

Cherwell District Council

Council

20 July 2015

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| 2014/15 Treasury Management Annual Report |
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Report of Director of Resources and Head of Finance and Procurement

This report is public

Purpose of report

This report presents information on treasury management performance and compliance with treasury management policy during 2014/15 as required by the Treasury Management Code of Practice.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of this report in line with the Treasury Management Strategy.

2.0 Introduction

- 2.1 The annual treasury report is a requirement of the Council's reporting procedures. It covers the treasury activity during 2014/15 and the actual performance against Prudential Indicators for 2014/15.
- 2.2 The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. During 2014/15 the reporting requirements were that members receive an annual treasury strategy in advance of the year, a mid-year treasury report and an annual report describing the activity compared to the strategy. The Accounts, Audit and Risk Committee has been nominated to scrutinise the treasury activity of the Council and they receive regular reports on compliance with strategy and a comprehensive overview of investments made.
- 2.3 The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.
- 2.4 Councils invest money from the sale of assets and invest Government revenue grant paid to councils in regular intervals, before they have to spend it. This is with the aim of earning interest to support services and keep council tax down. All

investments are placed to ensure security of investments firstly, followed by liquidity and the final consideration is yield.

- 2.5 Cherwell District Council sold its housing stock on 29 March 2004 and this generated a substantial capital receipt. It is the Council's capital receipts and useable reserves that are being invested. As the Council continues to invest in infrastructure throughout the District these balances will reduce.

3.0 Report Details

- 3.1 The Treasury Management Strategy for 2014/15, which includes the Annual Investment strategy, was approved by Council in February 2013. It sets out the Council's ranked investment priorities in the order: security of capital, liquidity and yield.
- 3.2 In 2014/15 the Council aimed to achieve the optimum return (yield) from investments but always within the context of proper levels of security of the monies and liquidity.

Annual Treasury Performance 2014/15

- 3.3 Investment rates available in the market have continued at historically low levels. The average level of funds available for investment purposes was £48.970m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme and ECO Bicester.
- 3.4 Investment performance at 31 March 2015 was as follows :-

| Fund | Amount at 31 March 2015 (0,000) | Interest Budget (0,000) | Actual Interest (0,000) | Variance (0,000) | Average Rate of Return % |
|--------------|--|--|--|-----------------------------|-------------------------------------|
| In House | £49,853 | £320 | £400 | £80 | 0.65% |
| Total | £49,853 | £320 | £400 | £80 | 0.65% |

* Excludes Glitnir Bank outstanding investment

** Rate of Return is shown on annualised basis.

- 3.5 The council has been committed to reducing its reliance on investment income and in preparing the revenue budget for 2014/15 only £48k worth of investment income was utilised
- 3.6 As can be seen from the table above the actual interest received totalled £400k. Within the £400k, there was interest received in respect of Eco Town funds totalling £42k and this has been transferred to the Eco Town Funds, leaving a balance of £358k.
- 3.7 The 2014/15 budget required £48k investment income. Therefore the additional interest received of £352k has been treated as windfall income and has been transferred to reserves.

The financial year 2014/15 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk.

3.8 Icelandic Investments

The Council was one of over 100 local authorities that were affected by the collapse of Icelandic banking institutions. The Council held a total of £6.5 million in 3 investments with Glitnir.

As reported previously out of the £6.5m original capital investment £5.7m has been returned to the Council. The remaining balance of £729k and the associated interest relating to the investment are still held within Iceland but are accruing interest on an annual basis. The carrying value of the investment in GBP including accrued interest at 31 March 2015 was £1.468m. The carrying value at 31 March 2014 was £1.536m. The reduction in value of £68K is represented by a combination of interest earned and a loss due to the foreign exchange rate conversion from ISK to GBP.

We continue to have discussions with the LGA and Bevan Brittan on the potential for transfer to the UK.

4.0 Conclusion and Reasons for Recommendations

4.1 The annual treasury report is a requirement of the Council's reporting procedures. It covers the treasury activity during 2014/15 and the actual performance against Prudential Indicators for 2014/15.

5.0 Consultation

The Treasury Management outturn was provisionally reported to the Executive on 1 June 2015

6.0 Alternative Options and Reasons for Rejection

6.1 This report illustrates the Council's Treasury performance for 2014/15 against budget and includes the Annual Treasury Report 2014/15

6.2 The following options have been identified. The approach in the recommendations is believed to be the best way forward:

Option One To review current performance levels, and consider any actions arising.

Option Two To approve or reject the recommendations above or request that Officers provide additional information.

7.0 Implications

Financial and Resource Implications

- 7.1 There are no specific financial effects arising directly from this report other than the impact on reserves as outlined in paragraph 3.8 above.

Comments checked by: Denise Taylor, Corporate Accountant
01295 221982

Legal Implications

- 7.2 There are no legal implications arising directly from any outcome of this report.

Comments checked by: Kevin Lane, Head of Law and Governance
0300 0030107 kevin.lane@cherwellsouthnorthants.gov.uk

Risk management

- 7.3 There are no risk implications arising directly from any outcome of this report. All projects maintain their own risk registers and these are monitored corporately.

Comments checked by: Louise Tustian, Senior Performance & Improvement Officer
01295 221786 louise.tustian2@cherwellandsouthnorthants.gov.uk

Equality and Diversity

- 7.4 There are no equality and diversity implications arising directly from any outcome of this report.

Comments checked by: Louise Tustian, Senior Performance & Improvement Officer
01295 221786 louise.tustian2@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Lead Councillor

Councillor Ken Atack – Lead Member for Financial Management

Document Information

| Annex No | Title |
|----------------------------|--|
| Appendix 1 | 2014-15 Treasury Management Annual Report Appendix 1 |
| Background Papers | |
| None | |
| Report Author | Paul Sutton, Head of Finance & Procurement |
| Contact Information | 0300 0030106 paul.sutton@cherwellandsouthnorthants.gov.uk |