

**POLICY & RESOURCES CABINET BOARD**

**1<sup>ST</sup> APRIL 2010**

**DIRECTORATE OF FINANCE & CORPORATE SERVICES**

**REPORT OF THE HEAD OF FINANCIAL SERVICES  
– HYWEL JENKINS**

**INDEX OF REPORT ITEMS**

**PART 1 - Doc.Code: PRB-010410-REP-FS-HJ**

<b>SECTION B – MATTER FOR INFORMATION</b>		
<b>Report Item</b>	<b>Page Nos</b>	<b>Wards Affected</b>
1. Treasury Management	2-9	All

**PART 1**  
**SECTION B – MATTER FOR INFORMATION**

**ITEM 1**

**TREASURY MANAGEMENT**

**1. Purpose of Report**

To inform Members of the new reporting and scrutiny arrangements for managing Treasury and Investment Management from 1<sup>st</sup> April 2010.

**2. Background**

2.1 Treasury Management is an important function of all businesses including Councils. Following the banking crisis and resulting international economic recession, all organisations need to review and improve their processes and control arrangements. CIPFA (the leading public sector accountancy body) have prepared a revised Treasury Management Code of Practice. The Cabinet of the 2<sup>nd</sup> March 2010, followed by Council on the 3<sup>rd</sup> March 2010, approved the Council's Treasury Management, Annual Investments and Minimum Revenue Provision.

2.2 Members will note the Scheme of Delegation included under Section 2.3 of that report, which is replicated at Appendix 1, sets out the various responsibilities of Council, Cabinet, Policy and Resources Cabinet, Audit Committee and Scrutiny Committee in relation to Treasury Management.

**3. Treasury Management**

3.1 The objective of the Strategy is to ensure that there are adequate controls linking the Council's Revenue Budget with its Capital Spend and Funding requirements and the security of all investments made. Under Section 10.1 of the Strategy, the Council's investment priorities are shown as:

- a) the security of Capital and
- b) the liquidity of its investments

The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

3.2 The Treasury Management budget for 2009/10 and 2010/11 are summarised below:

	<b>2009-10 Projected Actual £'000</b>	<b>2010-11 Budget £'000</b>
Debt Charges		
Total	18,480	18,360
- HRA	<u>2,619</u>	<u>2,349</u>
- <b>General Fund</b>	<b>15,861</b>	<b>16,011</b>
Investment Income		
Total	-1,530	-860
- HRA	-150	-100
- Other	<u>-80</u>	<u>-100</u>
- <b>General Fund</b>	<b>-1,300</b>	<b>-660</b>
<b>Net General Fund</b>	<b>14,561</b>	<b>15,351</b>
<b>General Fund Budget</b>	<b>14,515</b>	<b>N/A</b>
<b>Budget Variation</b>	<b>+46</b>	<b>N/A</b>

3.3 Members should note that the Investment Income target for 2010/11 is reduced as the bank base rate for the current year and projected continues to be in the region of 0.5% until the March 2011 quarter when it is expected to rise to 1%. Interest rates in the current year have benefited from higher interest rates being in place during 2008/09 which matured mainly in the June quarter of 2009.

3.4 At present, reports are prepared for Policy and Resources Cabinet Board and its Scrutiny Committee setting out changes in interest rate etc. For 2010/11 these reports will also give an indication of income generated against the total target of £660,000 as mentioned above.

#### 4. **Member Training**

4.1 In line with the revised Code, training for all officers and Members involved in managing the Treasury Strategy and functions will be arranged early in the new financial year.

#### 5. **Investment Information**

##### 5.1. **Long Term Borrowing**

There has been no long term borrowing since the previous report.

##### 5.2. **Rates of Interest**

The Bank Rate:

<b>Effective Date</b>	<b>Bank Rate</b>
10 April 2008	5.00%
08 October 2008	4.50%
06 November 2008	3.50%
04 December 2008	2.00%
08 January 2009	1.50%
05 February 2009	1.00%
05 March 2009 to date	0.50%

#### Public Works Loans Board

Examples of Public Works Loan Board new loan fixed interest rates effective on 23<sup>rd</sup> March 2010:

	<b>Equal Instalments of Principal</b>		<b>Annuity</b>		<b>Maturity</b>	
	<b>Current 23Mar10</b>	<b>Previous 13Dec09</b>	<b>Current 23Mar10</b>	<b>Previous 13Dec09</b>	<b>Current 23Mar10</b>	<b>Previous 13Dec09</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
5 to 5.5 years	1.96	2.00	1.98	2.02	3.05	3.09
10 to 10.5 years	3.05	3.09	3.15	3.18	4.18	4.15
15 to 15.5 years	3.76	3.77	3.91	3.91	4.54	4.47
20 to 20.5 years	4.18	4.15	4.33	4.29	4.64	4.53
25 to 25.5 years	4.41	4.36	4.53	4.46	4.65	4.53
35 to 35.5 years	4.61	4.52	4.65	4.54	4.67	4.54
49.5 to 50 years	4.65	4.53	4.65	4.52	4.66	4.51

## **5. Summary**

- 5.1 Members are asked to note the proposed changes to the scrutiny arrangements as set out in this report, together with the proposal to provide training to Members of the Audit Committee, Policy & Resources Scrutiny Committee and relevant Cabinet Members in the new financial year.

### **List of Background Papers**

Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy for 2010/11 – as approved by Council 3<sup>rd</sup> March 2010  
PWLB notice 057/10

### **Wards Affected**

All

### **Officer Contact**

Mr. Hywel Jenkins - Head of Financial Services

Tel. No. 01639 763646

E-mail: [h.jenkins@npt.gov.uk](mailto:h.jenkins@npt.gov.uk)

Mr. Mark Davies – Financial Accounting & Risk Management

Tel. No. 01639 763602

E-mail: [m.davies4@npt.gov.uk](mailto:m.davies4@npt.gov.uk)

**Extract from Council Report 3<sup>rd</sup> March 2010  
Sections 1 to 2.3**

**TREASURY MANAGEMENT STRATEGY, ANNUAL INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY FOR 2010/11**

**1. Purpose of Report**

This report sets out the Council's Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy for 2010/11.

**2. Introduction**

2.1 All local authorities are required under the Local Government Act 2003 and Supporting Regulations to ensure that they prepare Treasury Management, Annual Investment Strategies and have a Minimum Revenue Provision Policy in place for each financial year. For 2010, CIPFA has revised its Code of Practice on Treasury Management and the following represents the proposed changes being incorporated into the Strategies.

**2.2 The Revised CIPFA Treasury Management Code of Practice 2009**

It is a requirement of the Code that Neath Port Talbot County Borough Council formally adopt the revised Code. The main proposals are:-

- a) All councils must formally adopt the revised Code which must be approved by Full Council.
- b) The strategy report will affirm that the effective management and control of risk are prime objectives of the Council's treasury management activities.
- c) The Council's appetite for risk must be clearly identified within the strategy report and will affirm that priority is given to security of capital and liquidity when investing funds and explain how that will be carried out.
- d) Responsibility for risk management and control lies within the organisation and cannot be delegated to any outside organisation.

- e) Credit ratings should only be used as a starting point when considering risk. Use should also be made of market data and information, the quality financial press, information on government support for banks and the credit ratings of that government support.
- f) Councils need a sound diversification policy with high credit quality counterparties and should consider setting country, sector and group limits.
- g) Borrowing in advance of need is only to be permissible when there is a clear business case for doing so and only for the current capital programme or to finance future debt maturities.
- h) There needs to be, at a minimum, a mid year review of treasury management strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved.
- i) Each council must delegate the role of scrutiny of treasury management strategy and policies to a specific named Committee.
- j) Treasury management performance and policy setting should be subjected to scrutiny prior to approval.
- k) Members should be provided with access to relevant training.
- l) Those charged with governance are also personally responsible for ensuring they have the necessary skills and training.
- m) Responsibility for these activities must be clearly defined within the organisation.
- n) Officers involved in treasury management must be explicitly required to follow treasury management policies and procedures when making investment and borrowing decisions on behalf of the Council.

## 2.3 Proposals for Compliance with the Revised Code

CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following four clauses:

1. The Council will create and maintain for effective treasury management:
  - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
  - suitable treasury management practices (TMPs), setting out the manner in which it will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this Council. Such amendments will not result in any material deviation from the Code's key principles.

2. The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs (see Scheme of Delegation on next page for further information).
3. The Council delegates responsibility for the implementation of treasury management policies to Cabinet, regular monitoring of its treasury management policies and practices to Policy & Resources Cabinet Board/Audit Committee and for the execution and administration of treasury management decisions to Director of Finance & Corporate Services (S151), who will act in accordance with the Council's policy statement and TMPs.
4. This Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.



This Council will adopt the following reporting arrangements in accordance with the requirements of the revised Code. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

**Scheme of Delegation**

<b>Area of Responsibility</b>	<b>Council/ Committee</b>	<b>Frequency</b>
Treasury Management Strategy / Annual Investment Strategy / MRP policy	Cabinet for approval by Full Council	Initial adoption of Revised Code in 2010 and then annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy / MRP policy – mid year report	Cabinet	Mid year
Treasury Management Strategy / Annual Investment Strategy / MRP policy – updates or revisions at other times	Cabinet for approval by Full Council	Periodically
Annual Treasury Outturn Report	Policy & Resources Cabinet Board	Annually by 30 <sup>th</sup> September after the end of the year
Treasury Management Monitoring & Performance Reports	Policy & Resources Cabinet Board & Scrutiny and Audit Committee	6 Weekly Quarterly
Treasury Management Practices	Cabinet for approval by Full Council	Annually
Scrutiny of Treasury Management Strategy	Policy & Resources Scrutiny and Audit Committee	Annually