

# Forest Heath District Council

(This report is 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

**SPECIAL COUNCIL**

**25 SEPTEMBER 2013**

**COU13/637**

**TREASURY MANAGEMENT ANNUAL REPORT 2012/2013** (Key Decision Reference: SEP13/04)

### **1. Summary and reasons for recommendation(s)**

- 1.1 This report gives Members an overview of the Treasury Management activities for the 2012/13 financial year.
- 1.2 This report has been considered by Cabinet on 3 September 2013 and has been recommended for noting.

### **2. Recommendation(s)**

- 2.1 It is recommended that Council note the contents of this report.

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### 3. How will the recommendations help us meet our 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 2012/13 are included in the Treasury Management Annual Report 2012/13 attached as **Attachment 1**.

#### Summary

4.2 The tables below summarise the interest earned during 2012/13 compared to 2011/12 and total investments held as at 31 March 2013 compared to 31 March 2012.

<b>TREASURY MANAGEMENT - INTEREST SUMMARY</b>		
	<b>2012/13</b>	<b>2011/12</b>
	<b>£</b>	<b>£</b>
City Deposit Cash Managers Investments	713,408.93	802,536.52
Internally Managed Temporary Investments	12,464.44	11,005.04
Bank Of Scotland Instant Access Account	2,350.07	2,158.87
Co-op Public Sector Reserve Account	5,036.35	6,264.42
NatWest Liquidity Select Account	4,401.71	0
Barclays FIBCA	1,501.70	0
Other Investments	149.76	149.76
<b>Total Interest Received/Accrued</b>	<b>739,312.96</b>	<b>822,114.62</b>
Interest Paid on Loan	169,600.00	169,600.00
<b>Net Interest Received/Accrued</b>	<b>569,712.96</b>	<b>652,514.62</b>
Net Interest Budget	517,280.00	567,309.00
Budget to Actual Variance	52,432.96	85,205.62
<b>Average Rate of Return on Investments</b>	<b>2.70</b>	<b>2.67</b>

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

<b>TOTAL VALUE OF INVESTMENTS HELD AT YEAR END</b>		
	<b>At 31 March 13</b>	<b>At 31 March 12</b>
	<b>£</b>	<b>£</b>
City Deposit Cash Managers Investments	20,500,000	24,500,000
Internally Managed Temporary Investments	0	1,500,000
Bank Of Scotland Instant Access Account	1,128	5,696
Co-op Public Sector Reserve Account	45,000	1,500,000
NatWest Liquidity Select Account	704,373	0
Barclays FIBCA	1,150,047	0
Other Investments	3,975	3,975
<b>Total Value of Investments</b>	<b>22,404,523</b>	<b>27,509,671</b>

4.4 The total amount invested fell between 31 March 2012 and 31 March 2013 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 1 March 2012.

## **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 2012/13 was approved at Council on the 1 March 2012.

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**

Attachment 1 – Treasury Management Annual Report 2012/13

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