

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

07 October 2015

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Council

1 TREASURY MANAGEMENT MID-YEAR REVIEW 2015/16

A report detailing treasury management activity undertaken during the period April to July of the current financial year was considered by Audit Committee on 7 September. The report also reminded Members of the parameters that define the Council's risk appetite. Cabinet are invited to recommend that Council endorse the action taken by officers in respect of treasury management activity to date and retain the current risk parameters.

1.1 Introduction

- 1.1.1 Council adopted the 2009 CIPFA Code of Practice for Treasury Management on 18 February 2010. That Code, and subsequent updates, requires as a minimum that full Council approves an annual strategy prior to the start of the financial year, a mid-year review of that strategy (this report) and an outturn report.
- 1.1.2 Additional reports updating Members on current activity are presented to the Audit Committee and performance is also reported on a regular basis to the Finance, Innovation and Property Advisory Board. The combination of Member reporting and detailed scrutiny of activity ensures this Council complies with best practice.
- 1.1.3 The treasury management report presented to the Audit Committee on 7 September 2015 is replicated in full at **[Appendix 1]**.

1.2 2015/16 Treasury Management Performance

- 1.2.1 A gross annualised return of 0.71% was generated on investments for the period April to July 2015. In cash terms, investment income of £62,500 is £6,500 better than our profiled budget for the same period.
- 1.2.2 Investment returns offered by banks and building societies are broadly the same today as they were a year ago. The additional income referred to above can be attributed to both core fund and cash flow balances being higher than anticipated. Cash flow balances, in particular, are benefitting from a change by Government in the timing of Business Rate income paid over to themselves and precepting

authorities which has allowed greater use to be made of higher yielding term deposits. This enhanced performance is expected to continue such that investment income for the year as a whole will be £15,000 to £20,000 better than budget.

- 1.2.3 All investments undertaken in 2015/16 complied in full with the requirements of the 2015/16 Annual Investment Strategy including prudential and treasury limits.

1.3 Review of Risk Parameters and Regulatory Changes

- 1.3.1 The 2015/16 Investment Strategy was approved by full Council in February 2015. The Strategy limits the Council's exposure to investment risks via the specification of minimum sovereign and counterparty credit ratings and associated exposure limits. The Strategy also imposes restrictions on the duration of an investment and the type of investment instrument that can be used. In conducting a mid-year review of the Strategy no change to the Council's current risk appetite is proposed.

1.4 Legal Implications

- 1.4.1 Under Section 151 of the Local Government Act 1972, the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management.
- 1.4.2 This mid-year review fulfils a requirement in The Chartered Institute of Public Finance & Accountancy's Code of Practice on Treasury Management 2009.

1.5 Financial and Value for Money Considerations

- 1.5.1 As outlined above.

1.6 Risk Assessment

- 1.6.1 The application of best practice, including the regular reporting and scrutiny of treasury management activity as identified by the CIPFA Code, is considered to be the most effective way of mitigating the risks associated with treasury management.

1.7 Equality Impact Assessment

- 1.7.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.8 Recommendations

- 1.8.1 Audit Committee endorsed the recommendations contained in the report to them on 7 September 2015 [**Appendix 1**] and as detailed below. Cabinet is invited to **RECOMMEND** that Council:

- 1) Endorse the action taken by officers in respect of treasury management activity for the period April to July 2015.
- 2) Retain the existing parameters intended to limit the Council's exposure to investment risks.

Background papers:

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Nil

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