

To: City Executive Board

Date: 12th. February 2014

Report of: The Scrutiny Finance Panel

Title of Report: Treasury Management Strategy 2014/15

Summary and Recommendations

Purpose of report: To report the comments and recommendations of the Scrutiny Finance Panel on the proposed Treasury Management Strategy for 2014/15.

Key decision: No

Scrutiny Lead Member: Councillor Simmons.

Executive Lead Member: Councillor Turner.

Policy Framework: Efficient, Effective Council.

Recommendation(s): For the City Executive Board to say if it agrees or disagrees with the following recommendation.

Recommendation 1

To include a commentary on Community Infrastructure Levy income and spending within the Treasury Management Strategy.

Recommendation 2

To adjust the reporting of Prudential Borrowing between internal and external borrowing.

Recommendation 3

To provide for the Scrutiny Committee in March information on the risks and opportunities presented by the upward trend of accumulated balances within the HRA.

Recommendation 4

To keep under review provisions reflecting increasing and reducing property values and report to the Scrutiny Committee the “triggers” for a change in the current approach.

Introduction

1. The Scrutiny Finance Panel considered proposals for the Treasury Management Strategy 2014/15. They were supported in their debate by Nigel Kennedy and Angela Turner; the Panel would like to thank them for their time and advice.
2. The Panel is happy overall with the proposed Strategy but would like to see a few changes in the presentation of data to enhance clarity and understanding. These are detailed below.

Conclusions and Recommendation

3. The Panel discussed the effects of the Community Infrastructure Levy (CIL) within the Capital Programme and the Treasury Management Strategy. The Panel heard that amounts likely to be raised were not clear but are expected to increase slowly from 14/15. There is a list of projects (1,2,3 List) but this is left out of the Capital Programme because money will come directly from CIL and not impact on the budget for other schemes. In the interests of transparency and understanding the Panel wishes to see CIL reflected in the Treasury Management Strategy.

Recommendation 1

To include a commentary on Community Infrastructure Levy income and spending within the Treasury Management Strategy.

4. The Panel wishes to see Cash Reserves used in the most effective way and have received a number of assurances that Prudential Borrowing, whilst approved, is only used in a limited number of circumstances. In the interests of clarity and understanding the Panel wishes to see the reporting on Prudential Borrowing split between internal and external borrowing.

Recommendation 2

To adjust the reporting of Prudential Borrowing between internal and external borrowing.

5. The Panel discussed the accumulating cash balances within the HRA and understood proposals over the life of the proposed Medium Term Financial Strategy to spend these. The Panel noted that despite these plans projections for cash balances is upwards. The Panel wishes to receive advice on the risks and opportunities associated with this.

Recommendation 3

To provide for the Scrutiny Committee in March information on the risks and opportunities presented by the upward trend of accumulated balances within the HRA.

6. The Panel welcome the current investment in property funds and the intent to increase these over the coming year. The approach for the management of risk associate with this is prudent but the Panel note that no provision for the benefit of increased property values has been made in our accounts or conversely the potential reduction in property values. As investments increase the panel wishes to see this approach kept under review.

Recommendation 4

To keep under review provisions reflecting increasing and reducing property values and report to the Scrutiny Committee the “triggers” for a change in the current approach.

Comments from the Board Member

7. Recommendation 1 – it is too early to state the level of CIL that the Authority will receive as this only commenced in October. There will be a further report to CEB and Council during the year on this including a programme of works to be added to the Capital Programme. However, the source of funds is not an issue for the TM Strategy.
8. Recommendation 2 – Internal and External borrowing can be derived from the ‘Net borrowing compared to CFR’ prudential indicator, this can be found at para 72 in the Treasury Management Strategy report. This shows that the Councils total Gross borrowing is £202,257k and the CFR (underlying need to borrow) is £218,108k, the difference of £15,851k is the element of borrowing that is internal. Clearer labelling can be provided in future.
9. Recommendation 3 – the details of the risks and opportunities of increased cash balances will be covered in the year end report that will be submitted to scrutiny,
10. Recommendation 4 – Agreed. The finance team are monitoring the property funds on a monthly basis, and will account for any increase/decrease in the portfolio at year end. These details will be included in the year end report which will be submitted to scrutiny.

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List of background papers: None

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