Audit Committee

23 September 2016

Report of: Interim Service Director: Finance

Title: Treasury Management Quarter 1 Report 2016/17

Ward: City Wide

Officer Presenting Report: Annabel Scholes, Service Director: Finance

Contact Telephone Number: 0117 92 22419

Recommendation

The Audit Committee note the Quarter 1 Treasury Management Report

Summary
The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly. This report provides a quarterly update for the Council's Treasury Management function to the end of June 2016.

There are no policy changes to the strategy, the details in this report update the current Treasury position.

The significant issues in the report are:

The 2016–2019 Treasury Strategy identified a medium term borrowing requirement of £150m (£75m 2016/17, £75m 2017/18) to support the existing and future Capital Programme with the additional debt servicing costs met from revenue savings from capital investment and the economic development fund.

In addition the Council's agreed policy is to defer borrowing while it has significant levels of cash balances (£136m at June 2016), £75m estimated for March 2017). This strategy is prudent as investment returns are low and counterparty risk is relatively high.

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

See attached report.

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 Q1 Report

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None