

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Corporate Director of Support Services

to

Audit Committee

on

13th January 2011

Report prepared by: Joe Chesterton, Head of Finance and
Resources

Treasury Management Policy for 2011/12

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To submit the treasury management policy for 2011/12 to Audit Committee for scrutiny before it is approved by Council as part of the budget process.

2. Recommendation

- 2.1 **The Audit Committee scrutinises the treasury management policy which comprises the following three documents:**

- **Treasury Management Policy Statement for 2011/12**
- **Treasury Management Strategy for 2011/12**
- **Annual Investment Strategy for 2011/12**

3. Background

- 3.1 The treasury management policy is agreed in advance of the year to which it relates. The policy is then monitored regularly and is updated, as appropriate, to reflect changing circumstances and guidance.
- 3.2 At its meeting of 13th January 2010 the Audit Committee agreed a report on the implementation of the revised CIPFA (Chartered Institute of Public Finance and Accountancy) Treasury Management Code of Practice. One of the recommendations of the code is that the treasury management policy should be scrutinised in detail by a specialist committee, before being accepted by the authority.
- 3.3 Audit Committee agreed that the Council nominate it to be responsible for ensuring effective scrutiny of the treasury management policy.

- 3.4 At its meeting of 25th February 2010 Council amended the terms of reference of the Audit Committee to include scrutiny of the treasury management policy. From April 2010 onwards, the Audit Committee has been responsible for ensuring its effective scrutiny.
- 3.5 Since its approval by Council in February 2010 it has not been necessary to revise the treasury management policy for 2010/11 in any significant way. The only revision has been to allow variable as well as fixed rate borrowing from the Public Works Loan Board (PWLB). This revision was deemed appropriate following the change in PWLB interest rates as a result of the Government announcements as part of its Comprehensive Spending Review. Councillor Moring concurred with this action by the use of Standing Order 46 and a variable rate PWLB loan was taken out at the end of October. This is the first Audit Committee meeting since that amendment.
- 3.6 In compliance with the CIPFA Treasury Management Code of Practice the Council's treasury management policy comprises:
- the Treasury Management Policy Statement;
 - the Treasury Management Strategy;
 - the Annual Investment Strategy
- 3.7 The purpose of the Treasury Management Policy Statement is to set out the scope of the Treasury Management function, the policy on borrowing, debt restructure, investments, delegation and management of risk. The Treasury Management Policy Statement for 2011/12 is attached as **Appendix 1**.
- 3.8 The purpose of the Treasury Management Strategy is to set out how the budgeted financing costs can be achieved. It covers the prospects for interest rates and the strategy on borrowing and debt restructuring. The Treasury Management Strategy for 2011/12 is attached as **Appendix 2**.
- 3.9 The purpose of the Annual Investment Strategy is to set out the investment objectives and the policies on the use of external fund managers, on the investment of in-house managed funds and on the use of approved counterparties. The Annual Investment Strategy for 2011/12 is attached as **Appendix 3**.
- 3.10 Appendices 1, 2 and 3 together form the treasury management policy and are used on a daily basis for the effective running of the treasury management function.
- 3.11 In response to the on going economic and financial market conditions, and in consultation with our treasury management advisers, the treasury management policy has been updated for the 2011/12 financial year. The changes from the revised 2010/11 policy are shown in **Appendix 4**.
- 3.12 The policy and strategy documents are written in order to provide officers and advisers with clear boundaries within which to work but as a result they are written using technical language. Treasury management training has been

offered to all councillors to aid understanding of the issues and further training will be available in the future.

4. Corporate Implications

4.1 Contribution to Council's Vision & Critical Priorities

The Treasury Management Strategy sets out how the financing costs as part of the Medium Term Financial Plan may be achieved. The treasury management policy together with the prudential indicators, acknowledge how effective treasury management will provide support towards the achievement of the Council's Vision and Critical Priorities.

4.2 Financial Implications

The financial implications of the proposed capital programme will be considered in the forthcoming budget reports to Cabinet. Other financial implications are dealt with throughout this report.

4.3 Legal Implications

Compliance with the relevant regulations and codes of practice has been considered throughout this report.

4.4 People Implications

None

4.5 Property Implications

None

4.6 Consultation

The key treasury management decisions are taken in consultation with our treasury management advisers.

4.7 Equalities and Diversity Implications

None

4.8 Risk Assessment

The treasury management policy acknowledges that the successful identification, monitoring and management of risk are fundamental to the effectiveness of its activities.

4.9 Value for Money

Treasury management activities include the pursuit of optimum performance consistent with effective control of the risks associated with those activities.

4.10 Community Safety Implications

None

4.11 Environmental Impact

None

5. Background Papers

5.1 CIPFA Treasury Management Code of Practice – Fully Revised Second Edition 2009

5.2 Working papers retained by Accountancy Services.

6. Appendices

6.1 Appendix 1 – Treasury Management Policy Statement 2011/12

6.2 Appendix 2 – Treasury Management Strategy 2011/12

6.3 Appendix 3 – Annual Investment Strategy 2011/12

6.4 Appendix 4 – Changes from the revised 2010/11 treasury management policy