

Report of the Director of Customer and Business Support Services

Scrutiny of Treasury Management Mid year Review and Prudential Indicators 2013/14

Summary

1. The Audit & Governance Committee are responsible for ensuring effective scrutiny of the treasury management strategy and policies, as stated in the Treasury Management Strategy 2013/14 approved by full Council on 28 February 2013. The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (“the Code”) stipulates that
 - There needs to be, at a minimum, a mid year review of treasury management strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved,
 - Those charged with governance are also personally responsible for ensuring they have the necessary skills and training
2. Attached at Appendix A is the Treasury Management Mid Year Review and Prudential Indicators 2013/14 report. This information provides Members with an update of treasury management activity for the first six months of 2013/14.

Background

3. The report reviews the economic market conditions in which the treasury management activities of the council are currently operating. It highlights that the environment in which treasury management operates remains largely uncertain reflecting the current economic data. The report states that Prospects for any increase in Bank Rate before 2016 are seen as being limited.
4. However, following the issue of the latest Bank of England Inflation Report with the first change in Bank Rate in the UK being dependent when unemployment is likely to fall to 7% it is difficult forecast with certainty the rate and timing of such changes. Economic opinion as ever varies with Capita

services taking the view that the unemployment rate is not likely to come down as quickly as the financial markets are currently expecting and that the MPC view is realistic.

5. The position of short term interest rates for investment opportunities continues to remain low and the counterparty list, where the council's surplus funds can be invested is limited. The limited counterparty list, to high credit rated institutions, ensures the security of the Council's capital. The secondary priority being on interest rate return predicted at 0.5% for the foreseeable future. Further details on the Council's investments are included in Appendix A paragraphs 13 to 19
6. Borrowing rates remain at relatively low levels historically and Appendix A, paragraph 25 details that no loans have been taken in 2013/14. The treasury function continues to monitor the market closely looking for borrowing opportunities and has delayed its borrowing to take advantage of financing the underlying need to borrow using investment balances.
7. The information provided in the paragraphs above is a brief summary of the "Treasury Management Mid Year Review and Prudential Indicators 2013/14" report at Appendix A for scrutiny by Audit & Governance Committee Members.

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 "the Code". No alternative options are available.

Council Plan

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, (whilst the priority is for security of capital and liquidity of funds) and minimises the cost of its debts. This allows more resources to be freed up to invest in the Council's priority areas as set out in the council plan. It therefore underpins all of the council's aims.

Implications

11. The implications are
- Financial – the security of the council’s capital funds is a priority, maximising returns on investments is still key along with minimising the finance costs of debt.
 - Human Resources - there are no human resource implications to this report.
 - Equalities - there are no equality implications to this report.
 - Legal - there are no legal implications to this report.
 - Crime and Disorder - there are no crime and disorder implications to this report.
 - Information Technology - there are no information technology implications to this report.
 - Property –there are no property implications to this report.
 - Other – there are no other implications to this report.

Risk Management

12. 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 (the code) are all adhered to as required.

Recommendations

13. Audit & Governance Committee note and scrutinise the Treasury Management Mid year Review and Prudential Indicators 2013/14 at Appendix A

Reason: So 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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approved

Specialist Implications Officer(s) None

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

For further information please contact the author of this report

Background Working Papers

None

Annexes

1. Appendix A - Treasury Management Mid Year Review and Prudential Indicators 2013/14
2. Annex A – Prudential Indicators 2013/14