

Appendices
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Item No.

8

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title

TREASURY STRATEGY 2010-11 to 2012-13

AGENDA STATUS:

PUBLIC

Audit Committee Meeting Date:	22 March 2010
Policy Document:	Yes
Directorate:	Finance & Support
Accountable Cabinet Member:	David Perkins

1. Purpose

- 1.1 To advise Audit Committee of their role in the scrutiny of the Council's treasury management strategies and policies, as required by the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (fully revised 2nd edition 2009).
- 1.2 To enable Audit Committee to put forward suggestions or recommendations for treasury management strategy, policy or procedures for consideration before the mid year review or as they think appropriate.

2. Recommendations

- 2.1 That Audit Committee put forward suggestions or recommendations for treasury management strategy, policy and procedures for consideration as they think appropriate.

3. Issues and Choices

3.1 Report Background

3.1.1 In the light of the impacts on local authorities of the Icelandic bank situation in 2008, CIPFA has published (in 2009):

- Fully revised 2nd edition of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (the Code)
- Fully revised 3rd edition of the Guidance Notes for Local Authorities.

3.1.2 It is a requirement of the Code that the Council should formally adopt the updated Code. This includes approval of the following:

- Update to the relevant section of the Council's Financial Regulations
- Treasury Management Policy Statement
- Treasury Management Practices
- Schedules to the Treasury Management Practices
- Annual Treasury Strategy

3.1.3 These items are dealt with in the Treasury Strategy 2010-11 to 2012-13 reports to Cabinet and Council on 24 and 25 February 2010 respectively, attached as an annex to this report.

3.2 Issues

Audit Committee Role

3.2.1 The updated Code requires the Council to place greater emphasis on the scrutiny of treasury management strategies and policies. This includes the nomination of the body (such as an audit or scrutiny committee) responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. This role includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and for making recommendations to Council.

3.2.2 The Audit Committee is considered the most suitable body at NBC to undertake scrutiny this role.

Treasury Management Reports

3.2.3 Treasury management reports include, at a minimum:

- Annual Treasury Management Strategy Report
- Treasury Management Mid-year Report
- Treasury Management Outturn Report

3.2.3 These reports will normally be put before Cabinet and Council before the last day of February, September and November each year.

3.2.4 Proposals will be put forward for the timetabling and processes to be put in place for the Audit Committee to have prior scrutiny of all future treasury management strategies, policies and practices and Cabinet and Council reports. Officers will bring forward proposals for agreement at Audit Committee on 24 June 2010.

Training

3.2.5 The responsible officer (the Section 151 Officer) will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities. Officers will bring proposals for training to Audit Committee on 24 June 2010.

3.2.6 Audit Committee members are required by the statutory guidance to recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

3.3 Choices (Options)

3.3.1 Audit Committee are asked to consider the recommendation at paragraph 2 above.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The Treasury Strategy report sets the Council's policy on its debt and investment portfolios over the next financial year. It is revisited annually and reported to Cabinet and Council as part of the budget setting process.

4.2 Resources and Risk

- 4.2.1 Effective risk management is a fundamental requirement for the treasury management function, and this theme runs clearly throughout the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The Council's Treasury Management Policy, Treasury Management Practices (TMPs) and Schedules, and Treasury Management Strategy for 2010-11 discuss the ways in which treasury management risk will be determined, managed and controlled.
- 4.2.2 The Council's appetite for risk must be clearly identified in its strategy report. The Treasury Strategy at Annex D affirms that priority will be given to the security of capital and liquidity when investing funds. This will be carried out by strict adherence to the risk management and control strategies set out in the Schedules to the Treasury Management Practices and the Treasury Management Strategy. Responsibility for risk management and control lie within the Council and cannot be delegated to an outside organisation.
- 4.2.3 Further information on risk is contained in the Council report annexed to this report.

4.3 Legal

- 4.3.1 The Council is obliged to carry out its treasury management activities in line with statutory requirements and associated regulations and professional guidance. The relevant legislative and regulatory documents are referred to within the report and annexes and listed in the background papers

4.4 Equality

- 4.4.1 An Equalities Impact Assessment has been carried out on the Council's Treasury Strategy for 2010-11, and the associated Treasury Management Practices (TMPs) and Schedules to the TMPs. This is attached at Annex H to the Council report.
- 4.4.2 As a result of that assessment, it should be noted that the potential impact of the strategy and associated documents (including Treasury Management Practices (TMPs) and the Schedules to the TMPs) on the different equalities groups must be considered as it is developed and put together each year. This includes the consideration of the potential impact on the different equalities groups of any processes, procedures or outcomes arising from these.

4.5 Consultees (Internal and External)

- 4.5.1 Consultation on treasury management matters is undertaken as appropriate with the Council's external treasury advisers and with the Portfolio holder for Finance.

4.6 Other Implications

4.6.1 No other implications have been identified.

5. Background Papers

5.1 Statute, Regulation and Guidance

CIPFA Treasury Management in the Public Services - Code of Practice and Cross-Sectoral Guidance Notes 2001

Local Government Act 2003

Local Authorities (Capital Finance and Accounting) (England) Regulations 2003

CIPFA Prudential Code for Capital Finance in Local Authorities 2003

ODPM Guidance on Local Government Investments 2004

CIPFA Treasury Management in the Public Services - Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (Fully Revised Second Edition 2006)

CIPFA Prudential Code for Capital Finance in Local Authorities – Fully Revised Guidance Notes for Practitioners 2007

The Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008

CIPFA Prudential Code for Capital Finance in Local Authorities (Fully Revised Second Edition) 2009

CIPFA Treasury Management in the Public Services - Code of Practice and Cross-Sectoral Guidance Notes (Fully Revised Second Edition) 2009

CIPFA Treasury Management in the Public Services - Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (Fully Revised Third Edition) 2009

CLG Changes to the Capital Finance System – Consultation (November 2009)

5.2 Reports to Cabinet & Council

Financial Regulations - Report to Council 19 November 2007 (Contains formal adoption of the CIPFA Code of Practice for Treasury Management)

Capital Programme 2010-11 to 2012-13 - Report to Cabinet 24 February 2010 & Council on 25 February 2010

Treasury Strategy 2010-11 to 2012-13 - Report to Cabinet 24 February 2010
& Council on 25 February 2010

General Fund Revenue Budget 2010-13 - Report to Cabinet 24 February 2010
& Council on 25 February 2010

Prudential Indicators for Capital Finance 2010-11 2012-13 - Report to Cabinet
24 February 2010 & Council on 25 February 2010

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