

Subject: Treasury Management Strategy &
Treasury Management Practices
(Updates for 2011/12)

Status: For Publication

Report to: Cabinet

Date: 17th February 2011

Report of: Head of Finance & Property Services

Portfolio

Holder: Finance & Resources

Key Decision: Yes – Recommendation to Council

Forward Plan General Exception Special Urgency

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to gain Council's approval of the Treasury Management Strategy Statement (TMS) and the subsequently updated Treasury Management Practices.

2. CORPORATE PRIORITIES

- 2.1 The matters discussed in this report impact directly on the following corporate priorities:-

- Delivering quality Services to our customers
- Delivering regeneration across the Borough
- Encouraging healthy and respectful communities
- Keeping our Borough clean, green and safe
- Promoting the Borough
- Providing value for money services

3. RISK ASSESSMENT IMPLICATIONS

- 3.1 All the issues raised and the recommendations in this report involve risk considerations as set out below:
- Failure to comply with legal statute, Codes of Practice and regulations of the Council.
 - Financial risks and credit risks exposure as a result of treasury management decisions. The TMS lays the ground rules for balancing the desire to maximize interest earning capacity with the potential risks

of investments in the financial sector, especially in the current economic climate.

4. BACKGROUND AND OPTIONS

- 4.1 This is an annual update of the Treasury Management Strategy (Appendix 1), following on from the Council's adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) which was adopted by this Council on 24th February 2010.
- 4.2 Treasury management is concerned with how organisations manage their cash resources and its scope covers borrowing, investment and hedging instruments and techniques. Risk is inherent in all treasury management activities and it is necessary to balance risk and return. In the public services it is generally considered that the priority is to protect capital rather than maximize return.
- 4.3 The suggested Treasury Management Strategy for 2011/12 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser, Sector.

The interest rates quoted on page 5 and 6 of the Strategy reflect the average of samples gathered by Sector from city and non-city forecasters, including HM Treasury. It should be noted that there is a large range in those forecasts, and the average is at best an educated estimate in today's financial climate. Whilst forecasters are comparatively confident about their estimates for the coming financial year, those for longer term are far less reliable.

- 4.4 The Treasury Management Strategy Statement covers:
- treasury limits in force which will limit the treasury risk and activities of the Council
 - Prudential and Treasury Indicators
 - the current treasury position
 - the borrowing requirement
 - prospects for interest rates
 - the borrowing strategy
 - policy on borrowing in advance of need
 - debt rescheduling
 - the investment strategy
 - creditworthiness policy
 - policy on use of external service providers
 - the MRP strategy
 - treasury management scheme of delegation and the relevant roles and responsibilities of delegated officers
- 4.5 As part of the Council's budget-setting work the estimates of future interest rates on page 5, and capital financing costs (through the Minimum Revenue Provision on page 13) have been included in arriving at a balanced budget for 2011/12.

4.6 The Treasury Management Practices at Appendix 2 provide further operational detail on the policies within the Treasury Management Strategy Statement. These have been updated with the current predictions for future interest rates and recommended borrowing and investment strategy in the attached Treasury Management Strategy Statement.

- 4.7 The Treasury Management Practices cover
- risk management arrangements and techniques
 - performance measurement
 - decision making and operational controls within the day to day administration of treasury and cash flow management
 - measures to prevent money laundering
 - training requirements for staff included within the delegation arrangements in the Treasury Management Strategy Statement
 - further details on the use of external service providers

COMMENTS FROM STATUTORY OFFICERS:

5. SECTION 151 OFFICER

5.1 Financial matters are noted in the report

6. MONITORING OFFICER

6.1 There are no material implications

7. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)

7.1 There are no material implications

8. CONCLUSION

8.1 Adoption of the updated Treasury Management Strategy Statement and Treasury Management Practices will ensure continued compliance with the Code and reduce the Councils exposure to financial risk.

9. RECOMMENDATION(S)

9.1 Members are asked to recommend to Council approval of the Treasury Management Strategy Statement Treasury Management Practices.

10. CONSULTATION CARRIED OUT

10.1 Not applicable.

11. COMMUNITY IMPACT ASSESSMENT

Is a Community Impact Assessment required No

Is a Community Impact Assessment attached No

12. BIODIVERSITY IMPACT ASSESSMENT

Is a Biodiversity Impact Assessment required No

Is a Biodiversity Impact Assessment attached No

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| Background Papers | |
|---|----------------------------|
| Document | Place of Inspection |
| CIPFA Code of Practice on Treasury Management | Finance |
| Sector model Treasury Management Strategy and predictions for future interest rates | Finance |