

## BABERGH DISTRICT COUNCIL

<b>From: Head of Corporate Resources</b>	<b>Report Number: M81</b>
<b>To: Overview and Scrutiny (Stewardship) Committee</b>	<b>Date of meeting: 20 September 2012</b>

### ANNUAL TREASURY MANAGEMENT REPORT 2011/12

#### 1. Purpose of Report

- 1.1 The report is required to comply with the requirements of the CIPFA Code of Practice on Treasury Management (“the Code”) and provides the Committee with a comprehensive assessment of Treasury Management activities for the year.
- 1.2 The report includes performance on Prudential Indicators which were set in the 2011/12 Treasury Management Strategy (revised February 2012).

#### 2. Recommendation to Council

- 2.1 That the Treasury Management activity for the year 2011/12, as detailed in Paper M81 be noted. Further, that it be noted that performance was in line with the Prudential Indicators set for 2011/12.

The Committee is asked to make a recommendation to Full Council on the above matter.

#### 3. Financial Implications

- 3.1 None directly relating to this report but Members to note the following activity during the year:
  - Additional £3m borrowing from PWLB for 10 years at 2.88%
  - Borrowing from PWLB for Housing Reform - £83.65m, consisting of 4 term loans, repayable from 13 to 24 years at favourable rates, averaging 3.26%

#### 4. Risk Management

- 4.1 This report is most closely linked with the Council’s Corporate / Significant Business Risk No. 6 – Performance and Cost Management. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Loss of investment	Very Low	Critical	Strict lending criteria for high credit rated institutions.
Poor return on investments	High	Marginal	Focus is on security and liquidity, therefore, careful cashflow management and budget monitoring in accordance with the Strategy is required.

<b>Risk Description</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigation Measures</b>
Liquidity problems	Unlikely	Marginal	Careful and regular cashflow monitoring to ensure this does not arise.
Higher than expected borrowing costs	Low	Marginal	Benchmark is to borrow from the Public Works Loan Board whose rates are very low and can be on a fixed or variable basis. Alternative of using internal surplus funds temporarily.

**5. Consultations**

5.1 None directly related to this report.

**6. Equality Analysis**

6.1 None.

**7. Shared Service / Partnership Implications**

7.1 None, although it should be noted that Babergh and Mid Suffolk have quarterly strategy meetings with the joint external treasury advisor, Arlingclose.

**8. Key Information**

8.1 The Council’s treasury management activity is underpinned by CIPFA’s Code of Practice on Treasury Management (“the Code”), which requires local authorities to produce annual Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that Members are informed of treasury management activities at least twice a year. Scrutiny of treasury policy, strategy and activity is delegated to Overview and Scrutiny (Stewardship) Committee and the Council currently reports quarterly to this Committee.

8.2 Treasury management is defined 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.”

8.3 Treasury Management is about the management of risk. No treasury management activity is without risk. Overall responsibility for treasury decisions and activity lies with the Council and the management of risk is integral to the Council’s treasury management objectives.

8.4 The 2012/13 Treasury Management Strategy was approved by Council on 23 February 2012 and came into effect immediately to ensure borrowing related to Housing Reform complied with the Prudential Indicators.

**9. Appendices**

Title	Location
(a) Treasury management – investment and borrowing activity	Attached
(b) Prudential Indicators	Attached

**10. Background Documents**

10.1 CIPFA’s Code of Practice on Treasury Management (“the Code”).

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