

Subject: Treasury Management Policy Statement 2011/12
Date of Meeting: 17 March 2011
Report of: Director of Finance
Contact Officer: Name: Peter Sargent Tel: 29-1241
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Key Decision: Yes Forward Plan No. CAB 16958
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 2011.
- 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 2011/12 and subsequent years as set out in Appendix 1 to this report.
 - (b) The Treasury Management Practices 2011/12 and subsequent years as set out in Appendix 2 to this report.
 - (c) The Schedules to the Treasury Management Practices 2011/12 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 is unchanged from the 2010/2011 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.

- 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 2011/12 Strategy concentrates on reconciling the need for new long-term funding with interest rate forecasts and the loss of investment income. The Strategy recommends that funding requirements are met by using internal reserves supplemented by short-term and variable rate borrowing. The Strategy also includes contingency measures should long-term interest rates increase earlier and quicker than projected.
- 3.5 The treasury management service is subject to detailed audit each year. The most recent audit in May 2010 carried out by Deloitte's concluded that "Full assurance is given to the control environment operating and management of risks for Treasury Management". The 2011/12 Strategy builds on this position.
- 3.6 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 2011/12' report to Cabinet on 17th February 2011 recommended, and full Council on 3rd March 2011 approved, the indicators for 2011/12. The schedules to the treasury management practices include, where appropriate, the approved 2011/2012 indicators.

4. REFORM OF COUNCIL HOUSING FINANCE

- 4.1 The Localism Bill published in December 2010 confirms the Government's intention to reform council housing finance with effect from April 2012. The Bill includes a proposal for the redistribution of debt amongst housing authorities and for a number of changes to separate the management of housing debt from non-housing debt. Consultation is currently in progress to determine the impact this would have on the council's treasury management policy statement and 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 At Budget Council in 2009 reserves were earmarked to offset reductions in investment interest income whilst investment rates remain at all time lows. The report to Budget Council in March 2011 identified that £100k of the fund could be

transferred back to reserves as a result of the action taken under this and previous treasury management policy statements.

Finance Officer consulted: Peter Sargent

Date: 16/02/11

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: 16/02/11

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 2011. 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 2011/12
2. Treasury Management Practices 2011/12
3. Schedules to the Treasury Management Practices 2011/12

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