

Forest Heath District Council

(This report is not a key decision. This report has been subject to appropriate notice of publication under the Council's Access to Information Rules)

Report of the Cabinet Member for Resources, Governance and Performance

<p><u>CABINET</u></p> <p><u>16 SEPTEMBER 2014</u></p> <p><u>CAB14/165</u></p>

TREASURY MANAGEMENT ANNUAL REPORT 2013/2014 (Decisions Plan Reference: SEP14/05)

<p>1. Summary and reasons for recommendation(s)</p> <p>1.1 This report gives Members an overview of the Treasury Management activities for the 2013/2014 financial year.</p>

<p>2. Recommendation(s)</p> <p>2.1 It is recommended that Cabinet note the contents of this report.</p>

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3. Strategic priorities

- 3.1 In order for the Council to be able to meet its strategic priorities it is essential that sufficient and appropriate financial resources are available. Optimising returns from investments, without exposing ourselves to an unacceptably high level of risk, increases those financial resources.

4. Key issues

- 4.1 Full details of the Council's treasury activities during 2013/14 are included in the Treasury Management Annual Report 2013/14 attached as **Attachment 1**.

Summary

- 4.2 The tables below summarise the interest earned during 2013/14 compared to 2012/13 and total investments held as at 31 March 2014 compared to 31 March 2013.

TREASURY MANAGEMENT - INTEREST SUMMARY		
	2013/14	2012/13
	£	£
City Deposit Cash Managers Investments	512,357.90	713,408.93
Internally Managed Temporary Investments	24,282.81	12,464.44
Bank Of Scotland Instant Access Account	171.85	2,350.07
Co-op Public Sector Reserve Account	15.45	5,036.35
NatWest Liquidity Select Account	4,261.67	4,401.71
Barclays FIBCA	10,265.13	1,501.70
Other Investments	420.01	149.76
Total Interest Received/Accrued	551,774.82	739,312.96
Interest Paid on Loan	170,993.97	169,600.00
Net Interest Received/Accrued	380,780.85	569,712.96
Net Interest Budget	335,999.00	517,280.00
Budget to Actual Variance	44,781.85	52,432.96
Average Rate of Return on Investments	2.08	2.70

- 4.3 The actual income from interest on investments was higher than budgeted primarily due to higher than expected cash holdings arising from underspends and project/budget slippage on the capital programme.

TOTAL VALUE OF INVESTMENTS HELD AT YEAR END		
	At 31 March 14	At 31 March 13
	£	£
City Deposit Cash Managers Investments	20,500,000	20,500,000
Internally Managed Temporary Investments	2,000,000	0
Bank Of Scotland Instant Access Account	190	1,128
Co-op Public Sector Reserve Account	0	45,000
NatWest Liquidity Select Account	996,515	704,373
Barclays FIBCA	1,508,510	1,150,047
Other Investments	3,975	3,975
Total Value of Investments	25,009,190	22,404,523

- 4.4 The total amount invested increased between 1 April 2013 and 31 March 2014 due to the net effect of the Council's capital expenditure and asset disposals.
- 5. Other options considered**
- 5.1 Options for the management of the Council's investments are formally considered within the Annual Treasury Management and Investment Strategy Statement approved by Council 5 February 2013.
- 6. Community impact**
- 6.1 **Crime and disorder impact** *(including Section 17 of the Crime and Disorder Act 1998)*
- 6.1.1 Not Applicable.
- 6.2 **Diversity and equality impact** *(including the findings of the Equality Impact Assessment)*
- 6.2.1 Not Applicable.
- 6.3 **Sustainability impact** *(including completing a Sustainability Impact Assessment)*
- 6.3.1 Not Applicable.
- 6.4 **Other impact** *(any other impacts affecting this report)*
- 6.4.1 Not Applicable.
- 7. Consultation** *(what consultation has been undertaken, and what were the outcomes?)*
- 7.1 Treasury Management activities are undertaken in consultation with our fund manager, City Deposit Cash Managers.
- 8. Financial and resource implications** *(including asset management implications)*
- 8.1 As set out within the body of this report and in the Annual Report attached
- 9. Risk/opportunity assessment** *(potential hazards or opportunities affecting corporate, service or project objectives)*
- 9.1 Risk management is dealt with in TMP 1 of the Council's Treasury Management Code of Practice. The Code of Practice for the financial year 2013/14 was approved at Council on the 5 February 2013.
- 9.2 The Council regards the successful identification, monitoring and control of risk to be prime criteria by which the effectiveness of its Treasury Management activities will be measured. The main risks to the Councils treasury activities include:
- Credit and Counterparty Risk – Security of the Council's Investments
 - Market or Interest Rate Risk – Fluctuations in interest rate levels and thereby in the value of investments
 - Liquidity Risk – Inadequate cash resources
 - Inflation Risk – Exposure to inflation

- Legal and Regulatory Risk – Non compliance with Statutory and Regulatory requirements and the risk of fraud.

9.3 The environment we are working with continues to be in turmoil and an area of high risk. We have framed our strategy to minimise our exposure where possible but this still remain an area of concern.

10. Legal and policy implications

10.1 As outlined in the body of the report and in the Annual Report attached.

11. Ward(s) affected

11.1 Not applicable.

12. Background papers

12.1 CIPFA's revised Code of Practice for Treasury Management (the Code) published in 2011

13. Documents attached

13.1 Listing of documents attached:

Attachment 1 – Treasury Management Annual Report 2013/14

Appendix 1 – List of Temporary Loans

Appendix 2 – City Deposit Cash Managers Summary of Investments

Appendix 3 – Summary of Internally Managed Investments

Appendix 4 – Bank of Scotland Corporate Instant Access Account Summary

Appendix 5 – Co-op Public Sector Reserve Account Summary

Appendix 6 – NatWest Liquidity Select Account

Appendix 7 – Barclays FIBCA Account

Appendix 8 – Comparison of Rates of Return

Appendix 9 – Statement of Compliance with Treasury Management Code of Practice (to follow)