**ANNEX 2**

**CABINET**

**11th September 2014**

**COUNCIL**

**16th September 2014**

**REPORT OF THE PORTFOLIO HOLDER FOR OPERATIONS & ASSETS**

**ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2013/14**

## EXEMPT INFORMATION

None

## PURPOSE

The Annual Treasury report is a requirement of the Council's reporting procedures. It covers the Treasury activity for 2013/14, and the actual Prudential Indicators for 2013/14.

The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes in accordance with Regulations issued under the Local Government Act 2003.

## RECOMMENDATIONS

**That Council be requested to,**

1. **Approve the actual 2013/14 Prudential Indicators within the report and shown at APPENDIX 1;**
2. **Accept the Treasury Management stewardship report for 2013/14.**

## EXECUTIVE SUMMARY

This report covers Treasury operations for the year ended 31st March 2014 and summarises:

- the Council's Treasury position as at 31st March 2014;
- performance measurement.

The key points raised for 2013/14 are;

The Council's Capital Expenditure and Financing 2013/14

The Council's Overall Borrowing Need

Treasury Position as at 31 March 2014

The Strategy for 2013/14

The Economy and Interest Rates

Borrowing Rates in 2013/14

Borrowing Outturn for 2013/14

Investment Rates in 2013/14

Investment Outturn for 2013/14

Performance Measurement

Icelandic Bank Defaults.

The Treasury Function has achieved the following favourable results:

The Council has complied with the professional codes, statutes and guidance;

- There are no issues to report regarding non-compliance with the approved prudential indicators;
- Excluding the Icelandic investments (currently identified 'at risk') the Council maintained an average investment balance externally invested of £28.4m and achieved an average return of 0.71% (budgeted at £20.56m and an average return of 1.00%).

  These results compare favourably with the Council's own Benchmarks of the average 7 day and the 3 month LIBID rates for 2013/14 of 0.35% and 0.39% respectively, and in line with the CIPFA Treasury Benchmarking Club (50 LA members) average rate of 0.84%. This is not considered to be a poor result in light of the current financial climate, our lower levels of deposits/funds and shorter investment timelines due to Banking sector uncertainty, when compared to other Councils;
- The closing weighted average internal rate on borrowing has remained at 4.47%;
- The Treasury Management Function has achieved an outturn investment income of £183k compared to a budget of £214k, the under achievement being due to anticipated increases in bank base rate not coming to fruition.

During 2013/14 the Council complied with its legislative and regulatory requirements.

The Executive Director Corporate Services confirms that no borrowing was undertaken within the year and the Authorised Limit was not breached.

At 31st March 2014, the Council's external debt was £65.060m (£65.060m at 31st March 2013) and its external investments totalled £28.557m (£20.999m at 31st March 2013) – including interest credited. This excludes £1.355m Icelandic Banking sector deposits (plus accrued interest at claim date) that were 'At Risk' at the year end (£1.75m at the 31st March 2013).

**OPTIONS CONSIDERED**

None

**RESOURCE IMPLICATIONS**

There are no financial implications or staffing implications arising from the report.

**LEGAL/RISK IMPLICATIONS BACKGROUND**

The Council is aware of the risks of passive management of the Treasury Portfolio and with the support of Capita Asset Services (Sector), the Council's current Treasury advisers, has proactively managed its debt and investments over this very difficult year.

**SUSTAINABILITY IMPLICATIONS**

None

**REPORT AUTHOR**

If Members would like further information or clarification prior to the meeting please contact Phil Thomas Ext 709239 or email phil-thomas@tamworth.gov.uk

**LIST OF BACKGROUND PAPERS**

- Local Government Act 2003;
- Statutory Instruments: 2003 No 3146 & 2007 No 573;
- CIPFA Code of Practice on Treasury Management in Public Services;
- Treasury Management Strategy & Prudential Indicators (Council 26$^{th}$ February 2013);
- Treasury Management Mid-Year Review 2013/14 (Council 17$^{th}$ December 2013);
- Treasury Outturn Report 2012/13 (Council 10$^{th}$ September 2013);
- CIPFA Treasury Benchmarking Club Report 2014.

**APPENDICES**

**Appendix 1 - Prudential and Treasury Indicators**
**Appendix 2 - CIPFA Benchmarking Club Investments Performance**

# Annual Treasury Management Review 2013/14

Purpose

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2013/14. 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 2013/14 the minimum reporting requirements were that the full Council should receive the following reports:

- an Annual Treasury Strategy in advance of the year (Council 26th February 2013)
- a Mid-year (minimum) Treasury Update report (Council 17th December 2013)
- an Annual Review following the end of the year describing the activity compared to the strategy (this report)

In addition, the Cabinet has received quarterly Treasury management updates as part of the Financial Healthcheck Reports.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, 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 scrutiny to all of the above Treasury Management Reports by the Audit and Governance Committee before they were reported to the full Council. Member training on Treasury Management issues was undertaken during the year on 4th February 2014 in order to support Members' Scrutiny Role.

# Executive Summary

During 2013/14, 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:

| Prudential & Treasury Indicators | 2012/13 Actual £m | 2013/14 Estimate £m | 2013/14 Actual £m |
|---|---|---|---|
| Capital Expenditure | | | |
| Non HRA | 1.622 | 0.505 | **1.339** |
| HRA | 3.365 | 6.993 | **7.602** |
| **Total** | 4.987 | 7.498 | **8.941** |
| | | | |
| Capital Financing Requirement | | | |
| Non HRA | 1.525 | 1.500 | **1.311** |
| HRA | 68.054 | 68.063 | **68.042** |
| **Total** | 69.579 | 69.563 | **69.353** |
| Gross Borrowing | | | |
| External Debt | 65.060 | 65.060 | **65.060** |
| Investments | | | |
| Longer than 1 year | - | - | **-** |
| Less than 1 year | 20.999 | 15.655 | **28.557** |
| **Total** | 20.999 | 15.655 | **28.557** |
| | | | |
| **Net Borrowing** | 44.061 | 49.405 | **36.503** |

Other prudential and treasury indicators are to be found in the main body of this report. The Executive Director Corporate Services confirms that no borrowing was undertaken in year and the statutory borrowing limit (the authorised limit) was not breached.

The financial year 2013/14 continued the challenging investment environment of previous years, namely low investment returns.

# Introduction and Background

This report summarises the following:-

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

# 1. The Council's Capital Expenditure and Financing 2013/14

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.

| £m General Fund | 2012/13 Actual £m | 2013/14 Estimate £m | 2013/14 Actual £m |
|---|---|---|---|
| Capital expenditure | 1.622 | 0.505 | **1.339** |
| Financed in year | 1.622 | 0.505 | **1.339** |
| **Unfinanced capital expenditure** | - | - | **-** |

| £m HRA | 2012/13 Actual £m | 2013/14 Estimate £m | 2013/14 Actual £m |
|---|---|---|---|
| Capital expenditure | 3.365 | 6.993 | **7.602** |
| Financed in year | 3.365 | 6.993 | **7.602** |
| **Unfinanced capital expenditure** | - | - | **-** |

# 2. 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 indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2013/14 unfinanced capital expenditure (see above table), 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 that 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 (non HRA) 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 is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA 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 also 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 2013/14 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2013/14 on 26/02/2013.

The Council's CFR for General Fund and the HRA for the year are shown below, and represents a key prudential indicator.

| CFR (£m): General Fund | 31 March 2013 Actual £m | 31 March 2014 Budget £m | 31 March 2014 Actual £m |
|---|---|---|---|
| Opening balance | 1.606 | 1.552 | **1.525** |
| Add unfinanced capital expenditure (as above) | - | - | **-** |
| Less MRP/VRP* | (0.081) | (0.052) | **(0.213)** |
| Less PFI & finance lease repayments | - | - | **-** |
| **Closing balance** | 1.525 | 1.500 | **1.312** |

- As a result of notifications that there would probably be no further distributions from the Administrators of the Icelandic Bank Heritable, the Council has made an additional Voluntary Revenue Provision (VRP) in year of £135k to reduce the original Capitalisation of our potential loss.

| CFR (£m): HRA | 31 March 2013 Actual £m | 31 March 2014 Budget £m | 31 March 2014 Actual £m |
|---|---|---|---|
| Opening balance | 68.063 | 68.063 | **68.054** |
| Add unfinanced capital expenditure (as above) | - | - | **-** |
| Less VRP | (0.009) | - | **(0.012)** |
| Less PFI & finance lease repayments | - | - | **-** |
| **Closing balance** | 68.054 | 68.063 | **68.042** |

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

**Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2013/14) plus the estimates of any additional capital financing requirement for the current (2014/15) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2013/14. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

| | 31 March 2013 Actual £m | 31 March 2014 Budget £m | 31 March 2014 Actual £m |
|---|---|---|---|
| Gross borrowing position | 65.060 | 65.060 | **65.060** |
| CFR | 69.579 | 69.563 | **69.353** |

**The authorised limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2013/14 the Council has maintained gross borrowing within its authorised limit.

**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.

**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.

| General Fund | 2013/14 £m |
|---|---|
| Authorised limit | 12.705 |
| Maximum gross borrowing position | 1.230 |
| Operational boundary | 1.367 |
| Average gross borrowing position | 1.230 |
| | |
| Financing costs as a proportion of net revenue stream % | 1.22% |

| HRA | 2013/14 £m |
|---|---|
| Authorised limit | 79.407 |
| Maximum gross borrowing position | 63.831 |
| Operational boundary | 70.901 |
| Average gross borrowing position | 63.831 |
| | |
| Financing costs as a proportion of net revenue stream % | 15.39% |

# 3. Treasury Position as at 31st March 2014

The Council's debt and investment position is organised by the treasury management service 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 2013/14 the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

| General Fund | 31 March 2013 Principal £m | Rate/ Return % | Average Life yrs | 31 March 2014 Principal £m | | Rate/ Return % | Average Life yrs |
|---|---|---|---|---|---|---|---|
| Fixed rate funding: | | | | | | | |
| -PWLB | - | - | - | - | - | - | - |
| -Market | - | - | - | - | - | - | - |
| Variable rate funding: | | | | | | | |
| -PWLB | - | - | - | - | - | - | - |
| -Market | - | - | - | - | - | - | - |
| **Total debt** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **CFR** | ***1.53*** | **-** | **-** | **-** | ***1.31*** | **-** | **-** |
| **Over / (under) borrowing** | ***(1.53)*** | | | | ***(1.31)*** | | |
| Investments: | | | | | | | |
| - in house | 10.55 | 1.09% | | 16.50 | | 0.71 | |
| **Total investments** | ***10.55*** | ***1.09%*** | | | ***16.50*** | ***0.71%*** | |

| HRA | 31 March 2013 Principal £m | Rate/ Return % | Average Life yrs | 31 March 2014 Principal £m | | Rate/ Return % | Average Life yrs |
|---|---|---|---|---|---|---|---|
| Fixed rate funding: | | | | | | | |
| -PWLB | 65.06 | 4.47 | 36.43 | 65.06 | | 4.47 | 35.43 |
| -Market | - | - | | - | | - | - |
| Variable rate funding: | | | | | | | |
| -PWLB | - | | | - | | | |
| -Market | - | - | | - | | - | - |
| **Total debt** | ***65.06*** | ***4.47*** | | | ***65.06*** | ***4.47*** | |
| **CFR** | ***68.05*** | | | | ***68.04*** | | |
| **Over / (under) borrowing** | ***(2.99)*** | | | | ***(2.98)*** | | |
| Investments: | | | | | | | |
| - in house | 10.45 | 1.09 | | 12.05 | | 0.71 | |
| **Total investments** | ***10.45*** | ***1.09*** | | | ***12.05*** | ***0.71*** | |

**Maturity Structures**

Debt - The maturity structure of the debt portfolio was as follows:

| | 31 March 2013 Actual £m | 2013/14 original limits £m | 31 March 2014 Actual £m |
|---|---|---|---|
| Under 12 months | - | 13.01 | **-** |
| 12 months and within 24 months | - | 13.01 | **3.00** |
| 24 months and within 5 years | 5.00 | 16.27 | **2.00** |
| 5 years and within 10 years | - | 48.80 | **-** |
| 10 years and within 20 years | 1.00 | 65.06 | **1.00** |
| 20 years and within 30 years | 4.00 | | **4.00** |
| 30 years and within 40 years | 5.00 | | **10.00** |
| 40 years and within 50 years | 50.06 | | **45.06** |

Investments - All investments held by the Council were invested for under one year.

The exposure to fixed and variable rates was as follows:

| | 31 March 2013 Actual | 2013/14 Original Limits | 31 March 2014 Actual |
|---|---|---|---|
| Fixed rate - principal | 44.061 | 49.409 | **36.503** |
| Variable rate - interest | - | 6.506 | **-** |

# 4. The Strategy for 2013/14

The expectation for interest rates within the strategy for 2013/14 anticipated low but rising Bank Rate (starting in quarter 1 of 2015), and gradual rises in medium and longer term fixed borrowing rates during 2013/14. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

The actual movement in gilt yields meant that PWLB rates were on a sharply rising trend during 2013 as markets anticipated the start of tapering of asset purchases by the Fed. This duly started in December 2013 and the US FOMC (the Fed.), adopted a future course of monthly reductions of $10bn (from a starting position of $85bn), meaning that asset purchases were likely to stop by the end of 2014. However, volatility set in during the first quarter of 2014 as fears around emerging markets, various vulnerabilities in the Chinese economy, the increasing danger for the Eurozone to drop into a deflationary spiral, and the situation in the Ukraine, caused rates to dip down, reflecting a flight to quality into UK gilts.

# 5. The Economy and Interest Rates

The original expectation for 2013/14 was that Bank Rate would not rise during the year and for it only to start gently rising from quarter 1 2015. This forecast rise has now been pushed back to a start in quarter 3 2015. Economic growth (GDP) in the UK was virtually flat during 2012/13 but surged strongly during the year. Consequently there was no additional quantitative easing during 2013/14 and Bank Rate ended the year unchanged at 0.5% for the fifth successive year. While CPI inflation had remained stubbornly high and substantially above the 2% target during 2012, by January 2014 it had, at last, fallen below the target rate to 1.9% and then fell further to 1.7% in February. It is also expected to remain slightly below the target rate for most of the two years ahead.

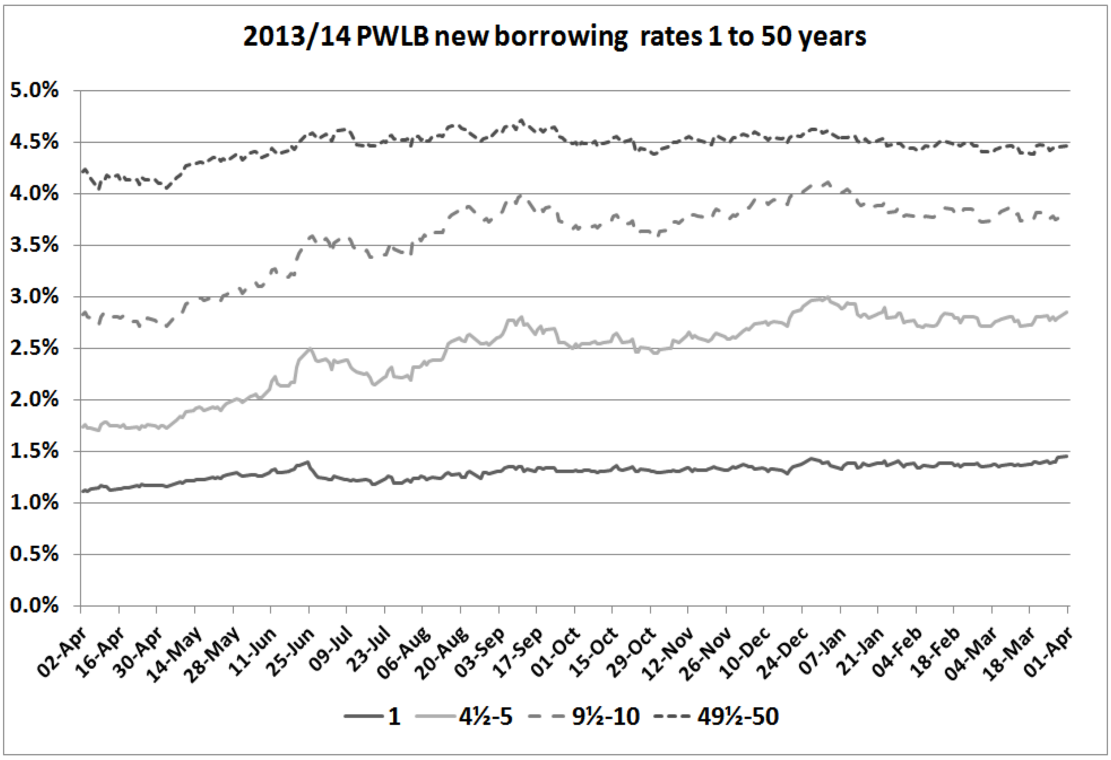
Gilt yields were on a sharply rising trend during 2013 but volatility returned in the first quarter of 2014 as various fears sparked a flight to quality. The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing into 2013/14. That part of the Scheme which supported the provision of credit for mortgages was terminated in the first quarter of 2014 as concerns rose over resurging house prices.

The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth has led to a cumulative, (in the Autumn Statement and the March Budget), reduction in the forecasts for total borrowing, of £97bn over the next five years, culminating in a £5bn surplus in 2018-19.

The EU sovereign debt crisis subsided during the year and confidence in the ability of the Eurozone to remain intact increased substantially. Perceptions of counterparty risk improved after the ECB statement in July 2012 that it would do “whatever it takes” to support struggling Eurozone countries; this led to a return of confidence in its banking system which has continued into 2013/14 and led to a move away from only very short term investing. However, this is not to say that the problems of the Eurozone, or its banks, have ended as the zone faces the likelihood of weak growth over the next few years at a time when the total size of government debt for some nations is likely to continue rising. Upcoming stress tests of Eurozone banks could also reveal some areas of concern.

# 6. Borrowing Rates in 2013/14

**PWLB borrowing rates -** the graph for PWLB certainty maturity rates below, shows, for a selection of maturity periods, the high and low points in rates, the average rates, spreads and individual rates at the start and the end of the financial year.




# 7. Borrowing Outturn for 2013/14

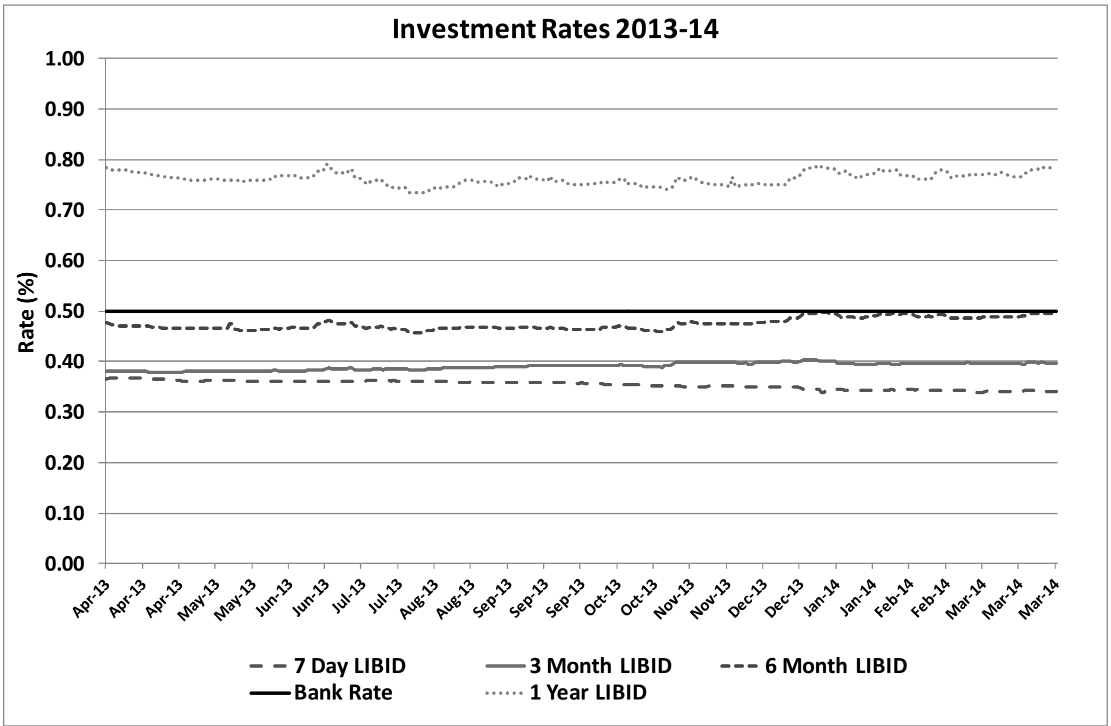
**Treasury Borrowing**

Due to investment concerns, both counterparty risk and low investment returns, no borrowing was undertaken during the year.

**Rescheduling**
No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

# 8. Investment Rates in 2013/14

Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for five years. Market expectations as to the timing of the start of monetary tightening ended up almost unchanged at around the end of 2014 / start of 2015. The Funding for Lending Scheme resulted in deposit rates remaining depressed during the whole of the year, although the part of the scheme supporting provision of credit for mortgages came to an end in the first quarter of 2014.




# 9. Investment Outturn for 2013/14

**Investment Policy** – the Council's investment policy is governed by CLG guidance, which was been implemented in the annual investment strategy approved by the Council on 26th February 2013. 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 additional market data (such as rating outlooks, credit default swaps, bank share prices etc.

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

**Resources** – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

| Balance Sheet Resources General Fund (£m) | 31-Mar-13 | 31-Mar-14 |
|---|---|---|
| Balances | 4.619 | **4.570** |
| Earmarked reserves | 6.353 | **5.987** |
| Provisions | 0.148 | **0.547** |
| Usable capital receipts | 0.910 | **0.826** |
| Total | 12.030 | **11.930** |

| Balance Sheet Resources HRA (£m) | 31-Mar-13 | 31-Mar-14 |
|---|---|---|
| Balances | 5.267 | **5.481** |
| Earmarked reserves | 4.909 | **5.276** |
| Provisions | - | **-** |
| Usable capital receipts | 0.785 | **2.116** |
| Total | 10.961 | **12.873** |

| | | |
|---|---|---|
| Total Authority Resources | 22.991 | **24.803** |

# 10. Performance Measurement

One of the key requirements in the Code is the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide *(as incorporated in the table in section 3).* The Council's performance indicators were set out in the Annual Treasury Management Strategy.

This service had set the following local performance indicators:

- *To Maximise investment returns by ensuring that the average balance held in the Council's current accounts (non-interest earning) is maintained below £5,000*;

  The actual average balance held in the current accounts for 2013/14 was £14,954 cr (in hand) (£15,713 cr in hand in 2012/13);

  The net loss of interest for 2013/14 (loss of investment interest on un-invested balances less any overdraft interest incurred) was £18 compared to £21 for 2013/14 (approximately 5p per day);

- *Average external interest receivable in excess of 3 month LIBID rate;*

  Whilst the assumed benchmark for local authorities is the 7 day LIBID rate, a higher target is set for internal performance.

  The actual return of 0.71% compared to the average 3 month LIBID of 0.39% (0.32% above target).

**CIPFA Benchmarking Club;**

The Council is a member of the CIPFA Treasury Management Benchmarking Club which is a means to assess our performance for the year against other members (50 participating Authorities). Our average return for the year (as mentioned above) was 0.71% compared to the group average of 0.84% (information from CIPFA Benchmarking Report 2013/14) Combined In-House Investments excluding the impaired investments in Icelandic banks.

This can be analysed further into the following categories:

| | **Average Balance Invested £ m** | | **Average Rates Received %** | |
|---|---|---|---|---|
| Category | Tamworth Borough Council | CIPFA Benchmarking Club | Tamworth Borough Council | CIPFA Benchmarking Club |
| Fixed investments up to 30 days Managed in-house | - | 1.5 | - | 0.47 |
| Fixed investments 31 to 90 days Managed in-house | 1.3 | 5.3 | 0.46 | 0.51 |
| Fixed investments 91 to 365 days Managed in-house | 11.3 | 49.6 | 1.01 | 0.95 |
| Fixed investments between 1 year and 5 year Managed in-house | - | 28.5 | - | 1.90 |
| Fixed investments over 5 years | - | 8.0 | - | 4.92 |
| Notice Accounts | 7.7 | 35.0 | 0.64 | 0.66 |
| DMADF | - | 10.3 | - | 0.25 |
| CD's Gilts and Bonds | 1.0 | 19.3 | 0.54 | 0.97 |
| Callable and Structured Deposits | - | 22.2 | - | 1.64 |
| Money Market Funds Constant NAV | 7.2 | 18.7 | 0.36 | 0.39 |
| Money Market Funds Variable NAV | - | 8.6 | - | 0.49 |
| **All Investments Managed in-house** | **28.4** | **128.4** | **0.71** | **0.84** |

Graphs showing a summary of the Authority's investment performance over the year can be found at **APPENDIX 2**.

# 11. Icelandic Bank Defaults

The U.K. Government, Local Government Association, administrators and other agencies have continued to work throughout 2013/14 in recovering assets and co-ordinating repayments to all UK councils with Icelandic investments.

In the case of Heritable Bank plc, a significant repayment was made in August 2013, bringing the total repayments to approximately 94%. This is expected to be the last payment, although the final position has yet to be confirmed.

In the case of Kaupthing, Singer and Friedlander Ltd, the administrators made two dividend payments during the financial year. Further payments and updates are anticipated during 2014/15.

Investments outstanding with the Iceland domiciled bank Glitnir Bank hf have been subject to decisions of the Icelandic Courts. Following the successful outcome of legal test cases in the Icelandic Supreme Court, the Administrators have committed to a full repayment and the authority received a significant sum in late March 2012. However, due to Icelandic currency restrictions, elements of our deposits which are held in Icelandic Krone have been held back pending changes to Icelandic law. This sum has been placed in an interest baring account and negotiations are still continuing for their early release.

Members will be periodically updated on the latest developments of these efforts.

The authority currently has the following investments ‘at risk’ in Icelandic banks;

| Bank | Original Deposit £m | Accrued Interest £m | Total Claim £m | Reduction due to Exchange rate fluctuations £m | Repayments Received @ 31/03/2014 £m | Balance Outstanding £m | Anticipated Total Recovery % |
|---|---|---|---|---|---|---|---|
| Glitnir | 3.000 | 0.232 | 3.232 | -0.077 | 2.554 | 0.601 | 100 |
| Kaupthing Singer & Friedlander | 3.000 | 0.175 | 3.175 | 0 | 2.588 | 0.587 | 86 |
| Heritable | 1.500 | 0.005 | 1.505 | 0 | 1.415 | 0.09 | 94 |
| TOTALS | 7.500 | 0.412 | 7.912 | -0.077 | 6.557 | 1.278 | |