

**Report to:** Audit Committee

**Date of meeting:** 12 March 2014

**Report of:** Alan Power - Head of Finance Shared Services

**Title:** Treasury Management Update

1.0 **SUMMARY**

1.1 This report presents to members:-

- a) The Annual Treasury Management Report and Prudential Indicators for 2012/13;
- b) A mid year review of the Treasury Management function 2013/14.

2.0 **RECOMMENDATIONS**

2.1 That members note the contents of the Report.

**Contact Officer:**

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**Report approved by:** Alan Power, Head of Finance

## 3.0 **DETAILS**

3.1 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 **Annual Treasury Management Report and Actual Prudential Indicators 2012/13**

3.4 Attached at Appendix 1 is the Annual Treasury Management Report and Prudential Indicators for 2012/13. The report provides details of actual prudential and treasury indicators and actual treasury operations during 2012/13 compared to the estimates within the strategy. The report is made in line with the Council's approved policy on Treasury Management.

3.5 During 2012/13, the Council complied with its legislative and regulatory requirements. The Director of Finance confirms that the statutory borrowing limit (the authorised limit) was not breached.

3.6 The financial year 2012/13 continued the challenge of low investment returns and continuing risk.

3.7 The Director of Finance also confirms that no borrowing was undertaken.

3.8 The report contains:

- Capital activity during the year;
- Reporting of the required prudential and treasury indicators;
- Impact of this activity on the Council’s underlying indebtedness (the Capital Financing Requirement);
- Overall treasury position and the impact on investment balances;
- Summary of the economy and interest rates;
- Investment Rates in 2012/13;
- Investment Outturn for 2012/13.

### 3.9 **Mid Year Review of the Treasury Management Function**

3.10 Attached at Appendix 2 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.

3.11 The underlying economic environment remains difficult for the Council, 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.

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

3.13 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.

3.14 The Treasury Management Strategy for 2014/15 – 2016/17 was agreed by Council on 29 January 2014. This included a requirement to report the year end position by June of the following year and a mid-year report after 30 September.

## 4.0 **IMPLICATIONS**

### 4.1 **Financial**

4.1.1 None Specific.

### 4.2 **Legal Issues** (Monitoring Officer)

4.2.1 None Specific.

### 4.3 **Equalities**

None Specific.

### 4.4 **Potential Risks**

The subject of this report is covered by the Finance (Shared Services) Service Plan. Any risks resulting from this report will be included in the risk register and, if necessary, managed within this plan.

## **Background Papers:**

UK Economic Forecasts provided by Capita Asset Services;  
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.

## **APPENDICES**

Appendix 1 Annual Report on the Treasury Management Service 2012/13  
(Incorporating Outturn Prudential Indicators).

Appendix 2 Mid-Year Treasury Management Monitoring Report for 2013/14.