



AUDIT COMMITTEE REPORT

Report Title	TREASURY MANAGEMENT STRATEGY 2016-17
---------------------	---

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	18 January 2016
Policy Document:	Yes
Directorate:	LGSS
Accountable Cabinet Member:	Mike Hallam

1. Purpose

1.1 To put the draft Treasury Management Strategy for 2016-17 before Audit Committee for review and to invite Audit Committee to put forward any recommendations that they think appropriate.

2. Recommendations

2.1 That Audit Committee:

- a) Review the draft Treasury Management Strategy for 2016-17
- b) Put forward any recommendations that they think appropriate.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The CIPFA Treasury Management Code of Practice requires the Council to nominate the body (such as an audit or scrutiny committee) responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices.
- 3.1.2 The Council has nominated the Audit Committee for this role, which 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 Issues

Treasury Management Strategy 2016-17

- 3.2.1 The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes. It is a requirement under the Treasury Code of Practice to produce an annual strategy report on proposed treasury management activities for the year. The Council's draft Treasury Management Strategy (TMS) for 2016-17 is attached at **Appendix A**.
- 3.2.2 The draft TMS was included in the Draft General Fund MTFP 2015/16- 2020-21 and Draft Budget 2016-17 report to Cabinet on 16 December 2015 and approved for consultation. Formal consultation with the public and local businesses will continue until the budget is formally adopted in February 2016.
- 3.2.3 The TMS takes into account the impact of the Council's Medium Term Financial Plan, its revenue budget and capital programme, the balance sheet position and the outlook for interest rates. It includes:
- The Affordable Borrowing Limit for 2016-17
 - The Council's policy on the Minimum Revenue Provision (MRP) for the repayment of debt
 - The Investment Strategy for 2016-17
 - The Prudential and Treasury Indicators for 2016-17 to 2020-21
 - The Council's policy on borrowing in advance of need
 - The Council's counterparty creditworthiness policy
- 3.2.4 The main changes from the TMS adopted in 2015-16 are:
- Updates to Prudential and Treasury Indicators
 - Updates to interest rate forecasts
 - Updates to debt financing budget forecasts
 - Updates to the MRP policy
 - Expansion of the Council's counterparty policy to include appropriate counterparties with a sovereign rating of AA.

- Re-wording of the 50% restriction on overseas counterparties to take out Money Market Funds and instant access deposit accounts

3.2.5 Some details included in the draft TMS will need to be updated before going to Cabinet and Council for final approval in February. This is because of events (e.g. economic conditions) moving on in the intervening period; the need to interface the TMS with the Council's approved capital programme and other budget setting reports; and any changes that may arise from the consultation process.

3.2.6 Audit Committee are asked to review the report and to put forward any recommendations that they think appropriate.

3.3 Choices (Options)

3.3.1 Audit Committee have the option to comment on the areas considered in the report and to make recommendations to Officers and to Cabinet and Council.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The CIPFA Treasury Management Code of Practice requires the Council to nominate the body (such as an audit or scrutiny committee) responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. Council has nominated the Audit Committee for this role, which includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and the making of recommendations to Council.

4.2 Resources and Risk

4.2.1 The resources required to deliver the Council's treasury management strategy and policies in 2016-17 are incorporated into the Council's draft debt financing and debt management budgets.

4.2.2 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 2016-17 cover the ways in which treasury management risk will be determined, managed and controlled.

4.2.3 The Council's appetite for risk must be clearly identified in its strategy report. The TMS affirms that priority will be given to the security and liquidity of capital 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.

4.2.4 Risks in the debt financing budget have been taken into account in earmarked reserves and in the Risk Assessment of General Fund Reserves.

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.

4.4 Equality

4.4.1 Equalities Impact Assessment (EIA) screening has been carried out on the Council's TMS for 2016-17. This has determined that a full impact assessment is not necessary, as no direct or indirect relevance to equality and diversity duties has been identified. The EIA screening is published on the internet and will be updated to take account of feedback from the public consultation and re-published with the final budget proposals in February 2016.

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 Cabinet Member for Finance.

4.5.2 The draft TMS for 2016-17 was approved for consultation by Cabinet on 16 December 2015. Formal consultation with the public and local businesses will continue until the budget is formally adopted in February 2015.

4.5.3 The Audit Committee has been nominated by Council as the body 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 the making of recommendations to Council.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Effective treasury management is key ingredient of good financial governance, which contributes to the priority of making every pound go further.

4.7 Other Implications

4.7.1 No other implications have been identified.

5. Background Papers

None

Report Author: Bev Dixon, Finance Manager (Treasury), LGSS. Tel: 01604 363719