

**To: City Executive Board**

**Date: 11 February 2016**

**Report of: Finance Panel (Panel of the Scrutiny Committee)**

**Title of Report: Treasury Management Strategy, Annual Report and Performance 2016/17**

### **Summary and Recommendations**

**Purpose of report:** To present recommendations of the Finance Panel on the Treasury Management Strategy, Annual Report and Performance 2016/17 decision

**Scrutiny Lead Member:** Councillor Craig Simmons

**Executive lead members:** Councillor Ed Turner, Board Member for Finance

**Recommendation** of the Finance Panel to the City Executive Board:

**That the City Executive Board states whether it agrees or disagrees with the two recommendations set out in the body of this report.**

### **Introduction**

1. The Finance Panel pre-scrutinised the Treasury Management Strategy, Annual Report and Performance 2016/17 decision at its public meeting on 28 January 2016. The Panel would like to thank Nigel Kennedy and Anna Winship for introducing the report and answering questions.

### **Summary and recommendations**

2. The Panel heard that the Strategy formalised the Council's ability to invest in 'real asset lettings', made provisions for loans to a Housing Company owned by the Council and reclassified loans to some government bodies. The Panel supported the Strategy.
3. The Panel questioned whether the Council's 'real asset lettings' homelessness properties should be included on its asset register and what provision would be made in the event that the value of these assets was to fall. The Panel heard

that the Council expected to benefit from capital appreciation as well as receive its initial £5m investment back in full after 7 years. For this reason it was not deemed necessary for the Council to make a Minimum Revenue Provision (MRP) and the Council's auditors were happy with this in principle. The Panel suggest that that this position should be kept under review and reassessed in the (unlikely) event that asset values were to drop in future.

***Recommendation 1 – That clarity should be provided as to whether the Council's 'real asset lettings' homelessness property investments should be included on its asset register and how a provision would be made in the event that the value of these 'assets' was to fall.***

4. The Panel noted that the Council's draft budget and medium term financial plan included a £23m borrowing requirement and that while the majority of this was expected to be funded by internal borrowing, there may now be a need for the Council to borrow from external sources. The Panel had previously recommended that the Council should consider making a £10k capital investment to become a minimum shareholder in the Municipal Bonds Agency before its first bond issuance, which may have enabled the Council to secure preferential rates on future borrowing from the Agency. The Panel suggest that all options for external borrowing should remain on the table including the option of borrowing from the Municipal Bonds Agency.

***Recommendation 2 – That the Council should continue to maintain a watching brief on the progress of the Municipal Bonds Agency (Local Capital Financing Company), as well as other relevant financial borrowing instruments.***

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**List of background papers: None**  
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