

Report of the Director of Customer and Business Support Services

Scrutiny of Treasury Management Mid year Review and Prudential Indicators 2014/15

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 27 February 2014. 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 2014/15 report. This information provides Members with an update of treasury management activity for the first six months of 2014/15.

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 sets that prospects for any increase in Bank Rate before the end of 2015 calendar year are seen as being 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 end of 2015. Further details on the Council's investments are included in Appendix A paragraphs 10 to 15.

5. Borrowing rates have seen notable fluctuation throughout the year reaching levels of 4.26% in the 50 year duration but dipping as low as 3.73% Appendix A, paragraph 21 details that at the reporting period covered by this report no loans have been taken in 2014/15. The treasury function continues to monitor the market closely looking for borrowing opportunities and has since undertaken some new borrowing in this year, details of which will be included in the Treasury Management Outturn report.
6. The information provided in the paragraphs above is a brief summary of the "Treasury Management Mid Year Review and Prudential Indicators 2014/15" report at Appendix 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 2014/15 at Appendix 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.

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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

None

Annexes

1. Appendix A - Treasury Management Mid Year Review and Prudential Indicators 2014/15
2. Annex A – prudential Indicators 2014/15