

NORTH LINCOLNSHIRE COUNCIL

COUNCIL

**TREASURY MANAGEMENT ANNUAL REPORT
2022/23**

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1. To inform Council of the Council's Treasury arrangements, activity and performance during 2022/23. 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 were low at the beginning of the financial year but gradually increased throughout with the Bank of England rate reaching 4.25% by the year end.
 - 1.1.3. The Council has maintained an under borrowed position, maintaining its policy of avoiding new borrowing.
 - 1.1.4. Investment income was higher than budgeted due to the steady increase in return throughout the year.

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 2022/23 was approved by Council in February 2022. 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 2022/23 amounted to £39.73m, an increase of £11.05m from 2021/22.
- 3.3 Investment returns picked up throughout 2022/23. The Council maintained an average balance of £56.91m of internally managed funds and earned an average rate of return of 1.88%.
- 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.
- 3.5 During 2022/23 the Council repaid £8.05m at scheduled repayment dates.
- 3.6 The cost of servicing the council's debt was 6.6% of the council's net revenue stream which is below 12% of the net revenue stream, seen as the maximum affordable level.
- 3.7 No loans were drawn during the year.
- 3.8 No loans were drawn in advance of need and no debt rescheduling was carried out.
- 3.9 Investment income was £1.068m compared to a budget of £0.200m.

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 2022/23.
- 4.2 The investment activity during the year conformed to the approved treasury management strategy and the Council had no liquidity issues.
- 4.3 The borrowing requirement strategy was prudent as investment returns were very low at the start of the year and amounted to an average rate of return of 1.88% in year.
- 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 Council with assurance on the council's Treasury Management operation in 2022/23.

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 The annual Treasury Report was considered by the Audit Committee on 12th July 2023. There are no reported conflicts in respect of Treasury activity.

9. RECOMMENDATIONS

9.1 That Council notes the Treasury Management performance for the 2022/23 financial year.

DIRECTOR: OUTCOMES

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Background Papers used in the preparation of this report
CIPFA Treasury Management Code and Guidance Notes
Treasury Management Strategy 2022-23