

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL
EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE
AUDIT AND RISK COMMITTEE

04 July 2016

1. TREASURY MANAGEMENT ANNUAL REPORT 2015/16

Submitted by: **Head of Finance**
Portfolio: **Finance, ICT and Customer**
Ward(s) affected: **All Indirectly**

Purpose of the Report

To receive the Treasury Management Annual Report for 2015/16 and to review the Treasury Management activity for this period.

Recommendations

- (a) That the Treasury Management Annual Report for 2015/16 be received and be reported to Full Council on 13 July 2016.**

Reasons

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (revised in November 2011) recommends that Members should be informed on Treasury Management activities at least twice a year. It was resolved that the Audit and Risk Committee would monitor and oversee the delivery of the Treasury Management Strategy through the receipt of half yearly and year end Treasury Management Reports. Following submission to the Audit and Risk Committee the Treasury Management Annual Report will be reported to Full Council on 13 July 2016.

1. Background

- 1.1 The CIPFA Code of Practice on Treasury Management (revised in November 2011) recommends that Members should be informed on Treasury Management activities at least twice a year. It was resolved that the Audit and Risk Committee would monitor and oversee the delivery of the Treasury Management Strategy through the receipt of half yearly and year end Treasury Management Reports.
- 1.2 This report therefore ensures that this Council is embracing Best Practice in accordance with CIPFA's recommendations in the CIPFA Code of Practice.
- 1.3 Treasury Management operations are carried out in accordance with policies laid down in the currently approved Treasury Management Policy Statement, backed up by approved Treasury Management Practices and Schedules thereto, and the Annual Treasury Management Strategy Report for 2015/16 approved by Council on 25 February 2015.

2. **Issues**

2.1 The Treasury Management Annual Report for 2015/16 is attached at Appendix 1. The economic background and economic forecast included in the report has been provided by the Council's Treasury Management Advisors, Sector Treasury Services Ltd.

2.2 **Heritable Bank**

The original investment with Heritable Bank was £2,500,000. Fifteen dividends have been received so far from administrators Ernst and Young representing a return of 98%, compared to their estimated base case return of between 86% and 90%.

3. **Legal and Statutory Implications**

3.1 See Background for details.

4. **Financial and Resource Implications**

4.1 There are no specific financial implications arising from the report.

5. **Major Risks**

5.1 Treasury management is a major area of risk for the Council in that large amounts of money are dealt with on a daily basis and there are a number of limits and indicators, which must be complied with.

5.2 The overriding consideration in determining where to place the Council's surplus funds is to safeguard the Council's capital. Within this constraint the aim is to maximise the return on capital.

5.3 Operational procedures, coupled with monitoring arrangements, are in place to minimise the risk of departures from the approved strategy.

6. **List of Appendices**

6.1 Appendix 1, Treasury Management Annual Report 2015/16.

7. **Background Papers**

- CIPFA Treasury Management Code of Practice (revised November 2011),
- Council's Treasury Management Policy Statement,
- Council's Treasury Management Strategy,
- Local Government Act 2003,
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003,
- Guidance on Local Authority Investments issued by the Department for Communities and Local Government (revised March 2010),
- Ernst & Young Progress Report (10 March 2016),
- Sector Treasury Services Ltd Treasury Management Annual Report template (updated 18 April 2016)

8. **Management Sign-Off**

Each of the designated boxes need to be signed off and dated before going to Executive Director/Corporate Service Manager for sign off.

| | Signed | Dated |
|--|---------------|--------------|
| Financial Implications Discussed and Agreed | | |
| Risk Implications Discussed and Agreed | | |
| Legal Implications Discussed and Agreed | | |
| H.R. Implications Discussed and Agreed | | |
| ICT Implications Discussed and Agreed | | |
| Report Agreed by: Executive Director/ Head of Service | | |