

**TREASURY MANAGEMENT ANNUAL REPORT 2012/13
(Report by the Overview & Scrutiny Panel (Economic Wellbeing))**

1. INTRODUCTION

- 1.1 In accordance with the CIPFA Code of Practice, the Economic Well-Being Panel has formal responsibility for scrutinising the Council's Treasury Management. At its meeting held on 6 June 2013, the Overview & Scrutiny Panel (Economic Well-Being) considered a report by the Accountancy Manager on the Council's performance of its treasury management activities for the year ending 31 March 2013.

2. THE PANEL'S DISCUSSIONS

- 2.1 The Council's funds have performed well in 2012/13. They have significantly exceeded both the benchmark and the budgeted investment interest. This achievement is particularly noteworthy in the current economic climate. The actual net investment interest is a credit of £39,186, which is more than three times the estimated credit budget of £11,000 for the year. This is the result of higher than estimated interest rates and levels of reserves. While it might have been expected that it would be relatively easy to predict interest income from long term investments, this has not been the case because some of these investments ended during the year and new arrangements had to be made.
- 2.2 In terms of the Management of VAT, the Council's liability is reviewed annually by HMRC. The Panel has discussed whether there might be a benefit for the Council of transferring the leisure centres to a trust. The Council's VAT liability is not wholly attributable to the leisure centres as VAT is also payable on some land and property. There are other factors, which would mean there would not be a total saving of this sum, though there is the potential that it might lower the cost of VAT.
- 2.3 A number of other local authorities deal with the Co-operative Bank but the Bank is currently facing some difficulties. Attention is drawn to Annex B of the report by the Accountancy Manager, which shows that the Co-operative Bank is not one of the Council's counterparties. The counterparty list is reviewed on a monthly basis with the assistance of the Council's advisors. Annex C defines the parameters of the Council's total borrowing and investments, which safeguards the Council's investments.
- 2.4 The Treasury Management Advisory Group meets on an ad hoc basis throughout the year to monitor performance and review the Treasury

Management Strategy. The kind of information it receives appears in Annex A of the report by the Accountancy Manager. It is a commentary on the 2012/13 economic situation, which has been obtained from the Council's Treasury Advisors. There are a number of factors which might have an impact on Treasury Management in the future (for example the employment of a new Governor at the Bank of England). In the meantime, the Accountancy Manager has been asked to provide the Panel with further information on the estimated credit budget for the forthcoming year.

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.