

# Joint Executive (Cabinet) Committee



*St Edmundsbury*  
BOROUGH COUNCIL

<b>Title of Report:</b>	<b>Recommendation of the Performance and Audit Scrutiny Committee: 25 July 2018: Annual Treasury Management Report 2017/2018 and Investment Activity (1 April – 30 June 2018)</b>	
<b>Report No:</b>	<b>CAB/JT/18/026</b>	
<b>Report to and date:</b>	<b>Joint Executive (Cabinet) Committee</b>	4 September 2018
	<b>Council</b>	25 September 2018
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<b>Chairman of the Committee:</b>	Councillor Sarah Broughton Chairman of the Performance and Audit Scrutiny Committee <b>Tel:</b> 01284 787327 <b>Email:</b> <a href="mailto:sarah.broughton@stedsbc.gov.uk">sarah.broughton@stedsbc.gov.uk</a>	
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<b>Purpose of report:</b>	<p>On 25 July 2018, the Performance and Audit Scrutiny Committee considered Report No: <a href="#">TMS/SE/18/003</a>, <a href="#">Appendix 1</a> and <a href="#">Appendix 2</a>, which had been scrutinised by the Treasury Management Sub-Committee on 16 July 2018.</p> <p>The report provided information on the Council's Annual Treasury Management Report summarising the investment activities for the year 2017-2018; and provided a summary of investment activities for the first three months of 2018-2019 financial year.</p>		
<b>Recommendation:</b>	<p><b>It is <u>RECOMMENDED</u> that, subject to the approval of Council, the Annual Treasury Management Report for 2017-2018, attached as Appendix 1 to Report No: TMS/SE/18/003, be approved.</b></p>		
<b>Key Decision:</b>  <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p>		
<b>Consultation:</b>	<ul style="list-style-type: none"> <li>• See Report No: TMS/SE/18/003</li> </ul>		
<b>Alternative option(s):</b>	<ul style="list-style-type: none"> <li>• See Report No: TMS/SE/18/003</li> </ul>		
<b>Implications:</b>			
Are there any <b>financial</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> • See Report No: TMS/SE/18/003	
Are there any <b>staffing</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> • See Report No: TMS/SE/18/003	
Are there any <b>ICT</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> • See Report No: TMS/SE/18/003	
Are there any <b>legal and/or policy</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> • See Report No: TMS/SE/18/003	
Are there any <b>equality</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> • See Report No: TMS/SE/18/003	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
See Report No: TMS/SE/18/003			
<b>Wards affected:</b>		All Wards	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		Annual Treasury Management and Investment Strategy – 2017/18 <a href="#">(COU/SE/17/002)</a>  Annual Treasury Management and Investment Strategy Statements (report <a href="#">COU/SE/17/002</a> approved 21 February 2017)	
<b>Documents attached:</b>		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/18/003, the Service Manager (Finance and Performance) reported on the Sub-Committee's consideration of the report and recommendation.

### **1.2 Annual Treasury Management Report 2017-2018**

- 1.2.1 The Council's Annual Treasury Management Report for 2017-2018 was attached at Appendix 1 to Report No: TMS/SE/18/003. The report included tables which summarised the interest earned during 2017-2018 on the various treasury investments held by the Council; investment activity during the year and the investments held as at 31 March 2018.
- 1.2.2 The budgeted income from investments in 2017-2018 was £253,000 (average rate of return of 0.55%). Interest actually earned during the year totalled £292,825 (average rate of return of 0.571%); an over-achievement in interest of £39,825, and an over-achievement of 0.021% 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 Sub-Committee had scrutinised the Annual Treasury Management Report 2017-2018 and asked questions of officers, as necessary. In particular discussions were held on the over-achievement in interest earned.

### **1.3 Investment Activity 1 April to 30 June 2018**

- 1.3.1 The total amount invested at 1 April 2018 was £36.35m and at 30 June 2018 £40.15m. 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 2018-2019 Annual Treasury Management and Investment Strategy sets out the Council's projections for the current financial year. The budget for investment income in 2018-2019 was £308,000, which was based on a 0.70% target interest rate of return on investments.
- 1.3.3 As at the end of June 2018, interest actually earned during the first quarter of the financial year amounted to £68,693 against a profiled budget for the period of £77,000; a budgetary deficit of £8,306. The budgetary deficit related to lower than anticipated interest rates offered by lenders.
- 1.3.4 The report also included for the first time, assumptions on borrowing for capital projects included within it. The borrowing was based around four specific projects as per their agreed business cases. The report included a summary of the capital borrowing budget for 2018-2019, and a summary of capital borrowing for quarter one – all of which was currently internally borrowed from the Councils overall cash balances. As at the end of quarter

one, there had been no requirement to borrow externally, therefore there was no interest payable in quarter one.

1.3.5 The Sub-Committee had scrutinised the Investment Activity for 1 April to 30 June 2018 and asked questions of officers as necessary. In particular discussions were held on the new section in the report on borrowing and capital financing costs. The Sub-Committee suggested including in future quarter reporting:

- Reference to total project costs
- The % rate of interest returned over the period of investment after borrowing to provide context to the investment decisions made.
- The Investing in our Growth Fund be split to show the various projects being funded from within.

1.3.6 The Performance and Audit Scrutiny Committee considered the report and has put forward a recommendation as set out on page two of this report.