

EAST STAFFORDSHIRE BOROUGH COUNCIL

REPORT COVER SHEET

Title of Report:	Mid-Year Treasury Management Review Report 2018-19
Meeting of:	Scrutiny (Audit and Value for Money Council Services) Committee
Date:	20th November 2018
Is this an Executive Decision:	NO
Is this a Key Decision:	NO
Is the report Confidential:	NO
If so, please state relevant paragraph from Schedule 12A LGA 1972:	-

Essential Signatories:

ALL REPORTS MUST BE IN THE NAME OF A HEAD OF SERVICE

Monitoring Officer

Date Signature

Head of Service and Chief Finance Officer

Date Signature

EAST STAFFORDSHIRE BOROUGH COUNCIL

Report to Scrutiny (Audit and Value for Money Council Services) Committee

Date 20th November 2018

TITLE:	Mid-Year Treasury Management Review Report 2018-19
PORTFOLIO:	Finance
HEAD OF SERVICE:	Sal Khan
CONTACT OFFICER:	Lisa Turner – Chief Accountant ext. No. 1399
WARD(S) AFFECTED:	All

1. Purpose of the Report

- 1.1 The Council has a duty to comply with the Treasury Management Code of Practice, published by the Chartered Institute of Public Finance and Accountancy. The code requires authorities to present a mid-year report on their treasury management activities. This report fulfils this requirement, providing an update against the Treasury Management Strategy Statement (TMSS), setting out current investment and borrowing portfolios and outlining any other treasury related matters.

2. Contribution to Corporate Priorities

- 2.1 By minimising the cost to the Council of borrowing associated with capital spending, whilst at the same time maximising the Council's income from the investment of surplus funds and maintaining the security and liquidity of those funds, this provides underlying support to all corporate priorities.

3. Mid-Year Treasury Management Report – Executive Summary

3.1 An economic update

3.1.1 Economic growth in the UK has been modest in the first half of 2018/19, although sufficiently robust for the Monetary Policy Committee (MPC) to increase the bank rate in August to 0.75%. There are some concerns around inflationary pressures and the MPC have indicated that the bank rate will need to increase to 1.5% by March 2021 for inflation to stay on track.

3.1.2 The most significant caveat to economic forecasts is whether or not the UK achieves an orderly withdrawal from the EU on 29th March 2019. Further information on the economy is set out within section 3 of the attached report.

3.2 A review of the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy

3.2.1 The TMSS was approved in February 2018 and establishes the Council's investment priorities as being the security of capital, liquidity and the achievement of the optimum returns commensurate with the proper levels of security and liquidity.

3.2.2 Borrowing and investments have been in line with the approved strategy and there have been no deviations. Despite the continued difficult economic conditions the approved strategy remains fit for purpose.

3.3 The Council Investment portfolio for 2018/19

3.3.1 Investments stood at £31m as at 30th September 2018, with a daily average of £34m for the first six months of the year. Despite investment returns being at an historical low, the authority exceeded the base rate and matched the average 6 month LIBID in the first half of 2018/19. Call account rates have continued to be low over the last 12 months, therefore our portfolio contains a diversified mix including certificates of deposit held with a number of international banks, as well as UK Government Treasury Bills. These instruments offer significant counterparty strength as well as diversification of the portfolio. Average returns for the first six months stand at 0.76% (0.43% 30th September 2017). This is above the level set within the budget of 0.5%.

3.4 The Council Borrowing Strategy and debt rescheduling for 2018/19

3.4.1 The latest forecasts indicate that the Council's Capital Financing Requirement (CFR) or underlying need to borrow is expected to be higher than when the budget was set.

3.4.2 This primarily relates to the latest information in relation to the timing of capital receipts which are partially being utilised (£3.8m) to repay debt and deliver savings to the revenue budget. As set out within the quarterly finance reports, this can be mitigated in 2018/19 by a combination of increased investment income and the debt repayment reserve. However, there remains the risk that this could impact on the MTFS in 2019/20 and beyond.

3.4.3 As set out within the Treasury Management Strategy, the Council is currently operating an “under-borrowed” position, which is more cost effective in the current economic climate. As a result of the current economic conditions it is not anticipated that any borrowing will be undertaken during the remainder of the year.

3.5 An update on Treasury and Prudential limits for 2018/19

3.5.1 During the first half of year the council has operated within the treasury limits and prudential indicators set out within the TMSS.

4. **Financial Considerations**

This section has been approved by the following member of the Finance Team: (Lisa Turner).

4.1 The report is solely related to financial matters.

5. **Risk Assessment and Management**

5.1 The main risks associated with this report and the Council achieving its objectives are the same as those contained within the Treasury Management Strategy Statement, these are monitored and managed by the finance team throughout the year.

6. **Legal Considerations**

This section has been approved by the following member of the Legal Team: (Angela Wakefield).

6.1 The Local Government Act 2003 requires local authorities “to have regard” to the Prudential Code for capital finance. This report supports this requirement.

7. **Equality and Health**

7.1 Equality impacts: The subject of this Report is not a policy, strategy, function or service that is new or being revised. An equality and health impact assessment is not required.

8. **Human Rights**

8.1 There are no Human Rights issues arising from this Report.

9. **Sustainability** (including climate change & change adaptation measures)

9.1 There are no related issues within this report.

10. Recommendation

- 10.1 To consider the mid-year Treasury Management Report as set out in Appendix A and make comments and observations to full Council as the Committee sees fit.

11. Background papers

- 11.1 Treasury Management Strategy Statement 2018/19 – approved by full Council on 26th February 2018.

12. Appendix

- 12.1 Mid- Year Treasury Management Report – Appendix A.