

Report to: Audit Committee
Date of meeting: 25 September 2013
Report of: Stephen Exton – Shared Services Finance Manager
Title: Treasury Management

1.0 SUMMARY

1.1 This report presents to members a mid year review of the Treasury Management function 2013/14.

2.0 RECOMMENDATIONS

2.1 That approval is given for the continuing investment in Clydesdale bank (see Appendix 1 note 4).

2.2 That this report be noted.

Contact Officer:

For further information on this report please contact: Stephen Exton (Shared Services Finance Manager).

Telephone extension: 7197

email:

stephen.exton@threerivers.gov.uk

Report approved by: Alan Power, Head of Shared Services Finance.

3.0 DETAILED PROPOSAL

3.1 Mid Year Review of the Treasury Management Function

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

3.2 This report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities and complies with the Local Government Act 2003.

3.3 Attached at Appendix 1 is a mid year review of the Treasury Management function for 2013/14. The review updates members with the progress on the capital position, amends prudential indicators as necessary, considers whether the Council is meeting the strategy and whether any policies require revision.

3.4 The underlying economic environment remains difficult for the Council (Sector's Treasury Management Update Quarter Ended 30 June 2013 at Appendix 2),

foremost being the concerns over investment counterparty risk. This background encourages the Council to continue maintaining investments short term (i.e. up to one year) and with high quality counterparties. The downside of such a policy is that investment returns remain low.

3.5 The basis of the treasury management strategy, the investment strategy and the performance indicators are not changed.

3.6 The prudential code requires the Council to update:

- The Council's capital expenditure plans;
- How these plans are being financed.

These requirements are met by the Council's Budget Monitoring reports, which include revised capital expenditure and funding statements.

4.0 **IMPLICATIONS**

4.1 **Financial** - None specific.

4.2 **Legal Issues** - None specific.

4.3 **Potential Risks - Risk Management Implications**

Potential Risk	Likelihood	Impact	Overall Score
Investment with non approved body	1	3	3
Investment with an approved counterparty that subsequently defaults	1	4	4
Failure to achieve investment interest budget targets	3	2	6
Those risks scoring 9 or above are considered significant and will need specific attention in project management. They will also be added to the service's Risk Register.			

Appendices

Appendix 1 Mid Year Treasury Management Monitoring Report

Appendix 2 Sector's Treasury Management Update - Quarter Ended 30th June 2013

Background Papers

UK Economic Forecasts provided by Sector;
 CIPFA Prudential Code for Capital Finance in Local Authorities, 2012 Edition;
 CIPFA Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes, 2011 Edition;
 CIPFA Treasury Management in the Public Services – Guidance Notes for Local Authorities, 2011 Edition.

File Reference - None.