

Report To: Corporate Governance Committee

Date of Meeting: 5 September 2012

Lead Member / Officer: Cllr Julian Thompson-Hill

Report Author: Head of Finance and Assets

Title:

1. Paper on Borrowing (Appendix 1)
2. Annual Treasury Management (TM) Report 2011/12 (Appendix 2)
3. TM Update Report 2012/13 (Appendix 3)

1 What is the report about?

1.1 The paper on borrowing (Appendix 1) discusses various aspects of the Council's borrowing and further training will be provided to expand on these issues at the meeting. The Annual TM Report 2011/12 (Appendix 2) is about the Council's investment and borrowing activity during 2011/12. It also provides details of the economic climate at that time and shows how the Council complied with its Prudential Indicators. The TM Update Report (Appendix 3) provides details of the Council's TM activities during 2012/13.

1.2 The term 'treasury management' includes the management of the council's borrowing, investments and cash flow. Approximately £0.5bn passes through the council's bank accounts every year. The council's outstanding borrowing is £134.39m with an average annual interest rate charge of 5.75% and at any point during the year, the council will have between £20-£35m to invest which on average earns 0.70% currently.

2 What is the reason for making this report?

2.1 It was agreed by Council on 27 October 2009 that the governance of TM be subjected to scrutiny by the Corporate Governance Committee. Part of this role is to receive an update on the TM activities twice a year and to review the enclosed Annual TM Report for 2011/12.

2.2 Role of Corporate Governance Committee

2.2.1 The TM team will provide reports and training to the Corporate Governance Committee in accordance with the timetable below:

Committee	Date	Report Title	Report Content
Corporate Governance	January	TM Strategy	- Policy - Strategy - Prudential Indicators
Council	February	TM Strategy	As above
Corporate Governance	July	TM Update	- External environment - Risks - Activity

			- Controls - Future Activity
Corporate Governance	Early/mid September	TM Review	- Review of TM activities during the preceding year - Performance of TM function
Cabinet	End September	TM Review	As above
Corporate Governance	December	TM Update/Training Session	- As TM Update above - Training on the basics of TM - Refresher sessions on TM developments

2.2.2 TM is a complex area which takes time to understand fully and regular updates are provided. It was deemed therefore that the Corporate Governance Committee was more appropriate than Council to receive these updates so that the required amount of time and commitment could be devoted to this area.

2.2.3 The Committee is required to have a certain level of understanding in this area and this is achieved through regular updates and training sessions.

2.2.4 The role of the Committee includes the following:

- To understand the Prudential Indicators
- To understand the impact of borrowing on the revenue position
- To understand the wider drivers impacting on the Council's TM activities
- To ensure that the Council always acts in a prudent manner in relation to its TM activities

3 What are the Recommendations?

3.1 That members note the paper on borrowing (Appendix 1).

3.2 That members note the performance of the Council's Treasury Management function during 2011/12 and its compliance with the required Prudential Indicators as reported in the Annual TM Report 2011/12 (Appendix 2).

3.1 That members note the TM update report (Appendix 3).

4 Report details

4.1 The paper on borrowing (Appendix 1) explains why and how the Council borrows and provides details of the strategy which it adopts.

4.2 The purpose of the Annual Treasury Management Report (Appendix 2) is to:

- present details of capital financing, borrowing, debt rescheduling and investment transactions in 2011/12;
- report on the risk implications of treasury decisions and transactions;
- confirm compliance with treasury limits and Prudential Indicators.

4.3 The TM update report (Appendix 3) provides details of the following:

- External economic environment
- Risks
- Activity
- Controls
- Future Activity

5 How does the decision contribute to the Corporate Priorities?

5.1 Good investment and borrowing decisions allow additional resources to be directed to other Council services.

6 What will it cost and how will it affect other services?

6.1 Not applicable.

7 What consultations have been carried out?

7.1 The Council has consulted with its treasury advisers, Arlingclose Ltd.

8 What risks are there and is there anything we can do to reduce them?

8.1 Treasury Management is inherently risky but the Council is monitoring and controlling these risks as outlined in the main report. However, it is impossible to eliminate these risks completely. The council's treasury management strategy and procedures are audited annually and the latest internal audit review was positive with no significant issues raised.

9 Power to make the Decision

9.1 The Local Authorities (Capital Finance and Accounting) (Wales) Regulations require local authorities to have regard to the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management which determines the requirement for the Council to prepare regular TM updates and an annual report on treasury activities for the previous financial year.