

NORTH LINCOLNSHIRE COUNCIL

Council

Treasury Management Outturn 2017-18

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1. This report provides an overview of the Council's treasury performance in 2017/18.
- 1.2. The key points are that the Council's:
 - Investment activity during the year conformed to the approved strategy, and there were no liquidity difficulties.
 - Borrowing remained comfortably within the control levels set.
 - Treasury activity was compliant with the Prudential Indicators set for the financial year.
- 1.3. The report sets out national factors that affect the Council's Treasury activity:
 - 2017-18 saw changes in both inflation and interest rates, with the first rise in Bank of England Base Rates in a decade.
 - It also saw changes to key regulatory frameworks and legislation covering Treasury activity.

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 Communities and Local Government (CLG) 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 for 2017/18 in February 2017. The Annual Treasury Report (included as an Appendix) provides the detail of the activity and performance against the strategy, including the agreed Prudential Indicators for 2017/18.

3. OPTIONS FOR CONSIDERATION

3.1 This is a report on past performance and Council are required to receive and note the information presented.

4. ANALYSIS OF OPTIONS

4.1 The key messages are:

- Whilst interest rates remain near all-time lows, 2017-18 did see the first base rate rise in a decade from 0.25% to 0.5% with forward guidance that further rises will follow on 'gentle' upward path.
- At the end of 2017/18 there were revisions to both CIPFAs Code of Practice and the Ministry of Housing, Communities and Local Government's Guidance on treasury/capital financing. Both updates have been adopted by the Council and, in accordance with guidance from the relevant bodies, required changes will be made during 2018-19.
- January 2018 also saw the implementation of the Markets in Financial Instruments Directive (MiFID) II legislation. The Council has retained its Professional Client status with all its key counterparties. This ensures that NLC continues to have the ability to access a wide range of financial risk management tools in the future.
- The change in direction for rates has implications for future borrowings the Council will require in order to fund its Capital Programme. With this in mind two longer-term borrowing transactions totalling £7.5m were completed in the year in addition to the £5.9m for a specific capital investment
- The Council's investment balances have been kept relatively low, consistent with ensuring the council's liquidity, such that it 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.
- Budgeted income from investments was over-achieved and so no pressure resulted from low market yields.
- The Council's risk profile improved during the year.
- The percentage of the Council's income required to service its debt came in below projections, through a change to the MRP methodology, rephased capital spending and greater use of capital receipts.

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

5.1 Not applicable

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

6.1. Not applicable.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1 Not applicable.

8. RECOMMENDATIONS

8.1 That the Council receives and notes the Treasury Management performance set out in the Annual Treasury Report for the 2017-18 financial year.

DIRECTOR OF GOVERNANCE AND PARTNERSHIPS

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Background Papers used in the preparation of this report

2017-18 Treasury Management Strategy
2017-20 Capital Programme
CIPFA Code of Practice in the Public Service Fully Revised 2011
CIPFA The Prudential Code Fully Revised Second Edition 2011
DCLG Guidance
Local Government Act 2003