

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

TREASURY MANAGEMENT QUARTER THREE 2024-25

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1** This report provides an overview of the Council's treasury performance during the first three months of 2024/25 and sets out national factors that affect the Council's Treasury activity.
- 1.2** The key points are that the Council's:
- Investment returns are forecast to be £1.620m for the year.
 - 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 Ministry of Housing, Communities and Local Government (MHCLG) guidance. The Treasury Management Code of Practice 2021 stipulates that quarterly update reports on treasury management are required, 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 2024/25 in February 2024

3. OPTIONS FOR CONSIDERATION

- 3.1** This is a report for the Audit Committee to consider the quarter three treasury management activity and performance. Full details of the quarter one review are attached in appendix 1.

4 ANALYSIS OF OPTIONS

4.1 The key messages are:

- Interest rates have remained elevated during the year. The bank rate is expected to remain at the current 4.75% until March 2025, when a decrease to 4.50% is predicted. Rates are then expected to continue to reduce gradually reaching 3.50% by December 2026.
- The Council aims to achieve optimum return on its investments in accordance with its priorities of security, liquidity and risk appetite. Investment returns to 31st December 2024 were £1.522m an average of 4.98%. This slightly lower (0.03%) than the SONIA benchmark. We continue to prioritise security, liquidity and yield in that order.
- Average investment balances during the quarter were £28.8m. The council remains in a position where it can meet its liabilities, while managing risks associated with carrying cash balances.
- The investment activity during the year conformed to the approved limits within the strategy, and the Council had no liquidity difficulties.
- No new borrowing has taken place during the first three quarters of the year.
- The current forecast is that cash balances will continue to reduce towards year end. This being due to planned capital expenditure, repayment of existing borrowing and planned use of reserves. It is anticipated that borrowing may 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 the arrangements for treasury management, and:
- 9.2 That the Audit Committee note the report and the treasury management activity during the first quarter of 2023/24.

DIRECTOR: TRANSFORMATION AND OUTCOMES

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Background Papers used in the preparation of this report

Council
2024/25 Treasury Management Strategy
2024/25 Capital Investment Strategy

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