Council

2012/13 Service and Financial Planning Process, Corporate Plan, Revenue Budget and Capital Programme and Treasury Strategy

27 February 2012

Report of the Chief Financial Officer (Director of Resources) and Head of Finance and Procurement

PURPOSE OF REPORT

To review the Council's General Fund Budget, Capital Programme, Earmarked Reserves and General Fund Balances to ensure the robustness of the estimates included and to seek formal adoption of all parts of the Council's financial plans, treasury strategy and Corporate Plan for the 2012/13 budget year.

This report is public

Recommendations

Council is recommended to:

(1) Consider the contents of this report in approving the General Fund Budget and Capital Programme for 2012/13 and to formally record that consideration.

(2) Approve the 2012/13 General Fund Budget and Capital Programme proposed by the Executive on 6 February 2012, with a final Collection Fund adjustment of £2k.

(3) Approve the Collection Fund Estimates contained the Budget Book.

(4) Approve the Corporate Plan as detailed in the Budget Book.

(5) Approve the 2012/13 Treasury Strategy as outlined in Appendix 3

(6) Approve the prudential indicators as outlined in Appendix 3 – Annex 1.

(7) Approve the Council's adoption of the revised CIPFA Treasury Management and Prudential Codes published in November 2011.

Executive Summary

Introduction

1.1 Under Section 25 of the Local Government Act 2003, the Council's Chief Financial Officer is required to report to the Council on:

- The robustness of the estimates included within the budget
- The adequacy of the reserves and balances.

1.2 Under the Act, Members must have regard to the contents of this report when making their decisions on the budget.

Proposals

1.3 It is proposed that Members consider the contents of this report when making their decisions on the Council's budgets at this meeting.

Conclusion

1.4 The conclusion is that the processes followed have been generally sound and similar to those that have produced robust estimates in the past. In the light of information made available during the budget process, there is sufficient capacity in the proposed budget and available reserves and balances to cope with the financial risks the Authority faces in 2012/13.

Background Information

2.1 Section 25 of The Local Government Act 2003 includes a specific personal duty on the Chief Financial Officer ("CFO") to make a report to the authority when it is considering its budget and Council Tax. Also, Section 26 of the Act gives the Secretary of State power to set minimum level of reserves for which an authority must provide in setting its budget. The legislation says that "the provisions are a fallback against the circumstances in which an authority does not act prudently, disregards the advice of its CFO and is heading for serious financial difficulty".

2.2 The Local Government Finance Act 1992 also requires that authorities have regard to the level of reserves needed for meeting estimated future expenditure when calculating the next year's budget requirement.

2.3 There are also a range of safeguards to ensure authorities do not over-commit themselves financially. These include:

- The CFO 'S114' powers, which require a report to all members of the authority if there is or is likely to be unlawful expenditure or an unbalanced budget

- The Prudential Code which applied to capital financing from 2004/5.

Budget Process 2012/13

2.4 The budget for 2012/13 includes the second year of the major cut in government Revenue Support Grant which represents a further £1m of financing that has been cut. Preparation for both this impact and the future uncertainty of funding began in July 2011 through the search for efficiencies and the opportunities for continued joint working with South Northamptonshire Council.

2.5 The budget process formally began with the Executive issuing Budget Guidelines at their meeting on 5 September 2011.These guidelines included the decision that any service growth should be self-funding via efficiencies and that the council tax should not be increased.

2.6 For a number of years the Council's budget process has included consultation with the stakeholders of Cherwell to find out which services were most important to residents and others and what they thought spending and savings priorities should be in the coming budget year. The current budget process has continued this trend by seeking the views of the general public, the business community, the voluntary sector and other key partners on issues such as the most important services to spend on, where to decrease spending and the level the council tax should be set at. The output of this consultation is detailed in the budget book in section Service & Financial Planning.

2.7 The Budget Guidelines were used to prepare the base budget and to steer the Service Planning process.

2.8 The Corporate Management Team received regular updates on the overall budget position from July 2011 through to January 2012 and managed the overall process.

2.9 The Executive received regular reports detailing the service and financial planning process. The first draft of the revenue and capital budget proposals were reported on December 6 2011, and the second and final proposals on February 6 2012. All reports outlining the latest position regarding efficiencies identified and remaining sums required to balance the budget.

2.10 The Resources and Performance Scrutiny Board reviewed a number of components of the 2012/13 budget. These focussed primarily on areas of discretionary spend within the Council and the proposed capital project schemes. This work was carried out from October 2011 until January 2012. The recommendations of this board were taken to the Executive for consideration on 6 February 2012 and these were included in the final budget proposal.

2.11 The Executive concluded its budget deliberations on 6th February 2012 and has now recommended a budget to the Full Council.

Revenue Budget 2012/13

Service Area	**Approved Budget 2011/12**	**Proposed Budget 2012/13**	**Movement**
Community & Environment		£8,616,627	
Resources		£3,337,970	
Development		£4,686,728	
Service Total	***£17,485,234**	**£16,641,325**	
Executive Matters			
Centrally controlled items	£1,522,823	£1,642,245	
SNDC Joint Working Savings	-£333,000	-£230,000	
Credit for Capital Charges	-£3,218,477	-£3,323,392	
	£15,456,580	**£14,730,178**	
Contribution to (+) / from (-) Earmarked Reserves	£334,526	-£74,245	
Contibution to (+) / from (-) General Balances	£68,834	£3,299	
Net Budget Requirement	**£15,859,940**	**£14,659,232**	**-£1,200,708**
RSG Settlement	-£8,634,458	-£7,621,722	£1,012,736
Council tax Compensation Grant 2011/12	-£155,037	-£155,415	-£378
Council Tax -Single person discount review	£0	-£52,000	-£52,000
Collection Fund Surplus	-£130,417	-£139,332	-£8,915
Investment Income	-£723,407	-£439,810	£283,597
Amount to be funded from Council Tax	**£6,216,621**	**£6,250,953**	**£34,332**
Number of band D equivalents	50,337	50,615	278
2012-13 Cost of Band D equivalent	£123.50	£123.50	
2011-12 Cost of Band D equivalent	£123.50	£123.50	
	£6,216,620	£6,250,953	

*** NB Due to the restructure of services that has taken place within 2011/12 it has not been possible to provide comparators at a service level.**

This revenue budget is detailed in full in section "Cherwell District Council Budgets" of the budget book.

Capital Programme 2012/13

	Total Scheme Cost	2012/13 Profile
Proposed programme	**£9,628,500**	£4,711,832
Schemes slipped from 2011/12	**£9,049,000**	£9,049,000
Total Capital Programme to be Financed	**£18,677,500**	**£13,760,832**
Financed by:		
Capital Receipts	**£9,634,500**	**£9,384,500**
Government Grants		
£375k per annum Governmental Grant Funding towards Mandatory Disabled Facilities Grants	**£375,000**	£375,000
Use of Reserves		
Wheeled Bins Reserve	**£25,000**	£25,000
Vehicle Replacement Programme	**£425,000**	£425,000
SW Bicester Sports Village Fund	**£829,000**	£829,000
Housing Reserves	**£7,389,000**	£2,722,332
	£18,677,500	**£13,760,832**

This capital programme budget is detailed in full in section Capital Investments of the budget book.

2.12 During the budget process the Chief Financial Officer has:

- liaised closely with the Head of Finance and Procurement throughout the budget process
- attended Executive meetings where the budget has been considered
- attended an joint management team budget workshop on the formulation of the budget
- reviewed budget working papers.

Guidance on Evaluation of the Estimates

3.1 The Local Government Act 2003 does not provide any specific guidance on how to evaluate the robustness of the estimates. The explanatory notes to the Act do, however, stress that decisions on the appropriate level of reserves should not be based on a rule of thumb, but on an assessment of all the circumstances considered likely to affect the authority. In addition reference is also made to the CIPFA

(The Chartered Institute of Public Finance and Accountancy) guidance on reserves and balances.

3.2 The CIPFA guidance states that the following factors should be taken into account when the CFO considers the overall level of reserves and balances:

- assumptions regarding inflation
- estimates of the level and timing of capital receipts
- treatment of demand led budgets (i.e. budgets where expenditure or income are to some extent beyond the Council's control)
- treatment of efficiencies
- risks inherent in any new partnerships etc
- financial standing of the authority (level of borrowing, debt outstanding etc)
- the authority's track record in budget management (including the robustness of the Medium Term Financial Strategy)
- the authority's capacity to manage in-year budget pressures
- the authority's virement and year-end procedures in relation to under- and over- spends
- the adequacy of insurance arrangements.

3.3 The above issues are also of relevance when evaluating the robustness of the budget.

Reserves

4.1 The estimated level of reserves as at 31 March 2012 and 31st March 2013 are shown in the Council's Budget Book contained with this report. The rationale for each of these reserves and the level required in each has been reviewed by the Lead Member for Financial Management, the Director of Resources and the Head of Finance & Procurement. The reserves are considered to be both necessary and at adequate levels. In addition to the various earmarked reserves, the Council will have an estimated General Fund Balance of approximately £2m at 31st March 2012. The General Fund balance comfortably exceeds the recommended minimum of 5% of the budgeted net operating expenditure for the financial year 2012/13.

4.2 Reserves can be held for three main purposes:

- general reserves to meet the potential costs of emergencies or unexpected events, including a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- earmarked reserves to meet known or predicted liabilities over a period of time usually of more than one year. These earmarked reserves protect the Council against specific financial risks and this is a factor to be taken into account when assessing the adequacy of

the totality of balances and reserves and the level of the General Fund Balance.

- a contingency to meet the costs of events that are possible but whose occurrence is not certain – this also forms part of general reserves. For the financial year 2012/13 the Council will have general and specific Contingency Risk Reserves to deal with any increased demand on Council services, additional costs such as fuel cost rises or falls in income from fees and charges.

4.3 These reserves were reported in the February 6th Executive as being in the region of £5.3m but will be subject to change as a result of year end adjustments and formulating the statutory accounts.

Strategic Budget Issues to Evaluate for Robustness

Inflationary Pressures

5.1 The approved budget guidelines recommended the inclusion of 2% inflation to be incorporated within expenditure budgets (non employee – see below), however managers were advised to only build in contractually unavoidable inflation increases as far as possible, in spite of relatively high levels of inflation being experienced currently. This helped force through the achievement of efficiency savings at a very detailed level to balance the budget overall. This approach is underpinned by a Contingency Risk Reserve to cope with any return of unbudgeted inflationary pressures.

5.2 A local agreement with staff was agreed for a 1.5% pay award payable from 1 April 2012. This has been built into the base budget for 2012/13. An assumption on staff turnover savings is made and monitored centrally, the turnover level has been revised downwards to reflect the fact that the establishment has reduced significantly in recent years and also because there are fewer jobs in the economy which limits the amount of staff turnover.

Capital Programme Revenue Effects and Financing

5.3 The revenue budget includes all revenue effects of capital schemes. Assumptions of new capital receipts in 2012/13 are based on realistic estimates received from the relevant officers in the Council.

Treatment of demand-led pressures and efficiencies

5.4 Particular care has been taken in compiling the key Council budgets which are often described as 'demand led' because their achievement is to some degree outside the Council's control. These types of budgets, including spending on housing benefits and receipt of income from planning applications, land charges, car parking charges and interest on the Council's cash and financial reserve management are likely to contribute significantly to any overall variation of actual achievement against budgets. Some of these budgets could be affected by the prevailing economic climate and in all cases a prudent approach has been adopted in the estimates prepared.

Efficiencies

5.5 The 2012/13 net revenue budget has incorporated budget reductions of £2m, as detailed in Appendix 2.

5.6 Each of these efficiency proposals was evaluated for feasibility of achievement and found to be realistic. Each expenditure efficiency has been removed from the relevant budget and each agreed increase in income added to the relevant budget.

5.7 Both expenditure and income efficiencies will be profiled on the Council's Financial Management System to make it clear that efficiencies are expected to be realised from the agreed date. Prior to the commencement of the financial year 2012/13 officers responsible for these services and the associated budget reductions or additional income will be reminded of the need to achieve the figures put forward within the agreed timescales. Monthly financial information will then be provided to help monitor progress, and any significant variations will be reported to both the Joint Management Team and the Executive. These reports will contain proposals for corrective action where necessary.

5.8 Any one-off costs of achieving ongoing efficiencies have been built into the rationale of earmarked reserves held and projections of use of those reserves.

Investment Income/Icelandic Banks

5.9 At the closure of the 2010/11 accounts the Council had assumed a prudent position with regard its Icelandic investments, accounting for a loss in value of its investment portfolio (known as impairment) until the challenge to priority creditor status at the court of appeal was resolved.

5.10 Following appeal, the Council was awarded priority creditor status for its Icelandic investments with Glitnir - total £6.5m and this decision is now final.

5.11 Consequently, it is anticipated there will be a complete repayment of the £6.5m due from Glitnir Bank before the 31 March 2012. In accounting terms the loss shown last year will be reversed and the average cash position available for investment that has been budgeted will improve.

5.12 The Council's investment income budget for 2012/13 has been compiled on the basis of close tracking of actual and likely interest rates and with the help of external advice. The emphasis has been on the least risky places to invest the Council's money and this, along with the continued low interest rates on offer and the agreed use of capital receipts has led to a significant reduction in the investment income built into the budget. In budgetary terms this is prudent and places the Council at less risk of exposure in-year. A revised Treasury Management Strategy for 2012/13 is included elsewhere in this report.

Capacity to Manage in-year Budget Pressures

6.1 The Council has a record of maintaining good financial and budgetary discipline in the face of mid-year pressures, including virement procedures that allow funds to be moved to areas where shortages exist. Although underspends and overspends are not automatically carried forward, the Council does have an approved carry forward scheme.

6.2 For many years, year-end out-turn has been within approved budget levels, although the trend to significant underspends has now been eliminated. This is a welcome change, although it does mean, quite rightly, that there can be no reliance on underspends being available to deal with any unwanted overspends. This has put more reliance on accurate budgeting and forecasting and the level of reserves held.

6.3 The Audit Commission have frequently commended the Council's record in financial management.

6.4 Managers with budgetary responsibility receive ongoing financial training and support and attend regular briefings regarding issues such as the Budget Guidelines.

6.5 Budget holders receive regular information from their relevant service accountant and regular Financial Management System (FMS) reports through on-line access. Both budget profiling and commitment accounting are used to assist the budgetary control process. The Council utilises a 'Dashboard' reporting system which gives budget managers prompt information about financial and service performance. This has proved extremely popular and well used, leading to a very detailed and timely position statement being available on the Council's finances.

6.6 The Executive receives quarterly budgetary control reports, including proposed actions to deal with any variances from budget.

Risk Management and Insurance Arrangements

7.1 The Council has a well developed risk management approach which regularly updates the key strategic and operational risks and identifies actions which can reduce the likelihood and impact of those risks. The risk registers identified are fed into the budgetary process as appropriate. In the last three budget cycles the economic scenario has featured as a key risk for several of the Council's budgets and appropriate budgetary provision has been made in respect of these.

7.2 The Authority has a low record of claims against its insurance policies. A recent Value for Money Review of insurance identified the scope for the Council to delete some of the policies held and levels of cover on some retained policies reduced with a significant saving in premiums paid and an acceptable increase in exposure to risk.

7.3 The authority budgets for specific risks, as detailed later in the report and in the budget book, as well as carrying a general risk management provision in its budgetary estimates.

Longer-Term Considerations

8.1 Although this report has the 2012/13 budget as its focus it is worthwhile considering briefly some of the key longer term financial issues facing the Council so that it can be established that no hidden issues could affect the forthcoming budget year.

8.2 The Council has a robust Medium Term Financial Strategy which is regularly updated and gives multi-year projections of the Council's revenue and capital position. The latest forecast is included in the budget book.

8.3 The next Medium Term Financial Strategy, covering the years 2013/14 to 2016/17 will be considered by the Executive in June 2012. Although managerial action will be required during the 2012/13 budget year to deal with the likely budget deficit from 2013/14 onwards there are currently no plans which will affect the 2012/13 budget itself.

8.4 The Secretary of State introduced the Local Government Finance Bill on 19 December 2011. The Bill seeks to take forward proposals designed to encourage local economic growth, reduce the financial deficit and drive decentralisation of control over local government finance.

8.5 This legislation represents a radical change to the local government finance system, which complements a wide package of financial measures that the Government is pursuing. Further details can be found in Appendix 3 of the Draft Budget Report to the Executive, 6 February 2012.

8.6 Any change in the overall funding mechanism can reasonably be expected to have some redistributive effect between councils and it is, therefore, difficult to predict whether the impact on Cherwell District Council will be better, or worse than these national control totals.

8.7 The Council is debt free, with no realistic need to borrow money long term likely to materialise in the next few years. Short term borrowing for cash flow purposes continues to be very rare and a small sum has been budgeted in the years ahead as interest payable should there be a mis-match in cash available for a few days or weeks.

Specific Service Budget Risk Considerations

9.1 Estimates in respect of Council Tax Benefit and Housing Benefit payments, Government reimbursement of these payments and payment of administrative subsidy have been calculated based on the latest information available about take-up of benefits, the latest levels of correctly paid benefits and government notifications of reimbursements and subsidy levels. There has been a significant increase in the level of such payments during the economic difficulties of the last two years and this is set to continue for some time yet. Bearing in mind that most of the sums paid out are reimbursed by the Government, these estimates are therefore as robust as possible for an area of expenditure that is demand led.

9.2 The income from car parking will be closely monitored, as it is demand led and we need to see if the impact of a fee changes.

9.3 Planning fees and land charges fees are also significant factors in the Council's budget. The budgeted sums for 2012/13 continue to be at a lower level than before the problems in the economy started and prudent assumptions have again been made of sums likely to be received. The sums included will be closely monitored during the year.

9.6 Rental income from the Council's property portfolio is again subject to market forces and best estimates from officers concerned have been used and will be monitored closely.

9.7 The homelessness budget is demand-led and therefore difficult to accurately estimate. It will be closely monitored.

9.8 A number of procurement decisions will be made during January to March. Any favourable / unfavourable effects arising from these compared to the base budget will be managed though budget virement during 2012/13 and reported in our quarterly Executive reports.

9.9 A Contingency Risk Reserve of £262k has been set up to cover any major variations on the budgets covered in the previous paragraphs. As in previous years there is a general risk reserve equal to 1% of net expenditure also held to assist in managing the budgets.

2012/13 Treasury Strategy

10.1 The Council has £11.5m and £11.6m respectively invested with fund managers Tradition UK and Investec. In addition it has around £56.7m managed in-house (including Eco Town funds of £11.5m) which fluctuates during the year.

10.2 The Treasury Management Strategy is the cornerstone of proper treasury management, and is central to the operation, management reporting and performance assessment.

10.3 The proposed strategy for 2012/13 is attached in Appendix 3 and is based upon the views of the Chief Financial Officer, Head of Finance and Procurement and the Council's Treasury Management Team. This is informed by market forecasts provided by the Council's treasury advisor, Sector.

10.4 In consultation with Sector and with full reference to the CIPFA Code of Practice, the Council has reviewed its risk appetite and associated priorities in relation to security, liquidity and yield in respect of returns from various financial instruments.

10.5 The strategy detailed in Appendix 3 covers:

- The Current Treasury Position
- Prospects for interest rates
- The borrowing strategy
- Prudential Indicators
- The investment strategy
- Creditworthiness policy
- Policy on use of external service providers.

10.6 There are 3 main changes to the 2011/12 strategy:

a) revised CIPFA Treasury Management Code of Practice 2011
b) revised CIPFA Prudential Code 2011
c) a number of downgrades to counterparty ratings

<u>The Revised CIPFA Treasury Management Code of Practice 2011</u>

10.7 The revised Code has emphasised a number of key areas including the following:-

10.8 CIPFA revised the Treasury Management Code of Practice (TM Code) and associated Guidance Notes in November 2011. This revision is an update to the Treasury Management Code and Guidance Notes last published in November 2009.

10.9 The TM Code has been reviewed and updated following recent developments and anticipated regulatory changes relating to the Localism Bill 2011, including housing finance reform and the introduction of the General Power of Competence.

10.10 The new TM Code contains an expansion of the risk management chapter. (There is also now a new chapter covering the treasury management implications of the housing reform which is not applicable to this Council as it no longer has housing stock.)

10.11 This document sets out the principal changes to the TM Code and associated Guidance Notes, and outlines the impact this could have on Councils' Treasury Management Strategy Statements. Key changes are as follows:

- Authorities are to explicitly state in their TMSS whether they plan to use derivative instruments to manage risks, and ensure they have the legal power to do so

- Authorities are to make reference to their high level approach to borrowing and investment in their Treasury Management Policy Statement

- Less focus is placed on the 'minimum credit limits' for investment counterparties, with more focus on the 'minimum acceptable credit quality'

- There is a New treasury indicator: Upper limits on the proportion of net debt to gross debt; to highlight where an authority may be borrowing in advance of its cash requirement

- Authorities may wish to create a new treasury indicator which considers credit risk

- Expansion of the risk management chapter

- New Section in the TM Code Guidance Notes on the 'Treasury Management Implications of the Housing Self-Financing Reform' – this is not applicable to this Council.

10.12 This strategy statement has been prepared in accordance with the revised Code. Accordingly, the Council's Treasury Management Strategy will be considered for approval annually by the full Council and there will also be a mid year report.

10.13 In addition there will be monitoring reports and regular review by members in both executive and scrutiny functions.

10.14 The aim of these reporting arrangements is to ensure that those with responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities relating to delegation and reporting.

10.15 This Council adopts the reporting arrangements outlined in Annex 1 of Appendix 3 which is in accordance with the requirements of the revised Code.

The Revised CIPFA Prudential Code

10.16 CIPFA has issued a revised Prudential Code which primarily covers borrowing and the Prudential Indicators. (Three of these indicators are classified as Treasury Indicators rather than Prudential Indicators):

- Actual External Debt
- Gross and net debt
- Interest rate exposures
- Maturity structure of borrowing
- Principal sums invested for periods longer than 364 days
- Credit risk.

(All indicators are presented together as a suite of indicators in Annex 1 of Appendix 3)

Counterparty Ratings

10.17 Following on from advice received by our Treasury Advisors, the Council will select financial institutions with a minimum long-term rating of A and short-term rating of F1/P-1/A-1. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

10.18 The long-term rating of A is lower than the minimum of A+ adopted in 2011/12 and is in response to downgrades in the autumn of 2011 to the ratings of many institutions considered to be systemically important. The downgrades did not reflect deterioration in the financial strength of the UK government or the financial system; rather they were a result of the agencies' assessment that the various policy recommendations of the Independent Commission on Banking will most likely result in extraordinary government support for financial institutions being relatively lower and less certain than before.

10.19 The Council will also assess other indicators, such as credit default swaps, share prices, the sovereign's economic fundamentals, corporate developments highlighted through news articles and market sentiment. If any of these indicators give rise to concern, the counterparty may be suspended from further use irrespective of the existing credit rating.

10.20 The highest standard of stewardship of public funds remains of the upmost importance to the Council. This strategy sets out the Council's priorities and policies for making, and managing investments made by the Council in the course of undertaking treasury management activities during the forthcoming 2012/13 financial year.

Key Issues for Consideration and Options

11.1 The key issues in relation to the budget are whether:

- the base budget is realistic, both in terms of expenditure and income
- the expenditure efficiencies are achievable
- any new or increased income will be received
- the reserves are adequate to deal with any budget problems.

11.2 It is considered that these requirements are in fact met and that the budget is sufficiently robust to be recommended for approval.

11.3 The Full Council can of course make changes to the budget even at this late stage, although it is advised that any such changes, if significant, could adversely affect the robustness of the budget if a full appraisal of their likely consequences is not undertaken.

11.4 The production of the Treasury Management and Investment Strategy is a requirement of the CIPFA Code of Practice for Treasury Management.

11.5 It is a requirement of the Code of Practice that the Council should formally adopt the revised Code.

11.6 It is a statutory duty under Section 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".

11.7 The following options have been identified. The approach recommended is believed to be essential so that the Council complies with the legislation directing it to consider the Chief Financial Officer's report.

Option One To consider and agree this report.

Option Two To fail to consider and agree this report and fail to meet the legal requirements in relation to setting the Council's budget and setting an annual Treasury Strategy.

Consultations

S25 Report

None The s25 report is a statutory report giving the view of the Council's Chief Financial Officer on the robustness of the budget, although in practice discussions have been held with relevant staff as part of forming the judgement required.

Treasury Management Strategy

Various	The treasury management strategy has been reviewed by Chief Financial Officer, Lead Member for Resources and the Accounts, Audit and Risk Committee.

Implications

Financial:

The report looks at the robustness of the Council's draft 2012/13 budget, corporate plan and treasury management strategy.

The treasury strategy proposed in this report, together with the interest rates forecast, is in line with the assumptions made in the 2012/13 budget. The costs of treasury operations, debt management, expenses and investment income are included in the 2012/13 budget.

All financial implications are contained within the comments checked by Karen Muir, Corporate System Accountant, 01295 221559.

Legal:

The draft budget complies with the Council's legal obligations.

Comments checked by Nigel Bell, Team leader – Planning & Litigation, 01295 221687

Risk Management:

The draft budget has been built with consideration of relevant risks. The following risks are considered in relation to the treasury management strategy:

a) Risk of capital loss – the prime objective of treasury management activities is to ensure the security of the amounts invested. This is managed by using a counterparty list which only includes organisations having a suitable credit rating and which has a maximum amount that can be invested with each organisation at any one time.
b) Liquidity – investments are linked to known future cash flows to ensure sufficient funds are available as and when they are required.
c) Interest Receivable – this is regularly monitored against budget and reported through the Performance management Framework.

Comments checked by Karen Muir, Corporate System Accountant, 01295 221559.

Wards Affected

All

Corporate Plan Themes

An Accessible, Value for Money Council.

Executive Lead Member

Councillor Atack
Lead Member for Financial Management

Document Information

Appendix No	Title
1	Budget Book 2012/13 – **to be circulated on 22 February under separate cover**
2	Cost Reductions
3	2012/13 Treasury Management Strategy
Background Papers	
Budget Working Papers 2012/13. Budgetary Control Reports 2011/12. Reports to the Executive, September 2011 to February 2012 Sector TMSS template Local Government Act 2003 CIPFA's revised Prudential Code for Capital Finance in Local Authorities (2011) CIPFA's revised Treasury Management Code of Practice (2011) Prudential Indicator working files Capital Programme 2012-2016 Medium Term Financial Strategy	
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