

<b>Subject:</b>	<b>Treasury Management Policy Statement 2014/15</b>		
<b>Date of Meeting:</b>	<b>20 March 2014</b>		
<b>Report of:</b>	<b>Executive Director of Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Mark Ireland</b>	<b>Tel:</b> 29-1240
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<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE**

**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 Part 1 of the Local Government Act 2003 requires each local authority to comply with the requirements of 'the Code of Practice for Treasury Management in the Public Services' issued by CIPFA and the 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 2014.
- 1.3 At the meeting in March 2013 Policy & Resources Committee approved the Treasury Management Statement and Treasury Management Practices for 2013/14 and subsequent years. There are no changes recommended to the Statement or Practices.
- 1.4 The investment guidance relates to the annual investment strategy, which is subject to a separate report to Policy & Resources Committee and full Council elsewhere on this agenda.

**2. RECOMMENDATIONS:**

- 2.1 That Policy & Resources Committee note that there are no changes to the Treasury Management Policy Statement and Treasury Management Practices approved by Policy & Resources Committee on 15 March 2013.
- 2.2 That Policy & Resources approve the Borrowing Strategy for 2014/15 as set out in Appendix 3 to this report.

**3. CONTEXT/ BACKGROUND INFORMATION**

- 3.1 The recommended TMPS follows the drafting format within the Code of Practice. The treasury management practices identify the practices and procedures that will be followed to achieve the aims of the Statement. These practices remain

unchanged from previous years and are considered 'best practice' under the Code.

- 3.2 The treasury management practices are supplemented by a number of "schedules" which have not been reproduced in appendix 1 because they have not changed since last year. 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.
- 3.3 The Borrowing Strategy is largely determined by the borrowing needs of the council and forecasts of future interest rates. An up-to-date economic analysis and the latest interest rate forecasts are shown in appendix 2.
- 3.4 The Borrowing Strategy, set out in appendix 3, focuses on reconciling the need for new long-term funding with interest rate forecasts and the loss of investment income. The Strategy recommends that most funding requirements continue to be met by using internal reserves supplemented by short-term and variable rate borrowing but that some new long term borrowing is also undertaken to reduce the reliance on reserves. The Strategy also includes contingency measures should long-term interest rates not move as anticipated.
- 3.5 The treasury management service is subject to detailed audit each year. The most recent audit in February 2014 concluded that "substantial assurance" is given to the control environment operating and management of risks for Treasury Management". Appendix 4 sets out the current scheme of delegation.
- 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 and the indicators for 2014/15 were agreed by Budget Council. The key indicators are shown in appendix 3.
- 3.7 HRA housing debt and General Fund debt are managed as separate debt pools. The underlying principles of the 2014/15 Strategy are the same for both debt pools. However it is amended as appropriate where the management of each debt pool requires a different approach.

### **Training & Qualifications**

- 3.8 External training courses for the treasury management team will be considered for value and benefit. Records of individual training will be kept in accordance with the procedures introduced by the council for such purposes. Career development and succession arrangements will also be in accordance with council policy on such arrangements.
- 3.9 Details of the qualifications for treasury staff are set out in the job descriptions and person specifications appertaining to each post. Secondments (if any) will be recorded in accordance with council policy on such instances.
- 3.10 Member training on treasury management is seen as an important tool in the scrutiny of the service. A course entitled "An introduction to treasury management", which gives an overview of treasury management, is available. The course explains what treasury management is, the aims & objectives of the

service and an understanding of the key risks. It also covers how the council manages investment risk.

### **Use of Advisors**

- 3.11 The council uses an external cash manager to administer part of its investment portfolio. The manager is able to use specialist markets with the aim to achieve higher investment returns. The current manager, Scottish Widows Investment Partnership, was appointed in March 2006 following a competitive selection process.
- 3.12 The council uses Capita Asset Services as its treasury advisors. The advisors are expected to be proactive in analysing information to assist the in-house treasury team to meet its targets on the cost of long term borrowing and investment returns as well as provide advice on developments in the treasury management field.
- 3.13 Notwithstanding the role of the advisors the council remains responsible for all decisions on treasury management.

## **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 4.1 This report confirms there are no changes to the treasury management policy statement approved by Policy & Resources Committee last year. The Strategy continues with the strong emphasis on risk management and the impact this may have on the performance of the treasury management service.

## **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 The council's external treasury advisors have been consulted in the drafting of this report.

## **6. CONCLUSION**

- 6.1 Treasury management is governed by a code that is recognised as "best and proper practice" under the Local Government Act 2003. The code requires local authorities to report annually in advance on their treasury management plan and strategy. This report fulfils this requirement.

## **7. FINANCIAL & OTHER IMPLICATIONS:**

### Financial Implications:

- 7.1 The financial implications of the TMPS were included in the financing costs budget for 2014/15 and the MTFS.

*Finance Officer Consulted: Mark Ireland*

*Date: 17/02/14*

### Legal Implications:

- 7.2 This report is made in accordance with Part 1 of the Local Government Act 2003. The statutory framework for the Prudential Code referred to in paragraph 3.6 is

regulation 2 of the Local Authority (Capital Finance and Accounting) Regulations 2003.

It is a proper function of Policy & Resources Committee to approve the council's TMPS and Borrowing Strategy.

*Lawyer Consulted:*

*Oliver Dixon*

*Date: 04/03/14*

Equalities, Sustainability Implications and other significant implications

7.3 There are no direct implications arising from this report

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Treasury Management Policy Statement 2014/15 and Treasury Management Practices 2014/15
2. Economic Outlook and Interest Rate prospects
3. Borrowing Strategy and Indicators 2014/15
4. Treasury Management Scheme of Delegation

### **Documents in Members' Rooms**

None

### **Background Documents**

1. Part I of the Local Government Act 2003 and associated regulations
2. Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes' published by CIPFA third edition 2011
3. "Treasury Management in the Public Services – Guidance notes for local authorities ... "published by CIPFA fourth edition 2011
4. "The Prudential Code for Capital Finance in Local Authorities" published by CIPFA third edition 2011
5. Brighton & Hove City Council Anti-Money Laundering Policy approved by full Council on 19 January 2006