

ASSEMBLY

19 July 2017

Title: Treasury Management Annual Report 2016/17	
Report of the Cabinet Member for Finance, Growth and Investment	
Open	For Decision
Wards Affected: None	Key Decision: Yes
Report Author: David Dickinson, Group Manager Pensions and Treasury	Contact Details: Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Kathy Freeman, Finance Director	
Accountable Strategic Director: Claire Symonds, Chief Operating Officer	
Summary	
<p>Changes in the regulatory environment now place a greater onus on Elected Members for the review and scrutiny of treasury management policy and activities. This report (the Treasury Management Annual Report) is important in that respect, as it provides details of the outturn position for treasury activities, significant new borrowing proposed, and highlights compliance with the Council's policies previously approved by the Assembly prior to the start of each financial year.</p> <p>This report presents the Council's outturn position in respect of its treasury management activities during 2016/17. The key points to note are as follows:</p> <ul style="list-style-type: none">➤ Investment income for the year was £4.6m (2015/16: £3.7m) compared to a budget of £2.1m;➤ The Council's average interest return of 1.42% for 2016/17 was 0.83% higher than the average London Peer Group return and 0.73% higher than the Local Authority average return;➤ The value of investments as at 31 March 2017 totalled £232.9 million;➤ The value of long term borrowing as at 31 March 2017 totalled £457.3m, which includes £64m of long term General Fund borrowing in 2016/17. The total borrowing comprises market, Public Works Loan Board (PWLb), Local Authority, European Investment Bank and Green Investment Bank loans;➤ The value of short term borrowing as at 31 March 2017 totalled £85.0m;➤ The Council did not breach its 2016/17 authorised borrowing limit of £855m or its Operational Boundary limit of £745m; and➤ The Council complied with all other set treasury and prudential limits.	

The Cabinet considered and endorsed the Treasury Management Annual Report for 2016/17 at its meeting on 20 June 2017.

Recommendation(s)

The Assembly is recommended to:

- (i) Note the Treasury Management Annual Report for 2016/17;
- (ii) Note that the Council complied with all 2016/17 treasury management indicators;
- (iii) Approve the actual Prudential and Treasury Indicators for 2016/17;
- (iv) Note that the Council borrowed £60m from the Public Works Loan Board (PWLB) in June 2016 to fund capital expenditure;
- (v) Note that on 31 March 2017 a number of Loan Facility agreements were agreed between the Council and a number of Council owned Special Purpose Vehicles; and
- (vi) Maintain the delegated authority to the Chief Financial Officer, in consultation with the Cabinet Member for Finance, Growth and Investment, to continue to proportionally amend the counterparty lending limits agreed within the Treasury Management Strategy Statement to consider the additional cash holdings resulting from borrowing from the European Investment Bank and the PWLB.

Reason(s)

This report is required to be presented to the Assembly in accordance with the Revised CIPFA Code of Practice for Treasury Management in the Public Services.

1. Introduction and Background

- 1.1. The Council is required by regulations issued under the Local Government Act 2003 (as amended 2010) to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2016/17.
- 1.2 The report has been produced in accordance with the Revised CIPFA Code of Practice for Treasury Management in the Public Services 2009 adopted by this Council on 16 February 2010 and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.3 For the 2016/17 period Assembly received the following reports:
 - an annual treasury strategy in advance of the year (Assembly 24/02/2016);
 - a mid-year (minimum) treasury update report (Assembly 30/11/2016); and
 - an annual review following the end of the year describing the activity compared to the strategy (this report).

1.4 This Annual Treasury Report covers:

- The Council's treasury position as at 31 March 2017;
- Economic Factors in 2016/17 and Interest rates Forecasts;
- Investment Strategy and Performance in 2016/17;
- Borrowing Outturn;
- Treasury Management costs in 2016/17;
- Compliance with Treasury limits and Prudential indicators;
- Lending to Commercial and External Organisations; and
- Prudential Indicators for 2016/17 (Appendix 1).

2. Treasury Position as at 31 March 2017

2.1 The Council's treasury position for 2015/16 and 2016/17 can be found in table 1:

Table 1: Council's treasury position at the start and end of 2016/17

	31-Mar-2016	Average Rate of interest	Average Life	31-Mar-2017	Average Rate of interest	Average Life
	£'000	%	Years	£'000	%	Years
Fixed Rate Debt - Long Term Borrowing						
Housing Revenue Account (HRA) – PWLB	265,912	3.50	39.67	265,912	3.50	38.67
HRA – Market	-	-	-	10,000	3.98	61.21
General Fund (GF) – PWLB	-	-	-	60,000	2.52	45.67
GF - Market	40,000	4.02	52.61	34,691	3.61	42.81
GF – EIB	89,000	2.21	28.00	86,669	2.21	27.00
Fixed Rate Debt - Short Term Borrowing						
GF - Local Authorities	57,200	0.52	0.08	85,030	0.40	0.11
Total Debt						
	452,112	2.92	39.34	542,302	2.72	32.29
Investments						
In-House*	227,111	1.37	1.24	232,721	1.30	0.90

* excludes a prepayment made to Elevate and external school cash balances.

2.2 The Council manages its debt and investment positions through its in-house treasury section to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities.

2.3 Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices.

3. Economic Factors in 2016/17 and Interest Rate Forecasts

3.1 From April to June 2016 long term borrowing costs slowly decreased as markets became nervous over the UK Referendum. Following the Referendum results, with a vote for the UK to leave the EU, rates dropped significantly, with the 50 year gilts rate dropping to a little over 1% in August 2016.

- 3.2 On the 4th of August 2016 the Monetary Policy Committee, (MPC), cut the Bank Rate from 0.50% to 0.25% to counteract a potential sharp slowdown in growth in the second half of 2016 following the vote for the UK to leave the European Union. However, economic data since August has indicated stronger growth than that forecast. In addition, inflation forecasts have risen due to a continuation of the sharp fall in the value of sterling since early August. Consequently, the Bank Rate was not cut again in November.
- 3.3 PWLB rates and gilt yields experienced elevated levels of volatility in 2016/17 that were highly correlated to geo-political events. It is likely that these exceptional levels of volatility will continue to occur for the near future. Overall 2016/17 was a difficult year for investing but provided opportunities to borrow at historically low rates.

4. Investment Strategy and Performance in 2016/17

4.1 Annual Investment Strategy (AIS) 2016/17

- 4.1.1 All investments were managed in-house and were invested with institutions of high credit standing listed in the Council's approved lending list and specified limits. The Council invested over a range of periods from overnight to three years.
- 4.1.2 Council officers met quarterly with Treasury Advisers to discuss financial performance, objectives, targets and risk in relation to the Council's investments and borrowing. Monthly treasury meetings were held between the Section 151 Officer, the Finance Director and the Treasury Section to discuss strategy and to ensure close monitoring of investment decisions. The Cabinet Member for Finance, Growth and Investment was briefed regularly on treasury activity by the Section 151 Officer.
- 4.1.3 During 2016/17 the Council's investment policy was governed by CLG guidance, which was implemented in the 2016/17 Annual Investment Strategy. The policy sets out the Council's approach for choosing investment counterparties.

4.2 Treasury Outturn

- 4.2.1 To support the Council's significant savings requirement for 2016/17, Members agreed savings targets for treasury. To achieve the interest target the Treasury Section was set a return target of 1.6% on an average cash balance of £160m. The savings target and return target for 2015/16 and 2016/17 are outlined in table 2 below:

Table 2: Treasury Savings Targets for 2015/16 to 2016/17

Savings Proposal	2015/16 £000	2016/17 £000	Total £000
Increase in Average Return as Rates Rise	500	500	1,000
Increase Counterparty and Duration Risk	350	-	250
Total Savings	850	500	1,350
Target Return	1.2%	1.6%	

- 4.2.2 To achieve the interest income budget set, without taking significant risk, the Treasury Section has sought to increase the duration of a number of investments. Potential higher returns will be weighed against the risk of locking in investments.
- 4.2.3 The Treasury Outturn position is in Table 3 below.

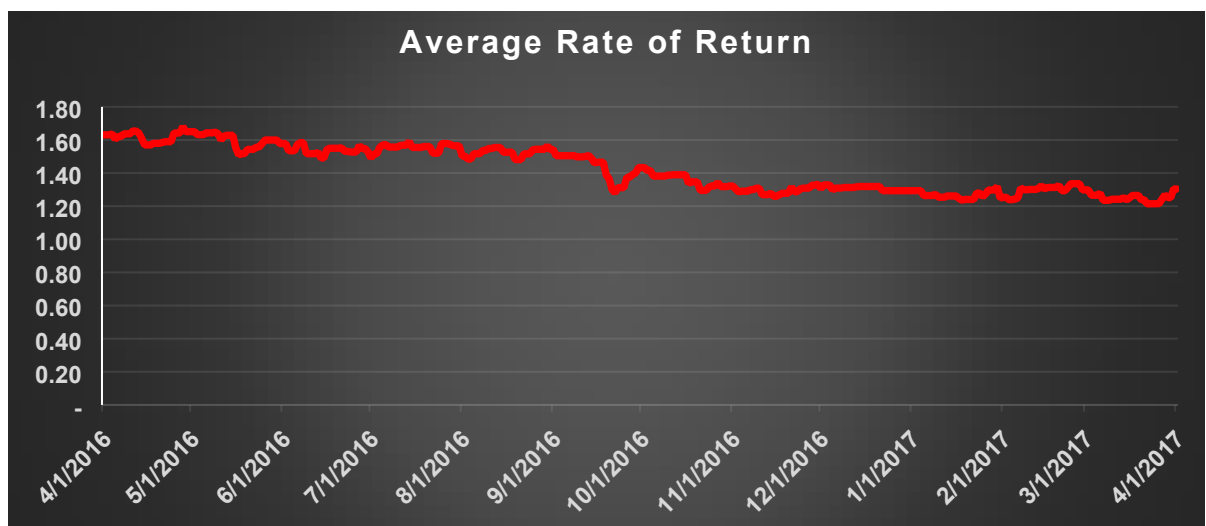
Table 3: Treasury Outturn for 2016/17

Interest	2016/17 Budget	2016/17 Actual	Difference
HRA Borrowing Costs	9,625	9,625	-
HRA and Schools Interest	(423)	(553)	(130)
GF Borrowing costs	2,251	2,806	555
General Fund Interest	(2,147)	(4,090)	(1,943)
Brokerage & Treasury Costs	-	175	175
European Investment Bank Interest	-	1,964	1,964
Business Support Reserve	-	(620)	(620)
Net Budget	9,306	9,307	0

- 4.2.4 Overall the General Fund borrowing costs were higher than forecast due to an additional £60m of borrowing from the PWLB. General Fund interest income was £1.94m more than budgeted due to higher than forecast cash balances held during the year.
- 4.2.5 An interest payment of £1.96m was paid to the EIB for the £89.0m of borrowing taken out in 2015 to fund the Council's regeneration programme. Rental income from Abbey Road 2 and Gascoigne Estate (East) Phase 1 will be used to cover the EIB interest costs in future but as Gascoigne Estate (East) Phase 1 is still being constructed, £620k from the Business Support Reserve was used to cover the interest shortfall. Previously Members agreed that up to a total of £2.0m could be used to support borrowing in advance. Of the £2.0m agreed, £1.26m is still available to cover the shortfall in interest payments.
- 4.2.6 The Council deals with most of its counterparties directly but from time to time the Council will use the services of brokers to act as agents between the Council and its counterparties when lending or borrowing. However, no one broker will be favoured by the Council. The Council will ensure that sufficient quotes are obtained before investment or borrowing decisions are made via brokers. In 2017/18, brokerage costs of £175k were incurred from the short-term borrowing and costs from borrowing from the PWLB and the Green Investment Bank. These costs are not budgeted from but form part of the borrowing costs for the year in which they are incurred.
- 4.3 Investments decisions during 2016/17
- 4.3.1 When making investment decisions the Council must have regard to its investment priorities being:
- (a) The **security** of capital;
 - (b) The **liquidity** of its investments; and
 - (c) **Yield** (after ensuring the above are met).

- 4.3.2 Using the above as the basis for investment decisions does mean that investment returns will be lower than would be possible were yield the only consideration. During 2016/17, the Council ensured that all investments were made with appropriately rated counterparties and that liquidity was maintained. On occasion, short term borrowing was also used to allow the Council to take advantage of investment opportunities.
- 4.3.3 During the year there were several opportunities for the Council to invest with credit worthy financial institutions as well as Local Authorities over a longer duration at much improved rates. As a result of these opportunities the Treasury Section was able to provide an average return of 1.42% for 2016/17 and ended the year with an average return of 1.37%. Chart 1 below graphically illustrates the increase in the average daily return for the Council during the year

Chart 1: Daily average investment return for 2016/17



- 4.3.4 The average cash balance held was £230m, which included the use of short-term borrowing to cover some of the investment opportunities. Short-term borrowing was also used to smooth the cash flow fluctuations, allowing treasury to keep a considerable proportion of its investments invested over a longer duration.

4.4 Strategy Changes in 2016/17

- 4.4.1 The Council's investment policy was agreed in the AIS approved by the Assembly on 24 February 2016. Members agreed to delegate authority to the Section 151 officer, in consultation with the Cabinet Member for Finance, Growth and Investment, to proportionally amend the counterparty lending limits agreed within the TMSS.

- 4.4.2 During the year, there were no changes to the AIS.

4.5 Performance Benchmark in 2016/17

- 4.5.1 As part of ensuring value for money and to monitor the Council's investment return, the Council's treasury performance is benchmarked by against a peer group of Local Authorities. Benchmarking date is provided by the Council's treasury

advisors, Capita Asset Services. Table 4 summarises the benchmarking data as at 31 March 2017.

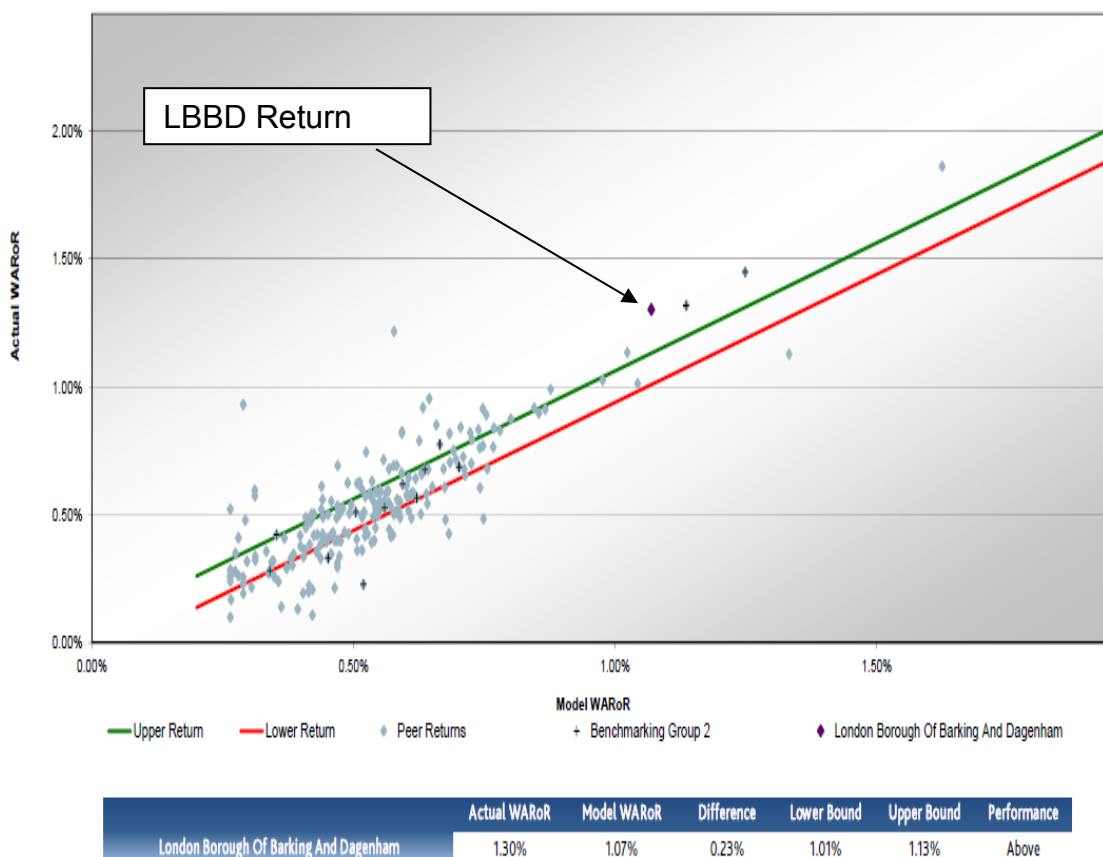
Table 4: Advisor’s Benchmarking data as at 31 March 2017

Savings Proposal	LBBB	London Peer Group (20)	Total LA Group (223)
Weighted Average Rate of Return	1.30%	0.69%	0.59%
Model Banding Target	1.01% - 1.13%	0.62% - 0.75%	0.56% - 0.69%
Weighted Average Maturity(days)	325	150	123
Credit Risk	3.29	3.19	3.06

4.5.2 The benchmarking data outlines the outperformance of the Council’s investment return compared to a group of 20 London Boroughs and 223 Local Authorities (LAs). The Council’s average return as at 31 March 2017 was 0.61% higher than the average London Peer Group return and 0.71% higher than the Local Authority average return.

4.5.3 The benchmarking data includes a model banding target which is a target return banding for the duration and credit risk taken for the investments. The Council managed to outperform the upper model banding target by 0.03%. Chart 2 illustrates the Council’s return against the upper and lower banding levels and shows the Council’s performance compared to all LAs within the benchmark group.

Chart 2: Advisor’s benchmarking data as at 31 March 2017



4.6 Investments Held as at 31 March 2017

4.6.1 Table 5 outlines the investments held by the Council as at 31 March 2017. The table also shows the interest rate received and the repayment date for each investment:

Table 5: Investments held as at 31 March 2017

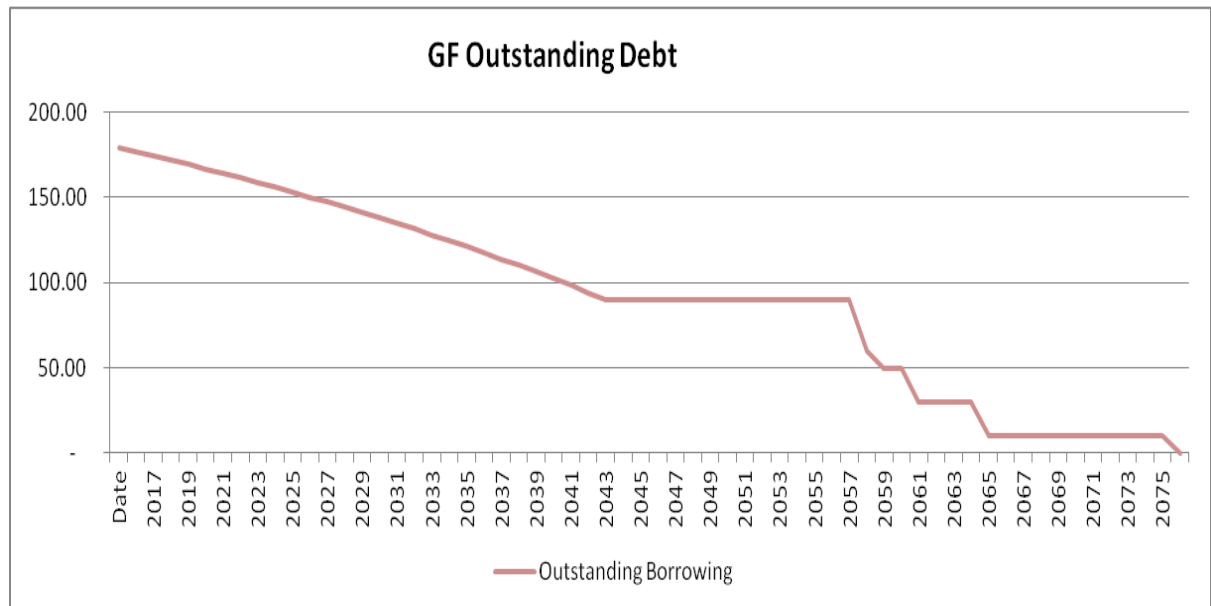
Investment	Rating	Interest Rate	Principal	Start Date	End Date
BARCLAYS BANK PLC	A	0.05%	9,308.36	25/03/2011	31/03/2017
Lloyds Deposit Account	A	0.15%	612.16	04/11/2013	31/03/2017
BARKING RIVERSIDE	N/A	3.50%	4,917,940.81	15/10/2014	01/04/2020
NEWPORT CC	AA+	1.50%	2,000,000.00	10/11/2014	11/07/2017
NEWPORT CC	AA+	1.10%	2,000,000.00	09/02/2015	10/07/2017
VALENCE SCHOOL	AA+	3.50%	100,000.00	12/02/2015	31/03/2017
NEWPORT CC	AA+	1.10%	1,500,000.00	09/03/2015	31/03/2017
RBS		1.45%	20,000,000.00	30/04/2015	31/03/2017
Dudley MBC	AA+	1.05%	10,000,000.00	15/05/2015	15/05/2017
RBS	BBB+	1.45%	20,000,000.00	26/06/2015	26/06/2017
RBS	BBB+	1.80%	20,000,000.00	24/07/2015	24/07/2017
Wolverhampton CC	AA+	0.94%	8,000,000.00	28/09/2015	28/09/2017
LANCASHIRE CC	AA+	1.00%	5,000,000.00	11/11/2015	11/05/2018
Fife Council	AA+	1.00%	4,000,000.00	14/01/2016	15/01/2018
LANCASHIRE CC	AA+	1.02%	5,000,000.00	16/11/2015	16/11/2017
LANCASHIRE CC	AA+	1.05%	5,000,000.00	08/01/2016	08/01/2018
LANCASHIRE CC	AA+	1.54%	5,000,000.00	26/11/2015	26/11/2018
LANCASHIRE CC	AA+	1.54%	5,000,000.00	20/11/2015	20/11/2018
LLOYDS BANK PLC	A	1.67%	5,000,000.00	20/01/2016	18/01/2019
LLOYDS BANK PLC	A	1.67%	5,000,000.00	03/02/2016	01/02/2019
Grafton Primary School	AA+	4.50%	100,097.98	03/03/2016	03/03/2026
Gascoigne School	AA+	4.50%	84,395.00	03/03/2016	03/03/2036
LLOYDS BANK PLC	A	1.80%	10,000,000.00	15/03/2016	15/03/2019
LLOYDS BANK PLC	A	1.79%	5,000,000.00	01/04/2016	01/04/2019
RBS	A	1.84%	5,500,000.00	21/04/2016	18/04/2019
RBS	BBB+	0.21%	8,737.28	31/03/2015	31/03/2017
LLOYDS BANK PLC	A	1.43%	10,000,000.00	06/06/2016	06/06/2018
Doncaster MBC	AA+	0.90%	2,000,000.00	24/06/2016	25/06/2018
LLOYDS BANK PLC	A	1.05%	5,000,000.00	01/07/2016	30/06/2017
LLOYDS BANK PLC	A	1.05%	10,000,000.00	14/07/2016	14/07/2017
LLOYDS BANK PLC	A	1.05%	5,000,000.00	03/08/2016	03/08/2017
Goldman Sachs	A	0.68%	10,000,000.00	03/10/2016	03/04/2017
Goldman Sachs	A	0.76%	10,000,000.00	07/10/2016	07/04/2017
BOROUGH OF POOLE	AA+	0.97%	7,500,000.00	18/11/2016	18/11/2019
RBS	BBB+	0.65/1.0%	20,000,000.00	30/01/2017	30/07/2018
LLOYDS BANK PLC	A	1.18%	5,000,000.00	16/03/2017	16/03/2020

5. Borrowing in 2016/17

5.1 Council's Growth Strategy

- 5.1.1 As part of the Council's Growth Strategy, Members agreed to increase the Council's income generating asset base and enable the Council to be an active participant in the growth opportunities within in borough but with a very clear focus on return. The target investment return expected, after all costs, is £5m per year by 2020.
- 5.1.2 To achieve this return requires significant investment by the Council in residential and commercial property, as well as renewable energy. These investments require the Council to significantly increase its borrowing, but given budgetary constraints, the cost of borrowing must also be carefully managed.
- 5.1.3 During 2016/17 the Treasury Section, in consultation with the Section 151 officer, began a strategy of building up a debt portfolio to support the Council's investment. Between 7 June 2016 and 3 July 2016, following a significant drop in the cost of borrowing, the Council borrowed £60m from the PWLB at an average rate of 2.5%.
- 5.1.4 Although the Council has significantly increasing its debt, officers have sought to ensure that the borrowing matches the relevant asset life and potential repayment profile of the Council's investment portfolio. Chart 3 below summarises the GF debt position as at 31 March 2017.

Chart 3: Council Debt Profile as at 31 March 2017



5.2 Green Investment Bank (GIB) Borrowing

- 5.2.1 At its meeting on 2 December 2015 the Council agreed to borrow £7.5m from the GIB arising from the Cabinet's decision under Minute 67, 10 November 2015 to finance the Low Energy Street Light Replacement Programme.
- 5.2.2 On 15 December 2016, a loan of £7.0m was borrowed from the GIB at a rate of 3.44% for a duration of 30 years. The borrowing will be drawn over a period of two-and-a-half-years. The loan repayment profile is structured to match the cashflows expected to be generated from the energy savings.

5.3 Borrowing Owed as at 31 March 2017

5.3.1 Table 6 outlines the borrowing owed by the Council as at 31 March 2017. The table also shows the interest rate charged and the repayment date for each loan. The loans are split between HRA, General Fund Long Term and General Fund Short Term Loans:

Table 6: Loans as at 31 March 2017

Lender	Start Date	End Date	Amount	Rate
HRA				
PUBLIC WORKS LOAN BOARD	28/03/2012	28/03/2042	50,000,000	3.5%
PUBLIC WORKS LOAN BOARD	28/03/2012	28/03/2062	65,912,000	3.5%
PUBLIC WORKS LOAN BOARD	28/03/2012	28/03/2061	50,000,000	3.5%
PUBLIC WORKS LOAN BOARD	28/03/2012	28/03/2052	50,000,000	3.5%
PUBLIC WORKS LOAN BOARD	28/03/2012	28/03/2060	50,000,000	3.5%
BARCLAYS BANK PLC	30/05/2008	30/05/2078	10,000,000	4.0%
HRA Total LT Borrowing			275,912,000	
General Fund				
DEXIA PUBLIC FINANCE BANK	30/06/2008	30/06/2077	10,000,000	4.0%
ROYAL BANK OF SCOTLAND	26/03/2010	27/02/2060	10,000,000	4.1%
ROYAL BANK OF SCOTLAND	26/03/2010	26/03/2059	10,000,000	4.1%
European Investment Bank	30/01/2015	31/03/2044	86,669,000	2.2%
PUBLIC WORKS LOAN BOARD	09/06/2016	09/06/2066	20,000,000	2.7%
PUBLIC WORKS LOAN BOARD	14/06/2016	15/12/2059	10,000,000	2.7%
PUBLIC WORKS LOAN BOARD	28/06/2016	29/12/2059	10,000,000	2.5%
PUBLIC WORKS LOAN BOARD	29/06/2016	29/06/2062	10,000,000	2.4%
PUBLIC WORKS LOAN BOARD	07/07/2016	06/01/2062	10,000,000	2.1%
STEVENAGE BOROUGH COUNCIL	09/01/2017	09/04/2020	2,000,000	1.0%
RUGBY BOROUGH COUNCIL	09/01/2017	09/04/2020	2,000,000	1.0%
Green Investment Bank	15/12/2016	30/09/2046	690,656	3.4%
GF Total LT Borrowing			181,359,656	
Anglesey	20/02/2017	01/04/2017	5,000,000	0.4%
Derby City	25/01/2017	01/04/2017	7,000,000	0.3%
Edinburgh	28/03/2017	01/04/2017	15,000,000	0.5%
Essex CC	27/03/2017	01/04/2017	8,000,000	0.4%
GLA	07/03/2017	01/04/2017	15,000,000	0.5%
GLA	28/03/2017	01/04/2017	10,000,000	0.5%
Hampshire CC	11/11/2016	01/04/2017	5,000,000	0.3%
Hampshire PC	11/11/2016	01/04/2017	2,000,000	0.3%
Kingston	31/03/2017	01/04/2017	2,000,000	0.5%
LB Brent	06/02/2017	01/04/2017	5,000,000	0.4%
LBBD Pension Fund	01/04/2017	01/04/2017	5,030,000	0.3%
Wakefield	07/10/2016	01/04/2017	5,000,000	0.3%
Winchester	11/11/2016	01/04/2017	1,000,000	0.3%
GF Total ST Borrowing			85,030,000	

6. Compliance with Treasury limits and Prudential Indicators

- 6.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordable limits) are included in the approved Treasury Management Strategy (TMSS).
- 6.2 During the financial year to date the Council has operated within and complied with the treasury limits and Prudential Indicators set out in the Council's annual TMSS. The Council's prudential indicators are set out in Appendix A to this report. In 2016/17, the Council did not breach its authorised limit on borrowing of £855m.
- 6.3 The Operational limit set in the 2016/17 TMSS was £745m, which was also not breached. As at 31 March 2017 the total borrowing was £542.3m.

7. Lending to commercial and external organisations

- 7.1 Section 2 of the Local Government Act 2000 (power of well-being) gives authorities the power to lend as part of promotion or improvement of economic /social wellbeing of the Borough. The guidance encourages local authorities to use the well-being power as the power of first resort removing the need to look for powers in other legislation. Further the power provides a strong basis on which to deliver many of the priorities identified by local communities and embodies in community strategies. The Section 151 Officer determines the rates and terms of such loans.

8. Lending to Special Purpose Vehicles

- 8.1 At the 30 June 2014 Cabinet meeting, Members agreed to the principle of establishing a Special Purpose Vehicle(s) to develop, own and be responsible for procuring the management of the units to be developed as part of the Gascoigne Estate (East) Regeneration.
- 8.2 Members also agreed:
1. that the Council shall grant a 252-year lease to the Special Purpose Vehicle(s) which shall terminate at the option of the Council at the end of the funding term and repayment of the loans made by the Council, with full ownership reverting to the Council;
 2. to the principle of establishing an independent charity which shall own and control the Special Purpose Vehicle(s) in accordance with the funding terms imposed by the Council;
 3. to the principle of borrowing £62.86m within the General Fund to finance the development and ownership of the following tenures:
 - i. Borrow £39.98m to fund development and ownership of 236 affordable rented units, social rent units and shared ownership units to be owned and managed by a Special Purpose Vehicle(s) controlled within the General Fund;
 - ii. Borrow £3.75m to fund 50% of 51 private for sale units to be developed and sold jointly by the Council and East Thames Group via a limited company, and
 - iii. Borrow £19.13m to lend to East Thames Group to fund the development and

ownership of 135 units shared ownership units which shall be owned by East Thames Group subject to agreement of satisfactory terms;

8.3 Cabinet also delegated authority to the Chief Executive, in consultation with the Director of Law and Governance, the Section 151 Officer and the Cabinet Member for Finance, Growth and Investment, to negotiate terms and agree the contract documents to fully implement and effect the project and to authorise the Director of Law and Governance to execute all the legal agreements, contracts and other documents on behalf of the Council.

8.4 Following a significant period of legal discussions a number of SPVs were set up. On 31 March 2017, the following loan facilities were agreed between the Council and the Council owned SPVs.

1. £11,001,888 to B&D Reside Regeneration LLP
2. £36,315,762 to B&D Reside Weavers LLP
3. £37,002,114 to Barking and Dagenham Reside Roding Limited

8.5 Actual payment will be made to the various SPV throughout the construction period, with interest added to the Loan amount. After the construction period has been completed and the properties are being rented out, the loan and interest will be repaid.

9. Council Transformation Programme - Be First Loan

9.1 At the November 2016 Cabinet, Members agreed to establish a new Council-owned company to manage the delivery of the borough's regeneration agenda, Be First, in line with Recommendation 8 of the report of the independent Growth Commission. Be First will be a 100% Council-owned company that is operationally independent of the Council, operating in the same way as a commercial organisation, and being accountable to members through a Shareholder Executive Board.

9.2 At the 26 January 2017 Cabinet, Members agreed to a loan of £3.5m to support Be First's cash flow requirements during the first few years of established.

9.3 A report will be taken to the September 2017 Cabinet outlining Be First's working capital and set up cost requirements.

10. Conclusions

10.1 The key conclusions to draw from this report are as follows:

- a) The Council complied with prudential and treasury indicators in 2016/17;
- b) The value of investments as at 31 March 2017 totalled £232.7 million; and
- c) The value of long and short term borrowing as at 31 March 2017 totalled £542.3m. This comprised market, PWLB, GIB, EIB and Local Authority loans;

11. Options Appraisal

11.1 There is no legal requirement to prepare a Treasury Management Annual Report, however, it is good governance to do so and meets the requirements of both the

CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

12. Consultation

- 12.1 The Chief Operating Officer has been informed of the approach, data and commentary in this report.
- 12.2 The Cabinet considered and endorsed the Treasury Management Annual Report for 2016/17 at its meeting on 20 June 2017.

13. Financial Implications

Implications completed by: Kathy Freeman, Finance Director

- 13.1 This report sets out the outturn position on the Council's treasury management position and is concerned with the returns on the Council's investments as well as its short and long term borrowing positions.

14. Legal Implications

Implications completed by: Dr. Paul Feild, Senior Governance Lawyer

- 14.1 Section 28 of the Local Government Act 2003 imposes a statutory duty on the Council to monitor its budget during the financial year and its expenditure and income against the budget calculations. The Council sets out its treasury strategy for borrowing and an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 14.2 The Council also has to 'have regard to' the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out its functions under the Act.

15. Risk Management

- 15.1 The whole report concerns itself with the management of risks relating to the Council's cash flow. The report mostly contains information on how the Treasury Management Strategy has been used to maximise income throughout the past year.
- 15.2 EIB funded urban regeneration programme - The urban regeneration programme will be governed by a programme delivery board established in the Regeneration department. A programme manager will be identified within the Council who will be responsible for delivering each scheme within the investment programme.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- Appendix 1 - The Prudential Code for Capital Investment in Local Authorities
- Appendix 2 - Glossary of Terms