

**EAST STAFFORDSHIRE BOROUGH COUNCIL**

**REPORT COVER SHEET**

<b>Title of Report:</b>	Annual Treasury Management Report 2018-19	To be marked with an 'X' by Democratic Services after report has been presented
<b>Meeting of:</b>	Scrutiny Audit and Value for Money Council Services Committee – 20 <sup>th</sup> June 2019	
	Council – 24 <sup>th</sup> June 2019	

<b>Is this an Executive Decision:</b>	NO	<b>Is this a Key Decision:</b>	NO
<b>Is this in the Forward Plan:</b>	YES	<b>Is the Report Confidential:</b>	NO
<b>If so, please state relevant paragraph from Schedule 12A LGA 1972:</b>			

**Essential Signatories:**

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

Monitoring Officer: **Angela Wakefield**

Date ..... Signature .....

Chief Finance Officer: **Sal Khan**

Date ..... Signature .....

**EAST STAFFORDSHIRE BOROUGH COUNCIL**

Report to Scrutiny (Audit and Value for Money Council Services) Committee

Date: 20<sup>th</sup> June 2019

<b>TITLE:</b>	Annual Treasury Management Report 2018/19
<b>PORTFOLIO:</b>	Leader/Finance
<b>HEAD OF SERVICE:</b>	Sal Khan
<b>CONTACT OFFICER:</b>	Lisa Turner – Chief Accountant      ext. x1399
<b>WARD(S) AFFECTED:</b>	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 covers:

- The Council's treasury position as at 31<sup>st</sup> March 2019 (Section 3)
- The strategy for 2018/19 - 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 other treasury matters (Section 9)

3.2 Overall, the Council's treasury management activities during 2018/19 have been in line with the approved strategy. The highlights from the attached report are as follows:

3.2.1 Core Investments stood at £26.7m as at 31<sup>st</sup> March 2019. Average returns during the year were 0.72%, slightly exceeding the budget and in line with benchmarks, despite our continued low risk approach to investment decisions.

3.2.3 The bank rate increased from 0.5% to 0.75% in August 2018, which was largely anticipated. However we are now unlikely to see any change in the bank rate until the uncertainties in relation to Brexit become clear.

3.2.4 The Council's external borrowing stood at slightly in excess of £11m as at 31<sup>st</sup> March 2019, with a small tranche of annuity loans repaid during the course of the year. This reflects a significant under-borrowed position, which is more cost effective in the current market conditions. This approach is consistent with the approved treasury management strategy.

3.2.5 The Capital Financing Requirement (our under-lying need to borrow) reduced during the year as a result both statutory and approved voluntary sums set aside for debt repayment. This will reduce the cost of borrowing to the revenue budget in future years. This reduction is lower than had originally been anticipated due to the timing of capital receipts that have been committed towards a reduction in the underlying need to borrow. This was highlighted in earlier reports and the MTFs for 2019/20 has been revised accordingly.

#### **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 2018-19.

## **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 review the Annual Treasury Management Report for 2018-19 (and associated Prudential Code Indicators), and to make any comments or observations to full Council as the Committee may see fit.

## **10. Background papers**

- 10.1 Treasury Management Strategy Statement 2018/19 – approved by full Council on 26th February 2018.

## **11. Appendices**

- 11.1 Annual Treasury Management Report – Appendix A.