

Audit Committee – 1 September 2015

Annual Treasury Management Report 2014/15

1. Summary of report

- 1.1 This report sets out Walsall council's treasury management annual report for 2014/15 as required by the CIPFA Code of Practice (Appendix A).

2. Recommendations

- 2.1. Audit Committee are asked to approve and recommend to Council the treasury management annual report for 2014/15 (Appendix A).

3. Background information

3.1 Treasury Management Annual Report

The annual report is detailed in Appendix A and includes:

- Annual treasury management strategy
- Economic review, operational treasury management and interest rates
- Review of 2014/15 activities
- Borrowing and investments
- Comparisons with other councils
- Compliance with treasury limits
- Prudential and local indicator performance

The report is presented to Audit Committee with a recommendation for referral to Council for approval.

3.2 Highlights of TM Annual report

The following key points of interest have been extracted from the report:

- The annual report meets the requirement of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.
- The banking environment has continued to be one of the lowest interest returns with some improved confidence in counter party risk. Expected increases in interest rates have not materialised.
- Capital expenditure was £45.425m of which £16.094m was funded from borrowing - see Table 2, Appendix A.
- Our borrowing need increased by £5.053m - see Table 3, Appendix A.
- The council made no scheduled repayments of long term debt nor did it take out new borrowing. The council's average rate on its borrowing was 4.61% compared to the benchmarked average of 4.36%.
- All prudential indicators were complied with; the main variation was on capital expenditure which was significantly lower than expected due to higher carry forwards for externally funded schemes.

- Investment performance was once again higher than most other councils; 1.09% compared to 0.76%
- The cost of the treasury management service is less than the benchmarked average - see page 21, Appendix A.

4. Resource and Legal considerations

4.1 Financial

Treasury management activity forms part of the council's financial framework and supports delivery of the medium term financial strategy.

4.2 Legal

The council is required to have regard to the Prudential Code under the duties outlined by the Local Government Act 2003. One requirement of the Prudential Code is that the council should comply with the CIPFA Code of Practice for Treasury Management. The council complies fully.

5. Risk and performance management issues

5.1 Risk

Treasury management activity takes place within a robust risk management environment which enables the council to effectively maximise investment income and minimise interest payments without undue or inappropriate exposure to financial risk. Treasury management practices approved by Council provide the governance framework specifically TMP 1 which details the risk management arrangements in place.

5.2 Performance

Performance is regularly reviewed by the treasury management panel. This will be distributed to all councillors and used for member training.

6. Equality implications

6.1 None directly relating to this report.

7. Consultation

7.1 The report has been approved by the finance treasury management panel, an internal governance arrangement comprising the Chief Finance Officer, Head of Finance and Treasury Financial Administration and Systems Manager. It will be distributed to all councillors and used for member training.

8.0 Background papers

- Various financial working papers
- Annual review of treasury management policy statement and practices – Audit Committee 10.11.14
- Corporate budget plan and treasury management and investment strategy 2015/16 – Council 27.02.14.



**James T Walsh – Assistant Director, Finance
(Chief Finance Officer)
20 August 2015**

Authors

Michael Tomlinson, Treasury Financial Administration and Systems Manager

☎ 01922 652360

✉ tomlinsonm@walsall.gov.uk

Vicky Buckley, Head of Finance

☎ 01922 652326

✉ buckleyv@walsall.gov.uk

Appendix A

Annual Treasury Management Report 2014/15

Walsall Council
August 2015

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Annual Treasury Management Report 2014/15

Purpose

This council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and prudential and treasury indicator performance for 2014/15. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2014/15 the following reports were produced:

- an annual treasury strategy in advance of the year (Council 27/02/2014)
- a mid-year (minimum) treasury update report (Audit Committee 10/11/2014)
- an annual review of treasury management policies (Audit Committee 10/11/2014)
- an annual report following the year describing the activity compared to the strategy (this report to Audit Committee)

In addition, this council's treasury management panel has received regular treasury management update reports.

The regulatory environment places an 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 activities and highlights compliance with the council's policies previously approved by members.

This council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to the full Council. In order to support members' scrutiny role annual member training on treasury management issues was undertaken during November 2014.

Executive summary

During 2014/15, the council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Table 1 Actual prudential and treasury indicators	2013/14 Actual £m	2014/15 Original £m	2014/15 Revised £m	2014/15 Actual £m
Actual capital expenditure	39.944	40.676	60.690	45.425
Capital Financing Requirement:				
Including PFI and finance leases	301.029	304.499	As Original	306.082
Excluding PFI and finance leases	292.700	296.170	As Original	297.800
External Borrowing	245.110	245.110	As Original	243.958
Investments	139.295	139.295	As Original	144.940
Net borrowing	105.815	105.815	As Original	99.018

The capital programme was updated during the year from that originally approved by Council on 27 February 2014 for capital carry forwards and re-profiling of spend from 2013/14, and additional grants received during the year.

Other prudential and treasury indicators are to be found in the main body of this report. The Assistant Director of Finance confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limit (the authorised limit) was not breached.

The challenging environment of low investment returns and uncertainty of counterparty risk has continued in 2014/15.

1. Introduction and background

To set the context of the treasury management environment it is first necessary to provide a review of the economy and interest rates.

In 2014/15 the challenging investment environment of previous years' continued, namely low investment returns, although levels of counterparty risk has continued to subside. The interest rate forecast was that the low interest rate environment would continue throughout 2014/15 and thus the target for investment returns was reduced. An economic summary is given at the beginning of the borrowing and investment sections.

2. The Council's Capital Expenditure and Financing 2014/15

The council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc., which has no resultant impact on the council's 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.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed. The amount to be funded from borrowing in 2014/15 was £16.094m.

Table 2	2013/14 Actual £m	2014/15 Original £m	2014/15 Actual £m
Total capital expenditure	39.944	40.676	45.425
Resourced by:			
• Capital receipts	3.342	4.500	2.618
• Capital grants	24.869	23.633	22.272
• Capital Reserves and Revenue	1.935	6.350	4.441
• Borrowing	9.798	6.193	16.094
	39.944	40.676	45.425

3. The Council's Overall Borrowing Need

The council's underlying need to borrow for capital expenditure is termed the capital financing requirement (CFR). This figure is a gauge of the council's debt position. The CFR results from the capital activity of the council and what resources have been used to pay for the capital spend. It represents the 2014/15 capital expenditure funded by borrowing (see table 2), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLb] or the money markets), or utilising temporary cash resources within the council.

Reducing the CFR – the council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The council is required to make an annual revenue charge, called the minimum revenue provision (MRP) to reduce the CFR. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a voluntary revenue provision (VRP).

The council's 2014/15 MRP Policy was approved as part of the treasury management strategy report for 2014/15 on 27 February 2014, and subsequently amended on the 26 February 2015.

The council's CFR for the year 2014/15 is shown below in Table 3, and represents a key prudential indicator (Pr14). It includes PFI and leasing schemes from the balance sheet which increase the council's borrowing need, the CFR. No borrowing is actually required against these schemes as a borrowing facility is included in the contract (if applicable). It shows that in 2014/15 the council's CFR has increased by £5.053m from £301.029m to £306.082m.

Table 3 CFR (£m)	31 March 2014 Actual £m	31 March 2015 Actual £m
Opening balance	305.908	301.029
Add capital expenditure funded from borrowing (as above)	9.798	16.094
Add adjustment to CFR	Cr 0.721	
Less MRP/VRP*	Cr 13.956	Cr 11.041
Closing balance	301.029	306.082

The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

In 2014/15 following a detailed review the MRP policy was updated and approved by Council 26 February 2015. Rather than having a high charge in initial years that reduces over time, the council will now pay a charge that is more consistent throughout a shorter time period. This will result in a lower MRP charge up to 2029/30 of £29.5million. From 2030/31 to 2054/55 there is an equal and opposite increase in the MRP charge by £29.5m, although this increase will be lower in real terms because money loses value over time. The policy change supports the strategy of maintaining the level of current capital financing costs as a proportion of council tax revenue and generated a saving in 2014/15 of £1.7m.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term the council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR. Table 4 below highlights the council's net borrowing position against the CFR excluding PFIs and Finance leases because the debt liability for these are not in the net borrowing position of the council. The council has complied with this prudential indicator.

Table 4	31 March 2014 Actual £m	31 March 2015 Actual £m
Gross Borrowing	252.536	251.031
Net borrowing position	105.616	99.019
CFR – excluding PFIs and Finance Leases	301.029	306.082
Long term Assets	506.249	534.375
Net Borrowing % of Long term Assets	21%	19%

Another measure of prudence is the proportion of net to fixed assets. Table 4 shows that the net borrowing position of the council as at 31.03.15 is £99.019m this is 19% of the value of the council's long term assets which are valued on the council's balance sheet at 31.03.2015.

Other key Prudential Indicators are shown in Table 5 below

Table 5 Prudential and Borrowing Limits	2013/14 £m	2014/15 £m
1. Authorised limit	351,207	349.022
2. Maximum gross borrowing in year	263.562	252.536
3. Operational boundary	308,866	307.527
4. Average gross borrowing	258.968	251.784
5. Financing costs as proportion of net revenue stream	8.80%	8.46%

- 1. The authorised limit** - the authorised limit is the “affordable borrowing limit” set by the council as required by section 3 of the Local Government Act 2003. The council does not have the power to borrow above this level without the prior approval by full

Council. Table 5 demonstrates that during 2014/15 the council's maximum gross borrowing was within its authorised limit.

2. **Maximum Gross borrowing** – is the peak level of borrowing in year.
3. **The operational boundary** – the operational boundary is the expected borrowing position of the council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached. In 2014/15 the council's average borrowing position was less than the operational boundary.
4. **Average Gross Borrowing** – is an estimate of the borrowing level in the year see Table 7.
5. **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. Net revenue stream is defined as Net Council Tax Requirement + Standard Spending Assessment (previously Formula Grant).

4. Prudential Indicators

The following tables show performance against statutorily required prudential and local indicators.

Table 6 Prudential Indicator		Actual 2013/14 £m	Target 2014/15 £m	Position at 31-Mar-15 £m	Variance to target	
						%
Pr1 1	Capital Expenditure (14/15 target revised due to cf from 13/14 and additional grants).	39.140	60.690	45.420	Cr 15.270	- 25%
Pr1 2	Ratio of financing costs to net revenue stream	8.80%	9.90%	8.46%	Cr 1.44%	-14%
Pr1 3	Estimates of the incremental impact of new capital investment decisions on Council Tax	£11.48	£9.36	£18.19	£8.83	94%
Pr1 4	Capital Financing Requirement	301.029	317.293	306.082	Cr 11.211	-4%
Pr1 5	Authorised Limit for external debt	351.207	349.022	349.022		0%
Pr1 6	Operational Limit for external debt	308.866	307.527	307.527		0%
Table 6 continued Prudential Indicator			Actual 2013/14 £m	Target 2014/15 £m	Position at 31-Mar-15	
Pr1 7	Gross Borrowing exceeds capital financing requirement		No	No	No	
Pr1 8	Authority has adopted CIPFA Code of Practice for Treasury Management		Yes	Yes	Yes	
Pr1 9	Total principle sums invested for longer than 364 days must not exceed		14.500	25.000	15.500	
Table 6 continued Prudential Indicator		Upper Limit	Lower Limit	Position at 31-Mar-14	Position at 31-Mar-15	
Pr1 10	Fixed Interest Rate Exposure	95%	40%	94%	95%	
Pr1 11	Variable Interest Rate Exposure	45%	0%	6%	5%	
Pr1 12	Maturity Structure of Borrowing					
	Under 12 months	25%	0%	6%	5%	
	12 months and within 24 mnths	25%	0%	5%	22%	
	24 months and within 5 years	25%	0%	30%	26%	
	5 years and within 10 years	50%	10%	18%	17%	
	10 years and above	85%	40%	41%	30%	

All Prudential indicators were complied with. Key variances are because of the following reasons:

Prl 1 Total capital expenditure - variation of £15.270m

The variation is due to capital carry forwards particularly capital grants which are expected to be spent in 2014/15.

Prl 2 Estimates of the ratio of financing costs to the net revenue stream variation of 1.4%

Compared to other councils, Walsall's ratio of capital financing to total revenue costs is low, which demonstrated good performance. This is less than target due to the saving from the MRP policy change approved by Council in February.

Prl 4 Capital Financing Requirement variation of 4%

Due to the re profiling capital spend and financing strategy for 2014/15 being updated.

Prl 12 Maturity Structure of Borrowing

For the purpose of the maturity profile indicator the next call date on a LOBO loan is assumed; as it is the right of the lender to require repayment. However due to the low interest rate environment it is unlikely that in the medium term that any of the LOBO's will be called.

5. Treasury Position at 31st March 2015

The council's debt and investment position is organised by the treasury management team in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the council's treasury management practices. At the beginning and the end of 2014/15 the council's treasury position was as follows see Table 7:

Table 7 Loans and Investments	Opening Balance £m	Average Rate At 31/03/14 %	Movement in Year £m	Closing Balance £m	Average Rate At 31/03/15 %
PWLB loans	106.556	4.49%	0.032	106.588	4.49%
Market Loans	122.000	4.67%	-	122.000	4.67%
Bonds	0.290	3.94%	Cr 0.002	0.288	3.94%
Total excluding WMCC debt	228.846	4.60%	0.030	228.876	4.60%
WMCC Debt	23.150	6.57%	Cr 1.082	22.068	6.57%
Total Borrowing over 12 months	251.996		Cr 1.052	250.944	
Temporary Loans	0.539	0.50%	Cr 0.452	0.087	0.50%
Gross Borrowing	252.535	4.79%	Cr 1.504	251.031	4.79%
Waste Disposal & Cannock Chase Debtor	Cr 7.425	6.57%	0.352	Cr 7.073	6.57%
Borrowing	245.110	4.73%	Cr 1.152	243.958	4.73%
CFR less PFI finance & leases	292.700		4.340	297.800	
Under Borrowing	47.590			47.590	
Debt as % of CFR	84%			82%	
Call Accounts	27.690	0.65%	Cr 16.050	11.640	0.50%
Short Term Investments	97.105	1.21%	20.695	117.800	1.08%
Long Term Investments	14.500	1.92%	1.000	15.500	2.04%
Total Investments	139.295	1.17%	5.645	144.940	1.13%
Net Borrowing Position	105.815		Cr 6.797	99.018	

6. The Borrowing Strategy for 2014/15 and Economic Context

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 Euro zone.

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.

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 Euro zone 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.

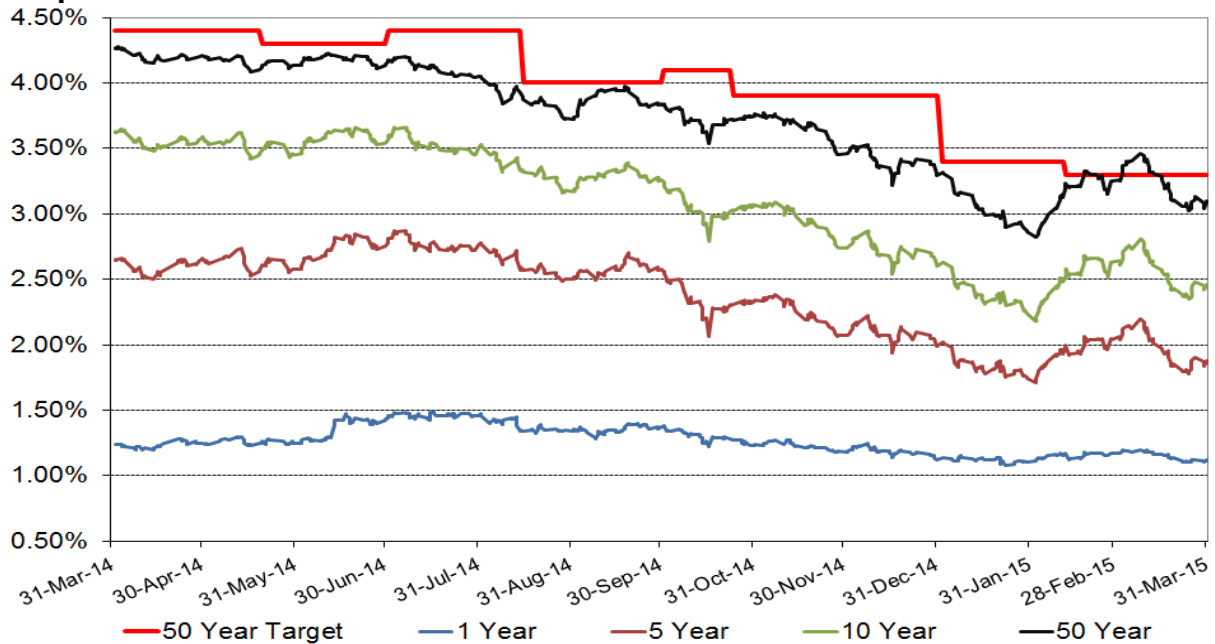
The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing throughout 2014/15.

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.

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.

PWLB borrowing rates - Graph 1 overleaf shows how PWLB certainty rates in 2014/15 have fallen slightly from already a very low level.

Graph 1 :- PWLB rates 2014/15



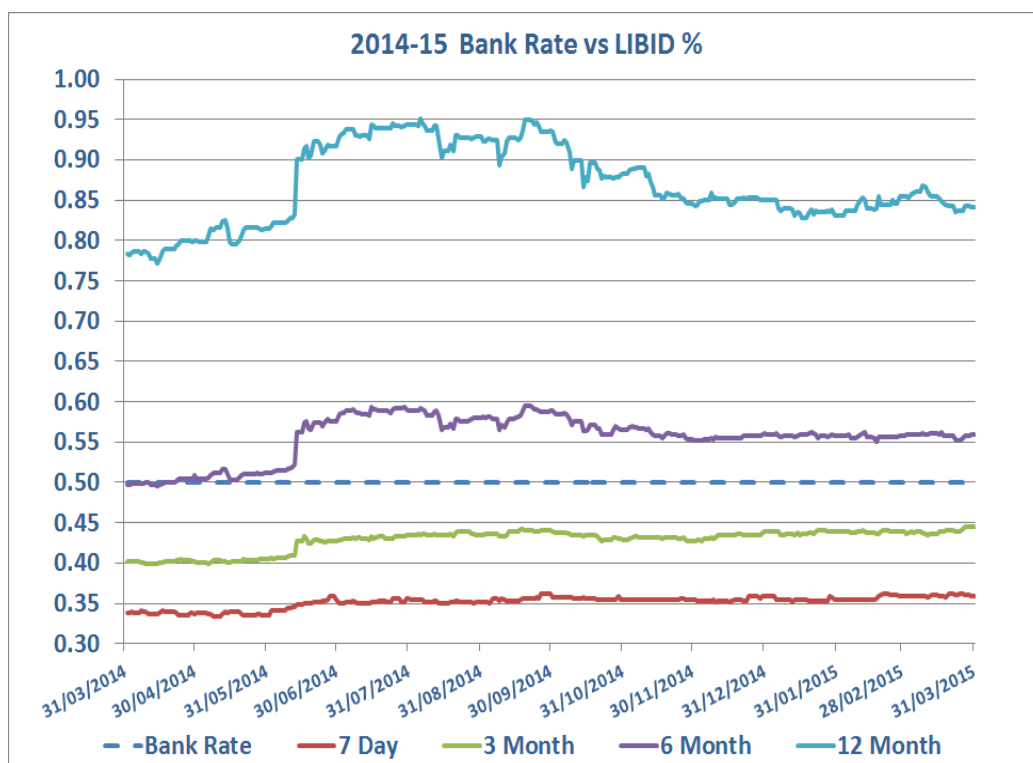
In the 2011/12 Formula Grant settlement the Government changed the means of funding councils' capital expenditure from supported borrowing to grant. This change reduced the council's projected borrowing requirement. Also short term rates on investments were predicted to remain lower in 2013/14 than rates paid on current debt for the short to medium term. So the strategy has been to monitor interest rate movements to identify potential opportunities to making savings by running down investment balances and to repay debt prematurely. Critical to this consideration of the debt rescheduling and debt repayment is the outlook for interest rates, as the best time to repay borrowing would be when rates are high.

7. Borrowing Outturn for 2014/15

The council's borrowing reduced in 2014/15 by £1.152m the majority of this was due to the council's scheduled repaying of £1.082m former West Midland County Council debt. There were no new borrowings or rescheduling of loans undertaken.

8. Investments in 2014/15 and Economic Context

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 2015 but then moved back to around quarter 3 2016 by the end of the year. Deposit rates remained depressed during the whole of the year, partly due to the effects of the Funding for Lending Scheme. Graph 2 below shows the key comparison between the Bank base rate and LIB rates



The UK's Bank Rate has remained at its historic low of 0.5% throughout the year; it has now remained unchanged for five years.

Resources – the council's longer term cash balances comprise, primarily, revenue and capital resources, although these will be influenced by cash flow considerations.

Investment Policy – the council's investment policy is governed by Central Government guidance, which was implemented in the annual investment strategy approved by Council on 27 February 2014. This 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 KPMG survey of Building Societies. The investment activity during the year conformed to the approved strategy, and the council had no liquidity difficulties.

At the end of 2014/15 Walsall's investment balance was £5.645m higher than that at the start of the year. **Table 9** below shows an age profile of the investments.

Table 9: Changes in Investments during 2014/15	Opening Balance £m	Closing Balance £m	Movement in Year £m
At Call accounts	27.690	11.640	Cr 16.050
Between 1 week and 3 months	13.000	13.000	-
Between 3 and 12 months	84.105	104.800	20.695
Over 12 months	14.500	15.500	1.000
Total	139.295	144.940	5.645

Investments held by the council - the council maintained an average balance of £154m of internally managed funds. The internally managed funds earned an average rate of return of 1.09%. A comparable performance indicator is the average 7-day LIBID rate (which was 0.35%).

This compares with a budget assumption of £138m investment balances earning an average rate of 0.9%.

Recognising the continuation of the stresses on the world banking system, enhanced priority has continued to be given to security and liquidity. To reduce counterparty risk to the maximum possible extent the investment portfolio was spread across a range of appropriately credit rated institutions. **Table 10** shows the outturn on investment income in 2014/15. The council achieved £0.772m above target investment income. The average investment return was 1.09% compared to our 0.90% target.

Table 10 Investments Interest – Gross Income	2014/15 Approved Cash Limit £m	Outturn at 31 March 2015 £m	Over /(under) achieved cash limit £m	% Target Rate	% Rate achieved
Call Account investments	0.080	0.157	0.077	0.40%	0.47%
Short Term Investments	0.542	1.158	0.616	1.08%	1.12%
Long Term Investments	0.263	0.342	0.079	1.75%	1.91%
Total	0.885	1.657	0.772	0.90%	1.09%

The investment income is shown gross because £0.298m was transferred on to schools and other specific fund balances within the council.

Local Authority Money Brokers

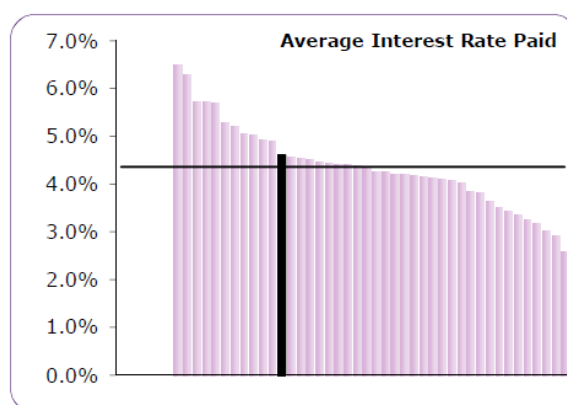
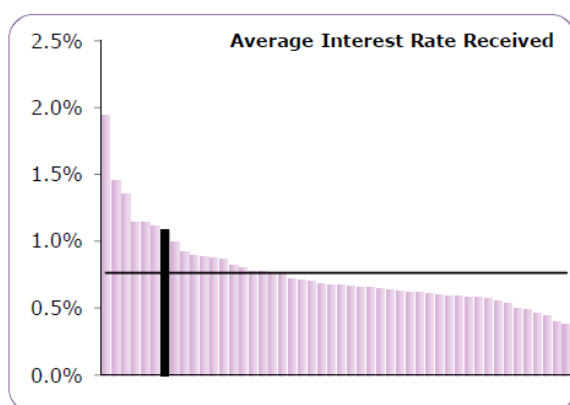
The council liaises with five brokers on a regular basis. Of the £768m of new investments made in 2014/15 £108m was through the 5 brokers and £660m was deals undertaken by the treasury team, the majority of which were through call accounts.

	Table 12: Brokers Performance 2014/15	No of deals per broker	Value of Deal (£m)	% of deals
	Broker 1	17	39.000	3%
	Broker 2	13	28.000	3%
	Broker 3	4	18.000	1%
	Broker 4	7	13.000	1%
	Broker 5	3	10.000	1%
	Total Broker deals	44	108.000	
Call	Barclays	297	380.890	60%
Call	Santander	88	163.455	18%
Call	Bank of Scotland	56	93.150	11%
Call	Direct	9	22.300	2%
	Other Deals	450	659.795	
	Total No of Deals	494	767.795	100%

9. Performance Measurement.

One of the key requirements in the Cipfa Code of Practice on Treasury Management is the formal introduction of performance measurements relating to investments, debt and capital financing activities.

Along with 48 other councils Walsall participates in the Cipfa Treasury Management Benchmarking club. The tables below show that Walsall achieves one of the highest average returns on its investments 1.09% compared to 0.76% and is above average for the average rate it pays for its borrowing, 4.61% compared to 4.36%.



Annual Average Investment

	Authority			Group Total		
	Av. Balance £'m	Interest £'k	Rate	Av. Balance £'m	Interest £'k	Average Rate
Variable rate	35.9	196.9	0.55%	2,885	22,390	0.64%
Short-term fixed	84.8	867.9	1.02%	2,968	20,057	0.67%
Long-term fixed	31.0	587.1	1.89%	985	12,412	1.55%
Externally Managed	0.0	0.0	na	160	2,852	2.05%
Total	151.8	1,651.8	1.09%	6,998	57,710	0.76%

Annual Average Borrowing

	Authority			Group Total		
	Av. Balance £'m	Interest £'k	Rate	Av. Balance £'m	Interest £'k	Average Rate
Short-term variable rate	0.0	0.0	na	49	289	0.64%
Long-term variable rate	0.0	0.0	na	220	2,990	1.46%
Short-term fixed	0.3	15.2	5.29%	179	1,294	1.41%
Long-term fixed	106.6	4,849.4	4.55%	9,044	400,928	4.56%
LOBO	122.0	5,694.0	4.67%	2,679	119,973	4.53%
Total	228.9	10,558.6	4.61%	12,171	525,475	4.36%

Council approved the following local performance indicators, all of which were complied with during the year.

Table 13 Local Indicators		Actual 2013/14	Target 2014/15	Position as at 31-Mar-15	Variance to target	Met
L1	Full compliance with prudential code	YES	Yes	YES		Y
L2	Average length of debt	15	15 to 25 years	15		Y
L3a	Net borrowing costs as % of net council tax requirement	10.3%	11.5%	10.25%	-8%	Y
3b	Net borrowing costs as % of Tax Revenue	5.8%	6.5%	5.7%	-8%	Y
L4	Net actual debt vs. operational debt	84%	75 - 90%	78%		Y
L5	Average interest rate of external debt outstanding excluding OLA	4.6%	4.6%	4.6%	0%	Y
L6	Average interest rate of external debt outstanding including OLA	4.73%	4.73%	4.73%	0%	Y
L7	Gearing effect of 1% increase in interest rate	1.23%	5.00%	0.99%	-80%	Y
L8	Average interest rate received on STI vs. 7 day LIBID rate	0.75%	0.50%	0.66%	33%	Y
L9a	AT call investments	0.65%	0.40%	0.50%	25%	Y
L9b	Short Term Investments	1.21%	0.80%	1.08%	34%	Y
L9c	Long Term Investments	1.92%	1.75%	2.04%	16%	Y
L10	Average interest rate on all ST investments (ST and AT call)	1.09%	0.70%	1.02%	46%	Y
L11	Average rate on all investments	1.17%	0.90%	1.13%	26%	Y
L12	% daily bank balances within target range	100%	98.00%	100%	2%	Y

Local Authority Mortgage Scheme.

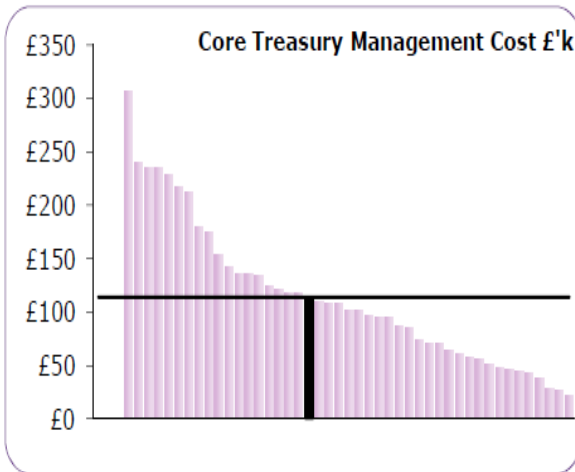
Under this scheme the council place funds of £2m with Lloyds for a period of 5 years. This is classified as being a service investment, rather than a treasury management investment, and is therefore outside of the specified / non specified investment categories. At 31st March 2015, 58 mortgages have been supported through the LAMs scheme using £1,382,979 of the indemnity cover and a further 5 mortgages applications are being processed which when completed will use up a further £91,099.

Cost of Treasury Management

The cost of the council's treasury management function is less than the average and is funded in full from treasury activities. This is reflected in the core treasury management costs table below and the cost £'k per £'m managed average balances.

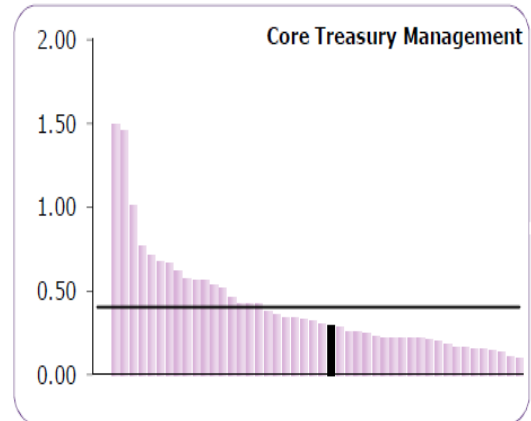
Core Treasury Management - Costs

2014/15 Costs £'k



Cost of Treasury Management	Authority £'k	Avg £'k
Investment Mgt Costs	88.0	77.5
Debt Mgt Costs	25.0	42.9
Core Treasury Mgt Costs	113.0	114.2

Cost £'k per £'m managed average balances



	Average Balance £'m	Mgt Costs £'k/£'m managed Authority	Mgt Costs £'k/£'m managed Avg
Investment Mgt	£151.8 m	0.58	0.82
Debt Mgt	£228.9 m	0.11	0.19
Core Treasury Mgt	£380.6 m	0.30	0.41