

South Lakeland District Council
Overview and Scrutiny Committee
Friday, 12 July 2019
Cabinet Wednesday, 17 July 2019
Council Tuesday, 23 July 2019
2018 - 2019 Annual Treasury Management Report

Portfolio: Finance and Resources Portfolio Holder
Report from: Section 151 Officer
Report Author: Claire Read – Financial Services Officer
Wards: (All Wards);
Forward Plan: Not applicable

1.0 Expected Outcome

1.1 The attached report reviews treasury performance during 2018/19 against the Council's Treasury Management Strategy. This is a historic review for noting by members.

2.0 Recommendation

2.1 It is recommended that Overview and Scrutiny Committee and Cabinet:-

- (1) Consider the 2018 – 2019 Annual Treasury Management Report; and**
- (2) Recommend that Council approve the 2018 – 2019 Annual Treasury Management Annual Report**

2.2 It is recommended that Council:-

- (1) Approve the 2018 – 2019 Annual Treasury Management report.**

3.0 Background and Proposals

3.1 The Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury management report. This is to include a review of activities and the actual prudential and treasury indicators for 2018/19.

3.2 The report at **Appendix 1** meets the requirements of both the Chartered Institute of Public Finance and Accounting (CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

3.3 In line with requirements of the code, the Treasury Management Framework (including Prudential Indicators) was approved prior to the start of the financial year by Council on 27th February 2018. Detailed reports have been presented to Overview and Scrutiny Committee, Cabinet and Council throughout the year.

3.4 The level of actual external debt has remained at £12.8m, below the Capital Financing Requirement of £18.4m. This shows the Council has not funded revenue

activity through borrowing, a key prudential indicator. This has been a prudent strategy which is constantly under review so as to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing.

- 3.5 Interest Receipts from the Council's Investments have brought in £47k more income than budgeted for, following the increase in the bank rate to 0.75% in August 2018. Call and operational cash flow investments outperformed their benchmark rates with only the core cash investments under performing in the year. This is due general market uncertainty during the year leading to fluctuations in expected rates.
- 3.6 Interest payable on borrowing was in line with budget as no new borrowing was expected or taken in 2018/19 as a result of using internal cash balances to fund capital rather than borrowing.
- 3.7 Looking forward there continues to be a significant level of uncertainty in the financial markets. Officers will keep this under constant review with support from the Council's external treasury advisors, Link Asset Services. The current strategy of using internal cash balances to fund prudential borrowing continues to minimise the interest rate gap (where loans cost more than investments earn) and to help reduce counterparty risk.

4.0 Consultation

- 4.1 The Treasury Management Framework satisfies statute and guidance issued by Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA. It is mainly a technical document that reflects the decisions made as part of the wider budget process. It was prepared in consultation with the Council's Treasury Advisor (Link Asset Services). Senior management and the Portfolio holder have been consulted. The report presents historic data on treasury performance during 2018/19.

5.0 Alternative Options

- 5.1 There are no alternative options, the report presents historic data on treasury performance during 2018/19.

6.0 Links to Council Priorities

- 6.1 The Treasury Management Framework including Prudential Indicators forms part of the corporate governance arrangements that support all Council priorities.

7.0 Implications

Financial, Resources and Procurement

- 7.1 The report is historic with the financial and resources implications forming part of the out-turn report for 2018/19

Human Resources

- 7.2 This report has no direct impact on the staffing of the Council.

Legal

- 7.3 This Report has no direct legal implications

Health, Social, Economic and Environmental

- 7.4 Have you completed a Health, Social, Economic and Environmental Impact Assessment? No
- 7.5 If you have not completed an Impact Assessment, please explain your reasons: Treasury management out-turn relates to a historic review of activities already approved as part of the 2018/19 Treasury Management Framework

Equality and Diversity

- 7.7 Have you completed an Equality Impact Analysis? No
- 7.8 If you have not completed an Impact Assessment, please explain your reasons:
Treasury management out-turn relates to a historic review of activities already approved as part of the 2018/19 Treasury Management Framework

Risk

Risk	Consequence	Controls required
Reporting is not compliant with the statutory guidance.	Members do not have the opportunity to scrutinise the Treasury function	Full year treasury management report to be presented to Overview and Scrutiny, Cabinet and Council
Investment and borrowing activity is outside of the approved Treasury Management Framework	The Council is exposed to an unauthorised level of Treasury related risk	Robust governance arrangement to control day to day operations, based on the approved strategy, with regular reporting of compliance

Contact Officers

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Appendices Attached to this Report

(delete if no appendices attached)

Appendix No.	Name of Appendix
1	2018-2019 Annual Treasury Management Report

Background Documents Available

Name of Background document	Where it is available
Council Minute C/85 (2017/18)	https://bit.ly/2MCU0Ps

Tracking Information

Signed off by	Date sent
Legal Services	13/06/2019
Section 151 Officer	13/06/2019
Monitoring Officer	13/06/2019
SMT	20/06/2019

Circulated to	Date sent
Assistant Director	N/A
Human Resources Manager	N/A
Communications Team	N/A
Leader	N/A
Committee Chairman	*** or N/A
Portfolio Holder	N/A
Ward Councillor(s)	N/A
Committee	*** or N/A

Circulated to	Date sent
Executive (Cabinet)	*** or N/A
Council	*** or N/A