

Audit & Governance Committee

5 December 2018

Report of the Deputy Chief Executive/Director of Customer & Corporate Services

Scrutiny of Treasury Management Mid Year Review and Prudential Indicators 2018/19

Summary

1. Audit & Governance Committee are responsible for ensuring effective scrutiny of the treasury management strategy and policies, as stated in the Treasury Management Strategy 2018/19 approved by full Council on 22 February 2018. The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (“the Code”) stipulates that:
 - There needs to be, at a minimum, a mid year review of treasury management strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved
 - Those charged with governance are also personally responsible for ensuring they have the necessary skills and training.
2. Attached at annex one is the Treasury Management Mid Year Review and Prudential Indicators 2018/19 report presented to November Executive. This information provides Members with an update of treasury management activity for the first six months of 2018/19.

Recommendations

3. Audit & Governance Committee are asked to note and scrutinise the Treasury Management Mid year Review and Prudential Indicators 2018/19 at Annex A

Reason: That those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

Analysis

4. The report reviews the economic and market conditions highlighting that, whilst the UK economy is performing better than expected, the continued uncertainty around the Brexit negotiations and both consumer and business confidence presents challenges for the Council's treasury function.
5. Short term interest rates for investment opportunities continue to be low and the counterparty list, where the council's surplus funds can be invested is limited. The average rate of return achieved to date in 2017/18 is higher than in 2017/18 and whilst this is lower than current Bank Rate, it reflects that for much of the period covered by this report Bank Rate has been 0.5%.
6. In the current interest rate environment, where investment rates on holding investments are significantly below borrowing rates, consideration is given to the value of taking borrowing or whether it is better for the council to keep investment balances lower.
7. Borrowing rates have continued to fluctuate with the recent trend now being upwards. The finance team continues to closely monitor the opportunities that arise and receive daily updates from Capita Asset Services in respect of borrowing timings and amounts.
8. One loan has been redeemed prematurely when the Council was approached by the provider of one of its LOBO loans who advised they would be willing to negotiate a reduced premium to redeem the loan early. The s151 officer agreed to do this on the basis that it generates ongoing average savings of approximately £29k pa. Further details are in paragraph 29 of the Executive report attached at annex one.

Consultation

9. Not applicable

Options

10. It is a statutory requirement under Local Government Act 2003 for the council to operate in accordance with the CIPFA prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice "the Code". No alternative options are available.

Council Plan

11. Treasury management is an integral part of the council's finances providing for cash flow management and financing of capital schemes. It aims to ensure that the council maximises its return on investments, (whilst the priority is for security of capital and liquidity of funds) and minimises the cost of its debts. This allows more resources to be freed up to invest in the Council's priority areas as set out in the council plan. It therefore underpins all of the council's aims.

Implications

12. The implications are
 - Financial – the security of the Councils capital funds is a priority, maximising returns on investments is still key along with minimising the finance costs of debt.
 - Human Resources - there are no human resource implications to this report.
 - Equalities - there are no equality implications to this report.
 - Legal - there are no legal implications to this report.
 - Crime and Disorder - there are no crime and disorder implications to this report.
 - Information Technology - there are no information technology implications to this report.
 - Property –there are no property implications to this report.
 - Other – there are no other implications to this report.

Risk Management

13. The treasury management function is a high-risk area because of the volume and level of large money transactions. As a result of this the Local Government Act 2003 (as amended), the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required.

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Specialist Implications Officer(s) None			
Wards Affected:			All ✓

For further information please contact the author of this report

Background Working Papers

None

Annexes

Annex 1: Treasury Management Mid Year Review and Prudential Indicators 2018/19

Annex A to Annex 1 – Prudential Indicators 2018/19