

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE AUDIT COMMITTEE

29 NOVEMBER 2012

REPORT OF THE SECTION 151 OFFICER

TREASURY MANAGEMENT OUTTURN 2011/12 AND HALF YEAR POSITION 2012/13

1. Purpose of the Report

- 1.1 The purpose of this report is to update Audit Committee as to the outturn position for Treasury Management activities within the Authority for 2011/12 and highlight compliance with the Council's policies and practices. It also presents the half year position for the current financial year.

2. Connection to Corporate Improvement Objectives and Other Corporate Priorities

- 2.1 The work of the Audit Committee supports corporate governance and assists in the achievement of all corporate and service objectives. Prudent treasury management arrangements will ensure that investment and borrowing decisions made by officers on behalf of the Council make best use of financial resources and hence assist achievement of corporate priorities.

3. Background

- 3.1 Audit Committee is responsible for "ensuring effective scrutiny of the treasury management strategy and policies in accordance with the Treasury Policy Statement and Treasury Management Prudential Indicators" (Audit Committee's Terms of Reference).
- 3.2 A Treasury Management Sub-committee was established with three members from Audit Committee and the Cabinet Member Resources to scrutinise the treasury management activities of the Authority on behalf of the Audit Committee. They received treasury management training in January 2012 and subsequently met in February 2012 to comment on the Treasury Management Policy Statement for 2012/13.
- 3.3 However, following the Local Government Elections and subsequent change to the composition of Audit Committee, there will need to be additional Member training on Treasury Management. This will be arranged for the New Year and will assist members in discharging their function of scrutinising treasury management.

4. Current Situation / Proposal

- 4.1 The Annual Treasury Management Report for 2011/12 was presented to Council on the 17 October 2012. This has been attached as Appendix 1.
- 4.2 The Authority has complied with its legislative and regulatory requirements during 2011/12. The Treasury Management Policy Statement 2011/12, Half Yearly Outturn

and Annual Report were all reported to full Council. In addition, there were quarterly monitoring reports that went to Cabinet.

- 4.3 The Annual Treasury Management Report details some performance measures within section 4.9. For 2011/12, the Authority had an Average Rate of Return on Investments of 0.78% compared to the Average Bank Rate for the year of 0.50%. The Authority's Average Rate of PWLB Debt as at the 31 March 2012 was 4.70% compared to the average rate for all Welsh Local Authorities of 5.66%. So in both cases, the rate achieved by the Authority was greater than the base line indicator.
- 4.4 During 2011/12, the Authority operated within the treasury limits and Treasury Management and Prudential Indicators as set out in the agreed Treasury Management Policy Statement 2011/12 and also complied with its Treasury Management Practices. The area was reviewed by the Authority's External Auditors, KPMG, during their audit of the financial year.
- 4.5 In addition to the External Audit work, Internal Audit undertook an audit of Treasury Management during 2011/12 which examined the adequacy of controls within treasury management and undertook a reconciliation of the Council's bank statements to treasury management records. The audit identified 'strengths and areas of good practice within all areas tested'. The Audit Report is contained as Appendix 2 where the audit opinion issued was one of 'substantial assurance' and no recommendations were made to improve the existing controls.
- 4.6 Council received the Half Year Treasury Management Report 2012/13 on the 14 November 2012. This has been attached at Appendix 3. During the first half of the year, the Authority only placed investments for shorter periods with the Debt Management Office, other local authorities and with the Council's bankers (in an instant access account). This was to ensure an investment strategy weighted towards the security of investments. There was no long term borrowing taken during the first half of 2012/13.

5. Effect upon Policy Framework & Procedural Rules

- 5.1 There are no implications upon policy framework and procedural rules.

6. Equality Impact Assessment

- 6.1 There are no equality implications.

7. Financial Implications

- 7.1 These are reflected in the body of the report.

8. Recommendations

- 8.1 It is recommended that Members:-

- Note the Annual Treasury Management Outturn Report 2011-12 (Appendix 1)
- Note the Internal Audit Report on Treasury Management (Appendix 2).
- Note the Half Year Treasury Management Report 2012-13 (Appendix 3).

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Background Documents:

Treasury Policy Statement 2011/12
Treasury Policy Statement 2012/13