

Cherwell District Council

Council

18 July 2016

2015/16 Treasury Management Annual Report

Report of Chief Finance Officer

This report is public

Purpose of report

This report presents information on treasury management performance and compliance with treasury management policy during 2015/16 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 2015/16 and the actual performance against Prudential Indicators for 2015/16.
- 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 2015/16 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 2015/16, which includes the Annual Investment strategy, was approved by Council in February 2015. It sets out the Council's ranked investment priorities in the order: security of capital, liquidity and yield.
- 3.2 In 2015/16 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 2015/16

- 3.3 Investment rates available in the market have continued at historically low levels. The average level of funds available for investment purposes was £58.9m. 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 2016 was as follows :-

Fund	Amount at 31 March 2015 £	Interest Budget £	Actual Interest £	Variance £	*Average Rate of Return %
In House	38,330,000	333,000	354,000	21,000	0.61
Total	38,330,000	333,000	354,000	21,000	0.61

** Rate of Return is shown on annualised basis*

In addition to the above, loans of £5,129,000 were made to Graven Hill. The interest accrued on these loans was £224,000 resulting in total interest earned of £578,000.

- 3.5 The council has been committed to reducing its reliance on investment income and in preparing the revenue budget for 2015/16 no investment income was utilised. Therefore the interest received of £354,000 has been treated as windfall income and has been transferred to reserves.
- 3.6 Within the £354,000, there was interest received in respect of Eco Town funds totalling £76,000 and this has been transferred to the Eco Town Funds, leaving a balance of £267,000.
- 3.7 The financial year 2015/16 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk.

Icelandic Investments

- 3.8 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 £6,500,000 in 3 investments with Glitnir.
- 3.9 As reported previously out of the £6,500,000 original capital investment £5,771,000 has been returned to the Council. The remaining balance of £729,000 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 2016 was £1,741,000 (31 March 2015 £1,468,000).
- 3.10 Following a decision by the Icelandic Parliament on 22nd May 2016, a further debt auction was held with the Central Bank of Iceland. Cherwell District Council opted to place its entire deposit of £1,741,000 into the auction held on 16th June 2016. The full details are shown in Appendix 2

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 2015/16 and the actual performance against Prudential Indicators for 2015/16.

5.0 Consultation

The Treasury Management outturn was provisionally reported to the Executive on 6 June 2016 and part of the 2015/16 Draft Annual Outturn report and to the 30 June 2016 meeting of the Accounts, Audit and Risk Committee.

6.0 Alternative Options and Reasons for Rejection

- 6.1 This report illustrates the Council's Treasury performance for 2015/16 against budget and includes the Annual Treasury Report 2015/16.
- 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 paragraphs 3.8 – 3.10 above.

Comments checked by: Sanjay Sharma – Group Accountant
sanjay.sharma@cherwellandsouthnorthants.gov.uk

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
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: Ed Bailey, Corporate Performance Manager
edward.bailey@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: Ed Bailey, Corporate Performance Manager
edward.bailey@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Lead Councillor

Councillor Ken Attack – Lead Member for Financial Management

Document Information

Annex No	Title
Appendix 1	2015-16 Treasury Management Annual Report
Appendix 2	Icelandic Investments
Background Papers	
None	
Report Author	Paul Sutton, Chief Finance Officer
Contact Information	0300 0030106 paul.sutton@cherwelladnsouthnorthants.gov.uk