

## **NORTH LINCOLNSHIRE COUNCIL**

### **AUDIT COMMITTEE**

## **TREASURY MANAGEMENT ANNUAL REPORT 2021-22**

### **1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1. To inform Audit Committee of the Council's Treasury arrangements, activity and performance during 2021/22. The key points being: -
- 1.1.1. Borrowing was within Prudential Indicator Limits and no external borrowing was required to fund capital expenditure during the year
  - 1.1.2. Investment returns remained close to zero for much of 2021/22.
  - 1.1.3. The Council has maintained an under borrowed position, maintaining its policy of avoiding new borrowing.
  - 1.1.4. Investment income was lower than budgeted due to the low rates of return following the pandemic.

### **2. BACKGROUND INFORMATION**

- 2.1 CIPFA has defined treasury management as:

“The management of the organisation's borrowing, investments and cash flows, 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 Treasury Management Strategy Statement (TMSS) for 2021/22 was approved by Council in February 2021. This statement also incorporates the Investment Strategy.
- 2.3 Whilst the Council has advisors to support effective treasury management arrangements, the Council is ultimately responsible for its treasury decisions and activity. No treasury activity is without risk. The successful identification, monitoring and control of risk is therefore an important and integral element of treasury management arrangements.
- 2.4 The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of treasury management arrangements.

### **3. OPTIONS FOR CONSIDERATION**

- 3.1 The key issues covered in the attached appendix are as follows
- 3.2 Capital Expenditure is financed by capital resources, cash resources and external borrowing. The Council's capital expenditure during 2021/22 amounted to £28.68m
- 3.3 Investment returns remained close to zero for much of 2021/22. The Council maintained an average balance of £58.61m of internally managed funds and earned an average rate of return of 0.03%.
- 3.4 The Council maintained an under borrowed position during the year. This meant that the capital borrowing need (CFR requirement) was not fully funded with loan debt as cash supporting the Council reserves, balances and cash flow was used as an interim measure.
- 3.5 During 2021/22 the Council repaid £8.63m at scheduled repayment dates.
- 3.6 The cost of servicing the council's debt was £12.5m or 7.8% of the council's net revenue stream. This remained below 12% of the net revenue stream which is seen as the maximum affordable level.
- 3.7 Once loan was drawn during the year for cash flow purposes to fund advanced pension contributions.
- 3.8 No loans were drawn in advance of need and no debt rescheduling was carried out.
- 3.9 Investment income was £15k compared to a budget of £25k.

### **4. ANALYSIS OF OPTIONS**

- 4.1 Capital expenditure during the year was financed from capital and cash resources. No external borrowing was required to finance capital expenditure during 2021/22.
- 4.2 The investment activity during the year conformed to the approved treasury management strategy and the Council had no liquidity issues. Negative returns on investments were avoided wherever possible through effective management and control.
- 4.3 The borrowing requirement strategy was prudent as investment returns were very low and this minimised counterparty risk on placing investments.
- 4.4 The level of debt was within the operational boundary and authorised limits set in the Treasury Management Strategy.
- 4.5 This report is a requirement of the Prudential Code and provides the Audit Committee with assurance on the council's Treasury Management operation in 2021/22.

**5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)**

5.1 The financial implications to this report are covered in section 3.

**6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)**

6.1 Not applicable.

**7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

7.1 No impact assessment is required for the purpose of this report.

**8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

8.1 Not applicable.

**9. RECOMMENDATIONS**

9.1 That Audit Committee considers the assurance provided by this report on the effectiveness of arrangements for treasury management, and:

9.2 That Audit Committee notes the Treasury Management performance for the 2021/22 financial year.

**DIRECTOR: GOVERNANCE AND COMMUNITIES**

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**Background Papers used in the preparation of this report**

CIPFA Treasury Management Code and Guidance Notes  
Treasury Management Strategy 2021-22 and 2022-23