

AGENDA ITEM NO 5

REPORT NO 354/14

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 26 AUGUST 2014
ANGUS COUNCIL – 11 SEPTEMBER 2014

TREASURY MANAGEMENT ANNUAL REPORT – 2013/14

REPORT BY THE HEAD OF CORPORATE IMPROVEMENT AND FINANCE

ABSTRACT

Members are asked to note Angus Council's annual report on Treasury Management activities in 2013/14. The production and presentation of a Treasury Management Annual Report is a requirement of the Treasury Management in the Public Services Code of Practice issued by the Chartered Institute of Public Finance and Accountancy.

1 RECOMMENDATION

1.1 It is recommended that the Council -

- i review and scrutinise the annual report on 2013/14 treasury management activities for Angus Council attached at [Appendix 1](#); and
- ii approve the proposed changes to the Treasury Management Strategy for 2014/15 as detailed in Appendix 1, Section 7.

1.2 It is recommended that the Scrutiny and Audit Committee -

- i review and scrutinise the 2013/14 treasury management annual report and its associated appendix; and
- ii provide any commentary considered appropriate at this time.

2 ALIGNMENT TO THE ANGUS COMMUNITY PLAN / SINGLE OUTCOME AGREEMENT / COPORATE PLAN

Effective Treasury Management maximises the resources available to the Council to provide services. The activities undertaken through the Council's treasury management processes (as reflected in **Appendix 1** to this report) therefore contribute as a whole to the local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016.

3 BACKGROUND

3.1 The need to prepare and present to Council a treasury management annual report is a requirement of the revised Treasury Management in the Public Services Code of Practice published by the Chartered Institute of Public Finance and Accountancy.

3.2 Members are referred to report number 244/10 to the Council dated 25 March 2010 at which the revised version of the Code of Practice was adopted for implementation within Angus Council. This report ensures the Council is in compliance with the Code of Practice.

4 TREASURY MANAGEMENT ANNUAL REPORT

The treasury management annual report details Angus Council's treasury management activities for 2013/14 and is attached at **Appendix 1** for consideration by members. This annual report provides details of treasury activities during the year and the extent to which the intended 2013/14 Treasury Management Strategy (report 120/13) was delivered.

5 REVISIONS TO TREASURY MANAGEMENT STRATEGY 2014/15

Since the Council approval of the Treasury Management Strategy for 2014/15 (report 130a/14 refers) there have been developments that require some revisions to the strategy at this time. It is possible that some further changes may also require to be brought forward ahead of consideration of the 2015/16 strategy.

The proposed changes are set out in detail in section 7 of the attached Appendix 1, but are summarised below for information.

Changes enacted by the Financial Services (Banking Reform) Act 2013 have prompted credit rating agencies to review their rating methodologies. The result of this review is expected to render the use of viability and group support ratings obsolete in respect of counterparty minimum credit rating criteria. Having taken advice from the Council's external Treasury Management adviser, it is therefore proposed to remove these two criteria from the Council minimum credit rating criteria with immediate effect.

The current strategy is not explicit in permitting the making of loans to third parties. In order to provide flexibility for the Council to consider circumstances where it may be beneficial to make such a loan for service reasons, it is proposed that the strategy is amended with immediate effect to include such lending as a permitted investment.

The Scottish Government recently issued a specific consent which allows, in certain circumstances, the Council to borrow to on-lend to Registered Social Landlords (RSLs). It is a specific requirement of the consent that any such lending to RSLs must be included as a permitted investment within the Council's Treasury Management strategy and it is therefore proposed to include it in the strategy at this time.

6 FINANCIAL IMPLICATIONS

There are no direct financial implications arising from the recommendations in this report. An effective treasury management service does however form a significant part of the Council's financial arrangements and its financial well being.

7 RISK IMPLICATIONS

This report does not require any specific risk issues to be addressed.

NOTE

No background papers as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing this Report.

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Appendix 1