

Annual Treasury Management Report 2014/15

Report by Head of Finance & Integrated Service Support

1. Purpose of Report

The purpose of the report is to inform members of the Treasury Management activity undertaken in 2014/15 and the year end position.

2. Background

The Council has adopted the Code of Practice for Treasury Management in Local Authorities published by the Chartered Institute of Public Finance and Accountancy and complies with its requirements which include an annual Treasury Management report on the previous financial year to be presented by 30 September in each year.

A detailed report "*Annual Treasury Management Review 2014/15*" on the activity during 2014/15 is attached as Appendix 1.

The main points arising from treasury activity in 2014/15 were:

- Total new long term borrowing taken in the year amounted to £10 million, sourced 100% from PWLB and thereby taking advantage of historically low PWLB rates;
- The average rate of interest paid on external debt was 3.59% in 2014/15, down from 3.68% in 2013/14;
- The average rate of return on investments was 0.85% in 2014/15, which outperforms the Capita Local Authority benchmarks for the year (see Appendix 2);
- The internal loans fund rate decreased from 3.46% in 2013/14 to 3.23% in 2014/15, which is again expected to be one of the lowest when benchmarked against all mainland Authorities in Scotland;
- Were the internal loans fund rate to have equated to the Scottish average of 4.52%, this would have generated loan charges in 2014/15 of £18.3m. The Council's actual 2014/15 loan charges for General Services and HRA were £15.0m, representing a cash saving (compared to the Scotland average) of £3.3m in 2014/15;
- No debt rescheduling was undertaken during 2014/15.

3. Report Implications

3.1. Resources

Although benefits from Treasury Management activity continue to accrue there are no direct financial implications or other resource issues arising from this report.

The loan charges associated with Capital Expenditure and Treasury Management activity during 2014/15 are reported in the Financial Monitoring 2014/15 – General Fund Revenue report elsewhere on today's agenda.

3.2. Risk

As the Council follows the requirements of CIPFA Code of Practice and the Prudential Code there are few risks involved in Treasury Management activities. Those risks that do exist are further controlled through written Treasury Management Practices which define the responsibilities of all staff involved.

3.3. Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- Community safety
- Adult health, care and housing
- Getting it right for every Midlothian child
- Improving opportunities in Midlothian
- Sustainable growth
- Business transformation and Best Value
- None of the above

3.4 Impact on Performance and Outcomes

The strategies adopted are an integral part of the corporate aim to achieve Best Value as they seek to minimise the cost of borrowing by exercising prudent debt management and investment. This in turn helps to ensure that the Council's capital expenditure is sustainable in revenue terms.

3.5 Adopting a Preventative Approach

The proposals in this report do not directly impact on the adoption of a preventative approach.

3.6 Involving Communities and Other Stakeholders

Although no external consultation has taken place, cognisance has been taken of professional advice obtained from Sector, the Council's appointed Treasury Consultants.

3.7 Ensuring Equalities

There are no equality issues arising from this report.

3.8 Supporting Sustainable Development

There are no sustainability issues arising from this report.

3.9 IT Issues

There are no IT issues arising from this report.

4. Summary

Treasury Management activity during the year has been effective in minimising the cost of borrowing and maximising investment income within the parameters set by the strategy for the year.

5. Recommendations

It is recommended that the Council:-

- a) Note the Treasury Management Annual Report for 2014/15.

Date 03 June 2015

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Background Papers

Annual Treasury Management Review 2014/15