

ANNUAL TREASURY MANAGEMENT REPORT 2014/15 ADUR DISTRICT COUNCIL AND WORTHING BOROUGH COUNCIL

REPORT BY DIRECTOR OF DIGITAL AND RESOURCES

1.0 SUMMARY

- 1.1 This report asks Members to note the Treasury Management performance for Adur and Worthing Councils for 2014/15.

2.0 BACKGROUND

- 2.1 This report presents the treasury management activities and portfolio position for the 2014/15 financial year for both Adur District Council and Worthing Borough Council.

- 2.2 This is one of three treasury management reports that are required to be presented during the financial year (see Para. 2.5).

- 2.3 The presentation of the Annual Report is required through regulations issued under the Local Government Act 2003 to review the treasury management activities and the actual prudential and treasury related indicators for 2014/15. This report also meets the requirements of both the Treasury Management Code of Practice (The Code) and the Prudential Code for Capital Finance in Local Authorities (the Prudential Code), both of which are issued by The Chartered Institute of Public Finance & Accountancy (CIPFA).

- 2.4 To put the report in context, Treasury Management is defined by CIPFA 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”.

- 2.5 For 2014/15 the minimum reporting requirements specified within the treasury management policy is that the Councils should receive the following:

The Annual Treasury Management Strategy (TMSS) in advance of the year – this was submitted to the meeting of the Joint Strategic Committee (JSC) in February 2014 and to the Joint Governance & Audit Committee (JGAC) in March 2014.

2.0 BACKGROUND

A mid year treasury update report – a joint in-house operations report for both councils was submitted to the meeting of JGAC in November, 2014.

The Annual Report (this report) - to be submitted by 30th September after the year end, which compares the actual activity with the planned strategy.

- 2.6 The regulatory environment places a significant onus on members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury management activities and highlights compliance with the Councils' policies previously approved by members.
- 2.7 The Annual Report also confirms that the Councils have complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Joint Governance Committee.
- 2.8 This report summarises for both Councils the:
- Capital activity during the year (Section 3, and Appendix 1)
 - Impact of capital activity on the Councils' underlying indebtedness (the Capital Financing Requirement) (Section 4)
 - Overall treasury position identifying how the Councils have borrowed in relation to this indebtedness (Section 9), and the impact on investment balances (Section 5 & 9 and Appendices 3 & 4)
 - Reporting of the required prudential and treasury management indicators (Section 6 & Appendix 2)
 - The treasury management strategy compared to the economic and interest rate environment (Sections 7 – 8)
 - Investment activity (Section 10 & Appendices 3 & 4)

3.0 THE COUNCILS' CAPITAL EXPENDITURE & FINANCING 2014/15

- 3.1 The Councils undertake capital expenditure on long-term assets. These activities may be financed in one of two ways:
- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Councils' borrowing need; or
 - if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

3.0 THE COUNCILS' CAPITAL EXPENDITURE & FINANCING 2014/15

- 3.2 The actual capital expenditure forms one of the required prudential indicators. Appendix 1 shows the actual capital expenditure for 2014/15 and how this was financed for both Councils.
- 3.3 For Adur Council, total capital expenditure amounted to £7.2m, of which £2.27m was unfinanced. For Worthing Council, total capital expenditure was £3.3m, of which £0.9m was unfinanced.
- 3.4 The unfinanced element of capital expenditure results in an increase to the Councils' Capital Financing Requirement and the need to borrow, which is explained further in Section 4 below.

4.0 THE COUNCILS' OVERALL BORROWING NEED

- 4.1 The Councils' underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Councils' indebtedness as it results from the capital activity of the Councils that is unfinanced.
- 4.2 Part of the Councils' joint treasury management activity is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Councils' cash position to ensure sufficient cash is available to meet the capital plans and daily operational cash flow requirements. This may be sourced through borrowing from external bodies or utilising temporarily the Councils' own resources (i.e. internal borrowing).
- 4.3 As part of statutory guidance issued by the Department for Communities & Local Government (CLG), the Councils' Joint TMSS requires that an annual revenue charge called the Minimum Revenue Provision (MRP) is made to provide the funds to repay debt and reduce the CFR. This is a "prudent" provision foremost for the repayment of the Councils' General Fund Account borrowing need. There is no statutory requirement to provide any MRP for Adur's Housing Revenue Account. However, Adur has opted to make additional voluntary provisions for repayment of housing related debt, as described in 4.4 below.
- 4.4 In addition to providing MRP, the total CFR may also be reduced by:
- the application of additional capital financing resources (such as unapplied capital receipts and capital grants);
 - or charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP). The TMSS provides the option for Adur Council to make VRP in respect of HRA debt. This is a prudent provision for repayment of HRA debt, that is necessary to provide future borrowing "headroom" below the Government's HRA Debt Limit. The headroom creates the capacity for new borrowing (up to the limit) for future housing investment.

4.0 THE COUNCILS' OVERALL BORROWING NEED

4.5 The Councils' cumulative CFR is shown below, and represents a key prudential indicator.

Adur District Council - Capital Financing Requirement	31 March 2014 Actual £000s	31 March 2015 Original Estimate £000s	31 March 2015 Actual £000s
Opening balance	77,779	79,638	76,283
Add: Unfinanced capital expenditure (Appendix 1)	972	1,951	2,270
Less: Minimum Revenue Provisions MRP	(2,468)	(2,452)	(2,568)
Less: Finance lease repayments	-		
Closing balance	76,283	79,102	75,985

4.6 The CFR for Adur Council decreased by approximately £0.298m in 2014/15, being the net impact of unfinanced capital expenditure of £2.27m offset by £2.568m MRP.

4.7 For Worthing, the CFR reduced by £174k, reflecting new unfinanced capital expenditure during the year of just over £904k, offset by MRP of £1.078m.

Worthing Borough Council - Capital Financing Requirement	31 March 2014 Actual £000s	31 March 2015 Original Estimate £000s	31 March 2015 Actual £000s
Opening balance	20,551	25,216	23,759
Add: unfinanced capital expenditure (Appendix 1)	4,089	3,848	904
Less: Minimum Revenue Provisions MRP	(884)	(1,184)	(1,078)
Add: Prior Year Adjustment	3		
Closing balance	23,759	27,880	23,585

4.0 THE COUNCILS' OVERALL BORROWING NEED

4.8 The CFR for each Council is further compared against actual borrowing in Section 5.

5.0 TREASURY POSITION AS AT 31 MARCH 2015

5.1 The Councils' debt and investment position is organised by the in-house treasury management service, which aims to ensure adequate liquidity for revenue and capital activities, the security for investments, and to manage the risks within all treasury management activities.

5.2 Procedures and controls to achieve these objectives are well established both through the Member reporting detailed in Section 2 and through officer activity detailed in the Councils' Joint Treasury Management Practices. The treasury position at the start and end of 2014/15 for each Council is shown in the tables which follow.

TREASURY POSITION AS AT 31 MARCH 2015 – ADUR DISTRICT COUNCIL

Adur District Council	Year Ended 31 March 2014			Year Ended 31 March 2015		
	Principal £000s	Total £000s	Rate/ Return	Principal £000s	Total £000s	Rate/ Return
Long Term Fixed rate funding:						
PWLB	60,228		6.7%	58,022		3.8%
Market	7,291	67,519	6.2%	7,274	65,296	5.2%
Long Term Variable rate funding:						
PWLB	-	-	-			
Market	10,690	10,690	5.2%	10,690	10,690	5.2%
Temporary Loans <1yr	-	-	-			
Total Debt		78,209	5.8%		75,986	4.1%
CFR		76,283			75,985	
Over/ (under) borrowing		1,926			1	
Investments:						
Bonds				75		
Long Term	2,000		1.9%	2,000		1.9%
Short Term	16,135	18,135		13,000	15,075	
Total Investments		18,135	0.98%		15,075	0.83%
Net Debt		60,074			60,911	

5.0 TREASURY POSITION AS AT 31 MARCH 2015

- 5.3 For Adur Council, the gross debt at 31st March decreased year on year by £2.2m, being the repayment of long term PWLB debt. The level of investments decreased by over £3m due to fluctuations in operational cash balances. The combined effect of these movements is that the net indebtedness of the Council had increased by £0.8m at 31st March 2015.
- 5.4 The value of long term debt held at 31 March 2015 exceeded the CFR by £1,000 therefore Adur is moving into a more positive position. The previous year the Council was over borrowed by £1.9m. The significant improvement arose from the difference between net debt repayments (£2.2m), unfinanced capital expenditure (£2.2m) and MRP (-£2.6m).
- 5.5 The introduction of HRA self-financing resulted in a revision to the CIPFA Code of Practice, recommending the inclusion of a separate HRA Treasury Management Strategy for the HRA. This recommendation was adopted and reported as part of the overall Treasury Management Strategy to the JSC in 2011, and is updated each year as part of the HRA Budget Report.
- 5.6 The formulation of a separate Treasury Management Strategy is important because The Code requires transparency to be given to the relative positions of the General Fund and HRA so that decisions may be considered separately for treasury management purposes. Thus, the relative borrowing and CFR positions at the end of the year is further analysed between General Fund and HRA as follows:

CFR v Long Term Debt Position at 31 March 2015	ADUR DISTRICT COUNCIL		
	General Fund £000s	HRA £000s	Total £000s
Actual Long term Debt 01/04/14	13,217	64,992	78,209
New Long term Debt Raised in year	-	-	-
Long Term Debt Repaid in Year	234	1,989	2,223
Actual Long Term Debt 31/03/15	12,983	63,003	75,986
Capital Financing Requirement	12,449	63,536	75,985
(Over)/Under Borrowing	(534)	533	(1)
HRA Debt Limit	N/A	68,912	68,912
HRA Borrowing Headroom (Debt Limit – Actual Debt)	N/A	5,909	

5.0 TREASURY POSITION AS AT 31 MARCH 2015

- 5.7 This analysis shows that the General Fund was over-borrowed at the end of the year by £534k while the HRA was under-borrowed by approximately £533k. This position largely reflects the opening balance at 1 April 2012 arising from the application of the two pool split, where-in the CIPFA methodology assumed the HRA was fully borrowed at the level of its CFR. Therefore any under or over borrowing at that time was fully attributable to the General Fund.
- 5.8 Because Adur started the year in an over-borrowed position it has not taken on any new debt in 2014/15.

TREASURY POSITION AS AT 31 MARCH 2015 – WORTHING COUNCIL

Worthing Borough Council	Year Ended 31 March 2014			Year Ended 31 March 2015		
	Principal £000s	Total £000s	Rate/Return	Principal £000s	Total £000s	Rate/Return
Long Term Fixed rate funding:						
PWLB	750		4.4%	3,000		2.7%
Market	2,172	2,922	0.7%	88	3,088	0%
Temporary Loans <1 yr	11,800	11,800	0.5%	15,000	15,000	0.47%
Total Debt		14,722	4.1%		18,088	0.68%
CFR		23,759			23,585	
Over/-under borrowing		(9,037)			(5,497)	
Investments:						
Bonds				75		0%
Long Term						
Short Term	2,730	2,730	0.70%	6,000	6,075	0.74%
Total Investments		2,730	0.70%		6,075	
Net Debt		11,992			12,013	

- 5.9 Worthing ended the year with actual borrowing being some £5.5m below the CFR, a reduction in under-borrowing of £3.5m over the previous year. The reduction in under borrowing reflects new borrowing (£3.4m) plus MRP (£1.078m) less unfinanced capital expenditure (£0.904m) during the year. This position results from the Council's ongoing preference to use internal funds as a cheaper source of funding to finance capital expenditure than external borrowing.

5.0 TREASURY POSITION AS AT 31 MARCH 2015

- 5.10 The key treasury management Prudential Indicators for each Council are reported in Section 6 below, with the full set of PI's reported at **Appendix 2**. The portfolio compositions at the start and end of the year for both Councils is shown at **Appendix 3** (Adur) and **Appendix 4** (Worthing).

6.0 PRUDENTIAL LIMITS UPON BORROWING

- 6.1 The amount that the Councils may borrow is constrained by Prudential Indicators for Net Borrowing and the CFR. These important indicators are determined in advance of the financial year as part of the budget setting approvals, and are explained as follows:

Net borrowing and the CFR

- 6.2 In order to ensure that borrowing levels are prudent over the medium term the Councils' external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Councils are not borrowing to support revenue expenditure. The Prudential Code requires that net borrowing should not, except in the short term, exceed the CFR for 2014/15 plus the expected changes to the CFR over 2015/16 and 2016/17.
- 6.3 This indicator allows the Councils some flexibility (if required or beneficial) to borrow in advance of immediate capital needs. The Councils have complied with this prudential indicator, as the net borrowing position (i.e. gross borrowing less gross investments) is below the value of the CFR.
- 6.4 The net indebtedness of Adur is £15m below CFR, and for Worthing some £11.6m below CFR, reflecting the availability of reserves to underpin the Councils' indebtedness.

7.0 THE TREASURY MANAGEMENT STRATEGY FOR 2014/15

- 7.1 The expectation for interest rates within the strategy for 2014/15 anticipated low but rising Bank Rate, and gradual rises in medium and longer term fixed borrowing rates during 2014/15. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.
- 7.2 In this scenario, the treasury strategy was to continue to postpone borrowing to reduce the net cost of borrowing as return on investments remains low at around 0.50% whilst borrowing costs are still at around 4% -5%; and to reduce counterparty risk.

8.0 THE ECONOMY AND INTEREST RATES

Commentary Provided by Capita Asset Services Ltd

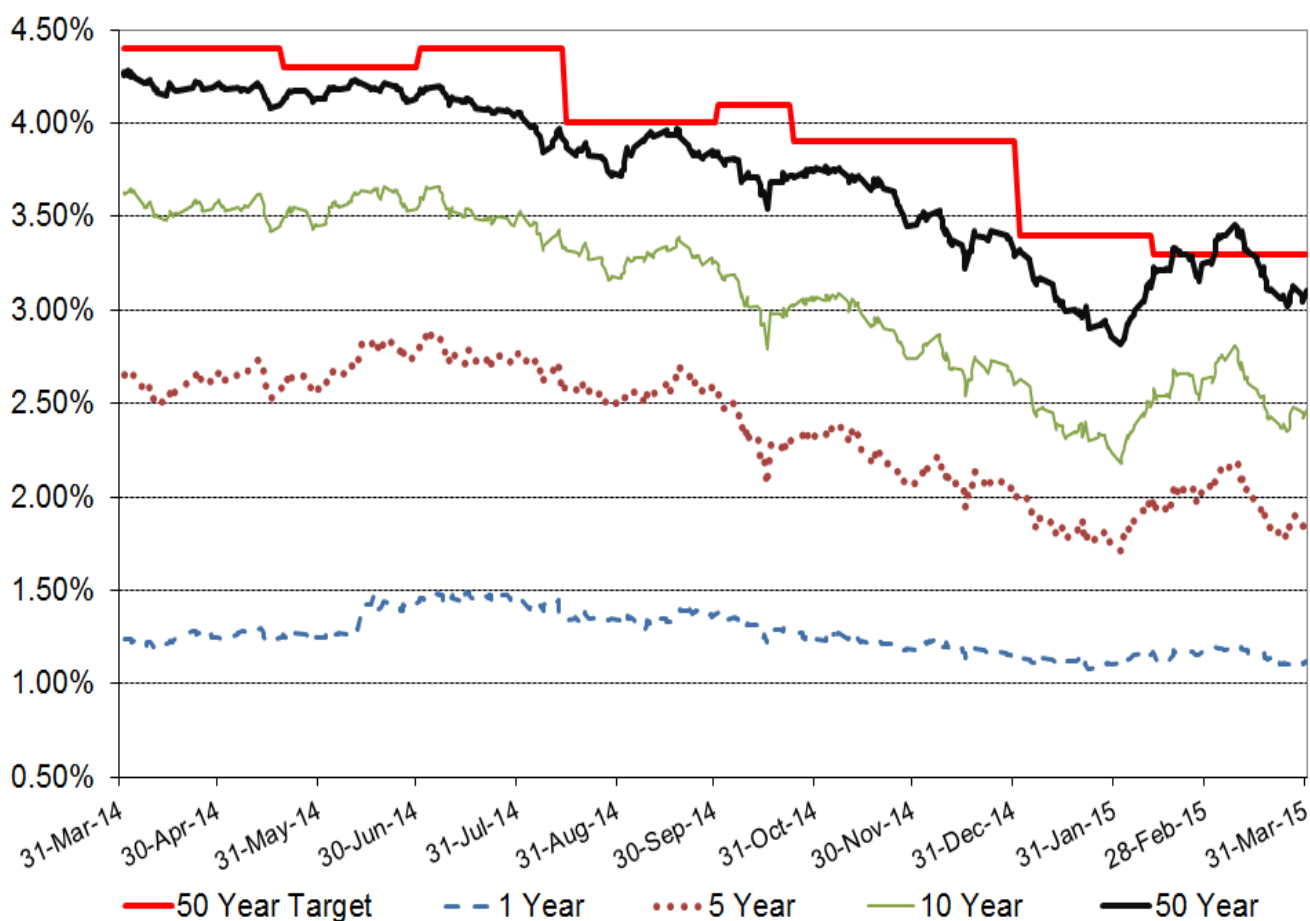
- 8.1 The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the ECB was going to do too little too late to ward off the threat of deflation and recession in the Eurozone. In mid-October, financial markets had a major panic for about a week. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the MPC would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016.
- 8.2 Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity parties won power in Greece in January; developments since then have increased fears that Greece could be heading for an exit from the euro. While the direct effects of this would be manageable by the EU and ECB, it is very hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone once the so called impossibility of a country leaving the EZ had been disproved. Another downward pressure on gilt yields was the announcement in January that the ECB would start a major programme of quantitative easing, purchasing EZ government and other debt in March. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK would be closely following it due to strong growth over both 2013 and 2014 and good prospects for a continuation into 2015 and beyond. However, there was also an increase in concerns around political risk from the general election due in May 2015.
- 8.3 The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing throughout 2014/15.
- 8.4 The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth and falling gilt yields led to a reduction in the forecasts for total borrowing in the March budget.

8.0 THE ECONOMY AND INTEREST RATES

8.5 The EU sovereign debt crisis had subsided since 2012 until the Greek election in January 2015 sparked a resurgence of fears. While the UK and its banking system has little direct exposure to Greece, it is much more difficult to quantify quite what effects there would be if contagion from a Greek exit from the euro were to severely impact other major countries in the EZ and cause major damage to their banks.

8.6 Borrowing Rates in 2014/15

PWLB certainty maturity borrowing rates - the graphs and table for PWLB rates show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, individual rates at the start and the end of the financial year.



9.0 BORROWING OUTTURN FOR 2014/15

New Borrowing

9.1 New borrowing for Adur and Worthing Councils obtained in 2014/15 is summarised as follows:

9.0 BORROWING OUTTURN FOR 2014/15

New Borrowing

- 9.2 **Adur District Council** has not carried out any borrowing during the year. Adur held precepts of £282k on behalf of Lancing Parish Council for most of the year as temporary borrowing.

Lender	Principal £000	Type	Interest Rate %	Period Lent	Duration
Lancing PC	282	Variable	LA 7 day notice (0.35)	1 Apr 2014 - 12 Mar 2015	Variable

- 9.3 The total cost of interest on all borrowing during the year amounted to £3.2m equating to a weighted average rate of 4.1%. However, if the residual element (£46.07m) of the debt relating to the HRA self-financing debt settlement payment in of £51.185m is excluded at the preferential rate of 3.03% that it was acquired at, the interest rate on all other historic debt is actually 5.6%.

- 9.4 **Worthing Borough Council** – Worthing obtained 10 new loans totalling £24.6m, £6.6m of which was for daily cash flow purposes to cover timing differences, with £15m in respect of temporary loans that matured and were formerly obtained up to one year duration to fund the capital programme. These have been re-financed on a similar basis pending the receipt of future proceeds of expected asset sales that will replenish the Councils available funds. Two loans were obtained from the PWLB: £2m for 10 years and £1m for 5 years.

Lender	Principal £000	Type	Interest Rate %	Borrowed	Maturity
Adur District Council	640	Fixed Principal and Interest	0.42% & 0.39%	July & Sept' 14	Aug '14 Sept '14
Yorkshire Joint Committee	5,000	Fixed Principal and Interest	0.48%	June '14	June '15
Crawley Borough Council	5,000	Fixed Principal and Interest	0.45%	July'14	May '15
Hyndburn Council	2,000	Fixed Principal and Interest	0.43%	July '14	July '15

9.0 BORROWING OUTTURN FOR 2014/15

New Borrowing

Lender	Principal £000	Type	Interest Rate %	Borrowed	Maturity
West Yorkshire Police	3,000	Fixed Principal and Interest	0.55%	Sept '14	Sept '15
Rhonda Cynon Taff	3,000	Fixed Principal and Interest	0.27%	August '14	Aug. '14
Worcestershire County Council	3,000	Fixed Principal and Interest	0.30%	July'14	Aug. '14

- 9.5 The total cost of interest on all borrowing for 2014/15 amounted to £116k for average balances of £17.1m, equating to a weighted average rate of 0.68%.

Debt Rescheduling

- 9.6 No debt was rescheduled during the year for either Council.

Repayments of debt

- 9.7 **Adur Council's** debt repayments are as follows:-

Lender	Principal £000s	Type	Interest Rate %	Period Lent	Duration
Lancing PC	282	Variable	LA 7 day notice (0.35)	Apr 2014 - Mar 2015	Variable
PWLB	500	Fixed Principal and Interest	9.375%	Aug 89 – Oct 14	25 years
PWLB - HRA	1,706	Fixed Principal and Interest	3.03%	March '12 – March'42	40 Years
Salix Finance	10	Variable Profile	0%	Various	4 Years

9.0 BORROWING OUTTURN FOR 2014/15

9.8 Worthing Council's debt repayments are as follows:-

Repayments of debt

Lender	Principal £000	Type	Interest Rate	Period Lent	Duration
Adur District Council	640	Fixed Principal and Interest	0.42% & 0.39%	July '14 & Aug. '14	< 1 year
Rhonda Cynon Taff	3,000	Fixed Principal and Interest	0.27%	Aug. '14	< 1 year
Worcestershire County Council	3,000	Fixed Principal and Interest	0.3%	July '14 – Aug. '14	< 1 year
Nottingham Police	2,000	Fixed Principal and Interest	0.7%	Jan '13 – July '14	< 1 year
South Yorkshire Joint	1,800	Fixed Principal and Interest	0.5%	July '13 – June '14	< 1 year
Hyndburn Council	2,000	Fixed Principal and Interest	0.4%	July '13 – July '14	< 1 year
Crawley Borough Council	3,000	Fixed Principal and Interest	0.48%	Jan '14 – July '14	< 1 year
PWLB	750	Fixed Principal and Interest	4.36%	Oct '08- Oct '14	6 years
Leicester City Council	5,000	Fixed Principal and Interest	0.5%	Oct '13 – Sept '14	< 1 year
Salix Finance	92	Fixed Principal and Interest	0%	Jan '11- Sept '14	3 years

10.0 INVESTMENT OUTTURN FOR 2014/15

Investment Strategy

10.1 The Bank Rate remained at its historic low of 0.5% throughout the year, it has now remained unchanged for six years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 of 2015 but then moved back to around quarter 3 of 2016 by the end of the year. Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme.

10.0 INVESTMENT OUTTURN FOR 2014/15

Investment Strategy

- 10.2 The Councils' investment policy is governed by CLG guidance, and implemented in the Annual Investment Strategy and Treasury Management Practices, approved by the Councils before the start of the 2014/15 financial year.
- 10.3 The policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).
- 10.4 The investment activity during the year conformed to the approved strategy. The outturn performance of both Councils compared to benchmark returns obtained from 84 non-metropolitan councils is summarised below:

Authority	Average Investments During 2014/15	Interest Returned on all Investments	Interest Rate Achieved %	Benchmark Interest Rate %
Adur		£179,000	0.83%	0.72%
Worthing		£68,770	0.74%	0.72%

- 10.5 As can be seen in the Table above, both Councils exceeded the benchmark returns. Worthing's average rate of return was below Adur's, this outcome reflects the respective cash flow positions of each Council during the year. In particular Worthing had a higher incidence of temporary borrowing during the year, resulting in shorter dated investments when cash was available. The performance outturn for Worthing also reflects the use of cash surpluses (internal borrowing) to fund capital expenditure as an alternative to more expensive borrowing, and the time delay relating to asset sales.

11.0 OTHER ISSUES

Joint Working Shared Services Arrangements

- 11.1 Since 2010 the treasury management team for Adur and Worthing Councils has provided Treasury Management services for Mid Sussex District Council. The arrangement was extended for a further three years from October 2013, for which Adur & Worthing Councils will jointly receive an agreed fee of £29,510 per year.

12.0 CONCLUSIONS

12.1 The Treasury Management strategy was generally followed as expected primarily by internal borrowing for Adur and short term borrowing for Worthing. The outturn position for both Council was positive against the estimated treasury management budgets and is detailed in the Revenue Outturn Report that went to the Joint Strategic Committee on July 7th 2015.

13.0 RECOMMENDATIONS

13.1 The Joint Governance & Audit Committee is recommended to note this report and refer any comments or suggestions to the next meeting of the JSC on 6th October, 2015.

13.2 The Joint Strategic Committee (JSC) is recommended to note this report.

Background Papers:

Joint Treasury Management Strategy Statement & Annual Investment Strategy Report 2014/15 to 2016/17 – Joint Strategic Committee 28 March, 2013, and Joint Governance & Audit Committee, March 2014

Joint Half-Year In-House Treasury Management Operations Report 1 April – 30 September 2014 for Adur District Council & Worthing Borough Council - Joint Governance & Audit Committee, 25th November 2014

Capita Asset Services Ltd Annual Report Template 2014/15

Capita Benchmarking Club Reports

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SCHEDULE OF OTHER MATTERS

1.0 COUNCIL PRIORITY

1.1 The Councils' Treasury Management Strategy and Annual Investment Strategy place the security of investments as foremost in considering all treasury management dealing. By so doing it contributes towards the following Council priority:

- To protect and enhance priority services.

2.0 SPECIFIC ACTION PLANS

2.1 As contained within the Councils' Treasury Management Strategy and Annual Investment Strategy 2014/15-2016/17, submitted and approved before the commencement of the 2014/15 financial year.

3.0 SUSTAINABILITY ISSUES

3.1 Matter considered and no issues identified

4.0 EQUALITY ISSUES

4.1 Matter considered and no issues identified

5.0 COMMUNITY SAFETY ISSUES

5.1 Matter considered and no issues identified

6.0 HUMAN RIGHTS ISSUES

6.1 Matter considered and no issues identified

7.0 REPUTATION

7.1 Matter considered and no issues identified

8.0 CONSULTATIONS

8.1 Matter considered and no issues identified

9.0 RISK ASSESSMENT

9.1 In the current economic climate the security of investments is paramount, the management of which includes regular monitoring of the credit ratings and other incidental information relating to credit worthiness of the Councils' investment counterparties.

10.0 HEALTH & SAFETY ISSUES

10.1 Matter considered and no issues identified

11.0 PROCUREMENT STRATEGY

11.1 Matter considered and no issues identified

12.0 PARTNERSHIP WORKING

12.1 Matter considered and no issues identified

The Councils' Capital Expenditure and Financing 2014/15

Adur District Council – Capital Expenditure	2014/15 Original Budget £000s	2014/15 Actual £000s
General Fund capital expenditure	3,557	3,456
HRA capital expenditure	3,526	3,749
Total capital expenditure	7,083	7,205
Resourced by:		
• Capital receipts	373	-
• Capital grants & Contributions	1,161	698
• Revenue Reserves & Contributions	3,598	4,237
Unfinanced capital expenditure *	1,951	2,270

Worthing Borough Council – Capital Expenditure	2014/15 Original Budget £000s	2014/15 Actual £000s
General Fund capital expenditure	5,026	3,303
Total capital expenditure	5,026	3,303
Resourced by:		
• Capital receipts	397	1,343
• Capital grants & Contributions	454	715
• Revenue Reserves & Contributions	327	341
Unfinanced capital expenditure *	3,848	904

* The Unfinanced Capital Expenditure adds to the Capital Financing Requirement (CFR), and therefore the need to borrow and make Minimum Revenue Provisions (MRP) for repayment of debt.

THE COUNCILS' PRUDENTIAL INDICATORS

1. ADUR - PRUDENTIAL INDICATORS – CAPITAL FINANCING REQUIREMENT	2013/14 Actual	2014/15 Original Estimate	2014/15 Actual
	£'000	£'000	£'000
Capital Expenditure			
General Fund	1,718	3,557	3,456
HRA (applies only to housing authorities)	2,328	3,526	3,749
TOTAL	4,046	7,083	7,205
Net borrowing Position			
Brought forward 1 April	65,392	59,537	60,110
Carried forward 31 March	60,110	57,722	60,911
In year Increase - / Decrease +	-5,318	1,815	801
Capital Financing Requirement as at 31 March			
General Fund	11,030	15,108	12,449
HRA (applies only to housing authorities)	65,253	63,994	63,536
TOTAL	76,283	79,102	75,985
Annual change in Cap. Financing Requirement			
General Fund	210	4,078	2,015
HRA (applies only to housing authorities)	-1706	-1259	-1,717
TOTAL	-1,496	2,819	298

THE COUNCILS' PRUDENTIAL INDICATORS

2. ADUR - TREASURY MANAGEMENT INDICATORS FOR EXTERNAL DEBT	2013/14 Actual	2014/15 Original	2014/15 Actual
	£'000	£'000	£'000
Authorised Limit for external debt -			
Borrowing	99,000	99,000	99,000
Other long term liabilities	1,000	1,000	1,000
TOTAL	100,000	100,000	100,000
Operational Boundary for external debt -			
Borrowing	93,000	93,000	93,000
Other long term liabilities	1,000	1,000	1,000
TOTAL	94,000	94,000	94,000
Compared to actual maximum external debt during the year	85,392	82,424	78,209

3. ADUR - TREASURY MANAGEMENT INDICATORS FOR AFFORDABILITY	2013/14 Actual	2014/15 Original	2014/15 Actual
Ratio of financing costs to net revenue stream			
General Fund	15.06%	12.47%	15.31%
HRA (applies only to housing authorities)	45.57%	40.88%	42.46%
Incremental impact of capital investment decisions			
Increase/-decrease in council tax (band D) per annum	-£0.39	£1.21	£5.34
Increase/-decrease in average housing rent per week (Housing authorities only)	-£0.49	-£0.69	£-0.44

THE COUNCILS' PRUDENTIAL INDICATORS

4. ADUR - TREASURY MANAGEMENT INDICATORS FOR INTEREST RATE & REPAYMENT RISK	2014/15 Limits	2014/15 Actual
Upper limit for fixed interest rate exposure Expressed as : Fixed rate borrowing as % of Net Total Borrowing	82%	82%
Upper limit for variable rate exposure Expressed as – Variable rate Investments as % of Net Total Borrowing	19%	18%
Upper limit for total principal sums invested for over 364 days	50%	13%
Adur Maturity structure of fixed rate borrowing at 31 March 2015	Upper Limit	Lower Limit
Maturing within one year	17%	3%
Maturing in 1-2 years	2%	2%
Maturing in 2-5 years	7%	7%
Maturing in 5-10 years	13%	13%
Maturing in more than 10 years	77%	63%

The difference between the Upper and Lower limits reflects the effect of callable loans (LOBOS) being called at the lender's earliest option or the same loans being held to maturity.

THE COUNCILS' PRUDENTIAL INDICATORS

1. PRUDENTIAL INDICATORS - WORTHING CAPITAL FINANCING REQUIREMENT	2013/14 Actual	2014/15 Original	2014/15 Actual
	£'000	£'000	£'000
Capital Expenditure			
General Fund	5,025	5,026	3,303
TOTAL	5,025	5,026	3,303
Net Investments (-) / Borrowing Position			
Brought forward 1 April	8,720	12,773	12,000
Carried forward 31 March	12,000	6,170	12,013
In year Increase - / Decrease +	3,280	6,603	13
Capital Financing Requirement as at 31 March			
General Fund	23,759	27,880	23,585
Annual change in Cap. Financing Requirement			
General Fund	3,208	2,664	174

2. WORTHING - TREASURY MANAGEMENT INDICATORS FOR EXTERNAL DEBT	2013/14 Limit	2014/15 Limit
	£'000	£'000
Authorised Limit for external debt -		
Borrowing	24,000	24,000
Other long term liabilities	1,000	1,000
TOTAL	25,000	25,000
Operational Boundary for external debt -		
Borrowing	19,000	19,000
Other long term liabilities	1,000	1,000
TOTAL	20,000	20,000
Compared to actual maximum external debt during the year	Actual 14,722	Actual 23,462

THE COUNCILS' PRUDENTIAL INDICATORS

3. WORTHING - TREASURY MANAGEMENT INDICATORS FOR AFFORDABILITY	2013/14 Actual	2014/15 Original	2014/15 Actual
	£'000	£'000	£'000
Incremental impact of capital investment decisions - affordability			
Increase (+) / decrease (-) in council tax (band D) per annum	£10.44	£5.23	£5.47
Ratio of financing costs to net revenue stream General Fund	6.61%	7.08%	8.16%

4. WORTHING - TREASURY MANAGEMENT INDICATORS FOR INTEREST RATE & REPAYMENT RISK	2014/15 Limits	2014/15 Actual
Upper limit for fixed interest rate exposure Expressed as : Fixed rate borrowing as % of Net Total Borrowing	100%	100%
Upper limit for variable rate exposure Expressed as – Variable rate Investments as % of Net Total Borrowing	-100%	0%
Upper limit for total principal sums invested for over 364 days	50%	0%
Worthing Maturity structure of fixed rate borrowing at 31 March 2015		Actuals
Maturing within one year		84%
Maturing in 1-2 years		1%
Maturing in 2-5 years		4%
Maturing in 5-10 years		11%

ADUR DC - PORTFOLIO OF INVESTMENTS & LOANS**INVESTMENTS AT 31 MARCH 2014**

Deal Ref	Counterparty	Start Date	Maturity Date	Term (Days)	Principal (£)	Interest Rate %
5953	BANK OF SCOTLAND	08-May-13	07-May-14	364	1,000,000	1.05
5954	LLOYDS TSB BANK PLC	13-May-13	12-May-14	364	1,000,000	1.05
5957	LEEDS BUILDING SOCIETY	03-Jun-13	02-Jun-14	364	1,000,000	0.72
5959	BARCLAYS TREASURY DEPOSIT	28-Jun-13	27-Jun-14	364	1,000,000	0.87
5961	LLOYDS TSB BANK PLC	04-Jul-13	03-Jul-14	364	1,000,000	1.01
5962	NATIONWIDE BLDG SOCIETY	15-Jul-13	14-Jul-14	364	1,000,000	0.70
5963	BARCLAYS TREASURY DEPOSIT	15-Jul-13	14-Jul-14	364	1,000,000	0.83
5964	NATIONWIDE BLDG SOCIETY	22-Jul-13	21-Jul-14	364	1,000,000	0.70
5965	NATIONWIDE BLDG SOCIETY	24-Jul-13	23-Jul-14	364	1,000,000	0.70
5966	NATIONWIDE BLDG SOCIETY	05-Aug-13	04-Aug-14	364	1,000,000	0.70
5969	LEEDS BUILDING SOCIETY	07-Oct-13	06-Oct-14	364	1,000,000	0.57
5970	FEDERATED INVESTORS PRIME RATE	15-Oct-13	17-Apr-14	184	135,000	0.39
5975	COVENTRY BLDG SOCIETY	28-Feb-14	26-Jun-14	118	1,000,000	0.46
5976	COVENTRY BLDG SOCIETY	05-Mar-14	26-Jun-14	113	1,000,000	0.45
5977	SKIPTON BUILDING SOCIETY	28-Mar-14	31-Jul-14	125	2,000,000	0.49
5978	BARCLAYS TREASURY DEPOSIT	31-Mar-14	19-Feb-15	325	1,000,000	0.81
50781	KINGSTON UPON HULL COUNCIL	02-Dec-13	30-Nov-18	1824	2,000,000	1.90
TOTAL INVESTMENTS AT 31 MARCH 2014					18,135,000	

INVESTMENTS AT 31 MARCH 2015

Deal Ref	Counterparty	Start Date	Maturity Date	Term (Days)	Principal (£)	Interest Rate %
5980	BARCLAYS TREASURY DEPOSIT	22-Apr-14	21-Apr-15	364	1,000,000	0.86
5987	BARCLAYS TREASURY DEPOSIT	27-Jun-14	25-Jun-15	363	1,000,000	0.96
5982	BANK OF SCOTLAND	07-May-14	06-May-15	364	1,000,000	0.95
5986	LEEDS BUILDING SOCIETY	02-Jun-14	01-Jun-15	364	1,000,000	0.65
5985	LLOYDS TSB BANK	22-May-14	21-May-15	364	1,000,000	0.95
5990	LLOYDS TSB BANK	03-Jul-14	25-Jun-15	357	1,000,000	0.92
6001	NATIONWIDE BLDG SOCIETY	07-Oct-14	13-Apr-15	188	1,000,000	0.67
6005	NATIONWIDE BLDG SOCIETY	26-Nov-14	25-Nov-15	364	1,000,000	0.97
6008	NATIONWIDE BLDG SOCIETY	13-Mar-15	11-Mar-16	364	1,000,000	0.90
5989	SANTANDER CORP BANKING	01-Jul-14	25-Jun-15	359	2,000,000	0.90
6006	SKIPTON BUILDING SOCIETY	02-Dec-14	01-Dec-15	364	1,000,000	0.95
6007	SKIPTON BUILDING SOCIETY	06-Jan-15	05-Jan-16	364	1,000,000	0.95
50782	LOCAL CAPITAL FINANCE	30-Sep-14			50,000	
50783	W SUSSEX CREDIT UNION	06-Mar-15			25,000	
50781	KINGSTON UPON HULL COUNCIL	02-Dec-13	30-Nov-18	1824	2,000,000	1.90
TOTAL INVESTMENTS AT 31 MARCH 2014					15,075,000	

BORROWING at 31 March

Deal Ref	Counterparty	Start Date	Maturity Date	Term (Yrs)	Principal (£) at 31 March 2014	Interest Rate %	Principal (£) at 31 March 2015
1388	BARCLAYS CAPITAL	22-Aug-05	24-Aug-65	60	3,563,270	5.150	3,563,270
1389	BARCLAYS CAPITAL	22-Aug-05	24-Aug-65	60	3,563,270	5.150	3,563,270
1390	BARCLAYS CAPITAL	22-Aug-05	24-Aug-65	60	3,563,270	5.150	3,563,270
1391	DEPFA BANK PLC	30-Mar-07	30-Mar-67	60	3,250,000	6.660	3,250,000
1392	DEPFA BANK PLC	30-Mar-07	30-Mar-67	60	4,000,000	4.035	4,000,000
467323	PUBLIC WORKS LOAN BOARD	16-Aug-89	11-Oct-14	25	500,000	9.375	0
476087	PUBLIC WORKS LOAN BOARD	13-Jun-95	21-Dec-54	59	1,000,000	8.375	1,000,000
476088	PUBLIC WORKS LOAN BOARD	13-Jun-95	21-Dec-53	58	1,000,000	8.375	1,000,000
476089	PUBLIC WORKS LOAN BOARD	13-Jun-95	21-Dec-52	57	1,000,000	8.375	1,000,000
478322	PUBLIC WORKS LOAN BOARD	17-Oct-96	07-May-56	60	1,000,000	8.000	1,000,000
479540	PUBLIC WORKS LOAN BOARD	28-May-97	21-Dec-56	59	1,000,000	7.375	1,000,000
479868	PUBLIC WORKS LOAN BOARD	24-Sep-97	12-Apr-57	60	1,000,000	7.125	1,000,000
479888	PUBLIC WORKS LOAN BOARD	24-Sep-97	12-Apr-57	60	1,000,000	6.750	1,000,000
481007	PUBLIC WORKS LOAN BOARD	09-Jun-98	11-Jan-58	60	1,000,000	5.750	1,000,000
481320	PUBLIC WORKS LOAN BOARD	17-Sep-98	11-Apr-55	57	455,795	5.250	455,795
482485	PUBLIC WORKS LOAN BOARD	22-Apr-99	11-Apr-59	60	1,000,000	4.750	1,000,000
483648	PUBLIC WORKS LOAN BOARD	25-Nov-99	02-Aug-59	60	726,000	4.500	726,000
483649	PUBLIC WORKS LOAN BOARD	25-Nov-99	02-Aug-59	60	273,531	4.500	273,531
484177	PUBLIC WORKS LOAN BOARD	20-Apr-00	07-Nov-24	24	1,000,000	5.125	1,000,000
485172	PUBLIC WORKS LOAN BOARD	18-Jan-01	15-Sep-25	24	335,133	4.625	335,133
485173	PUBLIC WORKS LOAN BOARD	18-Feb-01	15-Sep-25	24	164,867	4.875	164,867
499487	PUBLIC WORKS LOAN BOARD	28-Mar-12	28-Mar-42	30	47,772,667	3.030	46,066,500
11	SALIX FINANCE	28-Jan-11	01-Sep-14	4	2,875	0.000	0
12	SALIX FINANCE	02-Feb-12	01-Sep-15	4	5,186	0.000	1,729
13	SALIX FINANCE	07-Feb-13	01-Sep-16	4	803	0.000	482
17	SALIX FINANCE	03-Apr-13	01-Mar-17	3.91	601	0.000	401
20	SALIX FINANCE	02-Aug-13	01-Mar-17	3.58	10,559	0.000	7,039
21	SALIX FINANCE	12-Feb-14	01-Sep-17	3.55	21,000	0.000	15,000
					78,208,827		75,986,287
NET BORROWING =					31 March 2014		31 March 2015
					60,073,827		60,911,287

WORTHING BC - PORTFOLIO OF INVESTMENTS & LOANS

INVESTMENTS at 31 March 2014

Deal Ref.	Counterparty	Start Date	Maturity Date	Term (Days)	Principal (£)	Interest Rate %
1119	LLOYDS TSB BANK PLC	20-Feb-14	19-Feb-15	364	1,000,000.00	0.95
1120	NATIONWIDE BLDG SOCIETY	17-Mar-14	26-Jun-14	101	1,000,000.00	0.47
1121	FEDERATED INVESTORS PRIME RATE	31-Mar-14	17-Apr-14	17	730,000.00	0.39
					2,730,000	

INVESTMENTS at 31 March 2015

Deal Ref.	Counterparty	Start Date	Maturity Date	Term (Days)	Principal (£)	Interest Rate %
1132	BARCLAYS BANK	02-Jun-14	21-May-15	353	2,000,000.00	0.87
1157	BARCLAYS BANK	19-Mar-15	18-Mar-16	365	1,000,000.00	0.92
1154	NATIONWIDE BLDG SOCIETY	19-Jan-15	18-Jan-16	364	1,000,000.00	0.90
1155	NATIONWIDE BLDG SOCIETY	09-Feb-15	08-Feb-16	364	1,000,000.00	0.90
1156	SKIPTON BUILDING SOCIETY	13-Mar-15	11-Mar-16	364	1,000,000.00	0.97
9001	LOCAL CAPITAL FINANCE	03-Sep-14			50,000.00	
9002	W SUSSEX CREDIT UNION	06-Mar-15			25,000.00	
					6,075,000	

BORROWING at 31 March

Deal Ref.	Counterparty	Start Date	Maturity Date	Term (Yrs)	Principal (£) at 31 March 2014	Interest Rate %	Principal (£) at 31 March 2015
15	SALIX FINANCE	28-Jan-11	01-Sep-14	4	11,500	0.00	0
19	SALIX FINANCE	02-Feb-12	01-Sep-15	4	34,179	0.00	11,393
20	SALIX FINANCE	02-Feb-12	01-Sep-15	4	28,961	0.00	9,654
26	NOTTINGHAM POL. & CRIME COMMISSIONERS	14-Jan-13	14-Jul-14	1	2,000,000	0.70	0
27	SALIX FINANCE	07-Feb-13	01-Sep-16	4	22,184	0.00	13,311
29	SALIX FINANCE	03-Apr-13	01-Mar-17	3.91	1,341	0.00	894
31	SOUTH YORKSHIRE JOINT SECRETARIAT	01-Jul-13	30-Jun-14	0.99	1,800,000	0.50	0
32	HYNDBURN BOROUGH COUNCIL	15-Jul-13	14-Jul-14	0.99	2,000,000	0.40	0
33	SALIX FINANCE	02-Aug-13	01-Mar-17	3.58	7,775	0.00	5,183
34	LEICESTER CITY COUNCIL	01-Oct-13	30-Sep-14	0.99	5,000,000	0.50	0
35	SALIX FINANCE	23-Dec-13	01-Sep-17	3.69	40,588	0.00	28,991
36	CRAWLEY BOROUGH COUNCIL	02-Jan-14	02-Jul-14	0.50	3,000,000	0.48	0
37	SALIX FINANCE	12-Feb-14	01-Sep-17	3.55	25,684	0.00	18,344
494864	PUBLIC WORKS LOAN BOARD	07-Oct-08	01-Oct-14	6	750,000	4.36	0
503406	PUBLIC WORKS LOAN BOARD	22-Oct-14	22-Oct-24	10.01	0	2.32	2,000,000
503538	PUBLIC WORKS LOAN BOARD	12-Dec-14	12-Dec-19	5.00	0	1.62	1,000,000
38	BARNSLEY DONCASTER	26-Jun-14	25-Jun-15	1.00	0	0.48	5,000,000
39	CRAWLEY BOROUGH COUNCIL	14-Jul-14	14-May-15	0.83	0	0.45	5,000,000
40	HYNDBURN BOROUGH COUNCIL	14-Jul-14	13-Jul-15	1.00	0	0.43	2,000,000
45	W YORKS POLICE & CRIME COMM	22-Sep-14	21-Sep-15	1.00	0	0.55	3,000,000
					14,722,212		18,087,770
NET BORROWING =					31 March 2014		31 March 2015
					£11,992,212		£12,012,770