

Subject:	Treasury Management Policy Statement 2012/13		
Date of Meeting:	15 March 2012		
Report of:	Director of Finance		
Contact Officer:	Name:	Peter Sargent	Tel: 29-1241
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Key Decision:	Yes	Forward Plan No. CAB 20071	
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 2012.
- 1.3 At the meeting in March 2011 Cabinet approved the Treasury Management Statement and Treasury Management Practices for 2011/12 and subsequent years. There are no changes recommended to the Statement or Practices.
- 1.4 The investment guidance relates to the annual investment strategy, which is subject to a separate report to Cabinet and full Council.

2. RECOMMENDATION:

- 2.1 Cabinet is recommended to note that there are no changes to the Treasury Management Policy Statement and Treasury Management Practices approved by Cabinet on 17 March 2011.
- 2.2 Cabinet is recommended to approve the Schedules to the Treasury Management Practices for 2012/13 as set out in Appendix 1 to this report.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The recommended TMPS follows the drafting format within the Code of Practice. The treasury management practices 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 1). 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 Strategy concentrates on reconciling the need for new long-term funding with interest rate forecasts and the loss of investment income. The Strategy recommends that funding requirements are met by using internal reserves supplemented by short-term and variable rate borrowing. The Strategy also includes contingency measures should long-term interest rates increase earlier and quicker than projected.
- 3.5 The treasury management service is subject to detailed audit each year. The most recent audit in February 2012 carried out by the Council's Head of Internal Audit concluded that "Substantial assurance is given to the control environment operating and management of risks for Treasury Management".
- 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 2012/13' report to Cabinet on 9 February 2012 recommended, and full Council on 23 February 2012 approved, the indicators for 2012/13. The schedules to the treasury management practices include, where appropriate, the approved 2012/2013 indicators.

4. REFORM OF COUNCIL HOUSING FINANCE

- 4.1 The Localism Act 2011 introduces the reform of council housing finance with effect from 1 April 2012. The Act provides for a redistribution of debt amongst housing authorities and for a number of changes to separate the management of housing debt from other council debt.
- 4.2 At the meeting on 9 February 2012 Cabinet approved the separation of HRA housing debt and General Fund debt into two distinct pools. The underlying principles of the 2012/13 Strategy are the same for both debt pools. However, where appropriate, the Strategy is amended where the management of each debt pool requires a different approach.
- 4.3 Further details on the reform can be found in Appendix 2 (Summary of Self Financing) of the Housing Revenue Account Budget 2012/13 report presented to Cabinet on 9 February.

5. CONSULTATION

- 5.1 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.

6. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 6.1 The financial implications arising from the recommendations in this report are included in the Financing Costs budget.

Finance Officer consulted: Peter Sargent Date: 17 February 2012

Legal Implications:

- 6.2 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 Director of Finance is satisfied that the recommendation in this report is consistent with the Code.

- 6.3 There are no direct human rights implications arising from this report.

Lawyer consulted: Abraham Ghebre-Ghiorghis Date 17 February 2012

Equalities Implications:

- 6.4 None directly arising from this report.

Sustainability Implications:

- 6.5 None directly arising from this report.

Crime & Disorder Implications:

- 6.6 None directly arising from this report

Risk & Opportunity Management Implications:

- 6.7 Risk assessment is contained within the treasury management practices

Corporate / Citywide Implications:

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

7. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 7.1 This report confirms there are no changes to the treasury management policy statement approved by Cabinet last year. The Strategy continues with the strong emphasis on risk management and the impact this may have on the performance of the treasury management service.

8. REASONS FOR REPORT RECOMMENDATIONS

- 8.1 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 2012/13 and Treasury Management Practices 2012/13
2. Schedules to the Treasury Management Practices 2012/13

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 third edition 2011
3. 'Treasury Management in the Public Services – Guidance notes for local authorities ...' published by CIPFA fourth edition 2011
4. 'The Prudential Code for Capital Finance in Local Authorities' published by CIPFA third edition 2011
5. Brighton & Hove City Council Counter Fraud Strategy approved by Governance Committee in April 2009