

CITY COUNCIL – 8 MARCH 2010

REPORT OF THE DEPUTY LEADER

TREASURY MANAGEMENT 2010/11 STRATEGY

1 SUMMARY

- 1.1 This report seeks approval for a number of strategies relating to treasury management in 2010/11. The strategies were considered as part of a number of reports on the 2010/11 budget process and were endorsed by Executive Board on 24 February 2010, following scrutiny by Audit Committee on 5 February 2010.

A copy of that report is attached as Appendix 1 to this report and the strategies and other material referred to below are shown as **Annexe 1 in the Executive Board report** which has been reproduced separately and circulated with the agenda booklet for this meeting. The specific strategies included in that Appendix are:

- Treasury management strategy (**Annexe 1**)
- Strategy for debt repayment (**section 5 of Annexe 1, 2010/11 Minimum Revenue Provision (MRP) Statement**)
- Investment strategy (**section 6 of Annexe 1**)

Approval is also required for the Prudential Indicators and limits from 2008/09 to 2012/13 (**Appendix A within Annexe 1**).

In addition, there is a proposal for a revision to the Financial Regulations re treasury management (**Appendix D of Annexe 1**) for which approval is sought.

2 RECOMMENDATIONS

- 2.1 It is recommended that:

1) The 2010/11 treasury management strategy document, including the strategy for debt repayment and the investment strategy, detailed in **Annexe 1**, be approved.

2) The prudential indicators and limits from 2008/09 to 2012/13,

detailed in **Appendix A** within **Annexe 1**, be approved.

- 3) The revised Financial Regulations re treasury management (**Appendix D of Annexe 1**) be approved.

3 REASONS FOR RECOMMENDATIONS (INCLUDING OUTCOMES OF CONSULTATION)

- 3.1 To ensure compliance with the Code of Practice on Treasury Management in Public Services (the Code), adopted by the City Council in February 2002.

4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 4.1 The approval of a treasury management strategy, including Prudential Indicators, is a requirement of the adopted Code, so no other options are available for consideration.

5 BACKGROUND

- 5.1 Treasury management is the management of the Council's cash flows, including borrowings and investments. It is regulated by CIPFA's Treasury Management Code of Practice.
- 5.2 Treasury Management is subject to robust governance arrangements, including legislation, government guidance, codes of practice and financial regulations. The approval of a strategy relating to treasury management, including a strategy for debt repayment and investment, is good practice and ensures that the City Council complies with the governance framework.
- 5.3 Prudential indicators for the forthcoming and following two financial years must be set before the beginning of that year. They may be revised at any time, following due process, with any changes to the current indicators being approved at a meeting of the full City Council.
- 5.4 A revision to the CIPFA Code of Practice, issued in December 2009, requires some changes to the City Council's treasury management-related Financial Regulations, to reflect revised reporting requirements.

5.5 On 24 February 2010, Executive Board considered a report detailing the proposed treasury management strategy for 2010/11. This report was endorsed, with a recommendation for approval by City Council.

6 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY)

6.1 Total treasury management payments comprise interest charges and receipts and provision for repayment of debt. A proportion of the City Council's debt relates to capital expenditure on council housing and this is recharged to the Housing Revenue Account (HRA) and funded through the Housing Subsidy system. The remaining costs are included within the treasury management section of the General Fund budget.

Table 1 sets out the budget for 2010/11:

TABLE 1: REVENUE BUDGET POSITION			
DESCRIPTION	BUDGET 2009/10 £m	FORECAST OUTTURN £m	BUDGET 2010/11 £m
External interest	28.1	24.6	27.7
Debt repayment provision	12.3	12.2	13.9
Less: HRA recharge	(13.5)	(12.3)	(14.2)
General Fund expenditure	26.9	24.5	27.4
Investment interest	(5.1)	(2.6)	(1.7)
Prudential borrowing recharge	(1.5)	(1.7)	(1.6)
Transfer to/from TM reserve	(1.1)	(1.0)	-
NET GENERAL FUND POSITION	19.2	19.2	24.1

The Medium Term Financial Plan (MTFP), approved by City Council in March 2009, maintained the net cost of the 2009/10 treasury management service at its existing figure, through the use of £1.131m from the treasury management reserve. Based on the latest projections, this contribution has reduced to £0.991m arising from reduced costs of loan interest from debt repayments offset by a reduction in investment income.

The 2010/11 budget of £24.1m is reflected in the MTFP 2010/11 – 2012/13, included elsewhere on this agenda.

7 RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS, CRIME AND DISORDER ACT IMPLICATIONS AND EQUALITY AND DIVERSITY IMPLICATIONS)

- 7.1 Risk management plays a fundamental role in treasury activities, due to the value and nature of transactions involved. The management of specific treasury management risks is set out in the Manual of Treasury Management Practices and Procedures and a risk register is prepared for the treasury function. The adopted Risk Management Action Plan in respect of treasury management activity is included in the strategy documents.

8 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

- 8.1 Treasury management working papers.

9 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 9.1 Executive Board report and minutes, 24 February 2010

**COUNCILLOR GRAHAM CHAPMAN
DEPUTY LEADER OF THE COUNCIL**