

**REPORT TO:** CABINET

**DATE:** 13 SEPTEMBER 2018

**TITLE:** ANNUAL TREASURY MANAGEMENT REPORT  
2017/18

**PORTFOLIO HOLDER:** COUNCILLOR MIKE DANVERS, PORTFOLIO  
HOLDER FOR RESOURCES

**LEAD OFFICER:** SIMON FREEMAN, HEAD OF FINANCE  
(01279) 446228

**CONTRIBUTING OFFICER:** ANDREW SMITH, FINANCE MANAGER  
(01279) 446212

**This is not a Key Decision**

**It is on the Forward Plan as Decision Number I008566**

**The decision is not subject to Call-in Procedures for the following reason:**

The decision stands as a recommendation to Full Council.

**This decision will affect no ward specifically.**

**RECOMMENDED that Cabinet:**

- A** Notes the annual Treasury Management Report for 2017/18 (attached as Appendix A to the report), including that the Council operated within the Treasury Management Strategy Statement during 2017/18, and that the report is recommended to Full Council for approval.
- B** Notes the issues that the outcome of the EU Referendum is creating and their impact on the Council's treasury management activities.

**REASON FOR DECISION**

- A** In complying with latest Codes of Practice, Full Council is required to receive an annual report on the prior year's treasury management functions of the Council, which should also receive review by Cabinet in advance of its presentation to Full Council.
- B** The Prudential Indicators are also required to be reported to Full Council. These are included within the annual treasury management report.

**BACKGROUND**

1. Treasury management is defined as: 'The management of the local authority's investments and cash flows, its banking, money market and capital market

transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

2. On 10 February 2010, Full Council adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Treasury Management (as revised November 2009) – 'the Code'.
3. During 2017/18 the minimum reporting requirements were that Full Council should receive the following reports:
  - a) An annual treasury strategy in advance of the year (Full Council, 2 February 2017);
  - b) A mid-year treasury update report (Full Council, 14 December 2017);  
and
  - c) An annual review following the end of the year describing the activity compared to the strategy (this report).
4. The annual report for 2017/18 has been produced in compliance with the Code and is set out in Appendix A to this report. The regulatory environment governing treasury management places onus on Councillors for the review and scrutiny of treasury management policies and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Councillors.

## **ISSUES/PROPOSALS**

5. As stewards of public funds, the Council will continue to take all practical steps to protect its investment portfolio. In this respect, emphasis remains in this order of priority: security, liquidity and yield.
6. Security is defined as 'reducing risk in order to protect the return of capital sums, particularly in relation to the Council's investments'. In practice this means placing investments with organisations which have a high quality credit rating, i.e. banks and other bodies which have a Fitch rating of A(-) and above. Local councils do not, usually, have credit ratings but are inherently safe havens for investment
7. Liquidity means 'ensuring that investments are not committed for excessive time-periods in order to facilitate the Council's cashflow requirements and to reflect the risk of not having immediate access to funds'. Councils are discouraged from investing disproportionate sums of money for long periods of time at what seem attractive rates of return.
8. Yield is 'obtaining a reasonable return on investments'. Once again 2017/18 has been a year of continued low interest rates with the Bank of England's Base Rate increasing from 0.25 percent to 0.5 percent in November 2017. The

Council has attempted to gain the best yields without compromising security and liquidity. The average rate achieved was 0.53 percent.

9. The advice from Arlingclose is that the Council must aim towards a good investment spread as this is the best defence to protect the Council from a possible capital loss. As a result, and within the overarching powers given by members in the Treasury Management Strategy, the Council held investments with the CCLA (the Local Authority property fund), a Cash-Plus Fund, Money Market Funds, local councils, and the Treasury's Debt Management Office. It ceased investments with banks through Certificates of Deposit.

## **IMPLICATIONS**

### **Place (Includes Sustainability)**

None specific.

**Author: Jane Greer, Head of Community Wellbeing on behalf of Graeme Bloomer, Head of Place**

### **Finance (Includes ICT)**

As contained within the report.

**Author: Simon Freeman, Head of Finance**

### **Housing**

None specific.

**Author: Andrew Murray, Head of Housing**

### **Community Wellbeing (Includes Equalities and Social Inclusion)**

None specific.

**Author: Jane Greer, Head of Community Wellbeing**

### **Governance (Includes HR)**

None specific,

**Author: Colleen O'Boyle, Interim Head of Governance**

## **Appendices**

Appendix A – Annual Treasury Management Report 2017/18

## **Background Papers**

Treasury Management Strategy 2017/18

## **Glossary of terms/abbreviations used**

CIPFA – Chartered Institute of Public Finance and Accountancy