

Report To:	Cabinet
Date of Meeting:	26 September 2017
Lead Member / Officer:	Cllr Julian Thompson-Hill
Report Author:	Richard Weigh, Head of Finance
Title:	Annual Treasury Management Report 2016/17 (Appendix 1)

1 What is the report about?

- 1.1 The report 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.
- 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 The main purpose of this report is to update members on the performance of the treasury management function and to demonstrate compliance with treasury limits and Prudential Indicators during 2016/17.

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 the Cabinet confirms that it has read, understood and taken account of the Wellbeing Impact Assessment (Appendix 2) as part of its consideration.

4 Report details

- 4.1 The report gives details of the Council's treasury management activities and an overview of the economic background for the year. The report also reports on the risk implications of treasury decisions and transactions and confirms compliance with treasury limits and Prudential Indicators.

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 2 which shows how an efficient Treasury Management strategy promotes the wellbeing goals of the Act.

8 What consultations have been carried out with Scrutiny and others?

- 8.1 The Council has consulted with its treasury advisers, Arlingclose Ltd.
- 8.2 The Corporate Governance Committee has been updated on Treasury Management activities throughout the year and has reviewed this report before its submission to Cabinet.

9 Chief Finance Officer Statement

- 9.1 Treasury Management 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 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.

9.3 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 Cabinet to receive an annual report on treasury activities for the previous financial year.