

REPORT OF: FINANCIAL SERVICES MANAGER

TO: EXECUTIVE

DATES: 25th AUGUST 2016

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TREASURY MANAGEMENT OUTTURN 2015/16

PURPOSE OF REPORT

This report informs the Executive of the performance of the Council's Treasury Management function for the 2015/16 financial year.

RECOMMENDATION

The Executive is recommended to note the outturn position on the Council's treasury management activities for 2015/16.

REASON FOR RECOMMENDATION

For the Executive to receive details of the Council's treasury management activities for the financial year 2015/16 in compliance with the Council's Treasury Management Policy.

ISSUE

1. The Council's Treasury Management function is concerned with the management of the Council's debts, investments, cashflow and banking arrangements. These activities are regulated by a variety of professional codes, statute and guidance.
2. This report has been produced to comply with the requirements of the Code of Practice on Treasury Management, as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code states that a report must be submitted before the end of September following the end of the financial year detailing the Council's treasury activities for the previous financial year.
3. Attached at [Appendix A](#) is the Treasury Management Annual Report for 2015/16. The report sets out details of the Council's borrowing and investment activity for the year. Some of the key issues are summarised below:-
 - **Borrowing** – The Council's long term borrowing was £14.359m at the beginning of the financial year. This increased to £15.359m by the end of the financial year reflecting net additional borrowing of £1.0m. The Council's loan debt is comprised wholly of loans from

the Public Works Loan Board (PWLB). This scale of borrowing was within the limits contained in the 2015/16 Annual Treasury Management Strategy as approved by Council in March 2015. The overall cost of debt at 31st March 2016 was 3.41%.

- **Borrowing Limits** – The Council's Authorised Borrowing Limit of £23.5m was not breached during the year, nor was the Operational Boundary of £22.5m;
 - **Investments** – The balance of investments at 31st March 2016 was £17.8m (compared to £18.35m at the beginning of the financial year). The investment return achieved for the year was 0.46% which is in line with recognised benchmark returns (e.g. 3 month LIBID rate) albeit in a continuing low interest rate environment.
4. Counterparty risk considerations have remained a focus of treasury activity during the year. A consequence of this has been the maintenance of a restricted range of counterparties with whom the Council invests. During the year investments were limited primarily to the Government (Debt Management Office), other local authorities including the County Council, part-nationalised banks (mainly the Lloyds Bank Group) Svenska Handelsbanken and the Nationwide and Coventry Building Societies. No use was made during the year of Certificates of Deposit, Gilts or Treasury bills which remain approved forms of investment.

IMPLICATIONS

Policy

This report has been produced in compliance with the requirements of the Council's Treasury Management Policy.

Financial

The two key budgets related to the Council's Treasury Management Function are interest payable on external debt (or debt charges) and interest receivable on investments made.

The General Fund revised budget for debt charges in 2015/16 was £1,015,590 comprising £507,790 for interest on debt, £497,830 for the Minimum Revenue Provision (MRP) and £9,970 for premia payable as a result of debt restructuring exercises in previous years. Actual debt charges for the year were £1,028,248 (including MRP and premia), an overspend of £12,658 when compared to the budget. This reflects the 'timing' impact of when, due to movements in interest rates, actual borrowing was taken from the PWLB which differs from that assumed in the budget.

The Approved Budget for interest and investment income for 2015/16 on the General Fund was £137,460 whilst the actual level achieved was £177,116.

Legal

There are no direct legal implications arising from the contents of this report.

Risk Management

Treasury Risk Management is a key element of the Council's Treasury Management Strategy. In the light of this, and in accordance with best practice, the Council's has a specific Treasury Management Practice Note specifically covering Treasury Risk Management. In particular, this covers areas such as liquidity risk, interest rate risk and credit/counterparty risk.

Given the arrangements the Council currently has in place in relation to Treasury Risk Management, treasury issues do not currently feature on the Council's Risk Register.

Health and Safety

There are no health and safety implications arising directly from the contents of this report.

Sustainability Implications

There are no sustainability implications arising directly from this report.

Community Safety

There are no community safety issues arising directly from the contents of this report.

Equality and Diversity

There are no equality and diversity implications arising from the contents of this report.

APPENDICES

[Appendix A](#) – Annual Treasury Management Review 2015/16.

LIST OF BACKGROUND PAPERS

None