

BABERGH AND MID SUFFOLK DISTRICT COUNCILS

From: Head of Corporate Resources	Report Number: JAC58
To: Joint Audit and Standards Committee	Date of meeting: 17 August 2015

JOINT ANNUAL TREASURY MANAGEMENT REPORT - 2014/15

1. Purpose of Report

- 1.1 The report is part of the Council's management and governance arrangements for Treasury Management activity under the CIPFA Code of Practice on Treasury Management ("the Code"). It provides Members with a comprehensive assessment of activities for the year.
- 1.2 The report specifically sets out performance of the treasury management function, the effects of the decisions taken and the transactions executed in the past year and on any circumstances of non-compliance with the Council's treasury management policy statement and treasury management practices.
- 1.3 The report also includes performance on Prudential Indicators which were set in the 2014/15 Treasury Management Strategy.

2. Recommendation to Council

- 2.1 That the Treasury Management activity for the year 2014/15 be noted. Further, that it be noted that performance was in line with the Prudential Indicators set for 2014/15.

The Committee is asked to make a recommendation to the Full Councils of Babergh and Mid Suffolk on the above matter.

3. Financial Implications

- 3.1 As detailed in the Report.

4. Risk Management

- 4.1 This report is not linked with any of the Councils' Corporate / Significant Business Risks. Key risks, however, are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Loss of investment	Very Low	Critical	Strict lending criteria for high credit rated institutions.
Poor return on investments	High	Marginal	Focus is on security and liquidity, therefore, careful cashflow management in accordance with the TM Strategy is undertaken throughout the year.

Risk Description	Likelihood	Impact	Mitigation Measures
Liquidity problems	Unlikely	Marginal	As above.
Higher than expected borrowing costs	Low	Marginal	Benchmark is to borrow from the Public Works Loan Board whose rates are very low and can be on a fixed or variable basis. Research lowest rates available within borrowing boundaries and use other sources of funding and internal surplus funds temporarily.

5. Consultations

- 5.1 None, although it should be noted that Babergh and Mid Suffolk have regular joint strategy meetings with the external treasury advisor, Arlingclose who provide updates and advice on treasury management issues as they arise.

6. Equality Analysis

- 6.1 None.

7. Shared Service / Partnership Implications

- 7.1 None directly related to this report.

8. Key Information

- 8.1 The 2014/15 Treasury Management Strategy for both Councils was approved in February 2014.

- 8.2 The strategy and activities are affected by a number of factors, including the regulatory framework, economic conditions, best practice and interest rate/liquidity risk. The attached appendices summarise the regulatory framework, economic background and information on key activities for the year.

- 8.3 The following key points are highlighted:

- Interest rates continued at very low levels
- Economic conditions have improved but no real impact on treasury activities with, for example, investment of surplus funds with banks and other financial institutions still operating in a 'tight' market.
- No new long term external borrowing was taken out by Babergh or Mid Suffolk to finance the 2014/15 capital programme. Mid Suffolk increased its short term borrowing by £1.5m over the year and reduced its long term borrowing by £4.5m (see Appendix B, sections 1.1). All of the existing long term debt relates to the HRA for both Councils.
- Investment activity was undertaken in accordance with the approved counterparty policy (see Appendix B, sections 2.1 to 2.8 for further detailed information on investment activities and returns)

8.4 Some more specific highlights relating to 2014/15 activity are provided below:

Area/Activity	Babergh	Mid Suffolk	Comments
Borrowing – average interest rate	3.27%	3.93%	All HRA and fixed rate
Short Term Investments – average interest rate	0.47%	0.43%	Exceeded 7 day LIBID benchmark
Credit Risk Scores during the year	3.34 - 6.07	5.30 - 5.67	Both within the score for the approved A- credit rating for investment counterparties
Compliance with Prudential Indicators	√	√	See Appendix D

8.5 There were no breaches of the strategy or policy for either Council during the year.

9. Appendices

The appendices below set out in detail the treasury management events and activity during the year.

Title	Location
(a) Regulatory Framework and Economic Background	Attached
(b) Treasury Management Activity Summary	Attached
(c) Borrowing and Lending – Further Details	Attached
(d) Prudential Indicators	Attached
(e) Glossary of Terms	Attached

10. Background Documents

10.1 CIPFA’s Code of Practice on Treasury Management (“the Code”).

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