

**Report To:** Corporate Governance Committee

**Date of Meeting:** 13 July 2016

**Lead Member / Officer:** Cllr Julian Thompson-Hill

**Report Author:** Richard Weigh, Head of Finance

**Title:**

1. Annual Treasury Management (TM) Report 2015/16 (Appendix 1)
2. TM Update Report 2016/17 (Appendix 2)

## **1 What is the report about?**

- 1.1 The Annual TM Report 2015/16 (Appendix 1) is about the Council's investment and borrowing activity during 2015/16. It also provides details of the economic climate during that time and shows how the Council complied with its Prudential Indicators. The TM Update Report (Appendix 2) provides details of the Council's TM activities during 2016/17.
- 1.2 The term 'treasury management' includes the management of the council's borrowing, investments and cash flow. Approximately £0.5bn passes through the council's bank accounts every year. The council's outstanding borrowing at 31 March 2016 was £190.17m at an average rate of 4.95% and the council held £12m in investments at an average rate of 0.61%.

## **2 What is the reason for making this report?**

- 2.1 It was agreed by Council on 27 October 2009 that the governance of TM be subjected to scrutiny by the Corporate Governance Committee. Part of this role is to receive an update on the TM activities twice a year and to review the enclosed Annual TM Report for 2015/16.

### **2.2 Role of Corporate Governance Committee**

- 2.2.1 The TM team will provide reports and training to the Corporate Governance Committee in accordance with the timetable below:

<b>Committee</b>	<b>Date</b>	<b>Report Title</b>	<b>Report Content</b>
Corporate Governance	January	TM Update/Training Session	- External environment - Risks - Activity - Controls - Future Activity
Corporate Governance	January	TM Strategy	- Policy - Strategy - Prudential Indicators
Council	February	TM Strategy	As above
Corporate Governance	July	TM Update	As TM Update above
Corporate Governance	July	TM Review	- Review of TM activities during the preceding year - Performance of TM function
Cabinet	July	TM Review	As above

NB Note that the TM Review and Update reports have been moved from the September meeting to the July meeting. This is because the Corporate Governance Committee is required to review the TM Review report before it is approved by Cabinet and this was not possible in September because of the committee dates.

2.2.2 TM is a complex area which takes time to understand fully and regular updates are provided. It was deemed therefore that the Corporate Governance Committee was more appropriate than Council to receive these updates so that the required amount of time and commitment could be devoted to this area.

2.2.3 The Committee is required to have a certain level of understanding in this area and this is achieved through regular updates and training sessions.

2.2.4 The role of the Committee includes the following:

- To understand the Prudential Indicators
- To understand the impact of borrowing on the revenue position
- To understand the wider drivers impacting on the Council's TM activities
- To ensure that the Council always acts in a prudent manner in relation to its TM activities

### **3 What are the Recommendations?**

3.1 That members note the performance of the Council's Treasury Management function during 2015/16 and its compliance with the required Prudential Indicators as reported in the Annual TM Report 2015/16 (Appendix 1).

3.2 That members note the TM update report (Appendix 2).

## **4 Report details**

4.1 The purpose of the Annual TM Report (Appendix 1) is to:

- present details of capital financing, borrowing, debt rescheduling and investment transactions in 2015/16;
- report on the risk implications of treasury decisions and transactions;
- confirm compliance with treasury limits and Prudential Indicators.

4.3 The TM update report (Appendix 2) provides details of the following:

- External economic environment
- Risks
- Activity
- Controls
- Future Activity

## **5 How does the decision contribute to the Corporate Priorities?**

5.1 Good investment and borrowing decisions allow additional resources to be directed to other Council services.

## **6 What will it cost and how will it affect other services?**

6.1 Not applicable.

## **7 What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?**

7.1 This is not required as a part of this report.

## **8 What consultations have been carried out?**

8.1 The Council has consulted with its treasury advisers, Arlingclose Ltd.

## **9 Chief Finance Officer Statement**

9.1 TM involves looking after significant sums of cash so it is a vital part of the Council's work. It requires a sound strategy and appropriate controls to safeguard the Council's money, to ensure that reasonable returns on investments are achieved and that debt is effectively and prudently managed.

9.2 Council adopted the revised CIPFA Code of Practice on TM (Nov 11) at its meeting on 28 February 2012. It is a requirement of that Code for this committee to receive an update on the TM activities twice a year and to review an Annual TM Report.

9.3 The Council has approved an ambitious Corporate Plan that involves investing approximately £92m in delivering its priorities over the coming four years. It is vital that the Council has a robust and effective TM function underpinning this investment and all other activities.

## **10 What risks are there and is there anything we can do to reduce them?**

- 10.1 Treasury Management is inherently risky but the Council is monitoring and controlling these risks as outlined in the main report. However, it is impossible to eliminate these risks completely. The council's treasury management strategy and procedures are audited annually and the latest internal audit review was positive with no significant issues raised.

## **11 Power to make the Decision**

- 11.1 The Local Authorities (Capital Finance and Accounting) (Wales) Regulations require local authorities to have regard to the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management which determines the requirement for the Council to prepare regular TM updates and an annual report on treasury activities for the previous financial year.