

2009/10 DRAFT TREASURY MANAGEMENT STRATEGY

Report By: Acting Head of Financial Services

Wards Affected

County-wide

Purpose

1. To report on the draft treasury management strategy and prudential indicators for 2009/10.

Financial Implications

2. As set out in the attached appendices.

Background

3. SMC comments will be reported to Cabinet who will confirm its treasury management strategy recommendations to council on 6th March 2009 at its meeting on 19th February 2009.
4. The setting of Prudential Indicators and the reporting of the council's Treasury Management Strategy for the coming financial year is required by the CIPFA Prudential Code for Capital Finance and the CIPFA Code of Practice on Treasury Management.
5. The primary requirement of the Code of Practice on Treasury Management in the Public Services (2001) is the approval by full council of a policy statement that sets out the council's overall approach to treasury management operations.

Prudential Indicators

6. The key objectives of the Prudential Code are to ensure that capital investment plans and treasury management decisions are made in a manner that supports prudence, affordability and sustainability.
7. The code requires the Council to set a range of Prudential Indicators (PIs) for 2009/10 and where appropriate for at least the subsequent two years, in order to support such local decision making in a manner that is publicly accountable. The PIs must be set before the beginning of each financial year by Council in line with the budget setting process.
8. Regular in-year monitoring of the PIs will take place and any significant deviations from expectations are to be reported accordingly.
9. The framework of PIs has to cover Capital Expenditure plans and Treasury Management and these are set out on **Appendix 1**. These indicators include:

- Actual and estimated capital expenditure for the current and future years
- Ratio of financing costs to net revenue stream
- Capital Financing Requirement
- Authorised limit for External Debt
- Operational boundary for External Debt
- Council Tax implications of the incremental effect of capital decisions
- Treasury Management Indicators

Treasury Management Policy Statement and Treasury Management Strategy

10. The Council has adopted and is currently working within CIPFA's Code of Practice on Treasury Management in the Public Services (2001).
11. A Treasury Management Strategy for 2009/10 has been prepared that conforms to the CIPFA Code of Practice 2001. This strategy includes a number of PIs specifically relating to Treasury Management and is set out in **Appendix 2**. The Treasury Management PIs are reproduced from the list of PIs contained in **Appendix 1**. The Strategy has been prepared in line with the Treasury Management Policy Statement adopted by Council in March 2006, a copy of which is attached for reference at **Appendix 3**.
12. The CIPFA Code of Practice 2001 requires chief financial officers to prepare Treasury Management Practice Statements (TMPs). TMPs outline how the Council's strategic policy objectives for treasury management will be achieved and are supported by schedules that describe the specific procedures to be used by the Council's staff involved in treasury management activities. The Director of Resources has prepared TMPs that conform to the CIPFA Code of Practice 2001. The Council is currently investing within the UK and these investments are being carefully monitored as detailed in the strategy.

Minimum Revenue Provision Policy

13. Local authorities are required to charge to revenue a minimum revenue provision (MRP) to account for the cost of their debt and to approve a statement on its policy for making MRP before the start of the financial year. The Statement on Minimum Revenue Provision for 2009/10 is attached as Appendix 4.

RECOMMENDATIONS

THAT the report be noted, subject to any comments the Committee wishes to make.

BACKGROUND PAPERS

None