

Subject: Treasury Management Policy Statement 2010/11
Date of Meeting: 11 March 2010
Report of: Director of Finance & Resources
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Key Decision: Yes Forward Plan No: CAB6519
Wards Affected: All

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 Part 1 of the Local Government Act 2003, which introduced a new capital finance system with effect from April 2004, requires each local authority, inter alia, to:
- comply with the requirements of 'the Code of Practice for Treasury Management in the Public Services' issued by CIPFA; and
 - comply with investment guidance issued by the Secretary of State
- 1.2 The Code of Practice requires each local authority to set out its strategy on treasury management for the forthcoming year. The purpose of this report is to recommend a treasury management policy statement (TMPS) and treasury management practices for the financial year commencing 1 April 2010.
- 1.3 The investment guidance relates to the annual investment strategy, which is subject to a separate report to Cabinet and full Council.

2. RECOMMENDATION:

- 2.1 That Cabinet approves:
- (a) the Treasury Management Policy Statement 2010/11 as set out in Appendix 1 to this report.
 - (b) the Treasury Management Practices 2010/11 as set out in Appendix 2 to this report.
 - (c) the Schedules to the Treasury Management Practices 2010/11 as set out in Appendix 3 to this report.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The recommended TMPS at Appendix 1 for the year commencing 1 April 2010 is unchanged from the 2009/2010 Statement and follows the drafting format within the Code of Practice.

- 3.2 The treasury management practices at Appendix 2 identify the practices and procedures that will be followed to achieve the aims of the Statement. These practices remain unchanged from previous years with one exception and are considered 'best practice' under the Code. The exception is around training where specific training on treasury management is now available for Members. Details are set out under TMP10 in Appendix 2.
- 3.3 The treasury management practices are supplemented by a number of "schedules" (Appendix 3). These schedules contain specific details of the systems and routines to be employed and the records to be maintained which underpin the treasury management function.
- 3.4 The 2010/11 Strategy concentrates on managing the risk of when to undertake new long-term borrowing. If borrowing is taken too early the difference between the borrowing rate (currently 4¼-4½%) and the investment rate (currently around 1-1¼%) will place severe pressures on the revenue budget in the short-term. If the decision is delayed there is a possibility that long-term interest rates would have risen, placing pressures on the revenue budget in the long-term. The TMPS 2010/11 sets out measures targeted to reduce this risk through a series of forward deals, variable rate borrowing and short-term borrowing.
- 3.5 Treasury management is included within the assessment of 'Financial standing' under the Audit Commission's comprehensive performance assessment. One of the criteria applied to judge and inform this enquiry is that "The council has a treasury management strategy that reflects the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services". This report satisfies in full this criteria.
- 3.6 The treasury management service is subject to detailed audit each year. The most recent audit on the service concluded that "Full assurance is given to the control environment operating and management of risks for Treasury Management". The 2010/11 TMPS builds on this position.
- 3.7 Under the Prudential Code a number of prudential indicators must be set annually by the council prior to the commencement of the financial year. The 'General Fund Revenue Budget & Council Tax 2010/11' report to Cabinet on 11th February 2010 recommended, and full Council on 25th February 2010 approved, the indicators for 2010/11. The schedules to the treasury management practices include, where appropriate, the approved 2010/2011 indicators.

4. REFORM OF COUNCIL HOUSING FINANCE

- 4.1 The Government's recent consultation document of the reform to council housing finance includes an option for the redistribution of debt amongst housing authorities. It is currently unclear what impact this would have on the council's treasury management policy statement but any revisions necessary to the Statement will be reported to Cabinet when known.

5. CONSULTATION

- 5.1 The council's external treasury advisor has been consulted. The council's Head of Audit & Business Risk has been consulted on the section on money laundering.

6. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 6.1 The financial implications arising from the recommendations in this report are included in the Financing Costs budget.
- 6.2 Cabinet agreed at the meeting on 20 November 2008 to earmark the surplus generated on the Financing Costs budget in 2008/09 towards the anticipated shortfall in investment income in 2009/10 through to 2011/12 as a result of lower investment rates.

Finance Officer consulted: Peter Sargent Date: 11/02/10

Legal Implications:

- 6.3 The Code of Practice on treasury management is defined in regulations under Part 1 of the 2003 Act as 'guidance' that local authorities must take into account. The Director of Finance & Resources is satisfied that the recommendation in this report is consistent with the Code.
- 6.4 There are no direct human rights implications arising from this report.

Lawyer consulted: Abraham Ghebre-Ghiorghis Date: 18/02/10

Equalities Implications:

- 6.5 None directly arising from this report.

Sustainability Implications:

- 6.6 None directly arising from this report.

Crime & Disorder Implications:

- 6.7 None directly arising from this report

Risk & Opportunity Management Implications:

- 6.8 Risk assessment is contained within the treasury management practices

Corporate / Citywide Implications:

- 6.9 An efficient & effective treasury management system will help to minimise the revenue impact of financing the council's capital investment plans

7. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 7.1 This report sets out the council's treasury management policy statement for the year commencing 1 April 2010. The TMPS continues with the strong emphasis on risk management and the impact this may have on the performance of the treasury management service.

8. REASONS FOR REPORT RECOMMENDATIONS

- 8.1 Codes of practice issued under the Local Government Act 2003 require the council to approve an annual treasury management policy statement. This report fulfils that requirement.

SUPPORTING DOCUMENTATION

Appendices:

1. Treasury Management Policy Statement 2010/11
2. Treasury Management Practices 2010/11
3. Schedules to the Treasury Management Practices 2010/11

Documents in Members' Rooms

None

Background Documents

1. Part 1 of the Local Government Act 2003
2. 'Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes' published by CIPFA second edition 2009
3. 'Treasury Management in the Public Services – Guidance notes for local authorities ...' published by CIPFA third edition 2009
4. 'The Prudential Code for Capital Finance in Local Authorities' published by CIPFA second edition 2009
5. Brighton & Hove City Council Anti-Money Laundering Policy approved by full Council on 19 January 2006