

AUDIT COMMITTEE MINUTE 38 OF 12 DECEMBER 2013

TREASURY MANAGEMENT STRATEGY 2013/14 MID YEAR REVIEW

Simon Arthurs (Group Accountant) and Andrew Liddicott (Senior Accountant) provided the Committee with the Treasury Management Mid-Year Review for 2013/14.

Members were informed that –

- (a) the report provided an update on the progress and outcomes against the Treasury Management Strategy for the six month period ending at 30 September 2013;
- (b) Treasury management was highly regulated because of the short, medium and long term approach and was supported by cross party representation;
- (c) the Council worked closely with its treasury management advisors, Arlingclose, who assisted the Council in formulating views on interest rates, regular updates on economic conditions and interest rate expectations, and advise on specific borrowing and investment decisions;
- (d) the UK economy showed some improvement with the GDP, for the first quarter of 2013, revised to +0.4%. The Office of National Statistics showed the UK avoided a double dip recession in 2012;
- (e) annual CPI for August was 2.7%, inflation fell in line with expectations and was expected to remain close to this level throughout the autumn;
- (f) there was no change to UK monetary policy with official interest rates maintained at 0.5%; within the August Inflation report, the Bank stated its forward guidance to defer monetary tightening at least until the ILO Unemployment Rate fell to a threshold of 7% - it was projected that the probability of this happening would remain below 50% until 2016;
- (g) officers were required maximise the cost of carry to reduce borrowing;
- (h) the Council's strategy proposed that the Council would continue to minimise risk contained within its current debt and investment portfolios by establishing an integrated debt management and investment policy which balanced certainty and security with liquidity and yield;
- (i) there had not been debt rescheduling in the period identified in the report however Officers, along with the Council's advisors, continued to monitor PWLB (Public Works Loan Board) interest rates in order to repay any debt maximising the savings achieved;

- (j) over the period identified in the report total loan debt had increased by £17.605m as a result of an increase in short-term borrowing due to the improvement in credit conditions and the use of cash-flow balances;
- (k) the Council had received 79% of monies invested in the Icelandic banks.

In response to questions raised it was reported that –

- (l) on page 55 of the agenda pack, the percentage of money received from Heritable bank should have read 94%;
- (m) new debt had been taken out to pay for the ferry, electronic tolling and the landing adjustment for the Tamar Bridge;
- (n) in 2013/14 the grant from the Government was paid up front in April to the approximate total of 30m.

Under this item the Chair reminded Members of the Sub-Committee scheduled for 23 January 2014 to discuss the Treasury Management report.

Agreed that the report is noted and submitted to Full Council.

Note:

The full report in connection with this minute is available on the website

www.plymouth.gov.uk/democracy

or by contacting Democratic Support on 01752 304867