projected Movement	Closing Balance	All
	£000	£000	£000	
General Fund Reserve	350	0	350	
Earmarked Reserves:				
Financial Stability Reserve	440	(44)	396	
Revenue Support Reserve	41	22	63	
Capital / Major Projects Reserve	500	0	500	
Planning / Risk Reserve	103	17	120	
Other	630	194	824	
TOTAL	2,064	189	2,253	

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 2023/24

1. Introduction

- 1.1 The annual treasury report is a requirement of the Authority's reporting procedures and covers the treasury activity for 2023/24. The report also covers the actual Prudential Indicators for 2023/24 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, DLUHC 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 2023/24;
- A summary of the economic factors affecting the strategy over 2023/24;
- The decisions taken and performance of the treasury service and their revenue effects;
- The Authority's treasury position at 31 March 2024.

Appendix 2

- The main Prudential Indicators and compliance with limits;
- Performance indicators set for 2023/24;
- Risk and performance.

APPENDIX 1

TREASURY MANAGEMENT STEWARDSHIP REPORT – 2023/24

1. Introduction

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

2. Treasury strategy for 2023/24

The Authority approved the Treasury Management Strategy for 2023/24 in March 2023 (NFNPA AM 645/23).

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

UK GDP growth is low but stable/steady, as is 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 very slow, signs of recovery in most of the major world economies. The UK itself has recently come out of a technical recession but economic conditions are still difficult.

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

Date	Bank Base Rate
At 1 April 2023	4.25%
31 March 2024	5.25%

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 times and most economists seem to expect it to plateau and fall 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 2023/24 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 6.35%.
- 5.3 For 2023/24, the interest receivable on temporary investments was £119,000 and on the current account was £13,000; this is well above the estimated total of £70,000 which was originally budgeted.
- 5.4 A list of investments at 31 March 2024 is shown below:-

Borrower	Amount £	Interest Rate %	Maturity Date
Temporary Investments/Holdings			
Debt Mgmt Office (Govt)	2,000,000	5.19	Instant access
Standard Life Money Market Fund	500,000	5.30	Instant access
Total		2,500,000	

- 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 2024 are summarised as follows:

	7-day LIBID %	1-year LIBID %
Benchmark Return	5.18	5.27
Actual Return	6.35	6.35
Return above/(below) Benchmark	1.17	1.08

- 6.6 As at 31 March 2024 temporary investment interest earnings was above of the 7-day benchmark by 1.17%; this equates to around £21,000. The one-year rate is not a particularly good comparator this year due to the steep increase in rates during 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 Money Market Funds.
- 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 2023/24 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 2023/24.

10. Treasury Position at 31 March 2024

- 10.1 The following table shows the treasury position at the 31 March 2024 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 2023		31 March 2024	
	Principal	Rate	Principal	Rate
Temporary Cash-flow Investments				
Bank, Building Society & Gov't Instant Access - Variable Deposit	£2.24m	2.59%	£3.27m	3.27%
Money Market Fund	£0.50m	4.03%	£0.50m	5.00%
Total Investments	£2.74m	2.86%	£3.77m	3.50%

APPENDIX 2

PRUDENTIAL INDICATORS AND COMPLIANCE ISSUES TO 31 MARCH 2024

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 2023/24 with the original indicator for 2023/24 and the actual figure for 2022/23.
- 2.2 The original indicator for 2023/24 is the same as was included in the Treasury Management Policy and Strategy Report 2023/24 (NFNPA AM 645/23).

		2022/23 Actual £000	2023/24 Original Indicator £000	2023/24 Actual £000
1	Capital Expenditure (note: assumed Burley development in 2022/23)	172	600	4
2	Treasury Position at 31 March - Investments	2,000	2,000	2,500
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	41	70	132
8	Maximum principal funds invested (against maximum position)	Maximum 3,675	Maximum 4,000	Maximum 3,772
9	Ratio of capital financing costs to net revenue stream	9%	30%	0%

- 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 2023/24 the Authority has maintained gross borrowing within its Authorised Limit.

	2023/24
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 2023/24

- 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 5.18% for the year; the performance was 6.35% 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 2024 that this was likely to crystallise.
- 4.5 Section 5 of appendix 1 shows the returns for 2023/24.