



**Meeting: Audit Committee  
Council**

**Date: 26<sup>th</sup> June 2013  
18<sup>th</sup> July 2013**

**Wards Affected: All Wards in Torbay**

**Report Title: Treasury Management Outturn 2012/13**

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## **1. Purpose and Introduction**

- 1.1 This report informs the Council/Committee of the performance of the Treasury Management function in supporting the provision of Council services in 2012/13 through management of cash flow, debt and investment operations and the effective control of the associated risks.

## **2. Proposed Decision**

### **Audit Committee:**

- 2.1 **That the Treasury Management decisions made during 2012/13 as detailed in this report be endorsed.**

### **Council:**

- 2.2 **That the Audit Committee recommends Council endorse the Treasury Management decisions made during 2012/13, as detailed in the submitted report; and**
- 2.3 **That Council be recommended to approve the Prudential and Treasury Indicators as set out in Annex 1 to this report.**

## **3. Reason for Decision**

- 3.1 The Council is required through regulations issued under the Local Government Act 2003 to produce an annual outturn report reviewing treasury management activities and the actual prudential and treasury indicators for 2012/13.

3.2 This report also meets the requirements of the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

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## Supporting Information

### 4. Position

4.1 Treasury management is defined by the Code as:

*“The management of the authority’s investments and cash flows, it’s 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”.*

4.2 During 2012/13 the minimum reporting requirements were that full Council should receive the following reports:

- An annual treasury strategy in advance of the year (Council 13<sup>th</sup> February 2012)
- A mid-year review report (distributed to Members on 12<sup>th</sup> December 2012)
- An annual report following the year describing the activity compared to the strategy (this report)

4.3 Recent changes in the regulatory environment place a much greater onus on Members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the policies previously approved by Members.

4.4 The Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to full Council.

4.5 A major element of the Treasury Management function is the implementation and control of the Council’s borrowing decisions. Like all local authorities Torbay Council uses borrowing as a key source of funding for enhancing, purchasing or building assets within the approved capital plan.

4.6 Borrowing allows the repayment costs of capital expenditure to be spread over future years which means that the costs of roads, schools etc are more likely to be met by those who use the assets than would be the case if the full cost of providing these facilities were met by taxpayers at the time of their construction.

4.7 As part of the annual budget process the Council sets limits for the total amount of borrowing that it considers is affordable in terms of revenue resources available to make repayments. Treasury Management officers are tasked with maintaining borrowing within these levels and obtaining best value for the Council in terms of repayment rates and length of loans.

4.8 The Treasury Management team also carry out management of the Council’s surplus cash balances arising from, for example:

- Short term revenue balances (working capital)
- Cash backed reserves
- Capital funding received in advance of commencement of schemes

Balances are invested with approved financial institutions and other local authorities to obtain the best return for periods which ensure cash is available when needed. Security of cash and liquidity are the absolute priorities in all investment decisions.

- 4.9 Treasury Management strategies were planned and implemented in conjunction with the Council's appointed advisors, Sector Treasury Services although the Council officers were the final arbiters of the recommended approach.

## **5. Possibilities and Options**

- 5.1 Not applicable

## **6. Fair Decision Making**

- 6.1 Not applicable

## **7. Public Services (Social Value) Act 2012**

- 7.1 Not applicable

## **8. Consultation**

- 8.1 Not applicable

## **9. Risks**

- 9.1 Not applicable

## **Appendices and Annexes**

Appendix 1	Treasury Management Activities in 2012/13
Annex 1	Prudential and Treasury Indicators 2012/13
Annex 2	The Economy and Interest Rates in 2012/13
Annex 3	Counterparties with which funds have been deposited in 2012/13

## **Additional Information**

Treasury Management Strategy 2012/13