
TREASURY MANAGEMENT ANNUAL REVIEW 2017/18

1 SUMMARY

- 1.1 This report sets out a summary of the Council's Treasury Management activity for the 2017/18 financial year.
- 1.2 The council is required by the CIPFA Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities to produce an annual review of its treasury management activities.
- 1.3 Review Committee is asked to consider the contents of this report and recommend it for approval by Full Council on 17 July 2018.
- 1.4 The council's income from treasury management activities in 2017/18 was broadly in line with expectations, with actual income from activities being £32,841 against a budget of £30,000.

2 INTRODUCTION AND BACKGROUND

- 2.1 Treasury management is defined as "The management of the local authority's investments, 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."
- 2.2 For 2017/18, the primary requirements of the Code of Practice, together with how the Council complied, are as follows:-
 - Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities. This is contained within the Financial Regulations of the Council's Constitution. The Financial Regulations are reviewed annually.
 - Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives. The Practices were last reviewed and updated in December 2017.
 - The Council receives an Annual Treasury Management Strategy Report (including the Annual Investment Strategy Report) for the year ahead and an Annual Review Report of the previous year. The Strategy for 2017/18 was agreed by Council in February 2017 and this report is the Annual Review Report.
 - A mid -year treasury management report is required detailing the position to date, and any changes in practices. This was reported to the Review Committee in December 2017, and noted by Full Council in December 2017.

- All decisions on borrowing, investment or financing are delegated to the Section 151 Officer as the Chief Finance Officer and this delegation is documented in the Financial Regulations.

3 INVESTMENT PERFORMANCE FOR 2017/18

- 3.1 After the UK economy experienced surprisingly strong growth during the second half of 2016 there was a shift in expectations within the financial markets about how soon the bank rate would begin to rise. Although growth was disappointingly weak during the first half of the 2017 it picked up again in the second half of the year. Consequently, market expectations that the Bank of England Monetary Policy Committee (MPC) would raise the Bank Rate rose significantly during the autumn, and on the 2 November 2017 it duly delivered by increasing the Bank Rate from 0.25% to 0.50%.
- 3.2 The Investment Strategy for 2017/18 was based on expectations that the bank rate would remain at 0.25% for at least half the year, with an increase not expected until quarter three or four. The MPC decision to raise bank rate by 0.25% occurred in quarter three. Current forecasts are for the bank rate to remain at 0.50% until quarter three 2018/19 when a rise to 0.75% is expected.

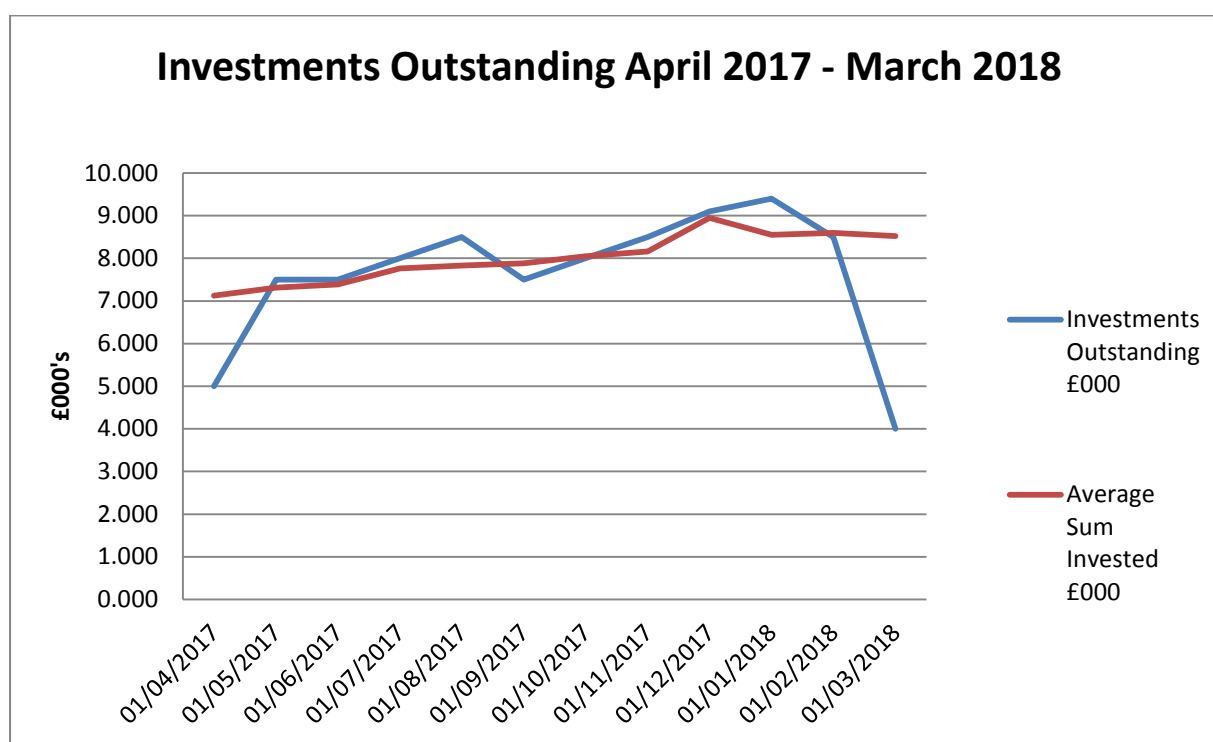
4 INVESTMENT POSITION

- 4.1 The Council's investment position at the beginning and the end of the year, as shown on the Council's Balance Sheet, was as follows:-

Balance as at 31 March 2017 £5.00m

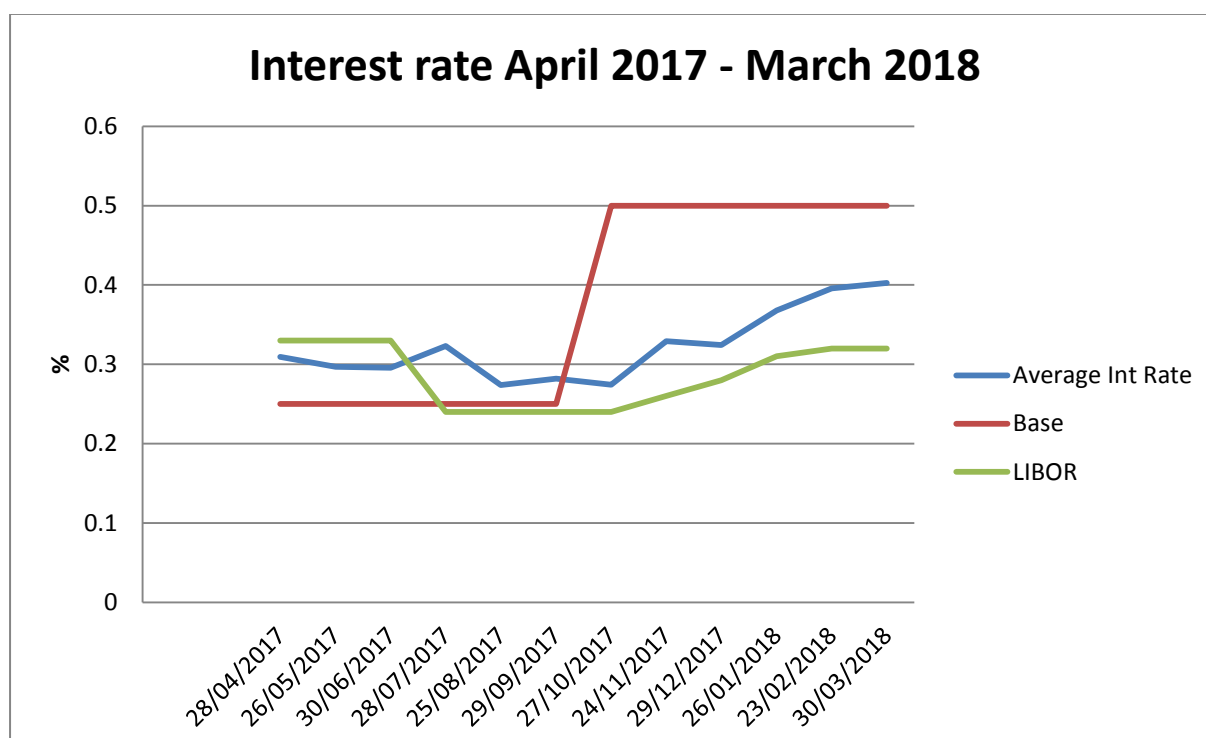
Balance as at 31 March 2018 £4.00m

- 4.2 The authority had one fixed rate investment placed as at 31st March 2018; this was for £1m with Santander.
- 4.3 The graph below shows an increase in the Council's average balances from £7.12m to £8.52m at the end of the year.



4.4 Total external interest earned in 2017/18 was £32,841, compared to £35,975 in 2016/17.

4.5 The following graph shows a comparison of average rate of interest earned, Bank base rate and the benchmark (7-day London Interbank Rate); this shows the correlation in average interest rate achieved compared to The Bank of England Base rate.



- 4.6 In line with the Treasury Management Strategy agreed by Council the Authority uses a combination of credit ratings, credit default swaps and market intelligence to decide which banks and financial institutions it will deposit funds with.

5 COMPLIANCE WITH TREASURY LIMITS

- 5.1 During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Management Strategy. The outturn for the Prudential Indicators, compared to the estimates made in February 2017, are shown below

PRUDENTIAL INDICATOR	2016/17	2017/18	2017/18
	Actual	Original Budget	Actual (subject to audit)
Capital Expenditure £000s	927	1,024	1,243
Ratio of Financing Costs to Net Revenue Stream	(1.11%)	(0.37%)	(0.37%)
Capital Financing Requirement as at 31 March £000s	773	773	773
Incremental Impact of Capital Investment Decisions - (Reduction) in Council Tax (band D) per annum £	(0.34)	0.01	0.05

6 RESOURCE IMPLICATIONS

- 6.1 Investment income is a relatively small source of income to the Council. The Council has not undertaken any external borrowing during the year and therefore no interest costs were incurred.
- 6.2 The Council's current Treasury Management Advisors are Link Asset Services (LAS). The contract costs £7,500 per year which represents good value for money via the provision of specialist advice and training to the Council officers and members which enables sound investment decisions to be made.

7 RISK IMPLICATIONS

- 7.1 The Treasury Management Strategy discusses in detail the risks involved in making investments and in particular the risk that a counter party may fail during the duration of an investment. The Authority is responsible for managing the investment of public funds and must adopt a prudent approach.

8 EQUALITY AND DIVERSITY IMPLICATIONS

- 8.1 An Equality Impact Assessment has been completed and found there to be no impacts (either positive or negative) on protected groups, as defined under the Equality Act 2010.

9 RECOMMENDATION

- 9.1 It is proposed that the Committee **RESOLVES**

To recommend the contents of this report to Council.



Naomi Lucas

Section 151 Officer

Background Papers:-

None.

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