

RECOMMENDATIONS TO CABINET ON 3 NOVEMBER 2015 FROM AUDIT AND RISK COMMITTEE HELD ON 27 OCTOBER 2015

AR61 Cabinet Report: Mid Year Treasury Report

The Assistant Director reminded Members that the Committee received the following reports:

- Treasury Strategy – March of each year.
- Closedown of Account – July of each year (which related to the previous 12 months).
- Mid Year Treasury Report (which related to the current financial year).

In presenting the report, the Assistant Director explained that the Council had formally adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (2011) and remained fully compliant with its requirements.

The Committee was informed that one of the primary requirements of the Code was:

Receipt by Council of an annual strategy report (including the annual investment strategy report) for the year ahead, a mid year review report and an annual review report of the previous year.

The Assistant Director explained that the Mid-Year Review Report had been prepared in compliance with CIPFA's Code of Practice, and covered the following:

- A review of the Treasury Management Strategy Statement and Annual Investment Strategy 2015/2016.
- The Council's Capital Expenditure (Prudential Indicators).
- A review of the Council's investment portfolio for 2015/2016.
- A review of the Council's borrowing portfolio and debt rescheduling for 2015/2016.
- An economic update for the first six months of 2015/2016 – Appendix 2.

Members' attention was drawn to the Summary of Key Points as set out below:

- The Treasury Management Strategy Statement was still fit for purpose.
- The Council was in compliance with its Prudential Indicators.
- Interest rates were predicted to rise by 0.25% in March 2016.
- The Council held £30.80m of investments as at 30 September 2015.
- The average rate of return on investments was 1.03% as at September 2015.
- The Council held £13.3m of external debt as at 30 September 2015.
- The Council was paying an average rates of 3.38% on its external debt.
- During the first six months of the year, no debt rescheduling was undertaken.

- Council officers were continuing to investigate alternative options for investment where opportunities became available as an alternative to traditional investments. To date none of those investments had been taken up.

In response to questions from Councillor Morrison on the average rate of return of investments being low, the Assistant Director explained that overall there would be no impact on the Council's current Financial Plan. The Assistant Director advised that Capita, the Council's Treasury Advisers would provide an indication on interest rates which would be used as guideline when setting estimates.. This report had concluded that the Council had received a slightly better return on its investments than anticipated.

The Chairman, Councillor Humphrey referred to the Council's investment portfolio on page 34 and commented that the Council appeared to perform better than the benchmark. The Assistant Director explained that the Council held £30.80m of investments as at 30 September 2015 and the investment portfolio yield for the first six months of the year was 1.03% against a benchmark 0.35%.

Councillor Devereux asked when the Borough Council had taken out the Barclays loans. The Assistant Director explained that the loans had been taken out in 2007 for a period of 70 years with a first break clause in 2017.

In response to questions from Councillor Collop on alternative investment options e.g. non-traditional investments, the Assistant Director explained that one alternative option was property investment funds as well as other options whereby the Council would develop itself, for example, by building a hotel. It was noted that some other Councils did pursue non-traditional investments.

The Chairman, Councillor Humphrey referred to page 34, the table setting out the Council's investments and that there were no end dates for some investments. The Assistant Director undertook to email the information to the Committee.

RESOLVED: The Panel support the recommendation to Cabinet as follows:

Cabinet is asked to note the report and the treasury activity.