

## BRECKLAND DISTRICT COUNCIL

**Report of: Pablo Dimoglou, Executive Member Finance**

**To: Audit Committee 11<sup>th</sup> December 2015**

**Julie Kennealy, Executive Director Commercialisation & S151**

**Subject: Mid Year Treasury report**

**Purpose: This report requests Audit Committee to note this update on the Treasury Management Strategy, Policy and Prudential Indicators**

### **Recommendation(s):**

- 1) That Audit Committee note the report and the information on treasury activity

## **1.0 BACKGROUND**

- 1.1 Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations.

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) has been adopted by this Council. The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council (delegated to the Audit Committee for this Council) of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid Year Review report (this report) and an Annual Report (stewardship report) covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring

treasury management policies and practices and for the execution and administration of treasury management decisions.

5. Delegation by the Council of the role of the scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of 2015/16;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure (prudential indicators);
- A review of the Council's investment portfolio for 2015/16;
- A review of the Council's borrowing strategy for 2015/16;
- A review of compliance with Treasury and Prudential Limits for 2015/16.

## 1.2 Summary of key issues and changes

A number of changes have already been separately reported to Audit Committee since 1<sup>st</sup> April 2015 and Policy documentation has been updated accordingly. The recommendations are restated below as a reminder:

Audit Committee 31/7/2015 the following recommendations were agreed:

*"The Treasury Management Policy is amended to enable loans to be made to Breckland Bridge Ltd to enable the Council to exercise it's "option to finance" agreed projects (in addition to the Riverside funding approved at Council on 26<sup>th</sup> March 2015)*

*Any loans to be approved by the S151 Officer on a project by project basis, subject to the project being part of a business plan approved by Council and the necessary due diligence being undertaken.*

*The total value of loans not to exceed £5m at any one time and no loans to be made for periods in excess of 2 years without prior approval of Audit Committee and Full Council"*

Audit Committee 25th September 2015 the following recommendations were agreed:

*"The Treasury Policy is amended to reduce the Sovereign rating for non-UK investments to AA- with immediate effect in accordance with our Treasury Advisors update from 9<sup>th</sup> June 2015"*

At the September meeting, Members asked for an updated list of eligible non-UK counterparties to be provided to this meeting. It is attached at Appendix 3.

There are no additional issues or changes to report.

## 2.0 OPTIONS

- 2.1 That Audit Committee; note the report and the information on treasury activity

### 3.0 **REASONS FOR RECOMMENDATION(S)**

3.1 To comply with the Local Government Act 2003 and to safeguard the Council's financial assets whilst maximising returns

### 4.0 **EXPECTED BENEFITS**

4.1 To ensure Members are updated regularly on the Treasury Management service so that they can adequately scrutinise treasury management activity

### 5.0 **IMPLICATIONS**

#### 5.1 **Carbon Footprint / Environmental Issues**

5.1.1 It is the opinion of the report author that there are no implications

#### 5.2 **Constitution & Legal**

5.2.1 It is the opinion of the report author that there are no implications

#### 5.3 **Contracts**

5.3.1 It is the opinion of the report author that there are no implications

#### 5.4 **Corporate Priorities**

5.4.1 It is the opinion of the report author that there are no implications

#### 5.5 **Crime and Disorder**

5.5.1 It is the opinion of the report author that there are no implications

#### 5.6 **Equality and Diversity / Human Rights**

5.6.1 It is the opinion of the report author that there are no implications

#### 5.7 **Financial**

5.7.1 The report is of a financial nature and financial details are included in the report and appendices

#### 5.8 **Health & Wellbeing**

5.8.1 It is the opinion of the author that there are no implications

#### 5.9 **Risk Management**

5.9.1 We can confirm that risk has been given careful consideration and it is addressed in TMP1 within the Treasury Policy Statement 2015-16

## 5.10 **Staffing**

5.10.1 It is the opinion of the author that there are no implications

## 5.11 **Stakeholders / Consultation / Timescales**

5.11.1 It is the opinion of the author that there are no implications

## 6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 N/A

## 7.0 **ACRONYMS**

7.1 Acronyms are dealt with within the report or appendices as they occur

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Background papers:- [See The Committee Report Guide](#)

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### **Lead Contact Officer**

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**Key Decision:** No

**Exempt Decision:** No

**This report refers to a Discretionary Service**

### **Appendices attached to this report:**

Appendix 1 – Economic Outlook  
Appendix 2 – Treasury Management Strategy Statement  
Appendix 3 – List of eligible non-UK counterparties