

# Cabinet



Forest Heath  
District Council

<b>Title of Report:</b>	<b>Mid Year Treasury Management Monitoring Report 2014/2015</b>	
<b>Report No:</b>	<b>CAB/FH/15/004</b>	
<b>Report to and dates:</b>	<b>Cabinet</b>	17 February 2015
	<b>Council</b>	27 February 2015
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<b>Purpose of report:</b>	To provide Members with a review of the Treasury Management activities for the period April to September 2014.	
<b>Recommendation:</b>	<p><b>It is <u>RECOMMENDED</u> that:</b></p> <p><b>(1) The Mid Year Treasury Management Monitoring Report 2014/2015 be noted.</b></p> <p><b>(2) The Mid Year Treasury Management Monitoring Report be referred to Council for consideration.</b></p>	
<p><b>Key Decision:</b></p> <p><i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i></p>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p>	
<p><i>The decision made as a result of this report will be published within <b>48 hours</b> and cannot be actioned until <b>seven working days</b> have elapsed. This item is included on the Decisions Plan.</i></p>		
<b>Consultation:</b>	<ul style="list-style-type: none"> <li>• Not Applicable</li> </ul>	
<b>Alternative option(s):</b>	<ul style="list-style-type: none"> <li>• Not Applicable</li> </ul>	

<b>Implications:</b>			
Are there any <b>financial</b> implications? If yes, please give details		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> • Please see section 3 of the main report	
Are there any <b>staffing</b> implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Are there any <b>ICT</b> implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Are there any <b>legal and/or policy</b> implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> • Please see section 4 of the main report	
Are there any <b>equality</b> implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> • Please see section ?? of the main report	
<b>Risk/opportunity assessment:</b> <i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>			
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
Risk management is dealt with in section 5 of the Forest Heath District Council Treasury Management Code of Practice. The Code of Practice for 2014/2015 was approved at Council on 26 February 2014.			
<b>Ward(s) affected:</b>		Not Applicable	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		None	
<b>Documents attached:</b>		Appendix 1 – Treasury Management Monitoring Report. Appendix 2 – Comparison of Rates from April to September 2014. Appendix 3 – List of Investments held as at 30 September 2014.	

## **1. Key issues and reasons for recommendation(s)**

### **1.1 How will the recommendations help us meet our strategic priorities?**

1.1.1 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.

### **1.2 Key Issues**

1.2.1 Appendix 1 to this Report provides a review of the Treasury Services for the period 1 April 2014 to 30 September 2014.

1.2.2 The following Appendices supplement Appendix 1:

Appendix 2 Comparison of investments to 3 Year - 7 Day Average Rate.

Appendix 3 List of investments held as at 30 September 2014.

1.2.3 No revisions to the Treasury Management Code of Practice or Strategy are being requested at this time.

1.2.4 On 1 April 2014, Lloyds Bank Plc became the council's bankers. To facilitate a smooth transition the General Account with the Co-operative Bank remained open until 30 June 2014 to capture any late payments and receipts.

1.2.5 The new Lloyds General Account came into effect from 1 April 2014 and is an interest bearing account (currently 0.40%), consequently balances over £500k have been left in this account for short periods of time as the interest was greater than making a short term fixed investment with another organisation.

## **2. Market Activities**

2.1 Given the continued volatility in the financial markets, the Council, like many others, continues to find itself in one of the most challenging times for Treasury Management activities. The Council continues to hold its general policy objective, which is to invest surplus funds prudently, with security of our investments as our primary objective.

2.2 Base rate continues to be held at 0.5% and most market analysts continue to predict that this will continue for the remainder of the financial year with a possible small increase in the first quarter of 2015.

2.3 Investment rates have continued to fall over the period, due primarily to the banks' ability to easily access cheap funds from the UK Government via the Funding for Lending Scheme which has decreased their reliance on borrowing wholesale funds, such as local authority investments.

2.4 On the 11 June 2014, £3 million matured with the National Counties Building Society which was re-deposited with Rothschild Bank for 3 years at 2.45%, and the Lloyds variable rate investment matured on 1 August 2014, this was reinvested with Clydesdale Bank until 1 May 2015.

- 2.5 The next maturity is on 15 January 2015 and after that, monies are due in February and March 2015 which would be available for repayment to the Council if required. Thereafter, the next maturity is in August 2015.

### **3. Financial and Resource implications**

- 3.1 The budget for investment income is £186k for the period, £372k in total for 2014-15. Investment income for the period 1 April to 30 September 2014 is £56k over the original budget of £186k for the same period. This is in part due to the new NNDR funding system which provides cash flow sums that are available for short term investment. It is expected that the investment income for the remainder of 2014-15 should be inline with the budgeted figures.

- 3.2 CDCM had advised that the rates the Council was likely to achieve on its external investments for 2014/2015 onwards was as follows:

2014/15 Projected rate 1.90%  
2015/16 Projected rate 1.75%  
2016/17 Projected rate 2.15%

- 3.3 Revised interest projections, based on the most up to date advice from CDCM (the Council's treasury management advisers) are likely to be included within the 2015/16 budget proposals.

### **4. Legal and Policy implications**

- 4.1 There are no legal, policy compliance/power implications as a result of this report.

- 4.2 This report is inline with the Treasury Management Practice 6 (TMP6) of the Treasury Management Code of Practice, which requires that a current year review of the Treasury Services, against adopted annual strategy, be reported to Council by 30 November each financial year.