

Birmingham City Council

Audit Committee

31 January 2024



Subject: Treasury risk management arrangements
Report of: Interim Director of Finance (s151 Officer)
Report author: Mohammed Sajid, Assistant Director, Financial Strategy

Does the report contain confidential or exempt information? Yes No

If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential :

1 Executive Summary

1.1 To update members on the Council's treasury risk management arrangements as set out in the draft 2024/25 Treasury Management Policy, Strategy and Treasury Management Practices.

2 Recommendation(s)

2.1 Audit Committee is recommended to:

2.1.1 Note and considers the Council's treasury risk management arrangements as set out in the attached draft 2024/25 Treasury Management Policy, Strategy and Treasury Management Practices.

3 Background

3.1 The functions of Audit Committee include "to review the adequacy of treasury risk management arrangements as set out in the Treasury Management Policy, Strategy and treasury management practices."

The Council's Treasury Management Policy and Strategy are approved in the annual Financial Plan by full Council, in accordance with CIPFA's Treasury Management Code for local authorities ("the CIPFA Code"). Quarterly monitoring of

treasury management activity is included in the financial monitoring and annual outturn reports to Cabinet.

3.2 Treasury Management is defined in the CIPFA Code as “the management of the organisation’s borrowing, investments and cashflows; 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”.

3.3 **Appendix 1** is a presentation outlining the main risk management processes and controls for treasury management in the Council. These processes and controls are set out in further detail in a set of key governing documents, in accordance with the CIPFA Code, which are attached for reference as follows:

Appendix 2 The Council’s Draft Treasury Management Strategy and Policy: these are the key documents that set out the main risk management processes and controls for Treasury Management in the Council. They will form appendices to the Budget Papers to be approved by City Council meeting, scheduled for 27 February 2024, and for transparency, are in that format. The numbers are likely to change from this version, as the Budget is finalised. They at this stage do not include the impact of any Exceptional Financial Support. The risk management principles will equally apply to that support.

Appendix 3 The Council’s Draft Treasury Management Practices (TMPs): these are operational procedures regulating day to day treasury activities, including the management of risk. They are referenced in the TM Policy paragraph 10.4. These are reviewed annually and are due to be approved by the Director of Finance (S151).

Appendix 4 Treasury management reporting and monitoring (Quarter 2 monitoring example attached): this is usually provided quarterly to Cabinet as part of the financial monitoring report, as well as to Resources Overview and Scrutiny. This includes monitoring of the treasury management and other Prudential Indicators (which are required by the CIPFA Prudential and Treasury Codes).

3.4 Training on treasury management is provided periodically for City Councillors.

4 Options considered and Recommended Proposal

4.1 Options relevant to each risk are contained within the presentation and Appendices.

5 Legal Implications

5.1 Risk management forms an important part of the internal control and governance framework within the Council.

6 Financial Implications

6.1 This is contained within the presentation and appendices.

7 Public Sector Equality Duty

7.1 There are no equality duty or equality analysis issues relating to the information set out in this report.

8 Other Implications

8.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

- 8.1.1 Risk management and sound internal controls underpin all the Council's priorities, plans and strategies.
- 8.1.2 Management is responsible for the implementation of a sound and effective system to manage risks effectively.
- 8.1.3 Audit Committee Members have a key role within the risk management and internal control process. This includes reviewing and providing the Executive with assurance on the embedding and maintenance of an effective system of corporate governance, including the Council's Corporate Governance Code and Framework, risk management framework, and the associated control environment.

9 Background Papers

- 9.1 None

10 Appendices

- 10.1 Appendix 1 Treasury Risk Management Powerpoint presentation
- 10.2 Appendix 2 The Council's Draft Treasury Management Strategy and Policy
- 10.3 Appendix 3 The Council's Draft Treasury Management Practices (TMPs)
- 10.4 Appendix 4 Treasury management reporting and monitoring