

22 JULY 2015

REPORT OF HEAD OF CENTRAL SERVICES**ANNUAL REPORT ON THE TREASURY MANAGEMENT ACTIVITIES AND
ACTUAL PRUDENTIAL INDICATORS 2014-15****1.0 PURPOSE**

- 1.1 The Annual Treasury Report is a requirement of the Council's reporting procedures and provides a summary of the Treasury activities in 2014-15. The report also covers the actual position on the Prudential Indicators in accordance with the Prudential Code.
- 1.2 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. The Council is required to comply with both codes through Regulations issued under the Local Government Act 2003.

2.0 RECOMMENDATIONS

- 2.1 The Treasury Management Annual Report for 2014-15 be approved and;**
- 2.2 The actual position on Prudential Indicators for 2014-15 is noted.**

3.0 KEY ISSUES

- 3.1 The Treasury Management Code of Practice is reviewed and the Strategy is approved at the start of each financial year. These documents in respect of the 2014/15 financial year were approved by Full Council as part of the budget setting process on 5 February 2014:-
 - 1. Borrowing and Investment Objectives.
 - 2. Capital Finance Objectives.
 - 3. Investment and Borrowing Strategies.
 - 4. Borrowing limits.
- 3.2 Updates are currently provided to Members on a quarterly basis through the Members Newsletter
- 3.3 Recent changes in the regulatory environment place a much greater onus on Members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the year end position for treasury activities and highlights compliance with the Council's policies previously approved by members. The Council has complied with the requirement of the Code to give prior scrutiny to all of the above treasury management reports by the Budget & Strategic Planning Working Group before they are reported to the Full Council.

- 3.4 During 2014-15 the Council complied with the legislation and regulatory requirements which limit the levels of risk associated with its Treasury Management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means that its capital expenditure was prudent, affordable and sustainable and its treasury practices demonstrated a low risk approach. The key prudential indicators for the year, with comparators, are as follows:

Prudential and treasury indicators	2013/14 Actual £m	2014/15 Original £m	2014/15 Actual £m
Capital expenditure	3.553	3.549	3.191
Capital Financing Requirement:			
• Non-HRA	0.163	0.151	0.151
• HRA	31.876	31.484	31.484
• Total	32.039	31.635	31.635
Gross borrowing / Debt	31.861	31,413	31.413
Investments	All investments-£14.7m are less than one year	All investments-£11.4m are less than one year	All investments-£16.45m are less than one year

No borrowing was undertaken for any further purpose and the Council's maximum actual borrowing position of £31.861m was within its Statutory Borrowing Limit and the Authorised Limit of £45m.

At 31 March 2015, the Council's external debt was £31.413m (£31.861m at 31 March 2014) and its investments totalled £16.45m (£14.7m at 31 March 2014).

- 3.5 The Annual Report provides comprehensive detail of the activities undertaken on treasury management during the last financial year. It provides, at Appendix A, the performance of the prudential indicators against the indices set by the Council as part of the budget setting process.

The key areas to note are:

- a) The ratio of the financing costs to the net revenue stream have increased slightly in respect of Non HRA and decreased in respect of HRA when compared to the equivalent figures for 2013-14. (-1.24% for Non HRA and 15.83% for HRA respectively for 2013-14, 2014-15 figures as per Appendix A, page 7). You will notice that there has been little movement between the two years due to debt levels being stable, with regards to Non HRA, however the change in the HRA is due to some debt repayment in year.
- b) The gross borrowing except in the short term should not exceed the CFR and at the 31 March 2015 was below that figure, primarily a small amount of internal borrowing on the HRA. This is to ensure that borrowing levels are prudent and over the medium term the Council's external borrowing, net of investments, is only for a capital purpose.
- c) The overall investment rate was 0.61% when compared to 0.42% in 2013-14, this was mainly due to the lengthening of the portfolio out to twelve months and use of counterparties offering higher rates of investments in order to maximise returns within the boundaries of the investment strategy.

3.6 The 2014-15 financial year has featured one of the most testing and difficult economic and investment environments since the 1930's. It has featured a number of very significant changes in the performance of the UK as well as the global economy. This was not an easy backdrop in which to undertake treasury management activities, particularly investments but the Council has worked hard to maximise returns which has resulted in an increased average rate of return as outlined in para 3.5.

3.7 The investment portfolio has now changed to incorporate more diversification in terms of both counterparty and maturity. As interest rates are currently at low levels it is not a good time to be locking funds into very long term investments and therefore the recent lengthening of the portfolio out to twelve months is currently as far as is reasonable.

4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 The Treasury Management Strategy and Policy is a corporate document which links to the Medium Term Financial Strategy. The Annual Report provides details of all the Treasury Management activities undertaken during the year.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 The Treasury Management Strategy and Policy are core financial policies which underpin all the work of the Treasury Management function and incorporate any implications arising from the capital programme.

6.0 LEGAL IMPLICATIONS/POWERS

6.1 The Local Government Act 2003 provides the powers to invest and borrow as well as providing controls and limits on the activity.

7.0 COMMUNITY SAFETY

7.1 There are no direct links to community safety arising from this report.

8.0 EQUALITIES

8.1 There are no direct equality issues arising from this report.

9.0 RISKS

9.1 These are assessed as part of the Central Services Service Plan. The Treasury Management Policy has various limits in place in order to mitigate any likelihood of loss to the Council.

10.0 CLIMATE CHANGE

10.1 There are no climate change issues arising from this report.

11.0 CONSULTATION

11.1 Consultation takes place with the Council's treasury consultants at regular intervals throughout the year.

12.0 WARDS AFFECTED

12.1 To varying degrees, all wards are affected indirectly.

Date: 11 June 2015

Appendices: Appendix A – Annual Report on Treasury Management & Prudential Indicators

Background Papers: Statement of Accounts
Final Accounts Working Papers

Reference: X: C'tees, Council & Sub-C'tees/Full Council/2014-15/17-07-15/RC –
Treasury Management Annual Report 2014-15