

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

TREASURY MANAGEMENT MID-YEAR REPORT 2023-24

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 2023/2024 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 £1.021m due to increases in interest rates.
 - Interest Rates are currently forecast to remain at 5.25% until the middle of next year as the bank of England seeks to reduce 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 2023/24 in February 2023.

3. OPTIONS FOR CONSIDERATION

- 3.1 This is a report on past performance for Audit Committee 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:

- 4.1.1 Interest rates remain high and are not expected to fall significantly until at least 2025. The bank rate is expected to remain at 5.25% into next year with gradual reductions during 2024, not reaching 4.00% until March 2025.
- 4.1.2 The Council aims to achieve optimum return on its investments in accordance with its priorities of security, liquidity and yield appetite.
- 4.1.3 The Council's average level of funds for investment during the first six months of the year were £44.7m and is therefore able to meet its liabilities, while managing risks associated with carrying cash balances.
- 4.1.4 Interest earned in the first six months amounted to £1.021m an average of 4.67%. This is 0.3% higher than the SONIA benchmark. We continue to prioritise security, liquidity and yield in that order.
- 4.1.5 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
- 4.1.6 The current forecast is that cash balances will continue to reduce towards year end. This being due to increased levels of capital expenditure, repayment of existing borrowing and planned use of reserves. It is anticipated that borrowing will be required towards the end of 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 Audit Committee considers the assurance provided by this report on the effectiveness of arrangements for treasury management, and:
- 9.2 That the Audit Committee notes the mid-year treasury management performance 2023/24.

DIRECTOR: OUTCOMES

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Background Papers used in the preparation of this report

Council

2023-24 Treasury Management Strategy 2023-24 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