

# TONBRIDGE & MALLING BOROUGH COUNCIL

## CABINET

24 June 2015

### Report of the Director of Finance and Transformation

#### Part 1- Public

#### Matters for Recommendation to Council

#### 1 TREASURY MANAGEMENT UPDATE AND ANNUAL REPORT FOR 2014/15

A report detailing treasury management activity undertaken in April and May of the current financial year is to be considered by Audit Committee on 22 June. That report also includes details of the treasury management outturn for the 2014/15 financial year. Cabinet are invited to recommend Council endorse the action taken by Officers thus far in the current financial year and note the outturn position for 2014/15.

#### 1.1 Introduction

1.1.1 Council adopted the 2009 CIPFA Code of Practice for Treasury Management on 18 February 2010. That Code, and subsequent updates, requires as a minimum that full Council receives an annual strategy published prior to the start of the financial year, a mid-year review of that strategy and an outturn report (this report).

1.1.2 Additional reports updating Members on current activity are presented to Audit Committee and performance is also reported on a regular basis to the Finance, Innovation and Property Advisory Board. The combination of Member reporting and detailed scrutiny of activity ensures this Council complies with best practice.

#### 1.2 2015/16 Treasury Management Performance

1.2.1 As at the end of May 2015 funds invested and interest earned is set out in the table below.

	Funds invested at 31 May 2015 £m	Average duration to maturity Yrs	Weighted average rate of return %	Interest earned to 31 May 2015 £	Gross annualised return to 31 May 2015	7 day LIBID benchmark %
Cash flow	9.3	0.35	0.74	11,850	0.63	0.36
Core fund	13.4	0.38	0.81	17,750	0.79	0.36
Total	22.7	0.37	0.78	29,600	0.71	0.36

- 1.2.2 Interest earned of £29,600 is £1,600 better than budget and 35 basis points better than benchmark.

### **1.3 2014/15 Treasury Management Outturn**

- 1.3.1 The 2014/15 Annual Investment Strategy made provision for externally managed core funds to be transferred to In-house management by the end of the year and, in so doing, generate a saving through reduced management fees. Members are reminded that the transfer to In-house management took place on 1 August 2014.
- 1.3.2 The outturn report reported to the Audit Committee is included in **[Annex 3]** of the Revenue and Capital Outturn report elsewhere on this agenda. Prudential and treasury indicators for 2014/15 are included at **[Annex 3 - Appendix 1]**.
- 1.3.3 Investment income of £164,250 earned during the year bettered the revised estimate by £4,100. The gross return for the year of 0.68% exceeds the 7-day LIBID benchmark by 33 basis points.

### **1.4 Legal Implications**

- 1.4.1 Under Section 151 of the Local Government Act 1972, the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management.
- 1.4.2 This report fulfils the requirements of The Chartered Institute of Public Finance & Accountancy's Code of Practice on Treasury Management 2009.

### **1.5 Financial and Value for Money Considerations**

- 1.5.1 At year end investment income for 2014/15 of £164,250 exceeded the 2014/15 revised estimate by £4,100. Investment income earned to the end of May 2015 of £29,600 is £1,600 above budget expectations for 2015/16.
- 1.5.2 All investments undertaken in 2014/15 and thus far in 2015/16 have complied with the requirements of the relevant Treasury Management Strategy Statement and Annual Investment Strategy.

### **1.6 Risk Assessment**

- 1.6.1 The application of best practice as identified by the CIPFA Code, including the regular reporting and scrutiny of treasury management activity, is considered to be the most effective way of mitigating the risks associated with treasury management.

### **1.7 Equality Impact Assessment**

- 1.7.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

## 1.8 Recommendations

1.8.1 Subject to any comments from the Audit Committee, Cabinet is invited to **RECOMMEND** that Council:

- 1) Endorse the action taken by officers in respect of treasury management activity for April and May 2015; and
- 2) Note the 2014/15 outturn position.

Background papers:

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Nil

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