RECOMMENDATIONS TO CABINET 30 OCTOBER 2012 FROM THE MEETING OF THE RESOURCES AND PERFORMANCE PANEL – AUDIT AND RISK COMMITTEE 23 OCTOBER 2012

ARC56: **<u>CABINET REPORT: MID YEAR TREASURY REPORT 2012/2013</u>**

The Chief Accountant presented the report and explained 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. Members were therefore advised that the Mid Year Review report had been prepared in compliance with CIPFA's Code of Practice.

The Chief Accountant provided the Committee with background information as set out at section 1 of the report.

Members' attention was drawn to the following sections of the report:

- Section 3: Economic Update – Global and UK economy, Sector's Outlook for the next six months of 2012/13.
- Section 4: Treasury Management Strategy Statement and Annual Investment Strategy
- Section 5: The Council's Capital Position (Prudential Indicators).
- Section 6: Investment Portfolio 2012/2013.
- Section 7: External Borrowing 2012/2013.
- Section 8: Debt Rescheduling.
- Section 9: Compliance with Treasury and Prudential Limits.
- Section 10: Financial Implications.
- Section 11: Risk Management Implications.

In response to questions from Councillor Crofts on interest rates not rising until 2014 and the Council restricting investments to 1 year instead of 2 years, the Chief Accountant explained that Sector were the Council's advisors and they had advised that no funds should be invested beyond three months because of the risk and volatility. However, the Council could determine not to accept the advice.

In response to questions on the indicators within the money market, the Chief Accountant advised that this was an unknown and gave an example of the Icelandic Bank situation. The Deputy Chief Executive commented that the Council could look at switching its investment from the money market into property, but highlighted that this would take time to make such a change.

Following further questions from Councillor Crofts on the amount of the Investment Portfolio which could be ring fenced, the Deputy Chief Executive explained that approximately £18m was the Council's own money. It would therefore be necessary to look at the Balance Sheet and undertake an exercise to identify the level of reserves that had been earmarked for capital sums and which had not been borrowed.

Councillor Humphrey asked what would happen to the right to buy scheme if the Council opted to purchase property to provide a rental income. In response, the Deputy Chief Executive explained that DCLG had indicated that there would be a different tenure and not right to buy. He added that a housing association could be invited to manage the properties on behalf of the Council.

Councillor de Winton commented that with interest rates not increasing for the next 3 years it was important that the Council considered the following options:

- Rebuild its land bank.
- Increase the number of industrial estates to encourage new businesses and employment.
- Look at acquisition of properties, etc.

In response, the Deputy Chief Executive advised that Government did not encourage local authorities to land bank. With regard to industrial estates/units, it was noted that the Property Services Manager had undertaken an exercise to look at the number of vacant units on the Industrial Estates.

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

Cabinet is asked to note the report and the treasury activity.