

**EAST STAFFORDSHIRE BOROUGH COUNCIL**

**REPORT COVER SHEET**

Title of Report:	Annual Treasury Management Report 2016-17
Meeting of:	Audit Committee
Date:	13/6/2017
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:	n/a
<b>Essential Signatories:</b>  <b>ALL REPORTS MUST BE IN THE NAME OF A HEAD OF SERVICE</b>  Monitoring Officer  Date ..... Signature ..... <p>Head of Service and Chief Finance Officer  Date ..... Signature .....</p>	

**EAST STAFFORDSHIRE BOROUGH COUNCIL**

Report to Audit Committee

Date: 13<sup>th</sup> June 2017

<b>TITLE:</b>	Annual Treasury Management Report 2016/17
<b>PORTFOLIO:</b>	Leader/Finance
<b>HEAD OF SERVICE:</b>	Sal Khan
<b>CONTACT OFFICER:</b>	Lisa Turner – Chief Accountant      ext. x1399
<b>WARD(S) AFFECTED:</b>	All

**1. Purpose of the Report**

- 1.1 The Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report. This report fulfils this requirement, providing a review of treasury activities during the year against the approved Treasury Management Strategy Statement (TMSS).

**2. Contribution to Corporate Priorities**

- 2.1 To support all corporate priorities by minimising the cost to the Council of borrowing to finance its Capital Programme, whilst at the same time maximising the Council's income from the investment of surplus funds whilst maintaining the security and liquidity of investments.

**3. Annual Treasury Management Report**

- 3.1 The attached report covers:

- The Council's treasury position as at 31<sup>st</sup> March 2017 (Section 3)
- The strategy for 2016/17 - a summary (Section 4)
- Borrowing and Investments outturn (Sections 5 & 6)

- An update on the economy and interest rates (Section 7)
- Compliance with treasury limits and prudential indicators (Section 8)
- An update on the Icelandic bank defaults (Section 9)

3.2 Overall, the Council's treasury management activities during 2016/17 have been in line with the approved strategy. The highlights from the attached report are as follows:

3.2.1 Core Investments stood at £22.7m as at 31<sup>st</sup> March 2017, with a further £3m placed as a forward deposit. Average returns during the year were 0.5%, whilst slightly below budget this exceeds benchmarks despite our continued low risk approach to investment decisions.

3.2.2 Major landmark events during the course of 2016/17 had a significant influence on markets. As a result the monetary policy committee cut the base rate to 0.25% in August 2016 and expectations for the first increase in the bank rate have been significantly pushed back from Quarter 4 2019.

3.2.2 The Council's external borrowing stood at slightly in excess of £11m as at 31<sup>st</sup> March 2017, with a small tranche of annuity loans repaid during the course of the year. This reflects a significant under-borrowed position, which as set out within previous reports, is more cost effective in the current market conditions. This approach is consistent with the approved treasury management strategy.

3.2.3 The Capital Financing Requirement (our under-lying need to borrow) reduced during the year as a result both statutory and approved voluntary sums set aside for debt repayment.

#### **4. Risk Assessment and Management**

4.1 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 cover interest rate risk, inflation risk, market/credit risks and liquidity risk.

4.2 These risks are recorded within the risk register and monitored in accordance with the risk strategy.

#### **5. Financial Considerations**

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

5.1 The report is solely related to financial matters.

5.2 Borrowing and investments throughout the year have been managed in accordance with the approved Treasury Management Strategy for 2016-17.

## **6. Legal Considerations**

*This section has been approved by the following member of the Legal Team: Angela Wakefield*

- 6.1 There are no direct significant legal issues arising from this Report. This report meets the requirements under the Local Government Act 2003.

## **7. Equality and Health**

- 7.1 The Report does not involve the public, including staff, or have consequences for them.

## **8. Human Rights**

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

## **9. Recommendation(s)**

- 9.1 To review the Annual Treasury Management Report for 2016-17 (and associated Prudential Code Indicators), and to make any comments or observations to full Council as the Committee may see fit.

## **10. Background papers**

- 10.1 Treasury Management Strategy Statement 2016/17 – approved by full Council on 22nd February 2016.

## **11. Appendices**

- 11.1 Annual Treasury Management Report – Appendix A.