



COUNCIL

29TH SEPTEMBER 2015

AGENDA ITEM (10)

ANNUAL TREASURY MANAGEMENT REVIEW 2014/15 INCLUDING PERFORMANCE AGAINST PRUDENTIAL INDICATORS

Accountable Member	Councillor Lynden Stowe Leader of the Council
Accountable Officer	Jenny Poole Head of GO Shared Services 01285 623313 jenny.poole@cotswold.gov.uk

Purpose of Report	To consider and approve the Treasury Management Annual Report 2014/15 and associated updated Prudential Indicators.
Recommendation	That the Treasury Management Annual Report 2014/15, and the associated updated Prudential Indicators, be approved.
Reason(s) for Recommendation(s)	The revised CIPFA Treasury Management Code of Practice, adopted by Council on 25 th February 2010 requires the submission to Council of an annual report on the treasury management activities and results for the previous financial year. It is also a requirement of the Code to report during the year on activities undertaken and on variations from agreed policies/practices.

Ward(s) Affected	N/A
Key Decision	No
Recommendation to Council	Yes

Financial Implications	None
Legal and Human Rights Implications	None
Environmental and Sustainability Implications	None
Human Resource Implications	None
Key Risks	There are risks of financial institutions failing given the current economic conditions. However, the risks are mitigated through application of the Council's Treasury Management Strategy.

	There are risks of interest rates remaining low over the medium term which impact upon the Council's ability to generate investment income. These risks are routinely considered in the Council's Treasury Management Strategy, the Medium Term Financial Plan and the associated Budget Strategy.
Equalities Impact Assessment	Not Required

Related Decisions	Approval of Treasury Management Strategy Statement and Investment Strategy 2014/15 to 2016/17 by Council on 27 th February 2014. Adoption of CIPFA Treasury Management Code of Practice by Council on 19 th February 2004, revised Code adopted by Council on 25 th February 2010
Background Documents	None
Appendices	Appendix A - Annual Treasury Management Review for 2014/15

Performance Management Follow Up	Investment performance is monitored on a monthly basis and reported informally to the Leader of the Council within the Key Variance Report. The annual strategy, mid-year performance report and annual report are considered by the Audit Committee (formerly the Audit and Scrutiny Committee) and approved by Council.
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Options for Joint Working	The contract for the Council's Treasury Management Advisers was jointly procured.
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Background Information	
<p>1. The CIPFA Treasury Management Code of Practice requires the submission to Council of an annual report on the treasury management activities and results for the previous financial year. The Annual Treasury Management Review for 2014/15 is attached at Appendix A.</p> <p>2. The Council maintained an average balance of £25.716m of internally managed funds during 2014/15. The internally managed funds earned an average rate of return of 0.7%. The comparable performance indicator is the average 3 month LIBID rate which was 0.43%.</p> <p>3. The Council budgeted for £170,750 investment interest for 2014/15 but made an actual return of £180,043, a surplus of £9,293.</p> <p>4. The Council also budgeted for interest from long-term loans and finance leases of £8,000. During the year, a long-term loan was redeemed and the Council received interest in lieu of the early redemption. This, together with other interest income from the Local Authority Mortgage Scheme and Ubico Ltd finance leases, provided an additional surplus of £119,636. Overall, interest receipts exceeded budget by £128,929.</p> <p>5. The Council's investment in the Icelandic Bank Glitnir, although repaid in full, was not fully repatriated to this country as a proportion of the funds were paid in ISK currency and are held in an escrow account earning 4%. Until recently, there were currency restrictions in place which meant that this money could not be released back to the UK. The restrictions have now been lifted; however, a tax will be applied</p>	

to any currency repatriated to the UK. An adjustment of £30,728 has been made for exchange rate losses applicable to 2014/15. In July, the Cabinet approved a recommendation to make a further provision of £150,000 within the 2014/15 accounts to cover potential exchange rate losses, taxation or discounted costs to retrieve the funds at the earliest opportunity. Officers have used experience from previous currency auctions to determine a prudent level of provision for exchange losses. When the additional provision is recognised, the overall position against budget is an under-achievement of £51,799.

6. The Audit Committee considered this matter at its meeting on 30th June 2015, and the relevant extract from the confirmed Minutes of that meeting (Minute AUD.13) is set out below:-

ANNUAL TREASURY MANAGEMENT REVIEW 2014/15 INCLUDING PERFORMANCE AGAINST PRUDENTIAL INDICATORS

The Committee was requested to consider a report detailing the Annual Treasury Management Review for 2014/15, together with performance against the Prudential Indicators, and the Head of GO Shared Services (GOSS) amplified details thereon.

It was noted that the Council had achieved a surplus in a sum of £9,293 on investment interest; and a surplus in a sum of £128,929 in respect of interest from long-term loans and finance leases, income from the Local Authority Mortgage Scheme (LAMS), and Ubico Ltd. finance leases. The Head of GOSS reminded the Committee that the Council still had an investment held in an escrow account with the Icelandic Bank, Glitnir, which continued to earn interest, and outlined a proposal for the repatriation of that investment. It was reported that the Cabinet would be requested to consider provision in a sum of £150,000 in the 2014/15 accounts to cover potential exchange rate losses, taxation or discounted costs relating to the retrieval of that investment at the earliest opportunity, and the Committee expressed support for the suggested approach.

In response to various questions from Members, it was reported that a sum of £1m had been allocated to the LAMS; to date, six deals had been completed in that respect; and the risk to the Council related to default following the take-up of mortgages under the scheme.

RESOLVED that the Annual Treasury Management Review 2014/15 and the associated updated Prudential Indicators be noted and the Committee's comments thereon be forwarded to the Council.

Record of Voting - for 5, against 0, abstentions 0, absent 0.

7. Further detail is contained within the attached Annual Review report.

(END)