

17 July 2018

<b>Report of</b>	<b>Assistant Director, Policy &amp; Corporate</b>	<b>Author</b>	<b>Steve Heath</b>  <b>282389</b>
<b>Title</b>	<b>Treasury Management – Annual Review 2017/18</b>		
<b>Wards affected</b>	Not applicable		

## 1 Executive Summary

- 1.1 Treasury management comprises all borrowing and investment activities of the Council. During 2017/18, the Council complied with its legislative and regulatory requirements, and all treasury activity was in accordance with the Prudential Indicators approved by Council in February 2017. The key indicators are shown below:

	31-Mar-17	31-Mar-18	31-Mar-18
	Actual	Original	Actual
	£'000	£'000	£'000
General Fund capital expenditure	11,390	10,974	9,038
HRA capital expenditure	10,705	11,288	7,967
<b>Total capital expenditure</b>	<b>22,095</b>	<b>22,262</b>	<b>17,005</b>
Capital Financing Requirement (CFR)	154,597	154,898	154,189
External Debt	136,094	139,204	141,094
Investments	(45,236)	(34,346)	(47,901)
<b>Net borrowing</b>	<b>90,858</b>	<b>104,858</b>	<b>93,193</b>

- 1.2 The borrowing strategy of continuing to 'borrow internally', was kept under review considering the long-term saving resulting from borrowing at very low rates. External borrowing increased by £5m during the year to total £141.1 million.
- 1.3 The investment policy reflected the Council's low appetite for risk, and the financial year continued the challenging investment environment of previous years. The Council's investments at the end of the year totalled £47.9 million.
- 1.4 The Council employ Link Asset Services to provide a consultancy service in respect of treasury management, to include advice on borrowing, investments, counterparty credit details and general capital accounting information.

## 2 Action required

- 2.1 The Panel is asked to consider the Annual Treasury Management Review for 2017/18, and note the performance of the Council's treasury management advisors.

## 3 Reason for scrutiny

- 3.1 The CIPFA Treasury Management Code of Practice requires the Council to produce three main reports each year, which are all required to be scrutinised and reviewed:
- the Treasury Management Strategy Statement.
  - the Mid-Year Treasury Management Report.
  - the Annual Treasury Management Review (this report).

## **4 Treasury Management Review 2017/18**

4.1 The Annual Treasury Management Review 2017/18 is attached as a separate document.

## **5 Strategic Plan references**

5.1 Prudent treasury management underpins the budget strategy required to deliver all Strategic Plan priorities.

## **6 Publicity considerations**

6.1 **Appendix A** to the annual report is confidential.

## **7 Financial implications**

7.1 Interest paid and earned on borrowing and investments is shown within the Central Loans and Investment Account (CLIA). Outturn figures for 2017/18 show a small favourable variance of £21k. This takes into account additional borrowing costs, which is offset by investment income being higher than budgeted due to the level of cash balances available.

## **8 Risk management implications**

8.1 Risk Management is essential to effective treasury management. The Council's Treasury Management Policy Statement contains a section on treasury Risk Management (TMP1).

8.2 TMP1 covers the following areas of risk all of which are considered as part of our treasury management activities:

- Credit and counterparty risk
- Liquidity risk
- Interest rate risk
- Exchange rate risk
- Refinancing risk
- Legal and regulatory risk
- Fraud, error and corruption, and contingency management
- Market risk

## **9 Other standard references**

9.1 Having considered consultation, equality, diversity and human rights, community safety, and health and safety implications, there are none that are significant to the matters in this report.

### **Appendices**

None

### **Background Papers**

Annual Treasury Management Review 2017/18 (as attached)