

Report of the Cabinet Member for Corporate Services

## **Scrutiny of Treasury Management Monitor 2 Mid year Review and Prudential Indicators 2011/12**

### **Summary**

1. The Audit & Governance Committee are responsible for ensuring effective scrutiny of the treasury management strategy and policies. 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”) stipulated 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 Monitor 2 Mid Year Review and Prudential Indicators 2011/12 report. This information provides Members with an update of treasury management activity for the first six months of 2011/12.

### **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 bank base rate will remain low for the foreseeable future with quarter 3 of 2013 being estimated as the first time the base rate will rise.
4. Investment rates remain low and the counterparty list, where the council’s surplus funds can be invested, is limited due to the uncertainty surrounding the euro zone and the impact on world market. This ensures the security of the Councils capital, with the secondary priority being on interest rate return predicted at 1.5% for 2011/12.

5. Borrowing rates are continually being monitored due to the current volatility in the market creating some good opportunities to take loans at favourable rates. The target borrowing rate in 2011/12 is currently 4.3% and loans taken this year are below the target.
6. In addition, the report highlights the proposed reform of the HRA subsidy arrangements. A one-off payment will be made to the government in March 2012 and this creates the requirement for additional borrowing. The details of the HRA reform are included in Appendix A which explains the need for full council approval of the change in the prudential indicators and treasury management strategy for 2011/12.
7. The information provided in the paragraphs above are a brief summary of the "Treasury Management Monitor 2 Mid Year Review and Prudential Indicators 2011/12" report 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". 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**

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

## **Implications**

11. 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**

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 2009 (the code) are all adhered to as required.

## **Recommendations**

13. That Audit & Governance Committee note the Treasury Management Monitor 2 and Prudential Indicators 2011/12 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**

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**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 2011/12 to 2015/16

**Annexes**

1. Appendix A - Treasury Management Monitor 2 Mid Year Review and Prudential Indicators 2011/12
2. Annex A – prudential Indicators 2011/12