

REPORT

SUBJECT: TREASURY OUTTURN 2015/16

MEETING: Audit Committee

DATE: 30th June 2016

DIVISION/WARDS AFFECTED: Countywide

1. PURPOSE:

- 1.1 The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to annually produce Prudential Indicators and a Treasury Management Strategy Statement on their likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. The Head of Finance, as S151 Officer, reports twice a year (mid-year and after the year-end) on Treasury activity to the Audit Committee who provide scrutiny of treasury policy, strategy and activity on behalf of the Council.

2. RECOMMENDATIONS:

- 2.1 That Members note the results of treasury management activities and the performance achieved in 2015/16.

3. KEY ISSUES:

- 3.1 The detailed Annual Treasury Outturn report for 2015/16 is attached as Appendix 1.

3.2 In summary the key aspects at outturn were as follows,

<u>Capital Financing Requirement</u>	£114.1 million	
<u>Funded by External Loans</u>		
Short Term	£23.0 million	Avg rate 0.57%
Long Term	£69.4 million	Avg rate 4.30%
Sub Total	£92.4 million	Reduction of £6.9 million on 2014-15 outturn Average interest rate of 3.45%, with no change from the previous year profile
<u>Other Long term Liabilities</u>	£3.8 million	PFI and finance lease obligations, plus contractor bonds and deposits
Total Debt	96.2 million	
<u>Investments</u>		
Short Term	(£11.4 million)	Reduction of £0.8 million on 2014-15 outturn Avg rate 0.44% Avg investment period 8 days
Long Term	0	
Net Investments @ outturn	(£11.4 million)	

3.3 Market Conditions

- 3.3.1 Monmouthshire continues to minimise the amount of external borrowing by taking advantage of reserves and capital receipts balances (internal borrowing). This does result in lower investment balances (£11.4m as at 31st March 2016) of more of a short term nature but is a very cost effective treasury strategy given cost of borrowing that is avoided.
- 3.3.2 The Welsh Government's Guidance on Investments, effective from 1st April 2010, reiterated security and liquidity as the primary objectives of a prudent investment policy before yield. The Authority's strategy has always adopted a risk averse approach which compliments this guidance.
- 3.3.3 The UK Bank Rate has remained at 0.5% since 2009 and money market rates remain at historic lows. Combined with a trend in deterioration in counterparty credit quality, this has had a significant impact on investment income, but low bank base rates also serves to keep short term borrowing costs depressed, to the extent that our cost of carry is negligible concerning short term cashflows..

3.4 Prudential Indicators and Treasury Management Indicators

- 3.4.1 The Authority has operated within the set prudential indicators, as outlined in the Treasury Management Strategy approved by Council for the year.
- 3.4.2 All investments made during the year complied with the Council's agreed Treasury Management Strategy. Maturing investments were repaid to the Council in full and in a timely manner. Counterparty credit quality has been maintained through the period, despite declining credit ratings, and the need to mitigate the risks associated with potential bank "bail ins".

4. REASONS:

- 4.1 The Authority's Treasury Management Strategy has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011.
- 4.2 The code includes the requirement for determining a treasury strategy on the likely financing and investment activity for each financial year.
- 4.3 The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

5. RESOURCE IMPLICATIONS:

The outturn position is explained in the report, there are no other resource implications arising directly from this report.

6. EQUALITY AND SUSTAINABLE DEVELOPMENT IMPLICATIONS: None

7. **CONSULTEES:** Technical performance report on matters of fact. No consultation necessary
8. **BACKGROUND PAPERS:** Appendix 1 – 2015/16 Treasury Outturn report
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