

Audit Committee

23 September 2016



Report of: Interim Service Director: Finance

Title: Treasury Management Annual Report 2015/16

Ward: City Wide

Officer Presenting Report: Annabel Scholes, Service Director: Finance

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Recommendation

The Audit Committee note the Annual Treasury Management Report for 2015/16

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.
- No additional long term borrowing was undertaken in the year. The Council's long term debt at 31 March 2016 was £415m (£415m at 31st March 2015) with an average interest rate of 4.81%.
- Investments were £146m at the 31 March 2016 (£191m at 31 March 2015) with an average rate of 0.63% in 2015/16 (0.69% in 2014/15).



Policy

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

Consultation

1. Internal

The report does not require any internal consultation to be undertaken.

2. External

Capita – the Council’s external treasury management advisors

Background and 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.
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 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.”.

Other Options Considered

Not applicable

Risk Assessment

The principal risks associated with treasury management are:

- The risk of loss as a result of failure of counterparties.
- This is mitigated by limiting the types of investment instruments used, setting lending criteria for counterparties, and limiting the extent of exposure to individual counterparties;
- The risk of loss as a result of borrowing at high rates of interest/lending at low rates of interest.
- This is mitigated by planning and undertaking borrowing and lending in the light of advisers'

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.

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 will have to 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 2015/16

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None