

Report of the Director of Customer and Business Support Services.

Scrutiny of the Treasury Management Annual Report 2010/11 & Review of Prudential Indicators

Summary

1. The purpose of this report is for members of A&G to scrutinise the “Treasury Management Annual report & Review of Prudential Indicators 2010/11” 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”).
2. The revised Code was published in November 2009 and adopted by the council on 26 February 2010. From 2010/11, Audit & Governance Committee are responsible for ensuring effective scrutiny of the treasury management strategy and policies.
3. Attached at Appendix A is the Treasury Management Annual Report & Review of Prudential Indicators 2010/11.

Background

4. This covering report aims to explain to Audit & Governance members the reason for the scrutiny of the Treasury Management Annual Report & Prudential Indicators 2010/11 at Appendix A.
5. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.
6. For reporting, scrutiny and training arrangements during 2010/11 the Council has met the minimum reporting requirements and received the following reports:

- an annual treasury strategy in advance of the year - 26 February 2010
- a mid year (minimum) treasury update report – 16 November 2010
- an annual report following the year describing the activity compared to the strategy (this report – 19 July 2011)

7. In addition quarterly treasury management update reports have been produced and published on 7 September 2010 and 15 February 2011.
8. Recent changes in the regulatory environment, place a much greater onus on Members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members and the prudential indicators.
9. This Council has also complied with the requirement under the Code to give scrutiny to all of the above treasury management reports by the Audit & Governance Committee. Member training on treasury management issues was undertaken twice during the year on 29 September 2011 and 14 February 2011 in order to support Members' scrutiny role. These training sessions will continue to assist members further understanding.

Consultation

10. Not applicable.

Options

11. 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 26 February 2010. The Council also approved the Treasury Management Strategy Statement and Prudential Indicators for 2010/11 to 2014/15 which stated that "The Treasury Management Reporting arrangements set out in paragraph 16, table 1, as described by "the Code" and 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

12. 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

13. 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 - there are no legal implications to this report.
 - 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 may have implications for the requirements placed on officers and members for the scrutiny and management of the treasury function.

Risk Management

14. 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

15. That Audit & Governance Committee note the Treasury Management Annual Report 2009/10 & Review of Prudential Indicators 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 13/7/11
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
2010/11 to 2014/15