
Audit & Governance

14 February 2011

Report of the Director of Customer & Business Support Services

Scrutiny of Treasury Management Monitor 3 and Prudential Indicators 2010/11

Summary

1. 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”) which was published in November 2009 and adopted by the council on 25 February 2010, from 2010/11, Audit & Governance Committee will be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
2. Attached at Appendix A is the Treasury Management Monitor 3 and Prudential Indicators 10/11 report which monitors the treasury management activity for the first nine months of the financial year.

Background

3. The report gives an update on the economic environment and the current analysis of the interest rate environment in which treasury management operates. It also updates on the position of short term investments, long term borrowing, the position of the venture fund – the Council’s earmarked reserve which generally provides short term funding for revenue and capital schemes of an invest to save nature – and monitors the position of the treasury management budget. Finally the prudential indicators attached at Annex A to the report at Appendix A, show that the Council continues to manage its capital investments and treasury management activities on an affordable, sustainable and prudent basis.
4. Points of interest to note in the report are as follows
 - a) The economic recovery continues slowly with the forecast of borrowing rates in the foreseeable future remaining higher than investment rates.
 - b) The rate of return on investments at 1.14% is 0.64% higher than the base rate at 0.5% and 0.72% higher the average 7 day London Inter-Bank Deposit rate (LIBID) at 0.42%.
 - c) The borrowing portfolio is forecast to be £136.1m at the end of 2010/11, with the external interest rate being 4.2%.
 - d) The Venture Fund reserve balance to assist in the funding of new projects stands at £734k.
 - e) The treasury management budget projected outturn for 2010/11 is £11,536k, an estimated under spend of £200k.

4. Those charged with governance are also responsible for ensuring they have the necessary skills and training. To this end a training session was held in September to give a general overview of all areas of treasury management. A follow up training session is scheduled for 14 February 2011 covering the council's treasury management investment policy, the security of the council's surplus funds -creditworthiness policy - and the council's investment strategy.
5. The information provided above is a brief overview of the "Treasury Management Monitor 3 and Prudential Indicators 10/11" report for scrutiny by Audit & Governance Committee Members.

Consultation

6. Not applicable.

Options

7. 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 25 February 2010. The Council also approved the Treasury Management Strategy Statement and Prudential Indicators for 2010/11 to 2014/15 which confirmed 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

8. 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

9. 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 – Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146) and the *Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008* (SI 2008/414)
 - 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 requires officers and members to scrutinise and manage the treasury function.

Risk Management

10. 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

11. That Audit & Governance Committee note the Treasury Management Monitor 3 and Prudential Indicators 10/11 at Appendix 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 06/12/10

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