

**TREASURY MANAGEMENT – REVIEW OF PERFORMANCE
(Report by the Overview and Scrutiny Panel (Economic Well-Being))**

1. INTRODUCTION

- 1.1 At its meeting held on 3rd November 2011, the Overview and Scrutiny Panel (Economic Well-Being) considered a report by the Head of Financial Services reviewing the performance of the Council's Investments for the period 1st April to 30th September 2011. This report summarises the Panel's discussion

2. THE PANEL'S DISCUSSIONS

- 2.1 In considering the content of the report, the Panel has noted that the latest forecast outturn is for net investment interest to exceed the budget of £93k by £23k. The Head of Financial Services has reported that the financial market continues to remain uncertain and the current strategy seeks to invest any surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest.
- 2.2 With regards to the Council's investment of £5M with Skipton Building Society, the Panel has noted that this has recently been identified by Moody's, one of the leading credit Agencies, as one of the societies which they consider would be unlikely to receive Government Support if it got into difficulties. The Head of Financial Services has expressed the view that the Building Society Industry is sufficiently robust and is inclined to protect investors' interests so there is no immediate need to change this investment.
- 2.3 Attention has also been drawn to the indicators which are currently used by the Council to measure certain treasury management risks. With regard to the indicator 'Maturity Structure of Borrowing', the Panel has noted a proposal to combine the indicators for 'Cash flow borrowing' and 'Borrowing to fund capital schemes' as set out in paragraph 7.3 of the report. The change is proposed because of the difficulty of differentiating cash flow borrowing when it is in the Council's interest to use its own funds from borrowing short to cover capital expenditure. The Panel has supported the change.
- 2.4 The Panel has been informed of the Council's Investments as at 30 September 2011 and has received an explanation as to the role of the Capital Receipts Advisory Group in determining investment activity. Members have noted that the constitution and membership of this Group will need to be reviewed.
- 2.5 As a consequence of a question on the Council's Net Assets, the Panel has noted that net cash is likely to fall. Details of the net position over the course of the next few years will be presented as part of the report on the Council's budget in February 2012. Forward borrowing will be considered in light of market conditions.

3. RECOMMENDATION

- 3.1 The Cabinet is requested to take into consideration the views of the Overview and Scrutiny Panel (Economic Well-Being) as set out above when considering this item.

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