REPORT OF THE AUDIT COMMITTEE No. 2, 2024/25

FULL COUNCIL 18 November 2024

Chair: Councillor Erdal Dogan Deputy Chair: Councillor Cathy Brennan

1. INTRODUCTION

This report to Full Council arises from the report on the Treasury Management quarterly update considered by the Audit Committee at their meeting on the 8 October 2024. The report provides an update on the Council's treasury management activities in accordance with the CIPFA Treasury Management Code of Practice.

Overall responsibility for the Council's treasury management remains with Full Council and the Council approved the Treasury Management Strategy Statement in March 2024. The Audit Committee is responsible for monitoring treasury management activity and Council monitor this through the receipt of quarterly reports.

TREASURY MANAGEMENT REPORT Q1-2024/25

We considered the Treasury Management quarter one update and discussed the following:

- A 'bail-in exposure' was a circumstance where an organisation like a bank went into bankruptcy before the government stepped in to assist it. This happened during the 2008 financial crisis when a lot of the banks failed and the government ended up buying one of the banks. The Council did not tend to invest with banks.
- A query was raised regarding issues around the volatility of the market. The impact in Haringey was considered to be more severe particularly on layers of people who were unemployed because they were higher than elsewhere and also people who potentially may lose their homes putting pressure on the Council in terms of housing. In response, the meeting heard that from a treasury perspective, there were two main areas that were considered. Firstly, cash flow patterns were observed - part of any overspend would be part of the cash generation. Secondly, observations would be made on the capital program delivered throughout the year and these informed the level of borrowing that was needed.
- Consideration would be given to decisions from management. Wider finance and any wider cost to the Council would also be considered. This would include any increase in demand such as more people requiring social care and seeking support with housing. This would come through in the monitoring that was done and reported on a quarterly basis. Anything coming to light in terms of increasing demand would be fed into conversations regarding cash

flow. Any potential changes would not be so significant as to have an implication on treasury management decisions. The Council was predicting and forecasting accurately. It would be surprising for something that needed immediate action to come through.

- A query was raised in relation to capital projects and if it meant that there would be less revenue coming in possibly causing delays and having an impact on the borrowing. In response, the meeting heard that any delays would reduce the amount needed to be borrowed. The Council's borrowing had been captured on the bottom of page 43 of the agenda papers as part of the capital financing requirement (CFR). Part of the CFR borrowing was internal borrowing which had not yet been exercised. This was something that was used tactically and not currently operational. However, it was something that could be taken advantage of if required. If elements of the capital programme program slowed down, then the requirement to do so would become smaller. It was not directly linked to the revenue because revenue often depended on specific schemes. Some schemes were not schemes that produced revenue.
- Treasury Management was mostly about the Council's investment and borrowing. It was possible to argue that a reduction in the budget provision required more cash available to invest, but it did not directly impact on the decisions and investments that the team made. The budget provision was reported every year and movement was being made to report on it every six months. It would not be explicitly seen in the treasury management reports, but there would be other finance reports where more off- balance sheet items could be found.
- In relation to a query regarding the £50 million balance, the meeting heard that this was an assumption of where, at the beginning of the year, the Council figured its cash balance to be. For example, last year, the Council averaged around £70 million over the course of the year as the Council had received a lot of grants. This year, the Council had not had the same fortune of receiving as many grants. The Council at the beginning of the year, had about £83 million, but it was becoming apparent that the balance was closer to £30 million. Over the course of the year, the average was expected to be to probably be slightly below the £50 million balance. However, the rates that the Council was still able to invest remained higher. The Council was still expecting to be on budget. There may be room for the Council to underspend on the interest, but this depended on how the rest of the year would progress.

RECOMMENDATIONS

Full Council is recommended:

To note the treasury management activity undertaken during the financial year to 30 June 2024 and the performance achieved which is attached as Appendix 1 to the attached report.

To note that all treasury activities were undertaken in line with the approved Treasury Management Strategy.