

<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 7
<b>5 NOVEMBER 2012</b>	<b>PUBLIC REPORT</b>

Committee Member(s) responsible:	Resources Portfolio Holder, Councillor Seaton	
Contact Officer(s):	John Harrison, Executive Director Strategic Resources Steven Pilsworth, Head of Strategic Finance	☎ 452398 ☎ 384569

### TREASURY MANAGEMENT PERFORMANCE INDICATORS

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM :</b> John Harrison, Executive Director Strategic Resources	<b>Deadline date :</b> N/A
Audit Committee is asked to	
1. To review current performance against the Treasury Management Strategy (TMS) set in the Medium Term Financial Strategy (MTFS)	

#### 1. ORIGIN OF REPORT

- 1.1 The Treasury Management in the Public Services: Code of Practice 2011 recommends that Members receive reports on its treasury management policies, practices and activities, including, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.
- 1.2 The annual strategy is approved by Council as part of the Medium Term Financial Strategy (MTFS) and the final performance against the strategy is reported to Audit Committee in June alongside the Statement of Accounts. This report forms the mid-year review.

#### 2. PURPOSE AND REASON FOR REPORT

- 2.1 To report current performance and the forecast outturn position against the strategy.
- 2.3 This is in accordance with the Committees' Terms of Reference – 2.2.17 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

#### 3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	<b>NO</b>	If Yes, date for relevant Cabinet Meeting	N/A
---	-----------	---	-----

#### 4. TREASURY MANAGEMENT STRATEGY PRUDENTIAL INDICATORS

- 4.1 The Prudential Code underpins the system of capital finance. Local authorities determine their own programmes for capital investment in fixed assets that are

central to the delivery of quality local public services. Prudential indicators are developed as part of the annual MTFS process to ensure that:

- a) Capital investment plans are affordable;
- b) All external borrowing and other long term liabilities are within prudent and sustainable levels; and
- c) Treasury management decisions are taken in accordance with professional good advice.

- 4.2 The 2012/13 Prudential Indicators are shown in Appendix 1 and the Council's performance to date and forecast performance is within the limits set in the MTFS.
- 4.3 The Council has not been directly impacted by the continuing Eurozone crisis however, along with continued uncertainty within the UK economy; British banks have seen their credit ratings downgraded which has in turned affected the Council's lending list. As per the TMS the Council is operating a restrictive lending list, where surplus cash is only invested for the short term Barclays (maximum £5m), other Local Authorities, and the Debt Management Office (DMO).
- 4.4 The Council's own banking provider, Barclays, was downgraded in December 2011 by Fitch credit rating agency following a review on global trading and universal banks, and later in July 2012 by Moody's and Standard and Poor's credit rating agencies. This downgrading should not be viewed in isolation from other bank credit ratings and Barclays remain one of the highest rated banks compared to its UK competitors.
- 4.5 The ratings from all three agencies for Barclays meet the minimum criteria set out in the Treasury Strategy, per the MTFS. However, in order to mitigate the risk further the Council has reduced the amount held in the call account to £5m from £15m and has in place a contingency plan if Barclays are downgraded further. The use of Barclays for the Council's core banking services continues in the context of the MTFS of minimising the 'cost of carry' of borrowing. As a result existing cash balances are used rather than borrowing in advance of need. Daily treasury management practices therefore concentrate on short term cash flow requirements and long term borrowing needs, and not investment returns.

## **5. CONSULTATION**

- 5.1 As 'The Prudential Code and Treasury Management Strategy 2012-2022' forms part of the annual MTFS, it has undergone full consultation and been through the scrutiny process.
- 5.2 The Council continues to liaise with its treasury advisors, Sector Treasury Services Ltd.

## **6. ANTICIPATED OUTCOMES**

- 6.1 As set out in the report.

## **7. REASONS FOR RECOMMENDATIONS**

- 7.1 This report and update is given to the Committee to review performance against the Treasury Management Strategy set in the MTFS

## **8. ALTERNATIVE OPTIONS CONSIDERED**

The 'The Prudential Code and Treasury Management Strategy 2012-2022' is required to be prepared in accordance with the Treasury Management in the Public Services: Code of Practice 2011. This report sets out the performance against the associated indicators. The options are therefore limited.

## **9. IMPLICATIONS**

- 9.1 To provide the Committee the opportunity to review current performance against the revised Prudential Indicators.

## **10. BACKGROUND DOCUMENTS**

(Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- The Prudential Code for Capital Finance in Local Authorities –2011 Edition, CIPFA; and
- Treasury Management in the Public Services, Code of Practice and Cross-Sectoral Guidance Notes – 2011 Edition, CIPFA

## **11. APPENDICES**

Appendix 1 - Treasury Management Strategy - Prudential Indicators – Forecast Outturn as at 24th October 2012

This page is intentionally left blank