

## **NORTH LINCOLNSHIRE COUNCIL**

### **COUNCIL**

## **TREASURY MANAGEMENT MID-YEAR REPORT 2022/23**

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

- 1.1 This report provides an overview of the Council's treasury performance during the first six months of 2022/2023 and sets out national factors that affect the Council's Treasury activity.
- 1.2 The key points are that the Council's:
- Investment returns in the first six months of the year amounted to £317k due to increases in interest rates.
  - Interest Rates are forecast to continue to rise in the short term as the bank of England seeks to manage inflation.
  - Borrowing remains comfortably within the control levels set and no new borrowing was undertaken.
  - Treasury activity was compliant with the Prudential Indicators set for the financial year.

### **2. BACKGROUND INFORMATION**

- 2.1 This report fulfils the Authority's legal obligation under the Local Government Act to have regard to both the CIPFA Code and the Department for Levelling Up, Housing and Communities (DLUHC), previously Ministry of Housing, Communities & Local Government, Investment Guidance. The CIPFA Code requires that Full Council receive a report at the start of the financial year, mid-year and year end. The Audit Committee also receive regular updates regarding treasury activity, providing assurance on the effectiveness of the Council's treasury management arrangements.
- 2.2 The CIPFA Code sets out the following objectives for treasury management:
- "It is important that treasury management policies adequately reflect risk and in particular security, liquidity and yield risk, in that order of importance. No treasury management transaction is without risk and management of risks is the key purpose of the treasury management strategy."
- 2.3 Full Council agreed the Treasury Management Strategy Statement (TMSS) for 2022/23 in February 2022.

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

3.1 This is a report on past performance for Council to consider the mid-year performance and treasury management activity. Full details of the mid-year review are attached in appendix 1.

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

4.1 The key messages are:

- Interest rates are continuing to rise. The bank rate is expected to continue to increase until March 2023 before levelling off with a forecast rise to 4.00% in December 2022 and a further increase to 5.00% in the final quarter of 2022/23.
- The Council aims to achieve optimum return on its investments in accordance with its priorities of security, liquidity and risk appetite.
- The Council's investment balances during the first six months of the year were £62.03m and as such is always in a position to meet its liabilities, while managing risks associated with carrying cash balances.
- Interest earned in the first six months amounted to £317k, an average of 0.51%. This is lower than the SONIA benchmark due to the level of risk taken and our continued approach to retaining liquidity for unforeseen expenses.
- The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
- It is anticipated that further borrowing will not be required during this financial year.

### **5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

5.1 Not applicable

### **6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)**

6.1 Risk and external factors are considered in the monitoring report.

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

7.1. Not applicable.

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

8.1 Not applicable.

## **9. RECOMMENDATIONS**

- 9.1 That the Council notes the mid-year treasury management performance 2022/23.

### **DIRECTOR: GOVERNANCE AND COMMUNITIES**

Church Square House  
30-40 High Street  
Scunthorpe  
North Lincolnshire  
DN15 6NL

Author: Tracy Elliott  
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#### **Background Papers used in the preparation of this report**

##### Council

2022-23 Treasury Management Strategy  
2022-23 Capital Programme

##### CIPFA Publications

Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2017 Edition)  
The Prudential Code for Capital Finance in Local Authorities (2017 Edition)

##### Legislation and Central Government Guidance

Local Government Act 2003  
The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003  
DLUHC