

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Corporate Director for Corporate Services
to
Audit Committee
on
20 January 2016

Report prepared by: Joe Chesterton
Head of Finance and Resources

Treasury Management Policy for 2016/17
Executive Councillor: Councillor Woodley
A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To submit the treasury management policy for 2016/17 to Audit Committee for scrutiny before approval by Council as part of the annual budget process.

2. Recommendation

- 2.1 That Audit Committee scrutinises and offers comments on the treasury management policy which comprises the following three documents:**

- **Treasury Management Policy Statement for 2016/17;**
- **Treasury Management Strategy for 2016/17;**
- **Annual Investment Strategy for 2016/17.**

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 13 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 25 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 2015 it has been necessary to revise the Annual Investment Strategy for 2015/16. The revisions were discussed with our Treasury Management advisers to ensure that the strategy remains a workable and practical document. These changes were approved by Cabinet at its meeting of 23 June 2015 and are outlined below:
- A counterparty will be considered for investment if it meets the ratings criteria of at least one of the ratings agencies rather than the lowest rating of all three agencies being taken;
 - The credit ratings matrix has been amended in light of the regulatory changes;
 - With the Lloyds Banking Group no longer considered as part nationalised for the purposes of the credit ratings matrix and as no material changes are expected to the level of Government ownership of the Royal Bank of Scotland Group for some time, the maximum length of investment for part nationalised banks has been set at two years.
- 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 2016/17 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 2016/17 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 2016/17 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 2016/17 financial year. The changes from the revised 2015/16 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 None.

6. Appendices

6.1 Appendix 1 – Treasury Management Policy Statement 2016/17

6.2 Appendix 2 – Treasury Management Strategy 2016/17

6.3 Appendix 3 – Annual Investment Strategy 2016/17

6.4 Appendix 4 – Changes from the revised 2015/16 Treasury Management Policy