

**NORTH LINCOLNSHIRE COUNCIL**

**COUNCIL**

**TREASURY MANAGEMENT AND INVESTMENT STRATEGY  
MID-YEAR REPORT 2018/19**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 This is a report on treasury performance in the first half of 2018/19. The benchmark for measuring performance is the treasury strategy which the council set at its meeting on 1 March 2018.
- 1.2 The report covers
- The legal and regulatory framework
  - How the council has performed
- 1.3 The key points are that the council has
- Sought to minimise cash balances, with a minimum balance of £10m
  - Generated an average return of 0.5% for the half-year
  - Undertaken borrowing throughout the period via the inter-Local Authority market which offers access to short-term funding at low rates
  - Kept capital financing costs to below 10% of the revenue stream

**2. BACKGROUND INFORMATION**

**The legal and regulatory framework**

- 2.1 The annual treasury management and investment strategy was prepared in line with
- CIPFA Code of Practice in the Public Service Fully Revised 2017
  - CIPFA The Prudential Code Fully Revised 2017
  - MHCLG Guidance
  - Local Government Act 2003
- 2.2 The code of practice requires that full Council receive a report on treasury management strategy prior to the start of the financial year, with performance updates at mid-year and at year end.

### 3 OPTIONS FOR CONSIDERATION

3.1 There are no options for consideration. However the performance against the approved strategy is set out. The annual strategy covers:

- the investment strategy
- the borrowing strategy
- and the prudential indicators for external debt and treasury management.

#### **How the council performed**

3.2 The Treasury Strategy envisaged a need for additional borrowing in 2018/19. There were a number of transactions via the short-term inter-local authority marketplace. The total value of new loans transacted in the period was £21m.

Throughout the period efforts were made to keep investment balances at a level that did not materially increase credit risk carry but also ensured that liquidity needs were comfortably met. Slightly higher average balances and a further rate increase in August meant that interest received was up on the same period last year, £35k compared to £9k. As a result our average borrowing rate reduced from 4.0% to 3.3%.

3.3 The key investment statistics follow with further detail at Appendices 1 and 2:

- The level of cash flow balances meant that most investments had to be made short term to manage liquidity risk and use was made of UK Government Treasury Bills in order to take early advantage of rising rates where possible.
- During the period the Authority continued its previous Strategy of moving the majority its investments away from the single name risk direct bank deposits into diversified Money Market Funds.
- The closing investment balance was £14.3m, a decrease of £2.6m on the starting balance of £16.9m, and borrowings decreased by £16m in the same period.
- Temporary borrowing was taken regularly during the period to meet cash flow need. However, as the Authority's internal borrowing capacity had been full deployed at 1.4.18 this short-term borrowing will need replacement by longer-term borrowing over time. For now, however, liquidity and rates available from the inter-Local Authority market still make it the most advantageous route to securing borrowing.
- The projected outturn for debt financing costs for the year stood at £10.2m. The percentage of revenue stream represented by this cost remained below the council's guideline range of 10% - 12%.
- Total debt of £189.8m at 31<sup>st</sup> March 2018 was reduced by repayments of £36.2m in year, with new/replacement debt added to leave total debt outstanding of £172.8m at 30 September 2018.

- Total debt was within the authorised and operational boundaries set in the strategy and the maturity profile of debt also remained within the limits set.

#### 4. **ANALYSIS OF OPTIONS**

- 4.1 This is a report on past performance and there are no options to consider. However 2018/19 has seen an extension of external borrowing to meet short and defer long-term needs as anticipated in the Treasury Strategy.

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

- 5.1 The financial implications to this report are covered in section 3.

#### 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 notes the Treasury Management performance for the 2018/19 financial year.

DIRECTOR OF GOVERNANCE AND PARTNERSHIPS

Civic Centre  
Ashby Road  
SCUNTHORPE  
North Lincolnshire  
DN16 1AB  
Author: Peter Fijalkowski

Date: 30 November 2018

#### **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 2017

CIPFA The Prudential Code Fully Revised Second Edition 2017

MHCLG Guidance

Local Government Act 2003

## Appendix 1

### PRUDENTIAL GUIDELINE INDICATORS

	2018/19	2018/19
	Budget £m	Mid-Year £m
(i) capital expenditure	70.2	71.9
(ii) General Fund ratio of financing costs to the net revenue stream	10.47%	9.30%
(iii) The capital financing requirement	267.1	243.7
(iv) the authorised limit for external debt including borrowing and other long term liabilities	315	315
(v) the operational boundary for external debt including borrowing and other long term liabilities	275	275
	%	%
(vi) upper limit for fixed rate exposure	100	Target Met
(vii) upper limit for variable rate exposure	40	Target Met
(viii) upper and lower limits for maturity structure of borrowing		
UPPER LIMIT		
under 12 months	40	)
12 months and within 24 months	20	)
24 months and within 5 years	50	} Target Met
5 years and within 10 years	75	)
10 years and above	90	)
LOWER LIMIT		
under 12 months	0	)
12 months and within 24 months	0	)
24 months and within 5 years	0	} Target Met
5 years and within 10 years	0	)
10 years and above	25	)
(ix) total principal sums invested for periods longer than 365 days	nil	nil