

Item 5

REPORT TO COUNCIL

30th SEPTEMBER 2005

REPORT OF DIRECTOR OF RESOURCES

Portfolio: RESOURCE MANAGEMENT

REVIEW OF THE LOCAL CODE OF TREASURY MANAGEMENT PRACTICES

1. SUMMARY

- 1.1 The purpose of this report is to review the Local Code of Practice for Treasury Management Activities (the Local Code), which was originally approved by the Council in December 2002.

Since that time a number of developments have taken place which impact on the current Treasury Management Activities and this report incorporates the necessary changes to the original Code.

2. RECOMMENDATIONS

- 2.1 That the revised Code of Treasury Management Practice be adopted.

3. TREASURY MANAGEMENT REVIEW AND PRACTICES

Background

- 3.1 The Local Code of Treasury Management Practice was first adopted by Council in December 2002, and since then a number of developments have occurred that impact on the Council's Treasury activities, which have necessitated a review of the Local Code. The main developments include introduction of the Prudential Framework for capital finance, new investment guidance from the ODPM, and the impact of money laundering regulations.
- 3.2 The Local Government Act 2003 introduced sweeping changes to the capital accounting arrangements for all local authorities. A new system, '*The Prudential Code for Capital Finance in Local Authorities*' (The Prudential Code) was introduced with effect from 1 April 2004. The Prudential Code sets out a framework of self-regulation of capital spending, in effect allowing Councils to invest in capital projects as long as they are affordable, prudent and sustainable. In accordance with Prudential Code requirements, responsibility for setting and monitoring prudential indicators lies with Council. In accordance with this requirement, Full Council adopted and approved a number of prudential indicators in February 2004 - as part of the 2004/05 Treasury Management Strategy report.
- 3.3 The ODPM issued new guidance for local government investments under Section 15(1)(a) of the Local Government Act 2003. This guidance applies to the 2004/05 financial year and subsequent years and replaces previous investment

rules contained in the Local Authorities (Capital Finance) (approved Investments) Regulations 1990, which cease to have effect. The Local Code has been revised to reflect the new guidance.

- 3.4 The significant increase in resources available for investment following the recently completed sale of Site J Cobblers Hall, and further expected land sales over the next few years mean that a review of the Council's investment strategy is required to ensure that maximum benefits are achieved from the additional resources available to the Council. The Local Code has been amended to provide the required flexibility to achieve these aims.
- 3.5 With the introduction of the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003, the Council has now a statutory responsibility to be alert to the possibility that it may become the subject of an attempted involvement with money laundering. Accordingly, it will maintain procedures relating to its Treasury activities for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The arrangements for dealing with this have now been incorporated into the revised Code.
- 3.6 This review of the Local Code examined all treasury activities including investment periods and authorised limits with individual counter parties, the range and potential use of instruments available, and the performance of Money Brokers. The revised Local Code of Treasury Management Practice is attached with this report.

4. RESOURCE IMPLICATIONS

There are no specific resource implications in connection with this report.

5. CONSULTATIONS

The content of the report has been developed in consultation with Butlers Consulting - the Council's external Treasury Management consultants. No other specific consultations were deemed appropriate or necessary.

6. OTHER MATERIAL CONSIDERATIONS

No other material considerations have influenced this report.

7. OVERVIEW AND SCRUTINY IMPLICATIONS

The report will be subject to normal Overview and Scrutiny arrangements.

8. List of Appendices

Code of Practice for Treasury Management Activities.

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Ward(s): Not Ward Specific

Background Papers:

Code of Practice for Treasury Management Activities - Council 20th December 2002

The Treasury Management Strategy 2004/05 to 2006/07 and the Impact of the Prudential Code for Capital Finance – Special Council 27th February 2004

Examination by Statutory Officers

	Yes	Not Applicable
1. The report has been examined by the Councils Head of the Paid Service or his representative	√	
2. The content has been examined by the Councils S.151 Officer or his representative	√	
3. The content has been examined by the Council's Monitoring Officer or his representative	√	
4. The report has been approved by Management Team	√	

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