

PLYMOUTH CITY COUNCIL

1 MARCH 2010

**Audit Committee Minute 42
of the meeting held on 5
February 2010**

**TREASURY MANAGEMENT STRATEGY
STATEMENT AND INVESTMENT
STRATEGY 2010/11**

The Director for Corporate Support submitted for the Committee's consideration the Treasury Management Statement and Investment Strategy 2010/2011. Members were informed that the report would be considered by Cabinet on 9 February and the Overview and Scrutiny Management Board, as part of the budget scrutiny process, on 15 and 17 February, 2010.

The report –

- (i) outlined how the treasury management function contributed to the Council's policy objectives;
- (ii) set out in detail the risks inherent within the treasury management function and how officers would seek to minimise those risks;
- (iii) made recommendations to Cabinet –
 - (1) to approve the Treasury Management Strategy Statement for 2010/11, subject to feedback from Audit Committee;
 - (2) to approve the Investment Strategy for 2010/11 as outlined in Section 13 of the report, subject to feedback from Audit Committee;
 - (3) to approve the Lending Organisations and Counter Party Limits as outlined in Appendix E;
 - (4) to request the Director for Corporate Support acting under delegated authority in accordance with Financial Regulations, to keep the lending list under review and update the list during the year as dictated by market circumstances;
 - (5) to recommend to Full Council (subject to any amendments that may be required as a result of the inclusion of the PFI scheme on the balance sheet) to approve:
 - a) the Authorised Borrowing limits of £312m, £302m and £289m for the period 2010/11 to 2012/13;
 - b) the Operational Boundary of £260m, £260m and £258m for 2010/11 to 2012/13;
 - c) the Prudential Indicators set out in Appendix B;

- d) the MRP Policy for 2010/11.
- (6) a formal mid-year review and monitoring report be taken to Audit Committee.

In response to questions raised, Members were advised that –

- (iv) the Capital Financing Requirement (CFR) was one of the indicators against which the Council benchmarked with other authorities;
- (v) the section of the report relating to Treasury Management Risk had been rewritten to take account of comments made by Members at the Treasury Management Training held on 22 January, 2010;
- (vi) officers continued to work closely with the Council's Treasury Management advisors, Arlingclose Ltd., to maximise borrowing and investment opportunities whilst minimising financial risk;
- (vii) Arlingclose Ltd. received a payment of £20,000 per annum for their services;
- (viii) in light of the Icelandic Bank situation all current borrowing was on a short-term loan basis. Interest rates were reviewed daily and, whilst it was anticipated that they would remain static for some time to come, if they did start to rise existing investments could be used to pay off any short-term loans and longer-term borrowing options explored;
- (ix) there were 4 members of staff in the Treasury Management team but only one of whom worked on Treasury Management full-time. The Treasury Management Board, comprising the Corporate Accountancy and Finance Manager, Director for Corporate Support, Assistant Director Finance, Assets and Efficiencies and the Cabinet Member for Finance, Property People and Governance, met on a weekly basis;
- (x) borrowing was informed by the capital programme which allowed for changes to be made depending on the current financial climate. There was also the opportunity to borrow to invest in advance of spending on the capital programme.

Resolved that the recommendations to Cabinet, as set out in the report and at (iii) above, be supported.

Note:

*The full report in connection with this minute is available on the website
www.plymouth.gov.uk/democracy
or by contacting Democratic Support on 01752 304867*