

---

**Meeting:** Council

**Date:** 12 September 2013

**Subject:** Treasury Management Outturn Report

**Report of:** Cllr Maurice Jones, Deputy Leader and Executive Member for Corporate Resources

**Summary:** In compliance with relevant codes of practice adopted by Central Bedfordshire Council this report provides a review of Treasury Management activities for the year ended 31 March 2013.

---

**Advising Officer:** Charles Warboys, Chief Finance Officer and Section 151 Officer

**Contact Officer:** Charles Warboys, Chief Finance Officer and Section 151 Officer

**Public/Exempt:** Public

**Wards Affected:** All

**Function of:** Council

## **CORPORATE IMPLICATIONS**

### **Council Priorities:**

Effective management of the Council's financial resources and the associated risks is a cornerstone to the delivery of the Council's priorities

### **Financial:**

1. The Council's Treasury Management Strategy and Prudential Indicators underpin the Medium Term Financial Plan (MTFP). Performance against the Strategy and the Prudential Indicators is explained within the body of this report.
2. Treasury management is defined by the CIPFA Code of Practice for Treasury Management in the Public Services 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."

**Legal:**

3. The Council's treasury management activities are regulated by statute, professional codes and official guidance. The Local Government Act 2003 (the Act) provides the powers to borrow and invest as well as providing controls and limits. Under the Act, the department for Communities and Local Government has issued Guidance on Local Government Investments (revised March 2010) to structure and regulate the Council's investment activities. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 – Statutory Instrument (SI) 3146 (plus subsequent amendments), develops the controls and powers within the Act. The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities. The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services (the Code of Practice).
4. CIPFA revised the Code of Practice in November 2011 to reflect developments in financial markets and the introduction of the Localism Act for English local authorities.

**Risk Management:**

5. The approved strategy aims to manage the risks to the Council's finances from instability in financial markets.

**Staffing (including Trades Unions):**

6. Not Applicable.

**Equalities/Human Rights:**

7. Not Applicable.

**Public Health:**

8. Not Applicable.

**Community Safety:**

9. Not Applicable.

**Sustainability:**

10. Not Applicable.

**Procurement:**

11. Not Applicable.

**RECOMMENDATION:****The Council is asked to:**

1. **note the report on Treasury Management and the Prudential Indicators performance for the year ended 31 March 2013.**

## **Background**

12. The Council's Treasury Management Strategy has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.
13. The Code also requires that all Members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority has adopted best practice in accordance with CIPFA's recommendations. Local arrangements require the Corporate Resources Overview and Scrutiny Committee to receive, on a quarterly basis, treasury management performance reports and every year to scrutinise the revised strategy.
14. Overall responsibility for treasury management remains with the Council.
15. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.
16. This report provides Members with a summary of the treasury management activity during 2012/13. The Council can confirm a prudent approach has been taken in relation to its investment activities with priority being given to security and liquidity over yield.

## **Summary of Borrowing and Investment Strategies**

17. The Council's strategy over the period can be summarised as :
  - i) No external borrowing has been undertaken to finance capital expenditure or re-finance existing maturing debt. These costs have been met by reducing liquid resources.
  - ii) The opportunities for debt rescheduling are regularly monitored but, as anticipated, no opportunities materialised.
  - iii) Given continuing global financial turmoil during the year, the security and liquidity of investments were safeguarded by restricting counterparties to those of high creditworthiness and also restricting time periods for investments.

## **Treasury Activities**

18. Security of capital remained the Council's main investment objective. The Council's investment income for the year was £0.9m and the average cash balances were £69.7m. Details of investment activity in 2012/13 are set out in Appendix A

- 19 In line with the approved treasury strategy no new borrowing was undertaken in 2012/13. The Council used internal resources in lieu of borrowing and this has continued to be the most cost effective means of funding capital expenditure. Maturing debt of £5m was not replaced with new loans. No opportunities for debt rescheduling were identified. Details of investment and borrowing activities are set out in Appendix A

## **Prudential Indicators**

- 20 The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators to support decision making. The Prudential Code was revised in November 2011 and has been adopted by this Council.
- 21 Prudential indicators for 2012/13 were approved at the 24 January 2013 and 21 February 2013 Council meetings. The Council's borrowing has not exceeded the various limits determined within the Treasury Management Strategy and any Prudential Indicators relevant to debt. The full details of the performance in respect of all of the 2012/13 approved Prudential indicators are set out in Appendix B.
22. Three indicators had a 2012/13 outturn higher than the approved values which results from the progress of the approved capital programme. The revenue estimates for financing the capital programme included in the Medium Term Financial Plan 2013/2017 were based on the assumption of a 20% annual deferral of the approved gross expenditure capital budget. Applying the same assumption for the purposes of setting prudential indicators for 2012/13 produced an indicator in respect of capital expenditure of £70.9m. The outturn capital spend of £73.4m at 31 March 2013 was a reflection of a lower actual scheme deferral of 15%. Mainly as a result of the higher than assumed level of capital expenditure for 2012/13 the outturn positions for two other indicators were marginally above the approved values. Specifically the indicators in respect of the Capital Financing Requirement (approved £396.1m, actual £399.4m) and the ratio of financing cost to net revenue stream for the General Fund (approved 6.1%, actual 6.2%).

## **Appendices:**

Appendix A – Borrowing and Investment Activities 2012/13

Appendix B – Prudential Indicators 2012/13

Appendix C – Interest rates 2012/13

**Background Papers:** (open to public inspection)

The Chartered Institute of Public Finance & Accountancy – The Prudential Code for Capital Finance in Local Authorities (2011 Edition).

The Chartered Institute of Public Finance & Accountancy – Treasury Management in the Public Services, Code of Practice and Cross-Sectoral Guidance notes (2011 Edition).

The Chartered Institute of Public Finance & Accountancy – Treasury Management in the Public Services, Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (2011 Edition).