TREASURY MANAGEMENT PRACTICES

Treasury Management Practices (TMPs) set out the manner in which this organisation will seek to achieve its treasury management policies and objectives and how it will manage and control those activities.

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TMP1 TREASURY RISK MANAGEMENT

The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation’s objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

[1] Credit and counterparty risk management

The Council regards a key objective of its treasury management activities to be the security of principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved instruments methods and techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financial arrangements.

[2] Liquidity risk management

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to which are necessary for the achievement of its business/service objectives.

The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

[3] Interest rate risk management

The Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirement and management information arrangements.

It will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.
[4] Exchange rate risk management

The Council does not currently have any exposure to exchange rate risk. However, if circumstances change it will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

It will achieve this objective by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of exchange rates. The above is subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

[5] Refinancing risk management

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favorable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

[6] Legal and regulatory risk management

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1.5 Credit and counterparty risk management, it will ensure that there is evidence of counterparties’ powers, authority and compliance in respect of the transactions they may affect with the organisation, particularly with regard to duty of care and fees charged.

This organisation recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

[7] Fraud, error and corruption, and contingency management

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

[8] Market risk management
The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

**TMP2 BEST VALUE AND PERFORMANCE MEASUREMENT**

The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation’s stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.

**TMP3 DECISION-MAKING AND ANALYSIS**

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

**TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1, *Risk management*.

**TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS**

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, and for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principles on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of
funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when this organisation intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. The present arrangements are detailed in the schedule to this document.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegation to the responsible officer in respect of treasury management are set out in the schedule to this document. The responsible officer will fulfill all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on treasury management.

**TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the Cabinet will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- a mid year review
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's Treasury Management Policy Statement and TMPs.
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

Cabinet will receive regular monitoring reports on treasury management activities and risks.
Audit Committee will have the responsibility for the scrutiny of treasury management policies and practices. The present arrangements and the form of these reports are detailed in the schedule to do this document.

**TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

The responsible officer will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at a minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk management, TMP2 Performance measurement, and TMP4 Approved instruments, methods and techniques. The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements.

The Council will account for its treasury management activities, for decisions made and transaction executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

**TMP8 CASH AND CASH FLOW MANAGEMENT**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 Liquid risk management. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

**TMP9 MONEY LAUNDERING**

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule to this document.

**TMP10 STAFF TRAINING AND QUALIFICATIONS**

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

The responsible officer will ensure that council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.
Those charges with governance recognize their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in the schedule to this document.

**TMP11 USE OF EXTERNAL SERVICE PROVIDERS**

The Council recognizes that responsibility for treasury management decisions remains with the organization at all times. It recognizes the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer, and details of the current arrangements are set out in the schedule to this document.

**TMP12 CORPORATE GOVERNANCE**

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

This organisation has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.
TREASURY MANAGEMENT PRACTICES - SCHEDULES

This section contains the schedules which set out the details of how the Treasury Management Practices (TMPs) are put into effect by this organisation.

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Appendices:

I) Current Counterparties List
II) General Fund Capital Programme 2010/11
III) Treasury Management Procedure Notes
IV) Investment Procedure Notes
V) Treasury Management Strategy 2010/11
VI) The Non-Investment Products Code
VII) Prudential Indicators 2010/11
VIII) Treasury Management Annual Report 2009/10
TMP1 RISK MANAGEMENT

CREDIT AND COUNTERPARTY POLICIES

CRITERIA TO BE USED FOR CREATING/ MANAGING APPROVED COUNTERPARTY LISTS/LIMITS

Credit and counter-party risk is the risk of failure by a third party to meet its contractual obligations under an investment, borrowing, capital, project or partnership financing, especially one due to deterioration in its creditworthiness, and the resulting detrimental effect on the Council’s capital or current (revenue) resources.

As a holder of public funds, the Council recognises its prime responsibility is the security of the principal of the sums which it invests. Consequently, it will optimise returns commensurate with the management of the associated risk.

The Council will determine through its Annual Investment Strategy the credit criteria for various investment instruments in the ‘Specified’ and ‘Non-Specified’ Investments categories.

- The Director of Regeneration & Communities will formulate a suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising time, type, sector and specific counterparty limits.
- Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.
- Due to volatility of the financial market, Treasury Management staff will use information from various sources, eg brokers, Treasury Management Consultants and other local Authority experience to determine the credit worthiness of an institution and to decide if funds are at risk and agree best course of action with Director of Regeneration & Communities.
- This organisation will use credit criteria in order to select creditworthy counterparties for placing investments with.
- Treasury Management Consultants institution credit rating scheme is used which uses a sophisticated modeling approach with credit ratings from all 3 rating agencies, Moody’s, Fitch and Standard and Poors, along with sovereign ratings, CDS spreads and credit watches.
- In addition, the organisation will use the top 10 ranked Building Societies, ranked by asset size, along with Kent Reliance to help local businesses, plus all UK Local Authorities.
- Limits applied to the above ratings take into account group limits, so the limit for one institution is the same for the whole banking group (eg. Nat West and Royal Bank of Scotland cannot have more than £4m for up to one year between them).
- A full definition of all the ratings is shown at Appendix I as part of the Counterparties list.
1.5.2 SPECIFIED AND NON-SPECIFIED INVESTMENTS

Under investment guidance issued by the ODPM in March 2004 authorities are required to classify types of investment products as ‘Specified’ or ‘Non-specified’. The Council has the following classifications:

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<td>Term Deposits for greater than 1 year with Banks, Building Societies, UK Government &amp; UK Local Authorities</td>
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APPROVED METHODOLOGY FOR CHANGING LIMITS AND ADDING / REMOVING COUNTERPARTIES

Credit ratings for individual counterparties can change at any time. The Director of Regeneration & Communities is responsible for applying the stated credit rating criteria in 1.5.1. for selecting approved counterparties, and will add or delete counterparties as appropriate to / from the approved counterparty list when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers.

The Director of Regeneration & Communities will also adjust lending limits and periods when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers in accordance with the criteria in 1.5.1.

The Director of Regeneration & Communities now has delegated authority to operate the list on a rolling basis, rather than Council having to approve the whole list on a periodical basis. Any amendments will be reported as part of the Treasury Management Quarterly Monitoring Reports.

FULL INDIVIDUAL LISTINGS OF COUNTERPARTIES AND COUNTERPARTY LIMITS AS AT 1ST APRIL 2009

1.1 LIQUIDITY

Liquidity risk is the risk that cash not be available when it is required. This can jeopardise the ability of the Council to carry out its functions or disrupt those functions being carried out in the most cost effective manner. The Council will therefore have sufficient stand by facilities to ensure that there is always sufficient liquidity to deal with unexpected occurrences. It will also seek to ensure that its cash flow forecasting gives as accurate a picture as possible of the ebbs and flows in income and expenditure and the resulting residual daily cash balances.

1.1.1. Amounts of approved minimum cash balances and short-term investments
It is the intention to minimise cash balances held overnight, and for short-term investments to be made in order to fulfill the projected net cashflow requirement.

1.1.2 Details of:

- Standby facilities: There is normally a balance of at least £1m held in Call or Short Notice accounts.

- Bank overdraft arrangements: £500,000 agreement with National Westminster Bank plc, with interest charged at base rate plus 1%.

- Short-term borrowing facilities: Available through money broking market, via brokers on the approved list.

1.2 INTEREST RATES

Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council will seek to minimise this risk by seeking expert advice on forecasts of interest rates from treasury management consultants and agreeing with them its strategy for the coming year for the investment and debt portfolios. It will also determine appropriate limits and trigger points as set out below. These limits and strategy are set out in the annual Treasury Management Strategy Statement. This strategy will be periodically reviewed during the relevant year to see whether any modifications are required in the light of actual movements in interest rates.

The maximum proportion of interest on borrowing which is subject to variable rate interest is 100%. The maximum proportion for fixed rate interest is 100%. (These are both Prudential Code Indicators)

1.2.1 Policies concerning the use of instruments for interest rate management

- **Forward dealing**

  Consideration will be given to dealing from forward periods dependant upon market conditions. The approval of the Director of Regeneration & Communities is required, and is subject to the Treasury Management Strategy in force at the time.

- **Callable deposits**

  Use of callable deposits are not currently considered as part of the annual strategy.
1.3 EXCHANGE RATE

Exchange rate risk is the risk that unexpected changes in exchange rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council has a minimal exposure to exchange rate risk as it has no powers to enter into loans or investments in foreign currency for treasury management purposes.

At this time the Council does not get involved in any other significant foreign currency transactions. These are limited to a small number of invoice payments and receipts.

1.6 REFINANCING

Refinancing risk is the risk that when loans, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organization for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

1.6.1 DEBT/OTHER CAPITAL FINANCING MATURITY PROFILING, POLICIES AND PRACTICES

The Council is currently debt-free, having repaid all outstanding loans on 1st November 2004. Any new long-term borrowing would made on the basis of specialist advice, and only if it was beneficial to Council Tax payers.

1.6.2. PROJECTED CAPITAL INVESTMENT REQUIREMENTS

The Director of Regeneration & Communities will prepare a three year plan for capital expenditure for the Council. The capital plan will be used to prepare a three year revenue budget for all forms of financing charges. Under the new capital financing system, the definition of capital expenditure and long term liabilities used in the Code will follow recommended accounting practice (SORP).

See attached summary General Fund Capital Programme. (Appendix II)

1.6.3. POLICY CONCERNING LIMITS ON AFFORDABILITY AND REVENUE CONSEQUENCES OF CAPITAL FINANCING.

The policy is considered on an annual basis, taking into account agreed policies such as the Capital Strategy, the Asset Management Plan, and the Housing Strategy.

In considering the affordability of its capital plans, the Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax. It will
also take into account affordability in the longer term beyond this three year period. (Note: paragraph 30 of the Prudential Code gives examples of matters relevant to the consideration of affordability, although this is not an exhaustive list.)

The Council will use the definitions provided in the Prudential Code for borrowing (83), capital expenditure (84), debt (86), financing costs (87), investments (88), net borrowing (89), net revenue stream (90), other long term liabilities (91).

1.7 LEGAL AND REGULATORY RISK MANAGEMENT

Legal and regulatory risk is the risk that either the Council, or a third party which it is dealing with in its treasury management activities, acts outside of its legal powers or regulatory requirements and as a result the Council incurs loss.

1.7.1. REFERENCES TO RELEVANT STATUTES AND REGULATIONS

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. These are:

- CIPFA Prudential Code for Capital Finance in Local Authorities
- Local Government Act 2003
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004  8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004  8.3.04
- Guidance on Investments ODPM 12.3.2004
- Guidance on Housing Capital Receipts Pooling ODPM 23.3.2004
- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- CIPFA Standard of Professional Practice on Treasury Management 1995
- LAAP Bulletin 55 CIPFA’s Guidance on Local Authority Reserves and Balances
- The Non Investment Products Code (NIPS) - (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
- Financial Services Authority’s Code of Market Conduct
- SORP – Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
- PWLB annual circular on Lending Policy
- The Council’s Standing Orders relating to Contracts
- The Council’s Financial Regulations
- The Council’s Scheme of Delegated Functions
1.7.2. PROCEDURES FOR EVIDENCING THE ORGANISATION’S POWERS & AUTHORITIES TO COUNTERPARTIES / REQUIRED INFORMATION FROM COUNTERPARTIES CONCERNING THEIR POWERS & AUTHORITIES

The Authority will provide written evidence of its powers and authorities to any counterparty that requests us to do so. Counterparties will also provide their details to the Authority as a matter of course.

The Council’s powers to borrow and invest are contained in legislation.

- Investing: Local Government Act 2003, section 12
- Borrowing: Local Government Act 2003, section 1

Required Information on Counterparties

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Council’s treasury advisers based upon credit ratings supplied by Fitch.

1.7.3 STATEMENT ON THE COUNCIL’S POLITICAL RISKS AND MANAGEMENT OF SAME.

The Director of Regeneration & Communities shall take appropriate action with the Council, the Chief Executive and the Leader of the Council to respond to and manage appropriately political risks such as change of majority group, leadership in the Council, change of Government etc.

The monitoring officer is the Head of Legal Services; the duty of this officer is to ensure that the treasury management activities of the Council are lawful.

The Chief Financial Officer is the Director of Regeneration & Communities; the duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if she has concerns as to the financial prudence of its actions or its expected financial position.

1.8 FRAUD, ERROR AND CORRUPTION, AND CONTINGENCY MANAGEMENT

Fraud, error and corruption risk is the risk that the Council may fail to employ adequate systems, procedures and other arrangements which identify and prevent losses through such occurrences. The Council will therefore:

a) seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.
b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.
d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

1.8.1 DETAILS OF SYSTEMS AND PROCEDURES TO BE FOLLOWED, INCLUDING INTERNET SERVICES

Authority
- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans and investments are negotiated by the Director of Regeneration & Communities or authorised persons.
- Loan procedures are defined in the Council’s Financial Regulations.

Procedures
- The procedures notes are shown at Appendix III.

Investment and borrowing transactions
- A detailed register of all loans and investments is maintained on the annual Cashflow spreadsheet.
- A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the organisation.
- Written confirmation is received and checked against the dealer’s records for the transaction.
- Any discrepancies are immediately reported to the broker or counterparty for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer’s records for the transaction. Any discrepancies are immediately reported to the broker or counterparty for resolution.

Regularity and security
- Lending is only made to institutions on the Approved List of Counterparties.
- The annual Cashflow spreadsheet prompts the officer dealing with the daily cashflow that money borrowed or lent is due to be repaid.
- All loans raised and repayments made go directly to and from the bank account of approved counterparties.
- Counterparty limits are set for every institution that the Council invests with.
- Brokers have a list of named officials authorised to agree deals.
- There is a separation of duties in the section between dealers and the checking and authorization of all deals.
- The Council’s bank holds a list of Council officials who are authorised signatories for treasury management transactions.
- No member of the treasury management team is an authorised signatory.
- Payments can only be authorised in a formal letter by an authorised signatory, the list of signatories having previously been agreed with the current provider of our banking services.
- The cashflow system is on the Council network, which can only be accessed by a password.
- There is adequate insurance cover for employees involved in loans management and accounting.
Checks
- The bank reconciliation is carried out monthly from the bank statement to the financial ledger.
- The Cashflow spreadsheet balances are proved to the balance sheet ledger codes at the end of each month and at the financial year end.
- A debt charge/investment income listing is produced every month when a review is undertaken against the budget for interest earnings and debt costs.

Calculations
- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Cashflow spreadsheet.

There are also periodic Internal Audit reports on the Treasury Management function.

1.8.2 EMERGENCY AND CONTINGENCY PLANNING ARRANGEMENTS

The Council has written procedures in place for such situations, for both the Emergency Plan and the Business Continuity Plan.

1.8.3. INSURANCE COVER DETAILS.

The Authority has a Fidelity Guarantee policy with Zurich Municipal Insurance. This provides cover to the value of £5,500,000. This covers the loss of cash by fraud, or the dishonesty of employees.

There is also a Business Interruption policy with Zurich Municipal Insurance. This provides cover for the costs of re-establishing the Council’s operations in the event of the normal operational facilities being unavailable.

1.9. MARKET VALUE OF INVESTMENTS RISK MANAGEMENT

Market risk is the risk of fluctuations in the principal value of the Council’s investments.

1.9.1. DETAILS OF APPROVED PROCEDURES AND LIMITS FOR CONTROLLING EXPOSURE TO INVESTMENTS WHOSE CAPITAL VALUE MAY FLUCTUATE (GILTS, CDS, etc.)

These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Investment Strategy (which now forms part of the Annual Treasury Management Strategy Statement). At the moment the Council has no investments of this nature.
TMP 2 BEST VALUE AND PERFORMANCE MEASUREMENTS

2.1. EVALUATION & REVIEW OF TREASURY MANAGEMENT DECISIONS

The Council has a number of approaches to evaluating treasury management decisions: -

a. fortnightly meetings carried out by the treasury management team
b. reviews with our treasury management consultants
c. annual review reported to Audit Committee and Council
d. quarterly review as reported to Cabinet
e. mid yearly performance review reported to Audit Committee and Council
f. comparative reviews
g. strategic, scrutiny and efficiency best value reviews

2.1.1 Fortnightly meetings during the financial year

The Head of Finance & Customer Services holds a treasury management review meeting with the Treasury Management Team on a fortnightly basis to review actual activity against the Treasury Management Strategy Statement and cash flow forecasts.

2.1.2 Reviews with our treasury management consultants

The treasury management team holds formal reviews with our consultants every 6 months to review the performance of the investment and debt portfolios. Informal contact is maintained throughout the year.

2.1.3 Annual Review after the end of the financial year

An Annual Treasury Report is submitted to the Audit Committee and Council each year after the close of the financial year which reviews the performance of the investment portfolio. This report contains the following: -

a. total investments at the beginning and close of the financial year and average interest rates
b. investment strategy for the year compared to actual strategy
c. explanations for variance between original strategies and actual
d. actual investment rates available through the year
e. comparison of return on investments to the investment benchmark
f. compliance with Prudential Indicators

Quarterly review

A quarterly Treasury Review is submitted to Cabinet which reviews the performance of the investment portfolio.

Mid year performance review

A half yearly performance review is submitted to Cabinet and scrutiny by Audit committee which reviews the performance of the investment portfolio. This report contains the following: -
Treasur y Man age men t P racti ce Sch edul es

a. total investments and average interest rates
b. investment strategy for the year compared to actual strategy to date
c. explanations for variance between original strategies and actual
d. comparison of return on investments to the investment benchmark
e. compliance with Prudential Indicators

2.1.4 Comparative reviews

When data becomes available, comparative reviews are undertaken to see how the performance of the authority on debt and investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential Indicators are locally set). Data used will be sourced from:

- CIPFA Treasury Management statistics published each year for the last complete financial year
- CIPFA Benchmarking Club

2.2 POLICY CONCERNING METHODS FOR TESTING BEST VALUE IN TREASURY MANAGEMENT, e.g.:

2.2.1. Banking services

Banking services will be retendered or renegotiated every 5 years to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends.

2.2.2. Money-brok ing services

This organisation will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them.

2.2.3. Consultants' /advisers' services

The Council's policy is to appoint full-time professional treasury management consultants, currently Sector Treasury Services. The contract for the service is let on a 3 year basis, and this arrangement is reviewed on an annual basis.

2.2.4 Internal Costs

The Council is currently a member of the CIPFA Treasury Management Benchmarking Club, and is able to compare it's costs to those of similar Authorities.

2.2.5 Policy on External Managers

The Council's policy is not to appoint external investment fund managers. The reasons for this are/have been:
core/surplus funds do not exceed £10 million which is considered the minimum required for external management in terms of both providing the fund manager with adequate resources for diversification and to justify the fee;

- the organisation has taken the view that the appointment of external fund managers would not justify the investment of senior management time in terms of the expected marginal return over what could be achieved internally;

- the organisation continues to prefer to retain liquid resources.

2.3 METHODS TO BE EMPLOYED FOR MEASURING THE PERFORMANCE OF THE ORGANISATION’S TREASURY MANAGEMENT ACTIVITIES

- Comparison with other Authorities in the CIPFA Treasury Management Benchmarking Club, and through the CIPFA Prudential Indicators return.

- Comparison of interest earned on investments against budgeted income.

2.4 BENCHMARKS AND CALCULATION METHODOLOGY:

Debt management

- The authority is currently debt-free.

Investment.

The performance of investment earnings will be measured against the following benchmarks:

- In house investments: Budgeted investment income.

TMP 3 DECISION-MAKING AND ANALYSIS

3.1 FUNDING, BORROWING, LENDING, AND NEW INSTRUMENTS/TECHNIQUES:

3.1.1. Records to be kept

The Treasury section has an annual Cashflow spreadsheet in which all investment and loan transactions are recorded. Full details of the spreadsheet are covered in the procedure notes. The following records will be retained:

- Daily cash balance forecasts
- Dealing records for all money market transactions
- Brokers’ confirmations for investment and temporary borrowing transactions
• Confirmations from borrowing /lending institutions where deals are done directly

3.1.2. Processes to be pursued

• Cash flow analysis.
• Debt and investment maturity analysis
• Ledger reconciliation
• Review of opportunities for debt restructuring
• Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer best value)
• Performance information (e.g. monitoring of actuals against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns, etc).

3.1.3. Issues to be addressed.

3.1.3.1. In respect of every decision made the Council will:

• Above all be clear about the nature and extent of the risks to which it may become exposed
• Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
• Be content that the documentation is adequate both to deliver the organisation’s objectives and protect the it’s interests, and to deliver good housekeeping
• Ensure that counterparties are judged satisfactory in the context of the it’s creditworthiness policies, and that limits have not been exceeded
• Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

3.1.3.2 In respect of borrowing and other funding decisions, the Council will:

• Consider the ongoing revenue liabilities created, and the implications for its future plans and budgets.
• Evaluate the economic and market factors that might influence the manner and timing of any decision to fund
• Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships
• Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

3.1.3.3. In respect of investment decisions, the Council will:

• Consider the optimum period, in the light of cash flow availability and prevailing market conditions
• Consider the alternative investment products and techniques available, especially the implications of using any which may expose it to changes in the value of its capital.
TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION

- borrowing;
- lending;
- debt repayment and rescheduling;
- consideration, approval and use of new financial instruments and treasury management techniques;
- managing the underlying risk associated with the Organisation’s capital financing and surplus funds activities;
- managing cash flow;
- banking activities
- leasing

4.2 APPROVED INSTRUMENTS FOR INVESTMENTS

These are detailed as part of the Treasury Management Strategy, as shown at Appendix V.

4.3 APPROVED TECHNIQUES

- Forward Deals

4.4 APPROVED METHODS AND SOURCES OF RAISING CAPITAL FINANCE

Finance will only be raised in accordance with the Local Government Act 2003, and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet

<table>
<thead>
<tr>
<th>Fixed</th>
<th>Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>PWLB</td>
<td>●</td>
</tr>
<tr>
<td>Market (long-term)</td>
<td>●</td>
</tr>
<tr>
<td>Market (temporary)</td>
<td>●</td>
</tr>
<tr>
<td>Overdraft</td>
<td>●</td>
</tr>
<tr>
<td>Internal (capital receipts &amp; revenue balances)</td>
<td>● ●</td>
</tr>
<tr>
<td>Leasing (not operating leases)</td>
<td>● ●</td>
</tr>
<tr>
<td>Deferred Purchase</td>
<td>● ●</td>
</tr>
</tbody>
</table>

Other Methods of Financing

- Government and EC Capital Grants
- Lottery monies
- PFI
- Operating leases
All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Director of Regeneration & Communities has delegated powers through this Policy and the Strategy to take the most appropriate form of borrowing from the approved sources.

4.5 INVESTMENT LIMITS

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

4.6 BORROWING LIMITS

See the Treasury Management Strategy Statement and Prudential Indicators.
TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

5.1. LIMITS TO RESPONSIBILITIES/DISCRETION AT COUNCIL/EXECUTIVE LEVELS

Cabinet/Council/Audit Committee

- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approval of/amendments to the organisation’s adopted clauses, treasury management policy statement and treasury management practices, including the Prudential Indicators.
- Approval of the decision of responsibilities.
- Receiving and reviewing external audit reports and acting on recommendations.
- Approving the selection of external service providers and agreeing terms of appointment.

Types of responsibilities are detailed within the Treasury Management Strategy. *Appendix V*

5.2. PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES

Segregation of duties is in place for the making of payments. Manual payments or Electronic payments made via the NatWest Bankline system can only be initiated by either the Accountant (Systems), or the Accountancy Assistant (Systems). These must then be approved by one of three others – either the Head of Finance & Customer Services, the Senior Accountant (Client), or the Senior Accountant (Systems). Final approval of payments rests with the Director of Regeneration & Communities, the Head of Finance & Customer Services does have delegated authority to do this, which happens on a daily basis.

Bank reconciliation is carried out within the Systems team.

5.3. TREASURY MANAGEMENT ORGANISATION CHART

- **DIRECTOR OF REGENERATION & COMMUNITIES**
  (Overall responsibility for the Treasury Management function – considers strategic issues)

  - **HEAD OF FINANCE & CUSTOMER SERVICES**
    Overall responsibility for the Treasury Management function – considers strategic issues

  - **ACCOUNTANT (SYSTEMS)**
(Day-to-day operational responsibility for the Treasury Management function)

ACCOUNTANCY ASSISTANT (SYSTEMS)
(Assist and deputise for the Accountant)

5.4. STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST

5.4.1. Director of Regeneration & Communities

The Director of Regeneration & Communities is responsible for the Treasury Management operation.

1. The Director of Regeneration & Communities will:

   • Submit budgets and budget variations in accordance with Financial Regulations and guidance.
   • In setting the prudential indicators, the Director of Regeneration & Communities will be responsible for ensuring that all matters are taken into account and reported to the Council so as to ensure the Council’s financial plans are affordable, prudent and sustainable in the long term.
   • Establish a measurement and reporting process that highlights significant variations from expectations.
   • Make reports to the Council under S114 of the Local Government Finance Act 1988 if he/she considers the Council is likely to get into a financially unviable situation.
   • Recommend clauses, treasury management policy / practices for approval, reviewing the same on a regular basis, and monitoring compliance.
   • Submit treasury management reports as required to the Cabinet and then to full Council.
   • Review the performance of the treasury management function and promote best value reviews.
   • Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
   • Ensure the adequacy of internal audit, and liaising with external audit.
   • Recommend on appointment of external service providers in accordance with council standing orders.

2. The Director of Regeneration & Communities has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to take the most appropriate form of investments in approved instruments.

3. The Director of Regeneration & Communities may delegate his power to borrow and invest to members of his staff. The Head of Finance & Customer Services, the Accountant (Systems) or the Accountancy Assistant (Systems) must conduct all dealing transactions, or staff authorised by Director of Regeneration & Communities to act as temporary cover for leave/sickness. All transactions must be authorised by one of the named officers above.
4. The Director of Regeneration & Communities will ensure that the Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.

5. Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Director of Regeneration & Communities to be satisfied, by reference to the Council’s legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council’s Financial Regulations.

6. It is also the responsibility of the Director of Regeneration & Communities to ensure that the Council complies with the requirements of The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets. (See attached Appendix VI)

5.4.2 Accountant (Systems)

The responsibilities of this post will be: -

• Execution of transactions
• Adherence to agreed policies and practices on a day-to-day basis
• Maintaining relationships with third parties and external service providers
• Supervising treasury management staff
• Monitoring performance on a day-to-day basis
• Submitting management information reports to the responsible officer
• Identifying and recommending opportunities for improved practices.

5.4.3. Accountancy Assistant (Systems)

The responsibilities of this post will be: -

• Assisting and deputising for the Accountant (Systems) in his absence.

5.4.4. Internal Audit

The responsibilities of Internal Audit will be: -

• Reviewing compliance with approved policy and procedures
• Reviewing division of duties and operational practice
• Assessing value for money from treasury activities
• Undertaking probity audit of treasury function.

5.5. ABSENCE COVER ARRANGEMENTS

In the absence of the Accountant (Systems), responsibility for day-to-day operation of the Treasury Management function rests with the Accountancy Assistant (Systems).
5.6. DEALING LIMITS

There are limits in place that restrict the amounts that can be placed with counterparties when lending, and in addition there are limits in place on the Nat West Bankline system that require Nat West to confirm with ourselves whether or not we have sufficient funds to make any proposed payments.

Deals can be made by either the Accountant (Systems) or the Accountancy Assistant (Systems).

5.7. LIST OF APPROVED BROKERS

The Council currently uses the services of five brokers:

- Garban Intercapital
- Sterling International
- Tradition
- Martins
- Prebon Marshall Yamane

5.8. POLICY ON BROKERS’ SERVICES

The Council currently has no formal policy on this matter.

5.9. POLICY ON TAPEING OF CONVERSATIONS

The Council does not tape conversations.

5.10. DIRECT DEALING PRACTICES

The Council will deal directly with counterparties on the approved list if there is an opportunity to obtain a more advantageous deal.

5.11. SETTLEMENT TRANSMISSION PROCEDURES

Funds are transferred electronically using the CHAPS or BACS system. The counterparty receives confirmation of the deal by fax, and the original copy of the confirmation is posted to them.

5.12. DOCUMENTATION REQUIREMENTS

For each deal a confirmation letter is produced, along with two reports from the Bankline system. There is also a confirmation from the broker (if they have been used), and/or from the counterparty.
6.1 ANNUAL TREASURY MANAGEMENT STRATEGY STATEMENT

1. The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This Strategy will be submitted to the Cabinet for approval before the commencement of each financial year. *(See Appendix V)*

2. The formulation of the annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, the Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.

3. The Treasury Management Strategy is concerned with the following elements (where appropriate):
   - the prospects for interest rates;
   - the limits placed by this organisation on treasury activities
   - the expected borrowing strategy;
   - the expected temporary investment strategy (including the appointment of fund managers);
   - the policy concerning retention of the PCL and investment versus debt redemption;
   - the expectations for debt rescheduling;
   - any extraordinary treasury issue (such as the implications of a LSVT or housing company set up);
   - Prudential Indicators.

4. The Treasury Management Strategy will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.
6.2 PRUDENTIAL INDICATORS

1. As required by the Local Government Act 2003 the following indicators must be set (2010/11 figures):

- Authorised limit for external debt - £8.5 (£8m for borrowing, £0.5m for other Long-Term Liabilities)
- Operational boundary for external debt - £4.5 (£4m for borrowing, £0.5m for other Long-Term Liabilities)
- Actual external debt as at 31st March of previous year - £0.0m
- Upper limit on fixed interest rate exposures – 100%
- Upper limit on variable interest rate exposures – 100%
- Upper and lower limits for the maturity structure of borrowing – 100%/0%
- Prudential limits for principal sums invested for longer than 364 days – 0%

The full set of indicators are shown at Appendix VII.

2. The Director of Regeneration & Communities is responsible for incorporating these limits into the Annual Treasury Management Strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Director of Regeneration & Communities shall submit the changes for approval to the Cabinet before submission to the full Council for approval.

6.3 ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY

An annual report will be presented to the Cabinet at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. (See Appendix VIII)  This report will include the following:

- a comprehensive picture for the financial year of all treasury policies, plans, activities and results
- transactions executed and their revenue (current) effects
- Prudential Indicators
- report on risk implications of decisions taken and transactions executed
- monitoring of compliance with approved policy, practices and statutory / regulatory requirements
- monitoring of compliance with powers delegated to officers
- degree of compliance with the original strategy and explanation of deviations
- explanation of future impact of decisions taken on the organisation
- measurements of performance
- report on compliance with CIPFA Code recommendations

QUARTERLY REVIEWS

The annual report is now being supplemented by a mid year review and a less detailed quarterly review. The Quarterly review will be reported to Cabinet and will be a part of the greater budget monitoring.
MID YEAR OUTTURN REPORT

The mid year performance review will be more detailed and incorporate all the same reporting issues as the annual report as at September’s date.

6.4. MANAGEMENT INFORMATION REPORTS

Information on the performance of the Treasury Management function is included in the Accountancy Section’s monthly performance targets data.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1. STATUTORY/REGULATORY REQUIREMENTS

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices. The Council has also adopted in full the principles set out in CIPFA’s ‘Treasury Management in the Public Services - Code of Practice’ (the ‘CIPFA Code’), together with those of its specific recommendations that are relevant to this Council’s treasury management activities.

7.2 ACCOUNTING PRACTICES AND STANDARDS

Due regard is given to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in Great Britain.

7.3 SAMPLE BUDGETS / ACCOUNTS / PRUDENTIAL INDICATORS

The Director of Regeneration & Communities will prepare a three year medium term financial plan with Prudential Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Director of Regeneration & Communities will exercise effective controls over this budget and monitoring of performance against Prudential Indicators, and will report upon and recommend any changes required in accordance with TMP6.

7.4 LIST OF INFORMATION REQUIREMENTS OF EXTERNAL AUDITORS (WHERE APPLICABLE)

- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
Treasury Management Practice Schedules

- Interest accrual calculation
- Principal and interest charges reports from the ledger system
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential Indicators
- Review of observance of limits set by Prudential Indicators
- Calculation of the Minimum Revenue Provision
- External fund manager(s) valuations including investment income schedules and movement in capital values.

7.5 Monthly Budget Monitoring Report

Monthly Budget Monitoring reports are produced for the Head of Finance & Customer Services, whilst a quarterly budget monitoring report goes to the Portfolio Holder for Corporate Services. The report is intended to highlight any variances between budgets and spend in order that the Council can assess its financial position. Details of treasury management activities are included within this report.
TMP 8 CASH AND CASH FLOW MANAGEMENT

8.1 ARRANGEMENTS FOR PREPARING/SUBMITTING CASH FLOW STATEMENTS

Cash flow projections are prepared annually and daily. The annual cash flow projections are prepared from the previous years’ cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

8.2 BANK STATEMENTS PROCEDURES

The Council receives daily bank statements and a daily download of data from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc. A formal bank reconciliation is undertaken on a monthly basis.

8.3 PAYMENT SCHEDULING AND AGREED TERMS OF TRADE WITH CREDITORS

Our policy is to pay creditors within 30 days of the invoice date and this effectively schedules the payments.

8.5 PROCEDURES FOR BANKING OF FUNDS

All money received by an officer on behalf of the Council will without unreasonable delay be deposited in the Council’s banking accounts.
TMP 9 MONEY LAUNDERING

9.1 PROCEDURES FOR ESTABLISHING IDENTITY / AUTHENTICITY OF LENDERS

The Council does not accept loans from individuals.

9.2 METHODOLOGIES FOR IDENTIFYING DEPOSIT TAKERS

In the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that are on its approved lending list. These will be authorised deposit takers under the Financial Services and Markets Act 2000. The FSA register can be accessed through their website on www.fsa.gov.uk.

All transactions will be carried out by CHAPS for making deposits or repaying loans.

9.3 PROCEEDS OF CRIME ACT 2002 (POCA)

Please find below an explanation of the current responsibilities of local authorities:

The Proceeds of Crime Act 2002 imposes an obligation on any person or other body that undertakes a regulated activity as defined by the Act to report any incident that leads them to suspect that an individual or other body is making transactions with the proceeds of any criminal activity. This is an extension of the obligations previously imposed principally on financial services organisations and employees under money laundering legislation. The money laundering legislation, as reinforced by the FSA guidance, made it clear that an organisation had to nominate a money laundering reporting officer, MLRO, through whom suspicious transactions had to be reported and it was incumbent on the MLRO to decide if these transactions had to be reported to the National Criminal Investigation Service (NCIS), being the police body charged with dealing with these matters.

The question therefore arises as to whether organisations now caught under the provisions of the Proceeds of Crime Act (POCA) have to also nominate a MLRO. There is nothing that states that an MLRO has to be nominated and indeed, a number of organisations that are caught by POCA would not have a direct regulator to notify. However, it is equally clear that such organisations must have a process in place whereby employees can alert management of activities that may fall under POCA and that process must make it clear to whom an internal report has to be made. Therefore, whether called an MLRO or not, under their internal processes organisations need to appoint a senior officer (F.D., Treasurer, Head of Legal) to whom suspicions must be reported and who is responsible for deciding whether to pass the report to NCIS.

NCIS
PO BOX 8000
LONDON SE11 5EN

www.ncis.co.uk
The Director of Regeneration & Communities is conversant with the requirements of the Proceeds of Crime Act 2002 and will train the following staff in being diligent to be alert for suspicious transactions: -

- treasury management
- cashiers section
- other as appropriate

The Council has appointed Director of Regeneration & Communities to be the responsible officer to whom any suspicions that transactions involving the Council may include a party who is involved in criminal activity. Suspicious transactions will be investigated as far as the Council is in a position to do so or it is appropriate for the Council to do so, and if doubts remain, these transactions will then be reported to the National Criminal Investigation Service.
TMP 10 STAFF TRAINING AND QUALIFICATIONS

The Council recognises the importance that all treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a Professional Development Review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the Director of Regeneration & Communities to ensure that all staff under his authority receive the necessary training.

10.1. DETAILS OF APPROVED TRAINING COURSES

Treasury Management courses run by CIPFA, Sector, money brokers, or other recognised bodies.

10.2. RECORDS OF TRAINING RECEIVED BY TREASURY STAFF

Accountant (Systems) is current studying a Certificate in Treasury Management – Public Finance, Senior Accountant (Systems) and Accountant (Systems) have attended Sector courses on Treasury Management and Creditworthiness issues. The Director of Regeneration & Communities is ACCA qualified and the Head of Finance & Customer Services is CIPFA qualified.

10.3. CAREER DEVELOPMENT / SUCCESSION ARRANGEMENTS

Both the Accountancy Assistant (Systems) and Systems Administrator posts are, or are in the process of being trained to handle the day to day running of the Treasury Management function.

10.4. APPROVED QUALIFICATIONS FOR TREASURY STAFF

The person specification for the Director of Regeneration & Communities, the Head of Finance & Customer Services recommends that the posts are filled by CCAB qualified individuals.

10.5 STATEMENT OF PROFESSIONAL PRACTICE (SOPP)

- Where the Chief Financial Officer is a member of ACCA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

- Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.
TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

11.1 DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS, ADVISERS

11.1.1 Banking services

Name of supplier of service is the National Westminster Bank.

11.1.2 Money-broking services

The Council will use money brokers for temporary borrowing and investment and long term borrowing.

It will seek to give an even spread of business amongst the approved brokers.

The brokers used are listed at 5.7

11.1.3 Consultants’/advisers’ services

Treasury Consultancy Services (including leasing)

The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its approved lending list, leasing etc.

Name of supplier of service is Sector Treasury Services Limited.

Other Consultancy services may be employed on short term contracts as and when required.

11.1.6 Credit rating agency

The Council receives a credit rating service through its treasury management consultants, the costs of which is included in the consultant’s annual fee.

11.2 PROCEDURES AND FREQUENCY FOR TENDERING SERVICES

See TMP2
TMP 12 CORPORATE GOVERNANCE

12.1. LIST OF DOCUMENTS TO BE MADE AVAILABLE FOR PUBLIC INSPECTION

a. The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.

b. It has adopted the CIPFA Code of Practice on Treasury management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

c. The following documents are available for public inspection via the Council Documents page on the Council website: -

- Treasury Management Policy Statement
- Treasury Management Strategy Statement (includes Prudential Indicators)
- Annual Treasury Report
- Mid Year Outturn Report (taking place after September 2010)
- Quarterly Monitoring Report (first report August 2010)

- Annual accounts
- Annual budget
- Year Capital Plan

- Minutes of Council / Cabinet / committee meetings