

Cabinet



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Recommendation of the Performance and Audit Scrutiny Committee: 30 July 2015 - Annual Treasury Management Report 2014-2015 and Investment Activity (1 April – 30 June 2015)	
Report No:	CAB/SE/15/056	
Report to and date:	Cabinet	8 September 2015
	Council	22 September 2015
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Purpose of report:	<p>On 30 July 2015, the Performance and Audit Scrutiny Committee considered Report No: TMS/SE/15/004, which had been scrutinised by the Treasury Management Sub-Committee on 20 July 2015.</p> <p>The report provided information on the Council's Annual Treasury Management Report summarising the investment activities for the year 2014-2015; and provided a summary of investment activities for the first three months of 2015-2016 financial year.</p>	

Recommendation:	It is <u>RECOMMENDED</u> that, subject to the approval of full Council, the Annual Treasury Management Report for 2014-2015, attached as Appendix 1 to Report No: TMS/SE/15/004, be approved.		
Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>		
Consultation:	<ul style="list-style-type: none"> • See Report No: TMS/SE/15/004 		
Alternative option(s):	<ul style="list-style-type: none"> • See Report No: TMS/SE/15/004 		
Implications:			
<i>Are there any financial implications? If yes, please give details</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	<ul style="list-style-type: none"> • See Report No: TMS/SE/15/004
<i>Are there any staffing implications? If yes, please give details</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	<ul style="list-style-type: none"> • See Report No: TMS/SE/15/004
<i>Are there any ICT implications? If yes, please give details</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	<ul style="list-style-type: none"> • See Report No: TMS/SE/15/004
<i>Are there any legal and/or policy implications? If yes, please give details</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	<ul style="list-style-type: none"> • See Report No: TMS/SE/15/004
<i>Are there any equality implications? If yes, please give details</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	<ul style="list-style-type: none"> • See Report No: TMS/SE/15/004
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
See Report No: TMS/SE/15/004			
Wards affected:		All Wards	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		Report No: TMS/SE/15/004 Treasury Management Performance and Annual Treasury Management and Investment Strategy – 2013-2014 (Report No D252) and 2014-2015 (Report No E225)	
Documents attached:		None	

1. Key issues and reasons for recommendation

1.1 Key Issues

1.1.1 Following the Treasury Management Sub-Committee's consideration of Report TMS/SE/15/004, the Business Partner (Resources and Performance) verbally reported to the Performance and Audit Scrutiny Committee on the Sub-Committee's consideration of the report and recommendation.

1.2 Annual Treasury Management Report 2014-2015

1.2.1 The Council's Annual Treasury Management Report for 2014-2015 was attached at Appendix 1 to Report No: TMS/SE/15/004. The report included tables which summarised the interest earned during 2014-2015 on the various treasury investments held by the Council; investment activity during the year and the investments held as at 31 March 2015.

1.2.2 The budget income from investments in 2014-2015 was £572,000 (average rate of return 1.5%). Interest actually earned during the year totalled £326,628.53 (average rate of return 0.75%); an underachievement of £245,371.47. This was mainly due to the continuing low base rate of 0.5%, which affected the rates achieved when re-investing maturing investments.

1.2.3 To help alleviate the impact, the Council in February 2005 established the Interest Equalisation Earmarked Reserves to help smooth out fluctuations in returns. As at 31 March 2015 the remaining balance of the reserve was £187,265.88.

1.3 Investment Activity 1 April to 30 June 2015

1.3.1 The total amount invested at 1 April 2015 was £40.05m and at 30 June 2015 £45.45m. The increase in balances over this period was due primarily to timing differences in respect of the collection of local taxes; Council Tax and Non-Domestic Rates, and the payment of precepts i.e. to Suffolk County Council, Suffolk Police and central government.

1.3.2 The 2015-2016 Annual Treasury Management and Investment Strategy (Report E225 refers) sets out the Council's projections for the current financial year. The budget for investment income in 2015-2016 was £255,850, which was based on a 0.90% target average of return on investments

1.3.3 As at the end of June 2015, interest actually earned during the first quarter of the financial year amounted to £83,868 against a profiled budget for the period of £63,962; a budgetary surplus of £19,906. The budgetary surplus was due to higher cash balances than projected during the period. However, the underlying reduction in the interest rates achieved was primarily due to the continuing low Bank of England base rate and subsequent poor investment rates being offered by the banks, building societies and financial institutions and falling rates being offered on call accounts/notice accounts.

1.3.4 The Sub-Committee had scrutinised the Annual Treasury Management Report 2014-2015 and the Investment Activity for 1 April to 30 June 2015 in detail asking questions of officers as necessary. The Sub-Committee suggested that

a short paragraph on Sector's views/opinions on the financial market should be included in future quarterly Treasury Management reports.

- 1.3.5 The Performance and Audit Scrutiny Committee considered the report and has put forward a recommendation as set out on page one of this report.