

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 16 SEPTEMBER 2014**

REPORT BY: **CORPORATE FINANCE MANAGER**

SUBJECT: **TREASURY MANAGEMENT ANNUAL REPORT**
2013/14

1.00 PURPOSE OF REPORT

1.01 To present to Members the draft Annual Treasury Management Report for 2013/14 for recommendation to Council.

2.00 BACKGROUND

2.01 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for execution and administration of treasury management decisions to the Corporate Finance Manager, who acts in accordance with the Council's Treasury Management Policy Statement, Strategy and Practices.

2.02 On 1st March 2013, the Council approved the Treasury Management Policy Statement 2013-16, Treasury Management Strategy 2013/14 and Treasury Management Practices 2013-2016. The Annual Report reviews the activities and performance of the treasury management operations during 2013/14 and compares this with the Policy, Strategy and Practices.

2.03 The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and Policies.

3.00 CONSIDERATIONS

3.01 The draft Annual Treasury Management Report 2013/14 is attached as Appendix 1. As required by the Council's Financial Procedure Rules, this Annual Report was reviewed by Audit Committee on 16th July 2014 and will also be reported to Council on 24th September 2014.

Summary of Key Points

3.02 The UK bank base rate remained at its historic low of 0.5% throughout the year. This was reflected in the low level of interest that the

Council was able to generate on its investments; the average interest rate for investments during the year was 0.58%. Section 2 of the annual report provides a review of the economy and interest rates, and Section 4 provides further details of the Council's investment activity during the year.

- 3.03 No new borrowing was undertaken during the year; the Council continued to use cash reserves to fund capital expenditure in place of new borrowing. Debt rescheduling opportunities were considered by officers and the Council's Treasury Management Advisors. However, the premia charged for repaying high interest rate debt or replacing it with debt at a lower interest rate was deemed too expensive and therefore made any debt rescheduling unattractive. Section 3 of the annual report provides more information on borrowing and debt management during the year.
- 3.04 During quarter 4, the Council sold its claims against the insolvent estate of LBI (Landsbanki) through a competitive auction process. The Council recovered 92% of the amounts that were originally deposited, representing a very large portion of the LBI deposits. The sale of the claims represents a clean break and with the administration of the insolvent estate of LBI likely to continue for several years, removed uncertainty around the timing of future recoveries. Section 5 provides further details.
- 3.05 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 a particular counterparty. The error was identified promptly and immediate action taken to reduce the total invested in accordance with the policy limit. Section 6 provides further details.

4.00 RECOMMENDATIONS

- 4.01 That the Cabinet approves and recommends to the Council the Annual Treasury Management Report for 2013/14.

5.00 FINANCIAL IMPLICATIONS

- 5.01 As set out in the Annual 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. as Treasury Management Advisors.

11.00 CONSULTATION UNDERTAKEN

11.01 Arlingclose Ltd. as Treasury Management Advisors.

12.00 APPENDICES

12.01 Annual Treasury Management Report 2013/14

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

Treasury Management Policy Statement 2013-2016
Treasury Management Investment Strategy 2013/14
Treasury Management Practices 2013-2016
Schedule of temporary investment transactions 2013/14
Approved Counterparty list as at 31st March 2014.

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