

# Audit Committee

25 November 2016



**Report of:** Interim Service Director - Finance

**Title:** Treasury Management Mid-year Report 2016/17

**Ward:** City Wide

**Officer Presenting Report:** Annabel Scholes – Interim Service Director - Finance

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## Recommendation

The Audit Committee note, and comment as appropriate, on the Treasury Management Mid-year Report for 2016/17.

## Summary

This report meets the treasury management regulatory requirement that the Council receive a mid-year treasury review report. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs).



**Policy**

1. Not Applicable

**Consultation**

2. **Internal**  
Interim Service Director - Finance
3. **External**  
Capita – the City Council’s Treasury Management advisors

**Context**

4. During the first half of 2016/17 the Council has complied with its legislative and regulatory requirements.
5. The current financial year continues the challenging environment of the previous year’s namely low investment returns and heightened levels of counterparty risk.
6. There are no policy changes to the Treasury Management Strategy Statement (TMSS); the details in this report update the position in the light of the updated economic position and budgetary changes.
7. The 2016–2019 Treasury Strategy (approved 16th February 2016) identified a medium term borrowing requirement of £150m to support the existing and future Capital Programme with the debt servicing costs met from revenue savings from capital investment and the economic development fund. The Council’s agreed policy is to defer borrowing while it has significant levels of cash balances (£135m at September 2016, £70m estimated for March 2017). The authority is planning on borrowing £20m at a preferential rate from the PWLB that expires on the 31st March for the Bristol Temple Meads East Regeneration (Arena) scheme. No further borrowing is anticipated in the current financial year, unless:
  - short term investments fall at a higher pace than expected increasing the liquidity risk of the authority and or;
  - there is a significant change in markets (debt financing costs continue to be at historic low levels) and long term borrowing is deemed advantageous the authority will borrow over periods determined as the most appropriate to reduce the authorities exposure to interest rate risk.

**Other Options Considered**

8. None

## **Risk Assessment**

Borrowing and lending activity is reported to the Mayor.

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**

8. There are no proposals in this report, which require either a statement as to the relevance of public sector equality duties or an Equalities Impact Assessment.

## **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 – Interim Service Director – Legal and Democratic Services)**

### **Financial**

#### **(a) Revenue**

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:**

Treasury Management Mid-year Report to Cabinet 6 December 2016

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**Background Papers:**

None