

Full Council

14 November 2017



Report of: Service Director: Finance

Title: Treasury Management Annual Report 2016/17

Ward: City Wide

Member Presenting Report: Deputy Mayor – Finance, Governance and Performance

Recommendation

Council note the Annual Treasury Management Report for 2016/17, as detailed in Appendix A.

Summary

The Council is required to produce an annual treasury management review of activities and the actual treasury indicators in accordance with Local Government regulations.

The significant issues in the report are:

- The Council has complied with treasury management legislative and regulatory requirements during the period and all transactions were in accordance with the approved Treasury Management Strategy.
- The 2016–2019 Treasury Strategy identified a medium term borrowing requirement of £150m to support the existing and future Capital Programme. The Council's agreed policy is to defer borrowing while it has significant levels of cash balances (£70m at March 2017). The authority, as planned, borrowed £19.2m from the PWLB on the 31st March 2017 at a preferential rate for the Bristol Temple Meads East Regeneration, reducing the interest rate risk and liquidity risk exposed to the authority.
- The Council's long term debt at the 31 March 2017 was £434m with an average annual interest rate of 4.81%. Investments were £70m at the 31 March 2017 with an average annual interest rate of 0.57%.

Policy

There are no policy implications as a direct result of this report.

Consultation

1. Internal

Audit Committee, Strategic & Service Directors, and Deputy Mayor – Finance, Governance & Performance.

2. External

Capita – the Council’s external treasury management advisors

Context

1. The Council’s treasury management activity is underpinned by CIPFA’s Code of Practice on Treasury Management (the Code), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also requires reports to full Council mid-year and after the year end. The 2016/17 outturn report is set out as Appendix A.
2. The Code also requires the Council to nominate one of its Committees to have responsibility for scrutiny of its treasury management strategy, policy and activity. Council has delegated that responsibility to the Overview and Scrutiny Management Board and Audit Committee. Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council’s treasury management objectives.
3. Treasury management is defined as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”.

Proposal

Council note the Annual Treasury Management Report for 2016/17, as detailed in Appendix A.

Other Options Considered

Not applicable

Risk Assessment

The principal risks associated with treasury management are:

Risk	Mitigation
Loss of investments as a result of failure of counterparties	Limiting the types of investment instruments used, setting lending criteria for counterparties, and limiting the extent of exposure to individual counterparties
Increase in the net financing costs of the authority due to borrowing at high rates of interest / lending at low rates of interest	Planning and undertaking borrowing and lending in light of assessments of future interest rate movements, and by undertaking most long term borrowing at fixed rates of interest (to reduce the volatility of capital financing costs)

Public Sector Equality Duties

None necessary for this report

Legal and Resource Implications

Legal

The Council is under a duty to manage its resources prudently and therefore due consideration must always be given to its borrowing and lending strategy. A wide range of local authority financial activities, including borrowing, lending, financial management, and the approval of types of investment vehicle are governed by legislation and various regulations. The Council is obliged to comply with these.

(Legal advice provided by Shahzia Daya - Service Director: Legal and Democratic Services)

Financial

(a) Revenues

The financing costs arising from planned borrowing are provided for in the revenue budget and medium term financial plan. Any additional operating costs arising from capital investment must be contained within the revenue budget of the relevant department.

(b) Capital

Not Applicable

(Financial advice provided by Jon Clayton – Principal Accountant)

Land

Not applicable

Personnel

Not Applicable

Appendices:

Appendix A – Treasury Management Annual Report 2016/17

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None