

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 18 DECEMBER 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **TREASURY MANAGEMENT - MID YEAR REPORT**
2013/14

1.00 PURPOSE OF REPORT

1.01 To provide an update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2013/14 to the end of September 2013.

2.00 BACKGROUND

2.01 The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of Treasury Management Strategy and Policies. The Audit Committee has previously agreed to include Treasury Management (TM) as a standing item on each quarterly agenda to receive an update.

2.02 On 1st March 2013, the Council approved the Treasury Management Policy Statement 2013-2016, Treasury Management Strategy 2013/14 and Treasury Management Practices 2013-2016, following the recommendation of the Cabinet and consideration by the Audit Committee.

3.00 CONSIDERATIONS

Treasury Management Mid Year Report 2013/14

3.01 The draft Treasury Management Mid Year Report for 2013/14 is attached as Appendix 1 for review. This Mid Year Report will be reported to Cabinet and Council in January 2014.

3.02 The Mid Year Report reviews the activities and performance of the treasury management operations during the period 1st April to 30th September 2013.

3.03 In summary, the key points of the Mid Year Report are:

- Performance during the period was broadly in line with the expectations of the TM Strategy 2013/14.

- There are early signs that the recovery of the UK economy is gaining momentum with increased growth but this is against a backdrop of historically low interest rates and a number of global factors with the potential to impact on the recovery as outlined in the economic update in section 3 of report.
- No new borrowing has been undertaken so far during 2013/14, therefore total long term borrowing stands at £172.1m with associated interest costs of £3.506m paid during the 6 month period at an average interest rate of 5.42% as expected.
- Investments in general were made with UK banks and building societies up to periods of 12 months. When appropriate, suitable longer term investments will be made. The average rate of return was 0.6% generating investment income of £0.201m which is broadly in line with budget.
- AAA rated Money Market Funds continue to be utilised. As at 30th September 2013, £14.6m was invested across 3 separate funds.
- The treasury function operated within the limits detailed in the Treasury Management Strategy 2013/14 with one exception; an investment made in early April exceeded the limit with the particular counterparty. The error was identified promptly and immediate action taken to reduce the total invested in accordance with the policy limit. Internal controls have been improved to ensure that such a procedural error will not happen again. Further details in paragraph 7.03 of the Mid Year Report.

Treasury Management Update

- 3.04 A statement setting out the Council's investments as at 30th September 2013 is attached as Appendix 2, the investment balance was £63.8m across 17 counterparties.
- 3.05 There have been no changes to the Council's long term borrowing in 2013/14, and this borrowing strategy, of using internal reserves in lieu of borrowing, will continue for the remainder of the year, as this remains the most cost effective way of funding capital expenditure.
- 3.06 At the time of writing the last Audit Committee update report, in July 2013 a debt rescheduling opportunity was being considered by officers and the Council's Treasury Management advisors. The premia charged for repaying high interest rate debt or replacing it with debt at a lower interest rate was expensive and therefore made any debt rescheduling unattractive. Officers will continue to monitor the situation.

- 3.07 Attention now turns towards setting the Treasury Management Strategy for 2014/15. Officers have had an early informal training session with Arlingclose Ltd and have attended a Strategy Setting Workshop run by the CIPFA Treasury Management Network.

Member training has been arranged for 27th January 2014 which will be a Treasury Management Workshop presented by Arlingclose Ltd. The session will be hosted by the Audit Committee but will be open to all Members. The views of the Audit Committee are sought in deciding which particular areas of Treasury Management they would like our London based advisors to cover in more depth.

Landsbanki Update

- 3.08 A fourth distribution of £0.187m was made by the Winding Up Board of Landsbanki during September 2013, bringing the total received to date to £1.947m of the £3.7m principal invested. As previously reported it is expected that UK local authorities will recover 100% of their deposits, although this is still subject to potential future exchange rate fluctuations, which will have an effect on the total amount recovered. The final impact on the Council will not be known until the distribution process is completed which is not likely to be concluded for some years yet; current estimates indicate that this will not be until 2018/19.

4.00 RECOMMENDATIONS

Members review the draft Treasury Management Mid Year Report 2013/14 and identify any matters to be drawn to the attention of Cabinet on 21st January 2014.

5.00 FINANCIAL IMPLICATIONS

- 5.01 As set out in the report.

6.00 ANTI POVERTY IMPACT

- 6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

- 7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

- 8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

- 9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 Arlingclose Ltd.

11.00 CONSULTATION UNDERTAKEN

11.01 Arlingclose Ltd.

12.00 APPENDICES

- 12.01 1. Draft Treasury Management Mid Year Report 2013/14
2. Investments as at 30th September 2013

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS

None.

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