

## **Audit and Governance Committee**

**15th February 2010**

### **REFERENCE FROM CABINET – 10<sup>TH</sup> FEBRUARY 2010**

Capital Programme 2010/2011 including Prudential Indicators and Treasury Management Strategy and Policy

#### **Report of the Director of Financial Resources**

##### **1. Why has this report come to the Committee?**

- 1.1 To report for advice and consideration of this Committee, extracts of a report considered by Cabinet on the 10<sup>th</sup> February on the Capital Programme 2010/2011 including the Prudential Indicators and Treasury Management Strategy and Policy, relating specifically to Treasury Management.
- 1.2 Members' views are requested in accordance with the Committee's role to carry out scrutiny and review of all Council Treasury Management reports.

##### **2. Background and Current position**

- 2.1 Members of the Committee will recall that the Council has already reviewed its Treasury Management reporting arrangements to ensure compliance with best recommended practice. As a result this Committee now receives Treasury Management reports on a quarterly basis for scrutiny and review, together with a review of the Council's proposed Treasury Management Strategy and Policy for the forthcoming year before it is approved by Council. This is thus the first occasion that the Treasury Management Strategy and Policy report (for 2010/2011) has been brought to this Committee for review.
- 2.2 The above revised reporting and scrutiny arrangements that the Council has adopted in relation to Treasury Management is included in the recently published Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (Fully Revised Second Edition 2009) – (new code) by the Chartered Institute of Public Finance and Accountancy (CIPFA), as best practice.

More details of the requirements of the revised code are set out in the attached report in Section 7.1 and Appendix E sets out in detail the 4 formal clauses and recommended wording which the Council must adopt and approve to show that it will comply with the requirements of

the revised code. Appendix F also sets out the formal wording suggested in the revised code which is to be approved by Council as its Treasury Management Policy.

Elsewhere in the report, Sections 5.1, 5.2, 7.2 and 7.4, together with the Appendices D through to I inclusive, show that the Council has made the necessary minor changes to ensure it is in full compliance with the revised code and therefore that the Council is to adopt and observe the requirements of the revised code.

- 2.3 The report as such sets out the required Treasury Management Strategy and Policy Statements and Prudential Indicators for 2010/2011 which includes the Borrowing Strategy and the Annual Investment Strategy for 2010/2011.

Committee is requested to note the proposed Treasury Management Strategy and Policy for 2010/2011 which covers specifically,

- the adoption of the revised CIPFA Treasury Management Code of Practice 2009 – (Section 7.1 and Appendix E);
- the Treasury Management Policy Statement - (Section 7.1 and Appendix F);
- the Prudential Indicators for Treasury Management (Treasury Limits) – (Sections 5.1, 5.2 and 7.2 and Appendix D – specifically P4 to P7 and P9 to P13);
- the Annual Treasury Management Strategy including specifically the Annual Borrowing and Investment Strategies (Appendix G), which also informs the Lending List Criteria to be used in placing investments in 2010/2011 (Appendix H) and the Council's Approved Lending List for 2010/2011 (Appendix I).

- 2.4 Attached are the relevant extracts of the report submitted to Cabinet:

- Sections 5 and 7 of the main report, and
- Appendices D, E, F, G, H and I.

In summary these show that the:

- Council's Treasury Management Strategy and Policy for 2010/2011 and associated Borrowing Strategy, Annual Investment Strategy, Lending List Criteria and the Lending List are in full compliance with the revised Treasury Management in the Public Services: Code of Practice and are considered to be prudent in view of current financial markets and interest rates and their outlook for 2010/2011 and for future years, after taking into consideration advice from the Council's Treasury Management advisers and all other relevant and available financial information;
- Council has set all of its required key Prudential Indicators for 2010/2011 and has amended those affected by the introduction of IFRS for 2009/2010 as necessary. These key indicators are

- regularly monitored (daily) and are also reported to this Committee and Cabinet quarterly and to Council half yearly;
- Council carried out some further debt restructuring in January 2010 to take advantage of market conditions. This will result in interest payment savings and the details and rationale are set out in Appendix G paragraph 2.2.3.

Any comments made by this Committee will be included and taken into account in the final report for consideration by Council before it approves the recommended Treasury Management Strategy and Policy at its meeting on 3rd March 2010.

### **3 Conclusion**

- 3.1 The report is referred to this Committee for advice and consideration. Any comments or issues will be reported back to Cabinet.

### **4 Recommendation**

- 4.1 The Audit and Governance Committee is invited to note the report and to give advice and consideration on the attached report of the Director of Financial Resources as appropriate.

### **5. Background Papers**

- 5.1 Cabinet Agenda, 10<sup>th</sup> February 2010

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