

Scrutiny of Treasury Management Strategy Statement and Prudential Indicators for 2011/12 to 2015/2016

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 November 2009 and adopted by the council on 25 February 2010, Audit & Governance Committee will be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
2. This is the second Treasury Management Strategy that Audit & Governance members will have received under the 2009 “code” guidance. This will be the start of the 2011/12 cycle of reports which includes 2 monitoring reports, a mid-year review report and an outturn report.
3. Attached at Appendix A is the Treasury Management Strategy Statement and Prudential Indicators for 2011/12 to 2015/16 including the required annexes.

Background

4. The key areas of the treasury management strategy report are the:
 - a) Borrowing strategy which includes the policy on borrowing in advance of need, the policy on gross and net debt, and the issues surrounding debt rescheduling.
 - b) Investment strategy which includes Investment policy and the creditworthiness policy - the security of the council’s surplus funds
 - c) Prudential Indicators 11/12 to 15/16 which ensure the affordability, sustainability and prudence of the Council’s investment plans
 - d) Minimum Revenue Provision Policy statement where the Council should make prudent provision to redeem its debt liability over a period which is reasonably
 - e) Policy on the use of external advisers
 - f) Scheme of delegation
5. The areas covered in the treasury management strategy report statement and prudential indicators for 2011/12 to 2015/16 are as required in legislation and “the code”.
6. Points of interest to note in the report are as follows:

- a) The prudential indicators are set in line with the council capital programme 2011/12 to 2015/16 to be approved at Full Council on 24 February 2011 along with the strategy at Appendix A.
- b) The borrowing strategy is to consider shorter dated long term borrowing along with reducing the investment portfolio in a time where borrowing rates are rising but remain above the rate of interest that can be earned on surplus funds.
- c) The target rate for borrowing is 5% in 2011/12.
- d) Debt rescheduling will be reviewed and undertaken if it offers savings over the long term.
- e) 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.
- f) The target average rate of return for the year is 1.5%.
- g) The minimum revenue provision policy states the prudent provision taken to redeem its debt liability over a period which is reasonable. This assists in ensuring that borrowing is affordable, sustainable and prudent.
- h) The treasury management budget will rise by £1,131k to £12,867k in 2011/12 predominantly due to an increase in interest paid on borrowing in line with the capital investment requirements of the capital programme.

7. This covering report aims to assist Audit & Governance members in the scrutiny of the Treasury Management Strategy Statement and Prudential Indicators for 2011/12 to 2015/16 by providing keys areas and points to note.

Consultation

8. Not applicable.

Options

9. 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 revised "code" was approved at full Council on 25 February 2010. The Council also 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.

Corporate Priorities

10. 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 priorities, values and imperatives, as set out in the Corporate Strategy. It therefore underpins all of the council's aims.

Implications

11. 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

12. 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 2009 (the code) are all adhered to as required.

Recommendations

13. That Audit & Governance Committee note the Treasury Management Strategy Statement and Prudential Indicators for 2011/12 to 2015/16 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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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 2010/11 to 2014/15