

EAST STAFFORDSHIRE BOROUGH COUNCIL

REPORT COVER SHEET

Title of Report:	Annual Treasury Management Report 2015-16
Meeting of:	Council
Date:	20/6/2016
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

Essential Signatories:

ALL REPORTS MUST BE IN THE NAME OF A HEAD OF SERVICE

Monitoring Officer

Date Signature

Head of Service and Chief Finance Officer

Date Signature

EAST STAFFORDSHIRE BOROUGH COUNCIL

Report to Council

Date: 20th June 2016

TITLE:	Annual Treasury Management Report 2015/16
PORTFOLIO:	Leader/Finance
HEAD OF SERVICE:	Sal Khan
CONTACT OFFICER:	Lisa Turner – Chief Accountant ext. x1399
WARD(S) AFFECTED:	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 was presented for scrutiny to the Audit Committee on 14th June 2016. Members of the Committee resolved to recommend its approval to full Council. The attached report covers:
- The Council's treasury position as at 31st March 2016 (Section 3)
 - The strategy for 2015/16 - 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 2015/16 have been in line with the approved strategy. The highlights from the attached report are as follows:

3.2.1 Core Investments stood at £18m as at 31st March 2016 with average returns during the year of 0.69%. This is consistent with our budget and exceeds benchmarks despite our continued low risk approach to investment decisions.

3.2.2 During the course of 2015/16 market expectations for the first increase in the bank rate have been significantly pushed back from Quarter 1 2016 to Quarter 2 2018. This is largely due to concerns around the slowdown in China's economy, the collapse in oil prices and the risks to world economic growth.

3.2.2 The Council's external borrowing stood at £11.5m as at 31st March 2016, with a small tranche of annuity loans (£71k) 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) increased during the year as a result of new waste vehicles which have been classified as finance leases in accordance with the code of practice. Whilst this could not have been reliably predicted when the strategy was set, our approved borrowing limits allow headroom for this, as a result we have operated within our approved limits throughout 2015/16. Further details of this are set out at paragraph 5.1 of the attached report.

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 2015-16.
- 5.3 The capital financing outturn position for 2015/16 exceeded the estimates set out within the strategy. This is due to new waste vehicles being classified as finance leases, in accordance with the Code of Practice.

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 approve the Annual Treasury Management Report for 2015-16 (and associated Prudential Code Indicators).

10. Background papers

- 10.1 Treasury Management Strategy Statement 2015/16 – approved by full Council on 23rd February 2015.

11. Appendices

- 11.1 Annual Treasury Management Report – Appendix A.