

Report of the Director of Customer & Business Support Services

Scrutiny of the Treasury Management Annual Report 2012/13 & Review of Prudential Indicators

Summary

1. The purpose of this report is to review the Treasury Management Annual Report & Review of Prudential Indicators 2012/13 in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (“the Code”).
2. Attached at Annex One is the Treasury Management Annual Report & Review of Prudential Indicators 2012/13 which was discussed at Cabinet on the 16 July 2013.

Background and Analysis

3. This covering report aims to assist Audit & Governance members in their review of the Treasury Management Annual Report & Prudential Indicators 2012/13 at Annex One.
4. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.
5. For reporting, scrutiny and training arrangements during 2012/13 the Council has met the minimum reporting requirements and received the following reports:
 - an annual treasury strategy in advance of the year
 - a mid year treasury update report

- an annual report following the year describing the activity compared to the strategy
6. The report at Annex One reflected a draft position. Subsequent to this report, and following completion of the annual audit work, a small number of minor adjustments are required. These amendments are in Prudential Indicators themselves at Annex A of the original Cabinet report and the details are set out in the table below;

Ref	Prudential Indicator	Original 2012/13 figure reported	Correct figure
4	Net borrowing should not exceed the CFR	£258.6m	£249.6m
6a	Authorised Limit for external debt	£347m	£357.9m
6b	Operational Boundary for external debt	£327m	£327.9m

7. Significant points to note from the report at Annex One include:
- The total debt has reduced slightly from £261.6m at 31.3.12 to £258.6m at 31.3.13
 - During the year, the Council followed the agreed treasury management strategy of running down the investment portfolio and using the Council's surplus cash rather than taking external borrowing, thus avoiding the cost of holding higher levels of investment and reducing counterparty risk
 - There was no restructuring of borrowing during the year
 - The average interest rate remains at 3.8%
 - There are no issues of concern in the Prudential Indicators

Consultation

8. Not applicable.

Options

9. It is a statutory requirement under Local Government Act 2003 for the council to operate in accordance with the CIPFA prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice.

Corporate Priorities

10. Treasury management is an integral part of the council's finances providing for cash flow management and financing of capital schemes. It aims to ensure that the council maximises its return on investments and minimises the cost of its debts.

Implications

11. Financial – the security of the Council's capital funds is a priority, maximising returns on investments and minimising finance costs of debt is key.
12. There are no HR, equalities, legal, crime and disorder, IT, property or other implications arising from this report.

Risk Management

13. The treasury management function is a high-risk area because of the volume and level of large money transactions. As a result of this the Local Government Act 2003 (as amended), the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice 2009 (the code) are all adhered to as required.

Recommendations

14. That Audit & Governance Committee note the Treasury Management Annual Report 2012/13 & Review of Prudential Indicators at Annex One.

Reason: That those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

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Report approved ✓ Date 16.9.13

Wards Affected: *List wards or tick box to indicate all* **All** ✓

For further information please contact the author of this report

Annex One - Cabinet report of 16th July 2013 - Treasury Management
Annual Report & Review of Prudential Indicators 2012/13