EAST HERTS COUNCIL

JOINT SCRUTINY COMMITTEE - 18 JANUARY 2011

EXECUTIVE - 8 FEBRUARY 2011

REPORT BY EXECUTIVE MEMBER FOR RESOURCES AND INTERNAL SUPPORT

TREASURY MANAGEMENT STRATEGY STATEMENT 2011/12 AND MINIMUM REVENUE PROVISION POLICY STATEMENT

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- The report sets out the 2011/12 Treasury Strategy Statement and Annual Investment Strategy together with the setting of Prudential Indicators.

RECOMMENDATION FOR DECISION BY JOINT SCRUTINY COMMITTEE	
(A)	**that the Committee considers the 2011/12 Treasury Management Strategy Statement and Annual Investment Strategy and Prudential Indicators and makes comments to the Executive.**
RECOMMENDATIONS FOR EXECUTIVE:	
(A)	**that Council be recommended to approve the 2011/12 Treasury Management Strategy Statement and Annual Investment Strategy and Prudential Indicators for East Herts Council; and**
(B)	**that Council be recommended to approve the Policy on Minimum Revenue Provision (MRP)(paragraph 2.12 refers).**

1.0 Background

1.1 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

1.2 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (included as paragraph 2.10); this sets out the Council's policies for managing its investments and for giving relative priority to the security and liquidity of those investments as against investment returns.

1.3 At its meeting on 8 December 2010 the Council approved the use of structured deposits which involve maturities beyond those recommended by the Council's treasury advisors. This decision is reflected in this report.

2.0 Report

2.1 The suggested strategy for 2011/12 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor. The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Council;
- Prudential Indicators;
- the current treasury position;
- the borrowing requirement;
- prospects for interest rates;
- the borrowing strategy;
- debt rescheduling;
- the investment strategy; (including fund manager review)
- Minimum Revenue Provision (strategy)
- Responsibility of Treasury activities defined within the organisation

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget i.e. a budget without borrowing for revenue purposes. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:-

1. increases in interest charges caused by increased borrowing (or

reduced interest earnings where capital receipts are used) to finance additional capital expenditure; and

2. any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

2.2 Treasury Limits for 2011/12 to 2013/14

2.2.1 It is a statutory duty under S.3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the authorised limit represents the legislative limit specified in the Act.

2.2.2 The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is 'acceptable'.

2.2.3 Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

2.3 Prudential Indicators for 2010/11 - 2012/13

2.3.1 The following prudential indicators (in table below) are relevant for the purposes of setting an integrated treasury management strategy.

2.3.2 Members are asked to note that the fall in the ratio of financing costs to net revenue spend, reflects the usage of capital receipts and the lower rate of return on investments. This increases in the latter years with rises in interest rates.

2.3.3 The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. This was adopted on March 2002 by the full Council.

PRUDENTIAL INDICATOR	2009/10	2010/11	2011/12	20012/13	2013/14

(1) EXTRACT FROM BUDGET	£'000	£'000	£'000	£'000	£'000
	Actual	**Probable outturn**	**Estimate**	**Estimate**	**Estimate**
Capital Expenditure	7,173	6,865	5,436	3,866	2,440
Ratio of financing costs to net revenue stream	(10.49%)	(0.55%)	(3.31%)	(5.04%)	(6.30%)
Net borrowing requirement					
brought forward 1 April	(69,336)	(63,023)	(55,023)	(53,423)	(50,223)
carried forward 31 March	(63,023)	(55,023)	(53,423)	(50,223)	(49,873)
in year borrowing requirement – reduction in amounts invested	5,313	7,000	1,600	3,200	1,350

Capital Financing Requirement as at 31 March	(48,109)	(48,000)	(48,000)	(44,000)	(42,500)
Incremental impact of capital investment decisions					
Increase in council tax (band D) per annum	£3.06	£1.65	£2.03	£1.86	£1.46
(2) TREASURY MANAGEMENT	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Authorised limit for external debt -					
borrowing	17,000	17,000	17,000	17,000	17,000
other long term liabilities	7,500	5,100	300**	300**	300**
TOTAL	24,500	22,100	17,300	17,300	17,300
Operational boundary for external debt -					
borrowing	10,000	10,000	10,000	10,500	10,500
other long term liabilities	7,500	5,100	300	300	3,300
see above					
TOTAL	17,500	15,100	10,300	10,800	10,800
Upper limit for fixed interest rate exposure					
expressed as either :-					
Net principal re fixed rate borrowing	100%	100%	100%	100%	100%
Investments	98%	98%	98%	98%	98%
Upper limit for variable rate exposure					
Net principal re variable rate borrowing	50%	50%	50%	50%	50%
Investments	95%	95%	95%	95%	95%
Upper limit for total principal sums invested for over 364 days					
(per maturity date)	68,000	68,000	62,000	60,000	58,000

** Under IFRS the Council may be required to recognise on its balance sheet lease commitments embedded in the new refuse contract dependent on the financing by the contractor of new vehicles. The figures reported here exclude such recognition and if this is required the adjustment will be included in a health check report.

Maturity structure of new fixed rate borrowing during 2010/11	upper limit	lower limit
under 12 months	0%	0%
12 months and within 24 months	0%	0%
24 months and within 5 years	0%	0%
5 years and within 10 years	0%	0%
10 years and above	0%	0%

2.4 Current Portfolio Position

2.4.1 The Council's treasury portfolio position at 31.10.10 comprised:

	Principal		Ave Rate	
		£m	£m	%
Fixed rate funding	PWLB	1.5		8.875
	Market	6.0		8.785
			7.5	8.803
Variable rate funding	PWLB	Nil		
	Market	Nil		
Other long term liabilities			5.1	
TOTAL DEBT			12.6	8.803
TOTAL INVESTMENTS			73.5	1.1%

2.5 Borrowing Requirement

2.5.1 Nil in 2011/12 as no borrowing is needed to support capital expenditure (use of investments). A borrowing requirement will arise in 2012/13 based on expected capital expenditure net of other sources of funding (capital receipts, grants, revenue contributions) in the period to that year end.

2.6 Prospects for Interest Rates

2.6.1 The Council has appointed Sector Treasury Services as treasury adviser to the Council and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Sector central view.

2.6.2 **Sector View** Interest rate forecast – November 2010.

	Q/E4 2010	Q/E1 2011	Q/E2 2011	Q/E3 2011	Q/E4 2011	Q/E1 2012	Q/E2 2012	Q/E3 2012	Q/E4 2012	Q/E1 2013
Bank Rate	0.5%	0.5%	0.5%	0.75%	1.0%	1.25%	1.25%	1.5%	2.0%	2.5%
5 yr PWLB Yield	2.2%	2.2%	2.4%	2.6%	2.8%	3%	3%	3%	3%	4.1%
10 yr PWLB Rate	3.3%	3.3%	3.4%	3.7%	3.9%	4%	4%	4%	4%	4.6%
25 yr PWLB Rate	4.2%	4.3%	4.3%	4.4%	4.5%	4.7%	4.7%	4.7%	4.7%	5%

Sector's current interest rate view is that in respect of the Bank Rate:-

- rates are not expected to rise until the fourth quarter 2011.
- to be followed by further rises during the subsequent years.
- there is a downside risk to these forecasts if the recession proves to be weaker and slower than currently expected.

Some commentators are pointing to the consistent high level of inflation which could force a faster rise in rates than anticipated if other factors do not curtail inflation. The view expressed here makes no assumption that such risk will materially impact on rates over this period. Similarly, the risk of spill over from the euro zone to sterling of pressure on the borrowing costs of those countries with high levels of borrowing to GDP is discounted in these assumptions.

2.7 <u>Economic (Forward View)</u>

2.7.1 It is currently difficult to have confidence as to exactly how strong the UK economic recovery is likely to be, and there are a range of views in the market.

Sector has adopted a moderate view. There are huge uncertainties in all forecasts due to the major difficulties of forecasting the following areas.

- the spread of economic recovery in the US and EU;
- the degree to which government austerity programmes will damper economic growth;
- the speed of rebalancing of the UK economy towards

exporting and substituting imports;
- changes in the consumer savings ratio;
- the potential for more quantitative easing and the time of this in both UK and US;
- the speed of recovery of banks profitability and correction of balance sheet imbalances;
- the potential for a major EU sovereign debt crisis which could have significant impact in financial markets and the global and UK economy.

The overall balance of risks is weighted towards the downside and there is some risk of a double dip recession and deleveraging, creating a downward spiral of falling demand, falling jobs and falling prices, although this currently viewed as being a small risk.

Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK.

2.8 Borrowing Strategy

2.8.1 It is anticipated that there will be no capital borrowings required during 2011/12. However under the prudential code external borrowings are permissible but with a negative Capital Finance Requirement, this would be difficult to justify. The running down of investments also has the benefits of reducing exposure to interest rate and credit risk. This will be continually monitored in conjunction with the treasury advisers.

2.8.2 External v. Internal Borrowing

Comparison of gross and net debt positions at year end	**2009/10**	**2010/11**	**2011/12**	**20012/13**	**2013/14**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
	Actual	**Probable outturn**	**Estimate**	**Estimate**	**Estimate**
Actual external debt (gross)	12,600	12,600	7,700	7,700	7,700
Cash balances	(73,278)	(64,000)	(62,400)	(59,200)	(57,500)
Net debt	(63.240)	(51,400)	(54,700)	(51,500)	(49,800)

The Council currently has a difference between gross debt and net debt (after deducting cash balances). The positive net debt will decrease as the Capital programme is financed from internal borrowing, or if a change of

Policy of external borrowing was introduced. Not borrowing mitigates the potential impact of the credit risk on investments.

2.9 Debt Rescheduling

2.9.1 Due to high rates of interest payable on the outstanding £1.5 million PWLB loans and the expected low level of the corresponding discount rates for maturities, any potential restructuring or premature repayment of the loans would be very expensive as their repayment would attract heavy premiums (in excess of £1M).

2.9.2 If the market conditions do change, any opportunities will be investigated, to pursue any potential advantages to the Council.

2.10 Annual Investment Strategy

2.10.1 **Investment Policy**

2.10.1.1 The Council will have regard to the CLG's Guidance on Local Government Investments ("the Guidance") issued in March 2004 and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are:-

(a) the security of capital and
(b) the liquidity of its investments.

The Council will also aim to achieve the optimum return on its investments commensurate with levels of security and liquidity acceptable to the Council as set out in the Strategy.

2.10.1.2 The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

2.10.1.3 Investment instruments identified for use in the financial year are shown below under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be set through the Council's Treasury Management Practices. These will be amended in accordance with the report approved at Council on the 8 December 2010.(Maximum counterparty limit of £10m)

Specified Investments

An investment is a specified investment if it satisfies the conditions set out below:-

(a) The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.

(b) The investment is not a long-term investment (maximum of 1 year).

(c) The investment does not involve the acquisition of share capital or loan capital in any body corporate.

(d) Either of the following conditions is met:

(i) The investment is made with the UK Government or a local authority (as defined in section 23 of the 2003 Act) or a parish council or community council.

(ii) The investment is made with a body or in an investment scheme which has been awarded a high credit rating (as specified in the tables below *) by a credit rating agency.

(e) These offer high security and high liquidity.

	***Minimum 'High' Credit Criteria**	**Use**
Debt Management Agency Deposit Facility	-	In-house
Term deposits - UK government	-	In-house
Term deposits - other LA's	-	In-house
Term deposits - banks and building societies**	*Short-term F1 Long-term A, Individual_, Support 1,2,3	In-house and fund managers
Certificates of deposits issued by banks and building societies covered by UK Government guarantee	*Short-term F1 Long-term A, Individual_, Support 1	Fund managers
Certificates of deposits issued by banks and building societies NOT covered by UK Government guarantee	*Short-term F1, Long-term A, Individual _, Support 1,2,	Fund managers

	*Minimum 'High' Credit Criteria	Use
1. Callable deposits	*Short-term F1, Long-term A, Individual _, Support 1,2,3	Fund managers
2. Range trade	*Short-term F1, Long-term AA, Individual _, Support 1,2,3	Fund managers
3. Snowballs	*Short-term F1, Long-term AA, Individual _, Support 1,2,3_	Fund managers
UK Government Gilts	AAA	Fund managers
Bonds issued by multilateral development banks	AAA	Fund managers
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs):		
1. Money Market Funds	*Short-term F1, Long-term A, Individual _, Support 1,2,3	Fund managers
2. Enhanced cash funds	*Short-term F1, Long-term A, Individual _, Support 1,2,3	Fund managers
3. Short term funds	*Short-term F1, Long-term A, Individual _, Support 1,2,3	Fund managers
4. Bond Funds	*AAA	Fund managers
5. Gilt Funds	*AAA	Fund managers
Bonds issued by a financial institution which is guaranteed by the UK government	*AAA	In-house on a 'buy-and-hold basis. Also for use by fund managers
Sovereign bond issues (ie other than the UK govt)	*AAA	Fund managers
Treasury Bills		Fund Managers

** If forward deposits are to be made, the forward period plus the detail period should not exceed one year in aggregate.

Non-Specified Investments:

Do not meet the definition for specified investments i.e. maturities more than 1 year and subsequently the risk is considerably greater. The maximum to be held in each category of non-specified investments is as follows:-

	* Minimum Credit Criteria	Use	**Max% of total investments	Max maturity period

	* Minimum Credit Criteria	Use	**Max% of total investments	Max maturity period
Term deposits - other LAs (with maturities in excess of 1 year)		In-house	60%	5 years
Term deposits - banks and building societies (with maturities in excess of 1 year) with also variable interest rates and maturity dates, Please see additional note below (2)	*Short-term F1, Long-term A, Individual _, Support 1,2	In-house	80%	5 years
Term deposits with unrated counterparties : any maturity	Used to be unrated building societies and wholly owned subsidiaries)	Not permitted		5 years
Commercial paper issuance by UK banks covered by UK Government guarantee	*Short-term F1, Long-term AA, Individual _, Support 1,2,3	Fund managers		5 years
Fixed term deposits with variable rate and variable maturities				
1. Callable deposits	*Short-term F1, Long-term AA, Individual _, Support 1,2,3	Fund managers	80%	5 years
2. Range trade	*Short-term F1, Long-term AA, Individual _, Support 1,2,3	Fund managers	10%	5 years
3. Snowballs	*Short-term F1, Long-term AA, Individual _, Support 1,2,3	Fund managers	10%	2 years
Certificates of deposits issued by banks and building societies with maturities in excess of 1 year	*Short-term F1, Long-term AA, Individual _, Support 1,2,3	Fund Managers	50%	5 years
UK Government Gilts with maturities in excess of 1 year	AAA	Fund Managers	100%	10 years
Bonds issued by multilateral development banks with maturities in excess of 1 year	AAA	Fund managers	40%	10 years
Bonds issued by a financial institution which is guaranteed by the UK government with maturities in excess of 1 year	AAA	Fund managers	40%	10 years
Sovereign bond issues (ie other than the UK govt) with maturities in excess of 1 year	AAA	Fund managers	50%	10 years

	* Minimum Credit Criteria	Use	**Max% of total investments	Max maturity period
Corporate Bonds : **the use of these investments would constitute capital expenditure** (bonds other than government bonds)	*AAA	Not permitted	10%	5 years
Floating Rate Notes : **the use of these investments would constitute capital expenditure unless they are issued by a multi lateral development bank** (ie bonds with interest rate that varies in line with the market rate of interest, reset say every 3 months)	*AAA	Fund Managers but not permitted where the investment would constitute capital investment.	10%	5 years
Property fund: **the use of these investments would constitute capital expenditure**		Not permitted	10%	10 years

(2) Members please note this criteria has been amended to reflect the strategy approved at Council on 8 December 2010

** Note: When setting these limits it includes both in-house and externally managed funds.

The Council's external fund managers will comply with the Annual Investment Strategy.

The agreements between the Council and the fund managers additionally stipulate guidelines and duration and other limits in order to contain and control risk. In brief terms these are the maximum investment that are permissible with any one counterparty limited by value or percentage, with the exception of the UK Government.

For any in-house monies this Council uses the creditworthiness service provided by Sector Treasury Services. This service has been enhanced over the last year and now uses a sophisticated modelling approach with credit ratings from all three ratings – Fitch, Moody's and Standard and Poors forming the core element. However, it does not rely solely on the current ratings of counterparties but also uses the following as overlap:-

- Credit watches and credit outlooks from credit rating agencies
- CD's spread to give early warning of likely changes to credit ratings
- Sovereign ratings to select counterparties from only the most credit worthy countries.

This modelling approach combines credit ratings, credit watches, credit

Outlooks and CD spreads in a weighted scoring for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties.

Sole reliance will not be placed on the use of this external service. In addition this Council will use market data and information on Government support for banks.

2.10.2 **In-House Funds**

In-house funds are mainly cash flow derived and therefore investments will be made with reference to short term interest rates (ie rates for investments up to 12 months). Current policy is to place funds only with the external cash fund manager SWIP but other investments may be placed in accordance with the tables set out above. Further to a report approved at Council on 8 December which explained the options to improve overall returns whilst the outlook for rates remain low, £30m will be removed from the fund managers and invested in fixed term structured deposits in tranches of up to £10m.

2.10.3 Interest Rate Outlook: Sector is forecasting that Bank Rate will stay flat until November 2011 with the first rise to 0.75%. This will continue until the rate rises to 2.5% in March 2013. It would therefore be prudent to look at the period of investments and their interest rates against this background information. For 2011/12 the Council has assumed investment return of 2.3% on the investments made in house. For the medium term planning process rates of 2.47% (2012-13) 2.7% (2013-14) and 3.3% (2014-15) have been assumed.

For its cash flow generated balances, the Council will seek to utilise its business reserve accounts in order to benefit from the compounding of interest and investing short-term in money market funds through our Fund Manager.

2.11 **Fund Managers Review and Forecasts**

East Herts Council employ two fund managers Investec and Scottish Widows (SWIP).

2.11.1 **Investec Asset Management**

As explained at a meeting with Councillors this fund is restricted in its options to increase its returns in the current market.

2.11.2 Therefore until rates eventually rise the fund is unlikely to produce greater returns than are currently being made. The fund currently is mainly in CDs with the occasional tactical buying of gilts.

2.11.3 This performance is set out below:

	Merrill Lynch 03 yr gilt* benchmark	**East Hertfordshire Investec fund net of fees**	Variance
Quarter ended 30/06/2010	1.18%	**0.06%**	(1.12%)
Quarter ended 30/09/2010	0.59%	**0.34%**	(0.25%)
Half Year 2010-11	1.77%	**0.40%**	(1.37%)

For the year 2010/11 it is estimated that a return of 1.0%-1.1% will be made. For 2011/12 a range of returns between 1.1% and 1.25% is estimated.

2.11.4 **Scottish Widows Investment Partnership**

SWIP produced a good performance in the second quarter but sought to protect its position in the event of volatility by not trading in gilts. However going forward it is hoped it will regain its touch in the gilt market and achieve better returns but this is an uncertain prospect.

	7-day LIBID* benchmark	**East Hertfordshire SWIP fund net of fees**	Variance
Quarter ended 30/06/2010	0.11%	**0.36%**	0.25%
Quarter ended 30/09/2010	0.10%	**0.19%**	0.09%
Half Year 20010-11	0.21%	**0.55%**	0.34%

For 2010/11 an outturn of 1.1%-1.25% is forecast. For 2011/12 1.2%-1.3% return is estimated.

2.11.5 At 31 October 2010 SWIP's holding on behalf of the Council was £35,017,000 whilst Investec managed £34,522,000. As can be seen with a 0.25% variance on Fund Manager's prediction a variance of around £174,000 either way is effected on the Council's Revenue Budget.

2.11.6 **End of year Investment Report**

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

2.11.7 Summary of Strategy

2.11.8 No new borrowings to finance capital expenditure until capital receipts and other funding has been fully applied. This will be continually monitored in conjunction with the Treasury Advisers.

2.11.9 Any debt rescheduling opportunities will be investigated.

2.11.10 Fund Managers to trade gilts and Certificate of Deposit, Treasury Bills, Money Market Funds with objective of maximising yields.

2.11.11 Having regard to potential interest rate movements as set out in 2.10.3 above and the change in policy investments will be made (depending on cash flow). Also removing monies from the fund manager and placing it in structured deposits. The added return in structured deposits is achieved by giving up liquidity - the money is locked away for four years giving more certainty of return with a guaranteed floor of about 2.5%.These deposits will be in tranches of up to £10m and a maximum total investment of £30m placed in these products.

2.11.12 A 1.81% return has been assumed in 2011/12 for budgetary setting. However this is subject to final review prior to the Council setting its budget.

2.12 Minimum Revenue Provision (MRP)

The Council needs to agree options for the MRP (the provision to repay debt) annually. Capital receipts from stock transfer,mean that no new borrowings are anticipated in the medium term. The method which is most appropriate will be considered when any new borrowings are entered into.

2.12.1 For capital expenditure incurred on or after 1 April 2009, which is financed by borrowing or credit arrangements, one of the following options may be used:-

Option 1 – Asset Life Method

Here equal annual instalments of MRP will be made over the estimated life of asset financed by borrowing. Under this method, the concept of an "MRP Holiday" makes it debut. This provides the ability for an authority to defer MRP on a newly constructed building or infrastructure asset until the asset comes into service.

Option 2 – Depreciation Method

Using this approach will require an authority to charge MRP in accordance with the standard rules for depreciation accounting. As with Option 1 the "MRP Holiday" will be available for assets yet to be brought into service.

It is proposed that, if required, option 1 be used.

2.12.2 Under new regulations the method by which the Council provides for the repayment of it's borrowings for capital expenditure incurred before 1 April 2008, either of the two methods below can be used:-

Method 1 - Regulatory

Where debt is supported by RSG, authorities will be able to continue using the formulae used in the current regime, since the supported borrowing element of the RSG is also calculated in this way.

Method 2 – Capital Financing Requirement

This method will be based upon 4% of an authority's non-housing CFR at the end of the preceding financial year. Where the CFR is negative or nil, no MRP will be required as is the case at present.

This in the past has resulted in a nil requirement and the indications are that this will remain the same. This option is recommended.

3.0 Policy on the use of external service providers

The Council uses Sector Treasury Services as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure reliance is not placed upon external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources.

3.1 Role of the Section 151 Officer

The Section 151 officer is responsible for all monies in the hands of the Council. This includes the Treasury Management function.

All borrowings, lending and finance will be in accordance with the CIPFA Code of Practice on Treasury Management.

This is incorporated within the Financial Regulation on Treasury Management.

3.2 Treasury Management scheme of delegation

(i) The Council's Scrutiny Committee reviews reports, and comments are passed on to the Executive.
(ii) Executive considers any comments from Scrutiny and recommends approval to full Council.
(iii) Monthly health check monitoring reports are through CMT, then to Executive and then to full Council.
(iv) Quarterly reports through Scrutiny to Executive.
(v) Delegation for officers is detailed within the constitution.

4.0 Implications/Consultations

4.1 Information on corporate issues and consultation associated with this report can be found within Essential Reference Paper 'A'.

A further report completing the revised Treasury Management Code Of Practice 2009 will be presented during the year.

Background Papers

None

Contact Member: Councillor M Tindale, Executive Member for Resources and Internal Support.

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Ext 2050

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Contribution to the Council’s Corporate Priorities/Objectives:	**Fit for purpose, services fit for you** *Deliver customer focused services by maintaining and developing a well managed and publicly accountable organisation.*
Consultation:	The Strategy Statement has been drawn up with reference to information from out Treasury Advisers.
Legal:	There are no legal implications in the report.
Financial:	As set within the report.
Human Resource:	There are no Human Resources implications in the report.
Risk Management:	A prudent (average) assumption of 1.81% has been used on the sensitive interest receivable rate based on the information and advice available. A variation of 0.25% (either way) would result in a budget variance of some £162,000. If cash flows vary by £1m then the result is a movement of £25,000 per annum.