

Subject: Treasury Management Policy Statement 2009/10
Date of Meeting: 12 March 2009
Report of: Interim Director of Finance & Resources
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Key Decision: Yes Forward Plan No. CAB 6519
Wards Affected: All

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 Part 1 of the Local Government Act 2003, which introduced a new capital finance system with effect from April 2004, requires each local authority, inter alia, to:
- comply with the requirements of 'the Code of Practice for Treasury Management in the Public Services' issued by CIPFA; and
 - comply with investment guidance issued by the Secretary of State
- 1.2 The Code of Practice requires each local authority to set out its strategy on treasury management for the forthcoming year. The purpose of this report is to recommend a treasury management policy statement (TMPS) and treasury management practices for the financial year commencing 1 April 2009.
- 1.3 The investment guidance relates to the annual investment strategy, which is subject to a separate report to Cabinet.

2. RECOMMENDATION:

- 2.1 Cabinet is recommended to approve:
- the Treasury Management Policy Statement 2009/10 as set out in Appendix 1 to this report;
 - the Treasury Management Practices 2009/10 as set out in Appendix 2 to this report; and
 - the Schedules to the Treasury Management Practices 2009/10 as set out in Appendix 3 to this report.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The recommended Treasury Management Policy Statement (TMPS) at Appendix 1 for the year commencing 1 April 2009 is unchanged from the 2008/2009 Statement and follows the drafting format within the Code of Practice.

- 3.2 The treasury management practices at Appendix 2 identify the practices and procedures that will be followed to achieve the aims of the Statement. These practices remain unchanged from previous years and are considered 'best practice' under the Code.
- 3.3 The treasury management practices are supplemented by a number of "schedules" (Appendix 3). These schedules contain specific details of the systems and routines to be employed and the records to be maintained which underpin the treasury management function.
- 3.4 The crisis in the financial markets continues to present challenges to the council's treasury management operations, in particular to the investment portfolio. In order to meet these challenges the schedules for 2009/10 include the options to fund (a) the increase in the capital financing requirement, (b) maturing debt and (c) the early repayment of debt through a reduction in investment levels. This is a continuation of measures introduced in the current financial year which has seen some £45m of debt repaid early.
- 3.4 Treasury management is included within the assessment of 'Financial standing' under the Audit Commission's comprehensive performance assessment. One of the criteria applied to judge and inform this enquiry is that "The council has a treasury management strategy that reflects the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services". This report satisfies in full this criteria.
- 3.5 The treasury management service is subject to a detailed audit each year. The most recent audit in January 2009 concluded that "Full assurance is given to the control environment operating and management of risks for Treasury Management". The 2009/10 TMPS builds on this position.
- 3.6 Under the Prudential Code a number of prudential indicators must be set annually by the council prior to the commencement of the financial year. The 'General Fund Revenue Budget & Council Tax 2009/10' report to Cabinet on 12 February 2009 recommended, and full Council on 26 February 2009 approved, the indicators for 2009/10. The schedules to the treasury management practices include, where appropriate, the approved 2009/2010 indicators

4. CONSULTATION

- 4.1 The council's external treasury advisor has been consulted. The council's Head of Audit & Business Risk has been consulted on the section on money laundering. No other consultation has been necessary.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The financial implications arising from the recommendations in this report are included in the Financing Costs budget.
- 5.2 Cabinet agreed at the meeting on 20 November 2008 to earmark the surplus generated on the Financing Costs budget in 2008/09 towards the anticipated shortfall in investment income in 2009/10 as a result of lower investment rates.

Finance Officer consulted: Peter Sargent Date: 12 February 2009

Legal Implications:

- 5.2 The Code of Practice on treasury management is defined in regulations under Part 1 of the 2003 Act as 'guidance' that local authorities must take into account. The Interim Director of Finance & Resources is satisfied that the recommendation in this report is consistent with the 'Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes' published by CIPFA 2001 and the 'Guidance notes for local authorities ... second edition 2006'
- 5.3 There are no direct human rights implications arising from this report.

Lawyer consulted: Abraham Ghebre-Ghiorghis Date 17 February 2009

Equalities Implications:

- 5.4 None directly arising from this report.

Sustainability Implications:

- 5.5 None directly arising from this report.

Crime & Disorder Implications:

- 5.6 None directly arising from this report

Risk & Opportunity Management Implications:

- 5.7 Risk assessment is contained within the treasury management practices

Corporate / Citywide Implications:

- 5.7 An efficient & effective treasury management system will help to minimise the revenue impact of financing the council's capital investment plans

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 This report sets out the council's treasury management policy statement for the year commencing 1 April 2009. The TMPS continues with the strong emphasis on risk management and the impact this may have on the performance of the treasury management service.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 Codes of practice issued under the Local Government Act 2003 require the council to approve an annual treasury management policy statement. This report fulfils that requirement.

SUPPORTING DOCUMENTATION

Appendices:

1. Treasury Management Policy Statement 2009/10
2. Treasury Management Practices 2009/10
3. Schedules to the Treasury Management Practices 2009/10

Documents in Members' Rooms

None

Background Documents

1. Part 1 of the Local Government Act 2003
2. 'Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes' published by CIPFA 2001
3. 'Treasury Management in the Public Services – Guidance notes for local authorities ... second edition 2006'
4. 'The Prudential Code for Capital Finance in Local Authorities' published by CIPFA 2003
5. Brighton & Hove City Council Anti-Money Laundering Policy approved by full Council on 19 January 2006