

<b>Report To:</b>	Corporate Governance Committee
<b>Date of Meeting:</b>	19 July 2017
<b>Lead Member / Officer:</b>	Cllr Julian Thompson-Hill
<b>Report Author:</b>	Richard Weigh, Head of Finance
<b>Title:</b>	<b>1. Annual Treasury Management (TM) Report 2016/17 (Appendix 1)</b> <b>2. TM Update Report 2017/18 (Appendix 2)</b>

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

- 1.1 The Annual TM Report 2016/17 (Appendix 1) is about the Council's investment and borrowing activity during 2016/17. 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 2017/18.
- 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 2017 was £184.73m at an average rate of 4.94% and the council held £1.2m in investments at an average rate of 0.14%.

## **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 2016/17.

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

- 2.2.1 The TM team will provide reports 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	- 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	September	TM Review	As above

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.

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 2016/17 and its compliance with the required Prudential Indicators as reported in the Annual TM Report 2016/17 (Appendix 1).

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

3.3 That the Committee confirms that it has read, understood and taken account of the Well-being Impact Assessment (Appendix 3) as part of its consideration.

## **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 2016/17;
- 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 Wellbeing Impact Assessment?**

7.1 Financial planning and decision making should ensure that proper regard is given to the requirements of the Wellbeing of Future Generations Act and in particular, proper consideration of the long term impact of financial decisions, including the payback period and whole life costs of capital investment decisions, properly impact assessed budget proposals and long term debt and investment (treasury management) strategies. The principles of prudence, affordability and sustainability are already enshrined within the requirements of the Prudential Code and should underpin financial planning and decision making.

7.2 In the context of treasury management, the existing requirements to assess and report on the long term financial consequences of investment and borrowing decisions using prudential indicators and long-term debt planning support the sustainability goals of the Wellbeing Act.

7.3 The Wellbeing Impact Assessment report is included in Appendix 3 which shows how an efficient Treasury Management strategy promotes the wellbeing goals of the Act.

## **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 ongoing commitments to the Corporate Plan approved in 2012. While the plan was expected to run for 5 years, some of the projects will finish in 2020/21 and it is expected that the Council will need to borrow to fund this investment.
- 9.4 The new Council appointed in May is consulting on the new priorities for the period from 2017 to 2022. Any new proposals will need to be considered in the TM strategy because 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.