



Report title

Treasury Management Annual Report

Meeting

Resources Committee
Authority

Date

21 July 2017
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Report by

Director of Finance and Contractual Services

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Public

Summary

This report is submitted under Financial Regulation 22 which requires the Director of Finance and Contractual Services to submit an Annual Report to those charged with governance on Treasury Management activities for the year ending 31 March 2017.

The Authority's Treasury Management activities are carried out by the Greater London Authority (GLA) under a shared service agreement, and are delivered by GLA Group Treasury. The funds managed under this shared service are invested in the Group Investment Syndicate (GIS), of which the Director of Finance and Contractual Services is a Syndic.

The annual report on treasury management activities for 2016/17 is provided at Appendix 1, and is prepared by GLA Group Treasury. The report:

- Provides a summary and analysis of the performance on treasury management activities, in relation to LFEPA;
- Outlines the economic background against which treasury management activities were undertaken during the year;

Recommendation

That the Resources Committee recommends that the Authority notes:-

- The 2016/17 treasury management outturn results against the 2016/17 Treasury Management Strategy Statement (TMSS), as approved by Authority on 17 March 2016 (FEP2576).

Introduction/Background

1. The Authority is required to meet the requirements of the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management (TM Code). This requires the Authority to have appropriate treasury management arrangements in place to manage its borrowing and cash balances, and deliver best practice. These arrangements are approved annually by the Authority in the Treasury Management Strategy Statement (TMSS).
2. The responsibility for the execution and administration of treasury management decisions is delegated to the Director of Finance and Contractual Services, under Financial Regulation 22, who will act in accordance within the Authority's Policy Statement on Treasury Management Activities, approved as part of the TMSS.
3. The day to day management of the treasury management function is delivered by GLA Group Treasury under a shared service arrangement with the GLA, that has been in place since 1 April 2012. GLA Group Treasury also manages the Group Investment Strategy (GIS), of which the Director of Finance and Contractual Services is a syndic. By being part of the GIS the Authority's cash balances are pooled with other funds which allows greater investment options, to improve diversification, liquidity and returns.

Treasury Management 2016/17

4. The CIPFA TM Code recommends that Members be updated on treasury management activities regularly (at least a Strategy, Mid-year and Annual performance reports). This report therefore meets these requirements with regard to an annual report, and ensures the Authority is implementing best practice in accordance with the TM Code. The annual report at Appendix 1 has been prepared by GLA Group Treasury, and provides details of performance against the TMSS 2016/17, approved by the Authority at its meeting on 17 March 2016 (FEP2576).
5. The report provides Members with a review of investment performance for 2016/17, together with a summary of long-term borrowing and leasing arrangements, set in the context of the general economic conditions prevailing during the year. It also reviews specific Treasury Management prudential indicators defined by the Code and approved by the Authority in the TMSS.
6. The report shows that the balance of investments held in the GIS at the end of the financial year was £64.29m, with the achievement of an investment rate of return for 2016/17 of 0.55%, which delivered interest earnings on the GIS balances of £0.52m on an average balance of investment for the year of £94.55m. This rate of return out performed the benchmark (Average 3 month LIBID (London InterBank Bid Rate) - 0.28%) by 0.27%.
7. During the year, £14m of PWLB (Public Works Loan Board) loans were repaid reducing the balance of total LFEPA external borrowing from £92.73m as at 1 April 2016 to £78.73m as at 31 March 2017, with an annualised interest rate of 4.89% (4.34% 2015/16).
8. All 2016/17 Treasury activity has been within the boundaries and levels set by the Authority in its Treasury Strategy Statement except during the period 1 April 2016 to 12 April 2016. This exception actually started in the final days of the previous financial year, on 28 March 2016, and so was previously reported to Authority in the 2015/16 Annual Report (FEP 2624). Further details are provided in the attached report at paragraphs 3 to 6.

Development of the GLA Group Treasury service

9. As noted above, the shared service with the GLA on treasury management, delivered by GLA Group Treasury, has been in place since 2012/13. Since its introduction the service provided has been developed to broaden the GIS. The reports provided by GLA Group Treasury to support reporting to Members have also been developed and now all GIS members use a standard report template, relying on expertise and experience in that team. Therefore the reporting to Members is very much from GLA Group Treasury.

Member Treasury Management Training

10. The TM Code states that Members have a personal responsibility for treasury matters. To support Members in meeting this responsibility, and ensure members are appropriately up to date with treasury matters, training sessions were developed by GLA Group Treasury and delivered to members during the year. The training set out key information for Members, and allowed for a Question and Answer session.

Head of Legal and Democratic Services comments

11. The Director of Finance and Contractual Services has been appointed by the Authority as the officer who is responsible under section 127 of the Greater London Authority Act 1999 for the arrangements for the proper administration of its financial affairs. The management of the Authority's Treasury activities and the regular reporting on the function form part of those arrangements.

Director of Finance and Contractual Services comments

12. This report is presented by the Director of Finance and Contractual Services and there are no further comments.

Sustainable Development implications

13. There are no direct environmental implications associated with the contents of this report.

Staff Side Consultations undertaken

14. No staff side consultations were undertaken in respect of this report.

Equalities implications

15. There are no direct equalities implications associated with the contents of this report

List of Appendices to this report:

1. Appendix 1 GLA Treasury Report
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LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

List of background documents

1. Local Government Act 2003
2. The Prudential Code (Fully Revised Second Edition 2011)
3. Local Authorities(Capital Finance and Accounting)(England) Regulations 2003
4. Authority Financial Regulations
5. CIPFA Code of Practice for Treasury Management in Public Services and Cross-Sectoral Guidance Notes (Fully Revised Second Edition 2011)
6. CIPFA Treasury Management - Guidance Notes for Local Authorities Including Police Authorities and Fire Authorities (Fully Revised Third Edition 2009)
7. International Credit Ratings (Supplied by Capita Treasury Services)

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