

CABINET

19 June 2018

Title: Treasury Management Annual Report 2017/18	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open	For Decision
Wards Affected: None	Key Decision: Yes
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Accountable Strategic Leadership Director: Claire Symonds, Chief Operating Officer	
Summary 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. This report presents the Council's outturn position in respect of its treasury management activities during 2017/18. The key points to note are as follows: <ul style="list-style-type: none">➤ Investment income for the year was £4.1m (2016/17: £4.6m) compared to a budget of £2.6m;➤ The Council's average interest return of 1.22% for 2017/18 was 0.51% higher than the average London Peer Group return and 0.61% higher than the Local Authority average return;➤ The value of £134.6m of long term General Fund borrowing in 2017/18. 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 £46.0m;➤ The Council did not breach its 2017/18 authorised borrowing limit of £850m or its Operational Boundary limit of £802m; and➤ The Council complied with all other set treasury and prudential limits.	

Recommendation(s)

The Cabinet is asked to recommend the Assembly to:

- (i) Note the Treasury Management Annual Report for 2017/18;
- (ii) Note that the Council complied with all 2017/18 treasury management indicators;
- (iii) Approve the actual Prudential and Treasury Indicators for 2017/18;
- (iv) Note that the Council borrowed £119.6m from the Public Works Loan Board (PWLB) in 2017/18 to fund the Council's regeneration strategy and borrowed a further £15m from other Local Authorities to fund the Council's land acquisition strategy; and
- (v) Maintain the delegated authority to the Chief Financial Officer, in consultation with the Cabinet Member for Finance, Performance and Core Services, to continue to proportionally amend the counterparty lending limits agreed within the Treasury Management Strategy Statement to reflect 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 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2017/18. This report 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).

1.2 For the 2017/18 period Assembly received the following reports:

- an annual treasury strategy in advance of the year (Assembly 22/02/2017);
- a mid-year (minimum) treasury update report (Assembly 22/11/2017); and
- an annual review following the end of the year describing the activity compared to the strategy (this report).

1.3 This Annual Treasury Report covers:

- The Council's treasury position as at 31 March 2018;
- Economic Factors in 2017/18 and Interest rates Forecasts;
- Investment Strategy and Performance in 2017/18;
- Borrowing Outturn;
- Treasury Management costs in 2017/18;
- Compliance with Treasury limits and Prudential indicators;

- Lending to Commercial and External Organisations; and
- Prudential Indicators for 2017/18 (Appendix 1).

2. Treasury Position as at 31 March 2018

2.1 The Council's treasury position for 2016/17 and 2017/18 can be found in table 1:

Table 1: Council's treasury position at the start and end of 2017/18

	31-Mar-2017	Average Rate of interest	Average Life	31-Mar-2018	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	38.67	265,912	3.51	37.67
HRA – Market	10,000	3.98	61.21	10,000	3.98	60.21
General Fund (GF) – PWLB	60,000	2.52	45.67	179,565	2.36	34.72
GF - Market	34,691	3.61	42.81	34,000	3.96	45.19
GF – EIB	86,669	2.21	27.00	86,669	2.21	26.02
Fixed Rate Debt - Short Term Borrowing						
GF - Local Authorities	85,030	0.40	0.11	65,000	0.67	0.65
Total Debt						
	542,302	2.72	32.29	641,146	2.75	32.32
Investments						
In-House*	232,721	1.30	0.90	247,905	1.37	1.22

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

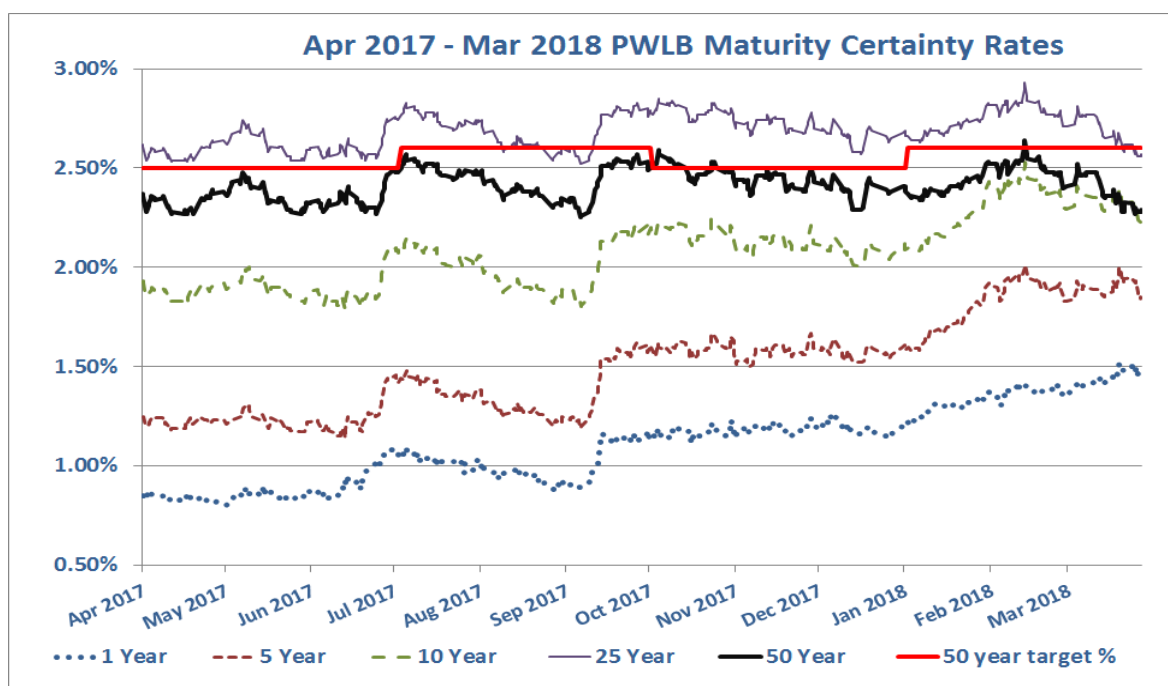
- 2.2 The Council manages its debt and investment positions through its in-house treasury section to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities.
- 2.3 Procedures and controls to achieve these objectives 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 2017/18 and Interest Rate Forecasts

- 3.1 The outcome of the EU referendum in June 2016 resulted in a gloomy outlook and economic forecasts from the Bank of England based around an expectation of a major slowdown in UK GDP growth, particularly during the second half of 2016, which was expected to push back the first increase in Bank Rate for at least three years. Consequently, the Bank responded in August 2016 by cutting Bank Rate by 0.25% to 0.25% and making available over £100bn of cheap financing to the banking sector up to February 2018. Both measures were intended to stimulate growth in the economy.
- 3.2 This gloom was overdone as the UK economy turned in a G7 leading growth rate of 1.8% in 2016, (actually joint equal with Germany), and followed it up with another 1.8% in 2017, (although this was a comparatively weak result compared to the US and EZ).
- 3.3 As a result of the economic uncertainty, PWLB 25 and 50-year rates have been volatile during the year with little consistent trend. However, shorter rates were on a

rising trend during the second half of the year and reached peaks in February / March 2018.

- 3.4 During the year, the 50-year PWLB rate for new long-term borrowing was 2.5% in Q1 and 3 and 2.6% in Q2 and 4. The graphs and tables for PWLB rates show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



4. Investment Strategy and Performance in 2017/18

4.1 Annual Investment Strategy (AIS) 2017/18

- 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 Adviser 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 Group Manager – Treasury and Pensions and the Treasury Section to discuss strategy and to ensure close monitoring of investment decisions. The Cabinet Member for Finance, Performance and Core Services was briefed regularly on treasury activity by the Section 151 Officer.
- 4.1.3 During 2017/18 the Council's investment policy was governed by CLG guidance, which was implemented in the 2017/18 Annual Investment Strategy. The policy sets out the Council's approach for choosing investment counterparties.

4.2 Treasury Outturn

4.2.1 The Treasury Outturn position is in Table 3 Below.

Table 3: Treasury Outturn for 2017/18

Interest	2017/18 Budget £'000	2017/18 Actual £'000	Difference £'000
HRA Borrowing Costs	9,691	9,691	0
HRA and Schools Interest Charge	471	380	91
GF Borrowing costs	4,384	6,066	-1,682
Gross Interest Income	-2,570	-4,170	1,600
Net Budget	11,976	11,967	9

4.2.2 Overall the General Fund borrowing costs were higher than forecast due to an additional £134.6m of borrowing from the PWLB and Local Authorities. General Fund interest income was £1.6m more than budgeted due to higher than forecast cash balances held during the year and good investment returns.

4.2.3 An interest payment of £1.91m 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.

4.2.4 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 £30k 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 2017/18

4.3.1 When making investment decisions the Council must have regard to its investment priorities being:

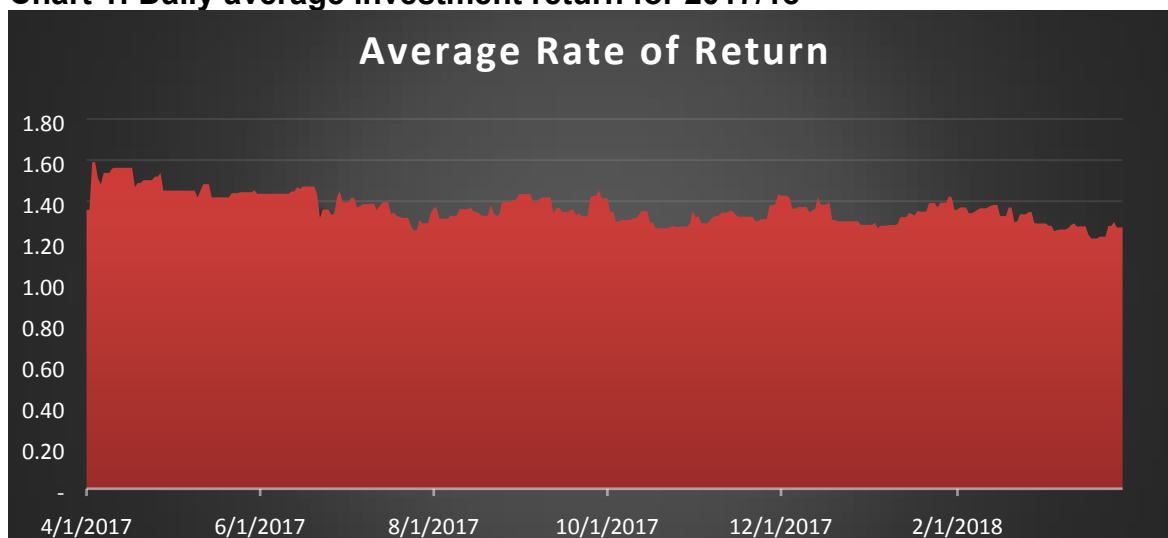
- (a) The **security** of capital;
- (b) The **liquidity** of its investments; and
- (c) **Yield** (after ensuring the above are met).

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 2017/18, 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 1.37% for 2017/18. 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 2017/18



4.3.4 The average cash balance held was £273m, 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 2017/18

4.4.1 The Council's investment policy was agreed in the AIS approved by the Assembly on 22 February 2017. Members agreed to delegate authority to the Section 151 officer in consultation with the Cabinet Member for Finance, Performance and Core Services 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 2017/18

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, Link Asset Services. Table 3 summarises the benchmarking data as at 31 March 2018.

Table 3: Advisor's Benchmarking data as at 31 March 2018

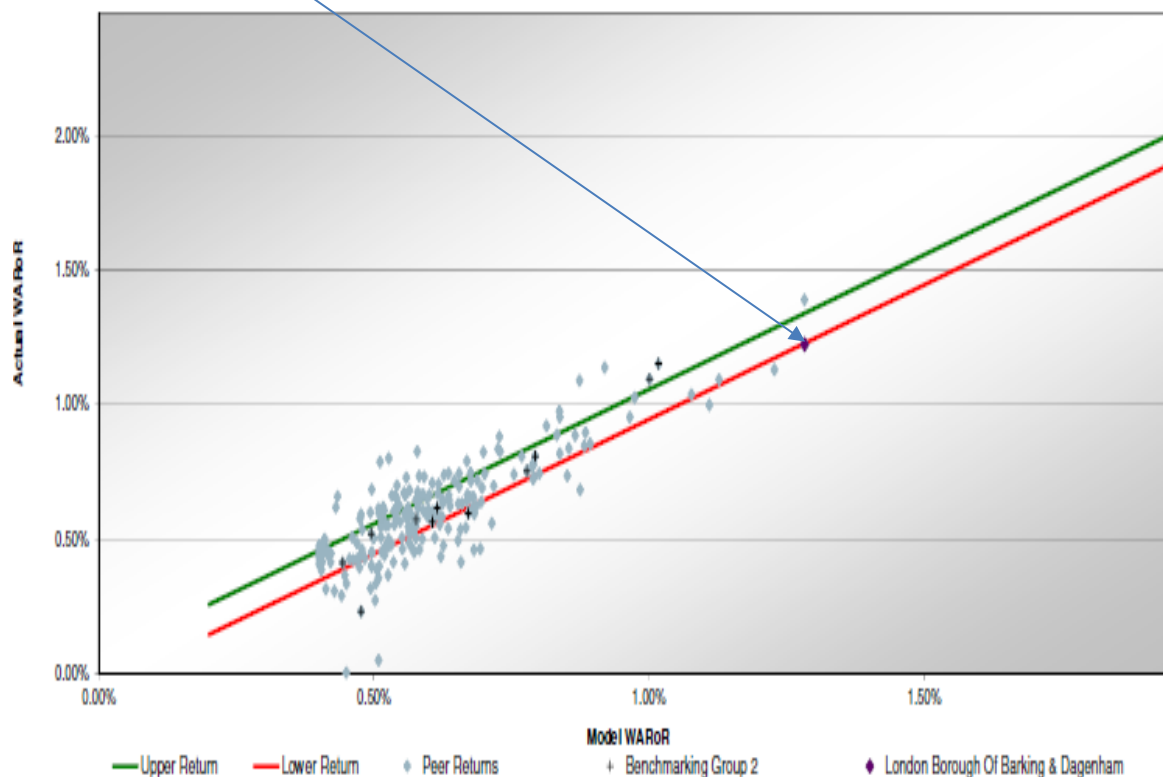
Savings Proposal	LBBD	London Peer Group (20)	Total LA Group (223)
Weighted Average Rate of Return	1.22%	0.71	0.66
Model Banding Target	1.22-1.34%	0.67%-0.79%	0.69%
Weighted Average Maturity(days)	507	137	116
Credit Risk	3.78	2.91	3.05

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 2018 was 0.51% higher than the

average London Peer Group return and 0.56% higher than the Local Authority average return.

4.5.3 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 2018



4.6 Investments Held as at 31 March 2018

4.6.1 Table 4 outlines the investments held by the Council as at 31 March 2018. The table shows the interest rate received and the repayment date for each investment:

Table 4: Investments held as at 31 March 2018

Investment Counterparty	Credit Rating	Interest Rate %	Principal £000s	Start Date	End Date
Lloyds Deposit Account	A+	0.40	1,450.2	04/11/2013	Open Ended
ROYAL BANK OF SCOTLAND	BBB+	0.21	8.8	31/03/2015	Open Ended
Goldman Sachs International	A	0.98	10,000.0	03/04/2017	03/04/2018
Goldman Sachs International	A	1.01	5,000.0	05/04/2017	05/04/2018
Goldman Sachs International	A	1.01	10,000.0	07/04/2017	06/04/2018
LANCASHIRE CC	Local Authority	1.00	5,000.0	11/11/2015	11/05/2018
LLOYDS BANK PLC	A+	1.43	10,000.0	06/06/2016	06/06/2018
Doncaster MBC	Local Authority	0.90	2,000.0	24/06/2016	25/06/2018
Goldman Sachs International	A	0.98	5,000.0	16/06/2017	04/07/2018
ROYAL BANK OF SCOTLAND	BBB+	1.00	20,000.0	30/01/2017	30/07/2018
LANCASHIRE CC	Local Authority	1.54	5,000.0	20/11/2015	20/11/2018
LANCASHIRE CC	Local Authority	1.54	5,000.0	26/11/2015	26/11/2018
LLOYDS BANK PLC	A+	1.67	5,000.0	20/01/2016	18/01/2019
Goldman Sachs International	A	1.10	10,000.0	23/06/2017	30/01/2019

Goldman Sachs International	A	1.13	10,000.0	03/07/2017	30/01/2019
LLOYDS BANK PLC	A+	1.67	5,000.0	03/02/2016	01/02/2019
LLOYDS BANK PLC	A+	1.80	10,000.0	15/03/2016	15/03/2019
LLOYDS BANK PLC	A+	1.79	5,000.0	01/04/2016	01/04/2019
LLOYDS BANK PLC	A+	1.00	5,000.0	05/04/2017	05/04/2019
LLOYDS BANK PLC	A+	1.84	5,500.0	21/04/2016	18/04/2019
VALENCE PRIMARY SCHOOL	Local Authority	3.50	100.0	12/02/2015	01/08/2019
BOROUGH OF POOLE	Local Authority	0.97	7,500.0	18/11/2016	18/11/2019
LLOYDS BANK PLC	A+	1.18	5,000.0	16/03/2017	16/03/2020
BARKING RIVERSIDE LTD		3.50	5,537.5	15/10/2014	01/04/2020
LLOYDS BANK PLC	A+	1.15	5,000.0	05/04/2017	06/04/2020
LLOYDS BANK PLC	A+	0.90	5,000.0	15/06/2017	15/06/2020
LLOYDS BANK PLC	A+	1.10	5,000.0	30/06/2017	30/06/2020
LLOYDS BANK PLC	A+	1.09	10,000.0	14/07/2017	14/07/2020
WARRINGTON BC	Local Authority	0.92	20,000.0	08/09/2017	08/09/2020
LLOYDS BANK PLC	A+	1.14	5,000.0	19/09/2017	18/09/2020
BARNSELY MBC	Local Authority	0.94	3,000.0	21/09/2017	21/09/2020
LANCASHIRE CC	Local Authority	1.00	5,000.0	01/11/2017	21/09/2020
NORTHUMBERLAND CC	Local Authority	1.04	10,000.0	28/04/2017	28/10/2020
Doncaster MBC	Local Authority	1.10	5,000.0	06/11/2017	06/11/2020
LANCASHIRE CC	Local Authority	1.16	5,000.0	27/11/2017	27/11/2020
LLOYDS BANK PLC	A+	1.24	5,000.0	05/12/2017	07/12/2020
LLOYDS BANK PLC	A+	1.16	4,500.0	19/12/2017	21/12/2020
L B NEWHAM	Local Authority	1.20	8,000.0	12/01/2018	12/01/2021
Southwood Primary	Local Authority	3.50	120.0	28/04/2017	28/04/2022
Grafton Primary School	Local Authority	4.50	100.1	03/03/2016	03/03/2026
Gascoigne Primary School	Local Authority	4.50	78.9	03/03/2016	03/03/2036
			Total Investments	247,895.5	

5. Borrowing in 2017/18

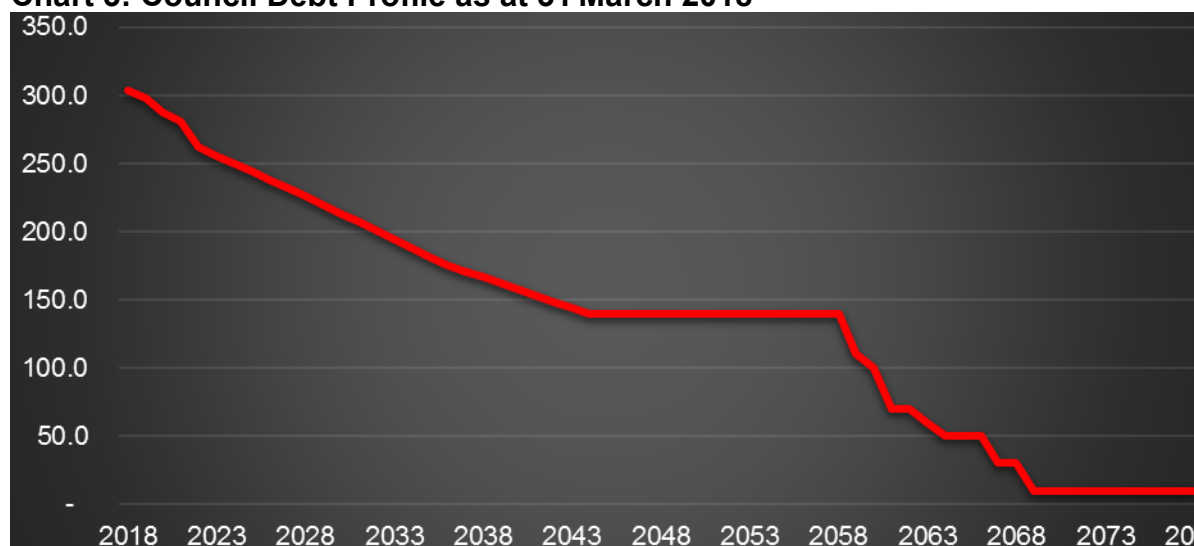
5.1 Council's Growth Strategy

- 5.1.1 In 2015, the Growth Commission Report – “No-one left behind: in pursuit of growth for the benefit of everyone”, recommended the establishment of a Borough-wide regeneration vehicle that would be an early statement of the Council's intent to increase the pace of regeneration of the borough.
- 5.1.2 Subsequently Be First has been set up, with the aim of delivering long-term strategic regeneration objectives, including enhancing economic growth and prosperity for the people of Barking and Dagenham. In addition, Be First is charged with delivering significant financial benefits to the council by bringing forward returns in New Homes Bonus, Council Tax and NNDR, and by delivering dividends to the Council.
- 5.1.3 In October 2016, Cabinet agreed an Investment and Acquisition Strategy (IAS) alongside an initial £250m investment budget and £100m land and property acquisition budget. An Investment Panel was also established and charged with managing an investment portfolio to deliver a net income of £5m per annum by 2020.
- 5.1.4 In 2017 the Council established a revised Investment and Acquisitions Strategy, which includes 44 schemes. In February 2018, Cabinet agreed the Be First Business Plan. Based on the Business plan treasury agreed that this could be funded, however, it was noted that the model used to forecast the borrowing costs is dependent on Be First completing each project within the timescales outlined in their cashflow forecast

and then handing them to Reside to fund and manage. As these forecasts were based on estimates, further work is required to ensure that the borrowing costs can be contained within the MTFs limitations. Part of the additional work includes identifying funding sources and borrowing options around duration.

- 5.1.5 During 2017/18 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. 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 long term debt position as at 31 March 2018, indicating the repayment profile.

Chart 3: Council Debt Profile as at 31 March 2018



5.2 Borrowing Owed as at 31 March 2018

- 5.2.1 Table 5 outlines the borrowing owed by the Council as at 31 March 2018. The table also shows the interest rate charged and the repayment date for each loan. The loans are split between HRA, General Fund Long and Short-Term Loans:

Table 5: Loans as at 31 March 2018

Lender	Start Date	End Date	Amount £'000	Rate
HRA				
PUBLIC WORKS LOAN BOARD	28/03/2012	28/03/2042	50,000	3.5%
PUBLIC WORKS LOAN BOARD	28/03/2012	28/03/2062	65,912	3.5%
PUBLIC WORKS LOAN BOARD	28/03/2012	28/03/2061	50,000	3.5%
PUBLIC WORKS LOAN BOARD	28/03/2012	28/03/2052	50,000	3.5%
PUBLIC WORKS LOAN BOARD	28/03/2012	28/03/2060	50,000	3.5%
BARCLAYS BANK PLC	30/05/2008	30/05/2078	10,000	4.0%
HRA Total LT Borrowing			275,912	
General Fund				
DEXIA PUBLIC FINANCE BANK	30/06/2008	30/06/2077	10,000	4.0%
ROYAL BANK OF SCOTLAND	26/03/2010	27/02/2060	10,000	4.1%
ROYAL BANK OF SCOTLAND	26/03/2010	26/03/2059	10,000	4.1%
European Investment Bank	30/01/2015	31/03/2044	86,669	2.2%
PUBLIC WORKS LOAN BOARD	09/06/2016	09/06/2066	20,000	2.7%

PUBLIC WORKS LOAN BOARD	14/06/2016	15/12/2059	10,000	2.7%
PUBLIC WORKS LOAN BOARD	28/06/2016	29/12/2059	10,000	2.5%
PUBLIC WORKS LOAN BOARD	29/06/2016	29/06/2062	10,000	2.4%
PUBLIC WORKS LOAN BOARD	07/07/2016	06/01/2062	10,000	2.1%
WYCOMBE	03/04/2017	09/12/2019	5,000	0.9%
CORNWALL	03/04/2017	03/04/2020	10,000	1.0%
PUBLIC WORKS LOAN BOARD	05/04/2017	09/06/2066	20,000	2.4%
PUBLIC WORKS LOAN BOARD	12/03/2018	15/12/2059	19,565	2.0%
PUBLIC WORKS LOAN BOARD	19/12/2017	29/12/2059	30,000	2.4%
PUBLIC WORKS LOAN BOARD	21/02/2018	29/06/2062	20,000	2.4%
PUBLIC WORKS LOAN BOARD	07/03/2018	06/01/2062	10,000	2.2%
PUBLIC WORKS LOAN BOARD	19/03/2018	09/06/2066	20,000	2.3%
STEVENAGE BC	09/01/2017	09/04/2020	2,000	1.0%
RUGBY BC	09/01/2017	09/04/2020	2,000	1.0%
Green Investment Bank	15/12/2016	30/09/2046	4,000	3.4%
	GF Total LT Borrowing		319,234	
London Borough of Tower Hamlets	30/01/2018	30/04/2018	20,000	0.52
SURREY COUNTY COUNCIL	29/01/2018	30/04/2018	5,000	0.53
CITY & COUNTY OF SWANSEA	30/01/2018	30/04/2018	2,500	0.53
EAST HERTFORDSHIRE	15/02/2018	07/06/2018	1,000	0.55
LONDON BOROUGH OF BRENT	19/02/2018	21/05/2018	5,000	0.55
WEST MIDS MET.AUTHORITY	16/02/2018	25/06/2018	10,000	0.65
DACORUM BOROUGH COUNCIL	15/02/2018	19/04/2018	2,500	0.45
	GF Total ST Borrowing		46,000	

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 2017/18, the Council did not breach its authorised limit on borrowing of £850m.
- 6.3 The Operational limit set in the 2017/18 TMSS was £802m, which was also not breached. As at 31 March 2018 the total borrowing was £641.1m.

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

Chief Operating 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, Performance and Core Services, 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 SPV's were set up. On 31 March 2018, 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.
- 9.2 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.
- 9.3 In 2017 Cabinet Meeting, Members agreed to a loan of £4.2m to support Be First's cash flow requirements during the first few years of established.

10. Options Appraisal

- 10.1 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).

11. Consultation

- 11.1 The Chief Operating Officer has been informed of the approach, data and commentary in this report.

12. Financial Implications

Implications completed by: Katherine Heffernan, Finance Group Manager

- 12.1 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.

13. Legal Implications

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

- 13.1 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.
- 13.2 The Council is legally obliged 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. Furthermore, the Prudential Code emphasises that authorities can set their own prudential indicators beyond that specified in the Code where it will assist their own management processes.

14. Risk Management

- 14.1 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.
- 14.2 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