

RECOMMENDATIONS TO CABINET 4 NOVEMBER 2014 FROM THE MEETING OF THE RESOURCES AND PERFORMANCE PANEL – AUDIT AND RISK COMMITTEE HELD ON 28 OCTOBER 2014

ARC60: CABINET REPORT: MID YEAR REVIEW TREASURY REPORT 2014/2015

In presenting the report, the Chief Financial Officer reminded the Committee that the Council had formally adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (2011) and remained fully compliant with its requirements.

The Committee was informed that one of the primary requirements of the Code was:

Receipt by Council of an annual strategy report (including the annual investment strategy report) for the year ahead, a mid year review report and an annual review report of the previous year.

It was noted that the Mid-Year Review Report had been prepared in compliance with CIPFA's Code of Practice, and covered the following:

- An economic update for the first six months of 2014/2015.
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy 2014/2015.
- The Council's capital expenditure (prudential indicators).
- A review of the Council's investment portfolio for 2014/2015.
- A review of the Council's borrowing strategy for 2014/2015.
- A review of any debt rescheduling undertaken during 2014/2015.
- A review of compliance with Treasury and Prudential Limits for 2014/2015.

Councillor Wareham referred to section 6.5 of the report and asked if the Council had considered other options for investment including property investments as an alternative to the traditional investments. In response, the Chief Financial Officer advised that to date the Council had not considered other options. Officer recommendations would be brought forward for Members to consider. The Deputy Chief Executive added that preparation work was currently being undertaken and a report would be submitted to Cabinet for consideration at the appropriate time.

Councillor Humphrey also referred to section 6.5 of the report and commented that the Council should look at potential investments that would bring a good return. He suggested that within the guidelines the risk and security of the Council's income be mentioned.

Councillor Humphrey referred to section 5.5 – the Joint Venture on the NORA site and the unsold houses. He added that a sentence to explain that the Housing Company had been established to cater for any unsold units should be inserted into the report.

In response to questions from Councillor Collop on the impact of inflation reducing, the Chief Financial Officer explained that any impact regarding inflation has been built into the Council's current Financial Plan for the period 2014 – 2017. However, since the approval of the current Financial Plan in February, inflation assumptions had been revised and would be fed into the Financial Plan for the period 2015 – 2018.

Following further questions from Councillor Collop on the inflation rates having an effect on the Council's income, the Chief Financial Officer explained that during the past few years a zero rate for inflation had been inserted into the support and service budget figures in order to achieve savings.

RESOLVED: That Cabinet be informed that the Resources and Performance Panel – Audit and Risk Committee supports the recommendation as follows:

- (1) Cabinet is asked to note the report and the treasury activity.
- (2) As part of the budget process and setting of the Treasury Management Strategy for 2015/2016 it is suggested that Cabinet ask officers to bring forward schemes that could generate higher levels of return.