

REPORT OF: FINANCIAL SERVICES
FINANCIAL SERVICES MANAGER

TO: EXECUTIVE

DATES: 17th SEPTEMBER 2015

Contact Details: Vince Green
Tel. No: 01282 661867
E-mail: vince.green@pendle.gov.uk

TREASURY MANAGEMENT OUTTURN 2014/15

PURPOSE OF REPORT

1. This report informs the Executive of the performance of the Council's Treasury Management function for the 2014/15 financial year.

RECOMMENDATIONS

2. The Executive is recommended to note the outturn position on the Council's treasury management activities for 2014/15.

REASONS FOR RECOMMENDATION

3. For the Executive to receive details of the Council's treasury management activities for the financial year 2014/15 in compliance with the Council's Treasury Management Policy.

ISSUE

4. The Council's Treasury Management function is concerned with the management of the Council's debts, investments, cashflow and banking arrangements. These activities are regulated by a variety of professional codes, statute and guidance.
5. This report has been produced to comply with the requirements of the Code of Practice on Treasury Management, as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code states that a report must be submitted before the end of September following the end of the financial year detailing the Council's treasury activities for the previous financial year.
6. Attached at [Appendix A](#) is the Treasury Management Annual Report for 2014/15. The report sets out details of the Council's borrowing and investment activity for the year. Some of the key issues are summarised below:-

- **Borrowing** – The Council's long term borrowing was £9.359m at the beginning of the financial year. This increased to £14.359m by the end of the financial year reflecting net additional borrowing of £5.0m comprised wholly of loans taken from the Public Works Loan Board (PWLB). This scale of borrowing was within the limits contained in the 2014/15 Annual Treasury Management Strategy as approved by Council in March 2014. The overall cost of debt at 31st March 2015 was 3.38%.
 - **Borrowing Limits** – The Council's Authorised Borrowing Limit (debt only) of £18m was not breached during the year, nor was there any breach of the Operational Boundary (debt only) of £16m;
 - **Investments** – The balance of investments at 31st March 2015 was £18.35m (compared to £11.95m at the beginning of the financial year). The investment return achieved for the year was 0.59% which compares favourably to recognised benchmark returns.
7. Counterparty risk considerations have remained a focus of treasury activity during the year. A consequence of this has been the maintenance of a restricted range of counterparties with whom the Council invests. During the year investments were limited primarily to the Government (Debt Management Office), the County Council, part-nationalised banks (Lloyds Bank Group and the RBS Group), Svenska Handelsbanken and the Nationwide Building Society. No use was made during the year of Certificates of Deposit, Gilts or Treasury bills which remain approved forms of investment.

IMPLICATIONS

Policy

8. This report has been produced in compliance with the requirements of the Council's Treasury Management Policy.

Financial

9. The two key budgets related to the Council's Treasury Management Function are interest payable on external debt (or debt charges) and interest receivable on investments made.
10. The General Fund revised budget for debt charges in 2014/15 was £846,310 comprising £398,280 for interest on debt, £438,810 for the Minimum Revenue Provision (MRP) and £9,220 for premia payable as a result of debt restructuring exercises in previous years. Actual debt charges for the year were £854,602 (including MRP and premia), an overspend of £8,292 when compared to the budget. This is primarily due to the 'borrowing in advance' of £2m in January 2015 to support the capital programme in 2015/16.
11. The Approved Budget for interest and investment income for 2014/15 on the General Fund was £139,810 whilst the actual level achieved was £158,714.

Legal

12. There are no direct legal implications arising from the contents of this report.

Risk Management

13. Treasury Risk Management is a key element of the Council's Treasury Management Strategy. In the light of this, and in accordance with best practice, the Council's has a specific Treasury Management Practice Note specifically covering Treasury Risk Management. In particular, this covers areas such as liquidity risk, interest rate risk and credit/counterparty risk.
14. Given the arrangements the Council currently has in place in relation to Treasury Risk Management, treasury issues do not currently feature on the Council's Risk Register.

Health and Safety

15. There are no health and safety implications arising directly from the contents of this report.

Sustainability Implications

16. There are no sustainability implications arising directly from this report.

Community Safety:

17. There are no community safety issues arising directly from the contents of this report.

Equality and Diversity:

18. There are no equality and diversity implications arising from the contents of this report.

APPENDICES

[Appendix A](#) – Annual Treasury Management Review 2014/15.

LIST OF BACKGROUND PAPERS

None