

Cabinet



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Recommendation of the Performance and Audit Scrutiny Committee: 27 July 2016 - Annual Treasury Management Report 2015-2016 and Investment Activity (1 April – 30 June 2016)	
Report No:	CAB/SE/16/039	
Report to and date:	Cabinet	6 September 2016
	Council	27 September 2016
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Purpose of report:	<p>On 27 July 2016, the Performance and Audit Scrutiny Committee considered Report No: TMS/SE/16/003, which had been scrutinised by the Treasury Management Sub-Committee on 18 July 2016.</p> <p>The report provided information on the Council's Annual Treasury Management Report summarising the investment activities for the year 2015-2016; and provided a summary of investment activities for the first three months of 2016-2017 financial year.</p>	

Recommendation:	It is <u>RECOMMENDED</u> that, subject to the approval of full Council, the Annual Treasury Management Report for 2015-2016, attached as Appendix 1 to Report No: TMS/SE/16/003, be approved.		
Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>		
Consultation:	• See Report No: TMS/SE/16/003		
Alternative option(s):	• See Report No: TMS/SE/16/003		
Implications:			
Are there any financial implications? <i>If yes, please give details</i>	Yes <input type="checkbox"/> No <input type="checkbox"/>	• See Report No: TMS/SE/16/003	
Are there any staffing implications? <i>If yes, please give details</i>	Yes <input type="checkbox"/> No <input type="checkbox"/>	• See Report No: TMS/SE/16/003	
Are there any ICT implications? <i>If yes, please give details</i>	Yes <input type="checkbox"/> No <input type="checkbox"/>	• See Report No: TMS/SE/16/003	
Are there any legal and/or policy implications? <i>If yes, please give details</i>	Yes <input type="checkbox"/> No <input type="checkbox"/>	• See Report No: TMS/SE/16/003	
Are there any equality implications? <i>If yes, please give details</i>	Yes <input type="checkbox"/> No <input type="checkbox"/>	• See Report No: TMS/SE/16/003	
Risk/opportunity assessment: <i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>			
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
See Report No: TMS/SE/16/003			
Wards affected:	All Wards		
Background papers: <i>(all background papers are to be published on the website and a link included)</i>	Report No: TMS/SE/16/003 Treasury Management Performance and Annual Treasury Management and Investment Strategy – 2013/2014 (Report No: D252); 2014/2015 (Report No: E225); 2015/2016 (Report No: TMS/SE/15/002) and 2016/2017 (Report No: TMS/SE/16/002)		
Documents attached:	None		

1. Key issues and reasons for recommendation

1.1 Key Issues

1.1.1 Following the Treasury Management Sub-Committee's consideration of Report TMS/SE/16/003, the Head of Resources and Performance verbally reported to the Performance and Audit Scrutiny Committee on the Sub-Committee's consideration of the report and recommendation.

1.2 Annual Treasury Management Report 2015-2016

1.2.1 The Council's Annual Treasury Management Report for 2015-2016 was attached at Appendix 1 to Report No: TMS/SE/16/003. The report included tables which summarised the interest earned during 2015-2016 on the various treasury investments held by the Council; investment activity during the year and the investments held as at 31 March 2016.

1.2.2 The budgeted income from investments in 2015-2016 was £255,850 (average rate of return of 1.5%). Interest actually earned during the year totalled £402,622 (average rate of return of 0.769%); and over achievement of interest of £146,000, but an under achievement of 0.731% on average rate of return. This was primarily due to higher cash balances being held during the year than originally budgeted for.

1.2.3 The Council in February 2005 established the Interest Equalisation Earmarked Reserve to help smooth out the fluctuations in returns. The excess over budget achieved in 2015-2016 had been transferred to this reserve resulting in a balance of £353,331 as at 31 March 2016.

1.2.4 The Sub-Committee had scrutinised the Annual Treasury Management Report 2015-2016 and suggested that in future, the name of the person who signed the Statement of Compliance with the Treasury Management Code of Practice (Appendix 2), should be included alongside the signature.

1.3 Investment Activity 1 April to 30 June 2016

1.3.1 The total amount invested at 1 April 2016 was £44.60m and at 30 June 2016 £48.15m. The increase in balances over this period was due primarily to timing differences in respect of the collection of the local taxes; Council Tax and Non-Domestic Rates, and payments of precepts i.e. to Suffolk County Council, Suffolk Police and central government.

1.3.2 The 2016-2017 Annual Treasury Management and Investment Strategy (Report TMS/SE/16/002 refers) sets out the Council's projections for the current financial year. The budget for investment income in 2016-2017 was £277,488 which was based on a 0.90% target interest rate of return on investments.

1.3.3 As at the end of June 2016, interest actually earned during the first quarter of the financial year amounted to £111,303 against a profiled budget for the period of £69,372; a budget surplus of £41,930. The budget surplus was due to higher cash balances than projected during the period. However, the underlying reduction in the interest rates achieved was primarily due to the

continuing low Bank of England base rate and subsequent poor investment rates being offered by the banks, building societies and financial institutions and falling rates being offered on call accounts/notice accounts.

- 1.3.4 The Sub-Committee was advised that following the vote in favour of leaving the European Union in the referendum held on 23 June 2016, markets around the world were still coming to terms with the immediate reaction to the news and markets remained volatile. The treasury team would continue to closely monitor the situation and provide updated information as it became available.
- 1.3.5 The Sub-Committee had scrutinised the Investment Activity for 1 April to 30 June 2016 and asked questions of officers as necessary.
- 1.3.6 The Performance and Audit Scrutiny Committee considered the report and has put forward a recommendation as set out on page one of this report.