

LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	Council 9th July 2015
Report Title	Annual Treasury Management Report 2014-15
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Wards affected	None
Public Access	OPEN
Appendices	1 Annual Treasury Management Report 2014-15

1. SUMMARY

1.1 This report has been prepared in compliance with CIPFA's Code of practice on Treasury Management. The report asks Council to note and agree the Annual Treasury Management Report 2014/15 as recommended. This Annual report covers the following:-

- Capital activity during the year;
- The impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- The prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Debt activity;
- Investment activity;
- Investing in the Local Authorities' Property Fund.

1.2 The Council held £157.9m of investments as at 31st March 2015. The council maintained an average investment balance of £169.5m and the average interest earned for the year was 0.71% against a benchmark of Six month London inter-bank offer rate (Libor) of 0.68%.

1.3 The debt portfolio as at 31st March 2015 was £255.7m with an average interest payable of 4.72% and an average maturity of 51.2 years. Current market rates compared to the council's loan portfolio profile is 3.44%, reflecting the fact that most borrowing was undertaken historically when rates were higher.

1.4 Summary of the Council's Treasury position as at 31st March 2015:

**Excludes PFI*

TABLE 1	31 March 2014 Principal £000	Rate/ Return	Average Life yrs.	31 March 2015 Principal £000	Rate/ Return	Average Life
Fixed rate borrowing:						
-PWLB	208,843	4.79%	17.5	205,345	4.81%	17.2
-Market	45,391	4.82%	52.2	50,369	4.38%	51.2
Total debt	254,234	4.79%		255,715	4.72%	
CFR*	291,183			287,546		
Over / (under) borrowing	(36,949)			(31,831)		
Investments:						
- in house	143,731	0.66%	0.8	157,946	0.89	0.8
Total investments	143,731	0.66%	0.8	157,946	0.89	0.8

1.5 All treasury management activities within the year have been in accordance with the approved limits and prudential indicators as set out in the Treasury Management Strategy Statement 2014/15.

2. RECOMMENDATIONS

2.1 The Audit and Governance Committee recommend the Full Council to:

2.1.1 Agree the Annual Treasury Management report 2014/15.

3. PROPOSALS

3.1 Treasury Management in the context of the report is defined as:

“The Management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.” (CIPFA Treasury Management Code of Practice 2011).

3.2. The Council has powers under Part 1 of the Local Government Act 2003 to borrow (i.e. prudential borrowing) and invest money in accordance with statute. In carrying out these functions, the Council is required to have regard to statutory guidance, which is currently found in the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice. As this is statutory guidance, the Council should follow the guidance unless there is good reason not to. The Guidance

requires the Council to agree a treasury strategy for borrowing and to prepare an annual investment strategy, an interim report and an annual treasury management review.

3.4 The Primary requirements of the code are as follows:

This organisation will create and maintain, as the cornerstones for effective treasury management:

- A Treasury Management Policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
- Suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principals.

The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

The Council has delegated responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Treasury Management Strategy Group, and for the execution and administration of treasury management decisions to the Director of Finance, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

3.2 The Council organisation nominates Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

4. CONSULTATION

4.1 The Treasury Management Team and Treasury Strategy Group are consulted on the content of this report. Membership of these groups includes the following officers: Pensions and Treasury Manager, Director of Finance, Assistant Director of Finance, Head of Finance, Financial Planning and Corporate Accountant.

5. IMPLICATIONS

5.1 Finance, Value for Money and Risk

5.1.1 This report details financial activity in respect of treasury strategy for the year ending 31st March 2015. Recommended treasury strategies were implemented to maximise the value and effective utilisation of the Council's finances and in accordance with CIPFA's Code of Practice.

5.2 Legal

5.2.1 The Council's constitution provides that all money held by the Council shall be aggregated for the purposes of Treasury Management and shall be under the control of the officer responsible for the proper administration of the Council's financial affairs (Section 151 officer).

5.2.2 This report sets out the Council's position with regard to its legal requirements under the CIPFA Prudential Code, Code of Practice on Treasury Management in Local government, and other regulations.

5.3 Equalities and Diversity

5.3.1 There are no specific implications

5.4 Sustainability (including climate change, health, crime and disorder)

5.4.1 There are no specific implications.

5.5 Council Infrastructure

5.5.1 There are no specific implications

Approval by the Portfolio Holder

I have cleared this report for inclusion on the Council agenda.

Signed:



Date: 30th June 2015

Cabinet Member for Economic Growth and High Streets