



## Corporate Resources Scrutiny Committee

### Briefing Paper

Report of: David Buckland, Director of Resources  
Date: Thursday, 3<sup>rd</sup> June 2010  
Open

## Treasury Management Review Panel

### 1. Summary

- 1.1 This report seeks to establish a Treasury Management Review Panel to assist in the scrutiny of the Treasury Management Strategy. This follows the publication of new Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) in relation to Treasury Management.

### 2. Background

- 2.1 Following the collapse of the banking system in Iceland, which affected the Council through three investments totalling £9m, a Treasury Management Panel was established.
- 2.2 The Treasury Management Panel was a panel of the Cabinet and its membership included all of the Council's Group Leaders. The primary objective of the Treasury Management Panel was to investigate the events leading up to the placing of the particular investments, along with the efforts which were being made in relation to the recovery (as reported to Council on 19<sup>th</sup> May 2010. To date the Council has recovered over £2m of the original investments with further dividend payments expected in the near future). The terms of reference were as follows:
  - To review the expediency of the Council's Treasury Management Policy and Investment Strategy with particular reference to:
  - The Council having Policy and Government Guidelines in place when recent decisions relating to external investment decisions were taken.
  - The adequacy of existing procedures practices and processes that the Council uses to manage its financial investments.
  - The integrity and reliability of information relating to approved credit ratings and approved organisations including the professional financial advice and judgements applied to address financial risks.

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- The need to clarify the limits and conditions governing financial investments by the Council and to ensure that the quality range and depth of the Treasury Management function complies with accepted best practice in safeguarding the Council's financial resources whilst maximising the rate of investment return.
- 2.3 The Treasury Management Panel produced 15 recommendations which were presented to the Cabinet on 19<sup>th</sup> February 2009. The vast majority of the recommendations have already been implemented and additional information and training has been provided to members. An outstanding recommendation however relates to the Council's Treasury Management Advisors.

#### **Recommendation**

That the opportunity is taken to revise the specification for the Council's Treasury Management advisors and to retender the contract for the period starting September 2010 when the current contract will have expired.

- 2.4 The role of the Treasury Management Panel has now evolved to concentrate upon future strategy decisions,
- 2.5 In addition, CIPFA have issued revised guidance to Local Authorities, the most significant of which suggests that a group such as the Treasury Management Review Panel be established to scrutinise the Treasury Management Strategy.
- 2.6 The CIPFA guidance suggests that this Panel should either be a Scrutiny Committee or part of the Audit Committee's responsibility. This issue was discussed at the last meeting of the Treasury Management Panel held on 1<sup>st</sup> February 2010, and was felt on balance to be more appropriate to be within the auspices of Corporate Resources Scrutiny Committee rather than the Audit Committee.
- 2.7 The main concern surrounding the Audit Committee was that this move could be seen to prejudice their independence when reviewing the Statement of Accounts.
- 2.8 The CIPFA guidance has further recommendations including:
- The requirement for the Council to publish the training arrangements for staff engaged within the Treasury Management function and those Members with responsibility for review.
  - Consideration of further measures of credit quality to apply to counterparties other than the internationally recognised Credit Rating Agencies.

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- 2.9 Finally, the tender has now commenced for the Treasury Management advisors. As part of the evaluation process it is proposed that the new Treasury Management Review Panel be involved and have the opportunity of interviewing the prospective advisors. It is hoped that the interviews will be held at a meeting on 8<sup>th</sup> July 2010 at 2.00pm.

### **3. Key Issues**

- 3.1 Treasury Management is a key issue to the authority and following the revised guidance from CIPFA, it is appropriate the Corporate Resources Scrutiny Committee be requested to form a Treasury Management Review Panel. The main functions of the panel will be to:
- Consider and make recommendations in relation to the Council's Treasury Management Policy Statement, objectives and approach to risk management of its treasury management activities.
  - Approve suitable Treasury Management Practices, setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will be managed and control those activities.
- 3.2 It is proposed that the Terms of Reference for the Panel be considered at the first meeting which is planned for 8<sup>th</sup> July 2010. It is envisaged however, that there should be a minimum of 6 members on the panel made up from the membership of the Corporate Resources Scrutiny Committee.
- 3.3 In addition, the meeting of the Treasury Management Review Panel on 8<sup>th</sup> July 2010 will be used to interview prospective Treasury Management advisors as part of the overall tender process. Further guidance to assist in the interviews will be provided by the Council's Procurement Officer nearer to the time.

### **4. Options**

- 4.1 To agree to the establishment of a Treasury Management Review Panel, made up of 6 members of the Corporate Resources Scrutiny Committee.

### **5. Consultation**

- 5.1 Not applicable.

### **6. Related Decisions**

- 6.1 This follows the last meeting of the Treasury Management Panel which met on 1<sup>st</sup> February 2010, and the outstanding recommendations to the Cabinet on 19 February 2009.

**7. Relevant Council Policies/Strategies**

- 7.1 Treasury Management Policy Statement  
Treasury Management Practices  
Wyre Forest District Council – Investment Strategy

**8. Implications**

- 8.1 The management of the Treasury Function is a key issue for the Council, the value of the investments and interest receivable is significant.

**9. Equality Impact Needs Assessment**

- 9.1 Not applicable.

**10. Wards affected**

- 10.1 All

**11. Appendices**

- 11.1 None

**12. Background Papers**

- 12.1 Cabinet – 19<sup>th</sup> February 2009 – Recommendations from Treasury Management Panel  
Cabinet – 23<sup>rd</sup> April 2009 – Treasury Management Update  
Cabinet – 23<sup>rd</sup> September 2009 – Annual Treasury Management Report  
Treasury Management Panel – 1<sup>st</sup> February 2010 – Treasury Management Strategy  
Cabinet – 16<sup>th</sup> February 2010 – Treasury Management Strategy

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