

<b>Title of meeting:</b>	Governance and Audit and Standards Committee
<b>Date of meeting:</b>	1 <sup>st</sup> February 2019
<b>Subject:</b>	Treasury Management Monitoring Report for the Third Quarter of 2018/19
<b>Report by:</b>	Chris Ward, Director of Finance and Information Technology (Section 151 Officer)
<b>Wards affected:</b>	All
<b>Key decision:</b>	No
<b>Full Council decision:</b>	No

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**1. Executive Summary**

This report outlines the Council's performance against the treasury management indicators approved by the City Council on 20<sup>th</sup> March 2018.

**2. Purpose of report**

The purpose of the report is to inform members and the wider community of the Council's Treasury Management position, ie. its borrowing and cash investments at 31<sup>st</sup> December 2018 and of the risks attached to that position.

Whilst the Council has a portfolio of investment properties valued at £114m as at 31<sup>st</sup> March 2018, and some equity shares with a value of £7.6m which were acquired through the capital programme, these do not in themselves form part of the treasury management function. The performance of the investment property portfolio was reported to the Cabinet on 9<sup>th</sup> October 2018.

### **3. Recommendations**

It is recommended that the following be noted:

- 3.1 That there have been no breaches of the Treasury Management Policy 2018/19 in the period up to 31<sup>st</sup> December 2018.
- 3.2 That the actual Treasury Management indicators as at 31<sup>st</sup> December 2018 set out in Appendix A be noted.

### **4. Background**

The Council's treasury management operations encompass the following:

- Cash flow forecasting (both daily balances and longer term forecasting)
- Investing surplus funds in approved cash investments
- Borrowing to finance short term cash deficits and capital payments
- Management of debt (including rescheduling and ensuring an even maturity profile)
- Interest rate exposure management

The key risks associated with the Council's treasury management operations are:

- Credit risk - ie. that the Council is not repaid, with due interest in full, on the day repayment is due
- Liquidity risk - ie. that cash will not be available when it is needed, or that the ineffective management of liquidity creates additional, unbudgeted costs
- Interest rate risk - that the Council fails to get good value for its cash dealings (both when borrowing and investing) and the risk that interest costs incurred are in excess of those for which the Council has budgeted
- Maturity (or refinancing risk) - this relates to the Council's borrowing or capital financing activities, and is the risk that the Council is unable to repay or replace its maturing funding arrangements on appropriate terms
- Procedures (or systems) risk - ie. that a treasury process, human or otherwise, will fail and planned actions are not carried out through fraud or error

The Council's treasury management budget set out below accounts for a significant proportion of the Council's overall budget.

The 2018/19 Treasury Management budget approved in February 2018 is summarised in the table below.

	<b>General Fund</b>	<b>Housing Revenue Account (HRA)</b>	<b>Total</b>
	£m	£m	£m
External Interest Payable & Similar Charges (managed by PCC)	18.6	6.5	25.1
External Interest Payable & Similar Charges (managed by HCC)	0.3	-	0.3
Interest Payable on Internal Funds	1.4	-	1.4
External Interest Earned on Invested Cash	(2.2)	(0.1)	(2.3)
Other Investment Income & Provisions	0.5	-	0.5
Net Minimum Revenue Provision	4.3	-	4.3
Debt Management Expenses & Bank Charges	0.3	0.1	0.4
<b>Total</b>	<b>23.2</b>	<b>6.5</b>	<b>29.7</b>

The Council's Treasury Management Policy aims to manage risk whilst optimising costs and returns. The Council monitors and measures its treasury management position against the indicators described in this report. Treasury management monitoring reports are brought to the Governance and Audit and Standards Committee for scrutiny.

The Governance and Audit and Standards Committee noted the recommendations to Council contained within the Treasury Management Policy 2018/19 on 9<sup>th</sup> March 2018. The City Council approved the Treasury Management Policy 2018/19 on 20<sup>th</sup> March 2018. The policy sets out:

- The Treasury Management Strategy
- The Annual Revenue Provision for the Repayment of Debt Policy
- The Annual Investment Strategy

## 5. Reasons for Recommendations

To highlight any variance from the approved Treasury Management Policy and to note any subsequent actions.

To provide assurance that the Council's treasury management activities are effectively managed.

## 6. Equality impact assessment (EIA)

The contents of this report do not have any relevant equalities impact and therefore an equalities impact assessment is not required.

**7. Legal Implications**

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2011 to ensure that the Council's budgeting, financial management, and accounting practices meet the relevant statutory and professional requirements. Members must have regard to and be aware of the wider duties placed on the Council by various statutes governing the conduct of its financial affairs.

**8. Director of Finance and Information Technology (Section 151 Officer) comments**

All financial considerations are contained within the body of the report and the attached appendices.

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Signed by Director of Finance and Information Technology Services (Section 151 Officer)

**Appendices:**

**Appendix A: Treasury Management Monitoring Report**

**Appendix B: LIBID rates 2018/19**

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<b><u>Title of document</u></b>	<b>Location</b>
1 Treasury Management Records	Financial Services