

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

TREASURY MANAGEMENT MID-YEAR REPORT 2021/22

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 202/22 and sets out national factors that affect the Council's Treasury activity.
- 1.2. The key points are that the Council's:
- Investment returns remain at near zero due to the impact of the Covid 19 pandemic. The Council has continued to take a cautious approach to investing.
 - 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 2021/22 in February 2021.

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:

- Interest rates remain near all-time lows at 0.10%. The bank rate is not expected to increase quickly, a forecast rise to 0.25% in June 2022 with a further increase to 0.75% in the final quarter of 2023/24. As a result, there is opportunity for reducing our average cost of borrowing.
- 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 £48.9m and as such is always in a position to meet its liabilities, while managing risks associated with carrying cash balances.
- 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 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 2021/22.

DIRECTOR: GOVERNANCE AND PARTNERSHIPS

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Background Papers used in the preparation of this report

Council

2021-22 Treasury Management Strategy
2021-22 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