

Scrutiny of the Treasury Management Annual Report 2009/10 & Review of Prudential Indicators

Summary

1. The purpose of this report is for members of A&G to scrutinise the “Treasury Management Annual report 2009/10 & Review of Prudential Indicators” in accordance with the requirements of the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (“the Code”).
2. The revised Code was published in November 2009 and adopted by the council on 26 February 2010. From 2010/11, Audit & Governance Committee will be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
3. Attached at Appendix A is the Treasury Management Annual Report 2009/10 & Review of Prudential Indicators.

Background

4. The “Treasury Management Annual Report 2009/10 and Review of Prudential Indicators” (“the report”) updates the Executive on treasury management performance for 2009/10 compared against the budget and treasury management strategy taken to full Council on 26th February 2009.
5. Highlights taken from “the report” are included in the paragraphs below.
6. The borrowing portfolio at 2009/10 stood at £116.1m (2008/09 £102.1m) with an average interest rate payable of 4.52% (2008/09 4.57%). The decrease in the interest rate payable is due to the repayment of debt and the taking of new debt at a lower rate, thereby decreasing the overall rate on the portfolio. This met the requirements of the treasury management strategy for 2009/10, which stated that borrowing would be kept at below 3/95%. The borrowing portfolio increase was due to the increasing funding requirements of the capital programme.
7. The investment portfolio at 2009/10 stood at £25.9m (2008/09 £30.9m). The average level of the investment portfolio during the year was £47.2m (2008/09 £58.9m), this decrease in average cash balances mainly resulted from the timing of borrowing taken during the year and borrowing slightly less than required to match capital expenditure.

8. The average interest rate earned in 2009/10 was 2.20% (2008/09 5.35%). The rate is lower due to the economic environment and market rates being available at levels around the base rate average for the year of 0.5%. Compared to the average 7 day London Inter-Bank Bid Rate (LIBID) (the standard benchmark for short-term cash management) this was 1.78% higher in 2009/10 (1.66% in 2008/09) which stood at 0.42%.
9. During the year all investments were made in full compliance with this Council's treasury management policies and practices. Of prime concern is the security of the Council's funds with the yield achievable being secondary. The review of the prudential indicators ensures that the capital plans and treasury management activities of the council are affordable, sustainable and prudent.

Consultation

10. Not applicable.

Options

11. 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". The revised "code" was approved at full Council on 26 February 2010. The Council also approved the Treasury Management Strategy Statement and Prudential Indicators for 2010/11 to 2014/15 which stated that "The Treasury Management Reporting arrangements set out in paragraph 16, table 1, as described by "the Code" and the terms of reference in the Constitution be amended to include that Audit & Governance Committee scrutinise the Treasury Management Strategy and Monitoring reports." No alternative options are available.

Corporate Priorities

12. 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 priorities, values and imperatives, as set out in the Corporate Strategy. It therefore underpins all of the council's aims.

Implications

13. The implications are
 - Financial – the security of the Councils 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 - the revised code may have implications for the requirements placed on officers and members for the scrutiny and management of the treasury function.

Risk Management

14. 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

15. That Audit & Governance Committee note the Treasury Management Annual Report 2009/10 & Review of Prudential Indicators at Annex A.

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.

Contact Details

Author:

Louise Branford-White
Technical Finance Manager
01904 551187

Chief Officer responsible for the report:

Keith Best
Assistant Director of Customer &
Business Support services (finance)

Ian Floyd
Director of Customer & Business Support
Services
Report approved ✓ Date

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

Local Government Act 2003 and amendments
CIPFA Prudential Code
CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral
Guidance ("the Code")
Treasury Management Strategy Statement and Prudential Indicators for 2010/11 to 2014/15