

2009/10 DRAFT TREASURY MANAGEMENT STRATEGY

PORTFOLIO RESPONSIBILITY: RESOURCES

CABINET

19 FEBRUARY 2009

Wards Affected

County-wide.

Purpose

To propose the draft treasury management strategy and prudential indicators for 2009/10.

Key Decision

This is a Key Decision because it is likely to result in the Council incurring expenditure above agreed budgets for the service or function (shown as a line in the budget book) to which the decision relates but allowing for virements between budget heads and savings within budget heads of up to £500,000 and it is likely to be significant in terms of its effect on communities living or working in Herefordshire in an area comprising one or more wards.

It was included in the Forward Plan.

Recommendations

THAT Cabinet recommends to Council that:

- a) **the Prudential Indicators detailed in Appendix 1, which include the draft Capital Programme, be endorsed;**
- b) **the Treasury Management Strategy in Appendix 2 be endorsed;**
- c) **it be recommended to council that the borrowing limits outlined in Appendix 2 be approved; and**
- d) **the council's Minimum Revenue Provision Policy for 2009/10 in Appendix 4 be approved.**

Reasons

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.

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.

Considerations

Prudential Indicators

1. 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.
2. 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.
3. Regular in-year monitoring of the PIs will take place and any significant deviations from expectations are to be reported accordingly.
4. 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

5. The Council has adopted and is currently working within CIPFA's Code of Practice on Treasury Management in the Public Services (2001).
6. 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.
7. 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

8. 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.

Risk Management

Risk is managed in accordance with the Treasury Management Policy Statement approved by council in March 2008. The setting and monitoring of Performance Indicators is designed to be a fundamental process in the management of risk.

Consultees

Treasury Management advisers – Sector Treasury Services Limited.

Appendices

- Appendix 1 Prudential Indicators 2009/10
- Appendix 2 Treasury Management Strategy 2009/10
- Appendix 3 Treasury Management Policy Statement
- Appendix 4 Minimum Revenue Provision Policy 2009/10

Background Papers

None