

AUDIT COMMITTEE

22 June 2015

TREASURY MANAGEMENT PRACTICES

REPORT OF CHIEF FINANCE OFFICER

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RECENT REFERENCES:

AUD55: Treasury Management Policy & Practices, 12 March 2013

AUD084: Treasury Management Practices, 11 March 2014

CAB2648: Treasury Management Strategy 2015-16, 16 February 2015

EXECUTIVE SUMMARY:

The annual Treasury Management Strategy was approved by the Council in February 2015, and the Treasury Management Policy was approved by the Council in February 2014. This requires the Council to adopt suitable Treasury Management Practices that will support the Policy and Strategy. The Audit Committee has responsibility for the scrutiny of treasury management practices.

The Treasury Management Strategy has been updated to reflect the changing cash management needs of the Council, in the context of the changing banking environment in which it operates.

The Treasury Management Policy Statement has been restated within this report, and the updated Treasury Management Practices are appended in full to this report.

RECOMMENDATIONS:

That the Audit Committee:

- 1 approves the Treasury Management Policy Statement for 2015/16;
- 2 considers the attached Treasury Management Practices, which support the delivery of the Treasury Management Strategy for 2015/16, and
- 3 agrees that the Treasury Management Policy Statement and the Treasury Management Practices are reviewed by the Audit Committee on a three-yearly cycle.

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DETAIL:

1 Introduction

- 1.1 As of September 2014, Winchester City Council's Treasury Management activities have been delegated to Hampshire County Council's Investments & Borrowing Team through a partnership agreement with Hampshire County Council.

2 CIPFA Requirements

- 2.1 CIPFA recommends that all public service organisations adopt the following clause:

This organisation will create and maintain, as the cornerstones 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 the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The contents 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 organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.

- 2.2 The Treasury Management Policy statement was agreed in February 2014. This report fulfils Winchester City Council's current policy of the Audit Committee reviewing the Treasury Management Practices annually.

3 Treasury Management Policy Statement

- 3.1 The Council defines its treasury management activities as:

“the management of its investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks”.

- 3.2 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of the treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities focus on their risk implications for the Council and any financial instruments entered into to manage these risks.
- 3.3 The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- 3.4 The prime objectives of the Council's treasury management activities are security, liquidity and then yield. The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refining risk. The source from which the borrowing is taken and the type of borrowing will allow the Council transparency and control over its debt.
- 3.5 The setting and revising of all the prudential indicators, including the treasury management indicators, follow the same route as for setting and revising of the Council's budget.
- 3.6 The Council receives reports on its treasury management policies, practices and treasury management activities in the form prescribed in its TMPs.
- 3.7 The Council follows proper accounting practices as specified in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom when accounting for treasury management activities.

4 Treasury Management Practices

- 4.1 Appended to this report at the Exempt Appendix is Hampshire County Council's Treasury Management Practices document, which is a document provided to all organisations for which Hampshire County Council delivers Treasury Management activities. This document complies with the recommendations contained in Sections 6 and 7 of the Code.

OTHER CONSIDERATIONS:

5 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 5.1 Efficient delivery of Winchester City Council's annual Treasury Management Strategy is fundamental to the operation of Winchester City Council.

Achieving corporate priorities must go in hand with effective management of Winchester City Council's cash.

6 RESOURCE IMPLICATIONS:

6.1 None

7 RISK MANAGEMENT ISSUES

7.1 None

APPENDICES:

Exempt Appendix - Treasury Management Practices