

Audit & Governance**13 February 2012**

Report of the Cabinet Member for Corporate Services

Scrutiny of Treasury Management Strategy Statement and Prudential Indicators for 2012/13 to 2016/2017**Summary**

1. In accordance with the requirements of the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance ("the Code") which was published in 2011, Audit & Governance Committee will be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
2. The Treasury Management Strategy Statement and Prudential Indicators 2012/13 to 2016/17 is attached at Appendix A, along with the required annexes. This will be the start of the 2012/13 cycle of reports which includes 2 monitoring reports, a mid-year review report and the 2012/13 outturn report.

Background

3. The key areas included in the treasury management strategy report for Members to note are the:
 - a) Prudential Indicators relating to the Capital Programme;
 - b) Prudential Indicators to assess affordability of the Capital programme
 - c) Minimum Revenue Provision (MRP) Policy Statement .
 - d) Prudential Indicators which will limit the treasury management risk and activities of the Council;
 - e) the current treasury position;
 - f) Economic background and prospects for interest rates;
 - g) the borrowing strategy;
 - h) Prudential indicators;
 - i) policy on borrowing in advance of need;
 - j) debt rescheduling;
 - k) investment policy;
 - l) creditworthiness policy;
 - m) investment strategy;

- n) policy on use of external service providers;
 - o) Scheme of delegation and the role of the S151 officer
4. The areas covered in the treasury management strategy report statement and prudential indicators for 2012/13 to 2016/17 are as required in legislation and “the code”.
5. Points of interest to note are as follows:
- a) The prudential indicators are set in line with the council capital programme 2012/13 to 2016/17 to be approved at Full Council on 23 February 2012 along with the strategy at Appendix A.
 - b) The HRA self financing reform which essentially ends the impact of the housing subsidy system and will see the HRA as a stand alone business, will increase the debt portfolio by £122.838m when the settlement payment occurs on 28 March 2012.
 - c) The borrowing strategy is to consider long term borrowing whilst reducing the council’s cash reserves. This ensures that all borrowing is not concentrated to a specific year, reducing the risk to interest rate exposure. It also decreases the Council’s investment portfolio whilst investment interest to be earned is lower than borrowing costs and it decreases the Council’s exposure to credit risk by reduced surplus cash being invested in third parties.
 - d) The target rate for borrowing is 4.5% in 2012/13.
 - e) Debt rescheduling will be reviewed and undertaken if it offers savings over the long term.
 - f) Investment strategy is primarily concerned with the security of the council’s funds and therefore a strict credit criteria policy operates as advised by Sector – the council’s treasury management advisers.
 - g) The target average rate of return for the year 2012/13 is 1.0%.
 - h) The minimum revenue provision policy states the prudent provision is taken to redeem its debt liability over a period which is reasonably. This assists in ensuring that borrowing is affordable, sustainable and prudent.
6. This covering report aims to assist Audit & Governance members in the scrutiny of the Treasury Management Strategy Statement and Prudential Indicators for 2012/13 to 2016/17 by providing keys areas and points to note.

Consultation

7. Not applicable.

Options

8. It is a statutory requirement under Local Government Act 2003 for the council to operate in accordance with the CIPFA prudential Code and the CIPFA

Treasury Management in the Public Services Code of Practice the “Code”. The Council approved the terms of reference in the Constitution be amended to include that Audit & Governance Committee scrutinise the Treasury Management Strategy and Monitoring reports. No alternative options are available.

Council Plan

9. Treasury management is an integral part of the council’s finances providing for cash flow management and financing of capital schemes. It aims to ensure that the council maximises its return on investments, (whilst the priority is for security of capital and liquidity of funds) and minimises the cost of its debts. This allows more resources to be freed up to invest in the Council’s key priority areas as set out in the council plan. It therefore underpins all of the council’s aims.

Implications

10. The implications are
 - Financial – the security of the Councils capital funds is a priority, maximising returns on investments is still key along with minimising the finance costs of debt.
 - Human Resources - there are no human resource implications to this report.
 - Equalities - there are no equality implications to this report.
 - Legal – Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146) and the *Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008* (SI 2008/414)
 - Crime and Disorder - there are no crime and disorder implications to this report.
 - Information Technology - there are no information technology implications to this report.
 - Property –there are no property implications to this report.
 - Other - the revised code requires officers and members to scrutiny and manage the treasury function.

Risk Management

11. The treasury management function is a high-risk area because of the volume and level of large money transactions. As a result of this the Local Government Act 2003 (as amended), the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice 2011 (the code) are all adhered to as required.

Recommendations

12. That Audit & Governance Committee note the Treasury Management Strategy Statement and Prudential Indicators for 2012/13 to 2016/17 at Appendix A.

Reason: That those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

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Report ☒ Date 13/02/11
approved

Specialist Implications Officer(s) None

Wards Affected: *List wards or tick box to indicate all* **All** ☒

For further information please contact the author of this report

Background Working Papers

Local Government Act 2003 and amendments

CIPFA Prudential Code

CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance ("the Code")

Treasury Management Strategy Statement and Prudential Indicators for 2012/13 to 2016/17