

meeting	AUDIT COMMITTEE	
date	23 FEBRUARY 2010	agenda item number

REPORT OF THE SERVICE DIRECTOR (FINANCE)

TREASURY MANAGEMENT POLICY & STRATEGY – PROPOSALS FOR REVIEW BY AUDIT COMMITTEE

1. Purpose

- 1.1 To inform the Audit Committee of its proposed role in reviewing the Treasury Management Policy and Strategy.

2. Information and Advice

- 2.1 Treasury management in local government has been very high profile following the collapse of the Icelandic banks in October 2008. Local authorities in aggregate had £954 million invested in Iceland at the point that the banks went into administration. The Icelandic banks did not feature on the County Council's approved lending list as they did not meet the criteria for inclusion.
- 2.2 A number of bodies have reported on the issues involved and made recommendations for improvements. The Audit Commission report, "Risk and Return", published in March 2009 found that the treasury management framework was broadly right but had some weaknesses, particularly in respect of credit ratings. It also found that the quality of the treasury management activity varied across authorities. The report made a number of recommendations including that CIPFA revise its treasury management code of practice and that treasury management policies are scrutinised in detail by a specialist committee.
- 2.3 The Communities and Local Government Committee, chaired by Dr Phyllis Starkey MP, supported the calls for a revised code and increased scrutiny by Members. It also questioned the role of treasury management advisors and the lack of intervention by the Audit Commission.
- 2.4 The revised CIPFA code of practice, *Treasury Management in the Public Services*, was issued in November 2009. It recommends formal adoption of certain clauses including the nomination of a body 'to be

responsible for ensuring effective scrutiny of the treasury management strategy and policy'. It is proposed that this body be the Audit Committee and this proposal is recommended for approval by the County Council at its meeting on 25 February 2010.

- 2.5 In order to carry out this role effectively, it is proposed that further information and advice will be provided to Members of the Audit Committee at its next meeting in April 2010.

3. Statutory and Policy Implications

- 3.1 This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, crime and disorder and those using the service and where such implications are material they have been described in the text of the report.

4. Recommendations

- 4.1 That the report be noted.

ALAN SUMBY
SERVICE DIRECTOR (FINANCE)

Background Papers Available for Inspection

None