

Report of the Director of Customer & Business Support Services

## **Scrutiny of Treasury Management Mid year Review and Prudential Indicators 2015/16**

### **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 2015/16 approved by full Council on 26 February 2015. 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 Annex A is the Treasury Management Mid Year Review and Prudential Indicators 2015/16 report. This information provides Members with an update of treasury management activity for the first six months of 2015/16.

### **Background**

3. The report reviews the economic and market conditions in which the treasury management activities of the council are currently operating. It highlights that the environment in which treasury management operates in markets experiencing significant instability that presents both challenges and opportunities for the Council. The report outlines that prospects for any increase in Bank Rate before the middle of 2016 are limited.
4. 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 and the types of investments used provide for the Council's liquidity requirements. The third priority being rate of return on investments remain at 0.5% with speculation of a base rate rise toward the middle of 2016. Further details on the Council's investments are included in Annex A paragraphs 10 to 17.

5. Borrowing rates have seen notable fluctuation through out the year reaching levels of 4.48% in the 50 year duration but dipping as low as 3.02%. In the reporting period covered by this report no loans have been taken. The treasury function continues to monitor the market closely looking for borrowing opportunities.
6. The information provided in the paragraphs above is a brief summary of the "Treasury Management Mid Year Review and Prudential Indicators 2015/16" report at Annex A for scrutiny by Audit & Governance Committee Members.

### **Consultation**

7. Not applicable

### **Options**

8. 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**

9. 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**

10. 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**

11. 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**

12. (a) Audit & Governance Committee note and scrutinise the Treasury Management Mid year Review and Prudential Indicators 2015/16 at Annex A
 

Reason: So 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.

## Contact Details

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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

Annex A Treasury Management Mid Year Review and Prudential  
Indicators 2015/16 – Report to Executive 26 November 2015  
Annex Ai Annex to above report – Prudential Indicators 2015/16