

**TREASURY MANAGEMENT PRACTICES (TMP)
PRINCIPLES AND SCHEDULES (Revised July 2009)**

INTRODUCTION:

The CIPFA Code of Practice on Treasury Management in the Public Services (the Code) was revised in 2001. The code requires the setting out of the responsibilities of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. This Council adopted the revised Code in March 2002.

The Code recommends the creation and maintenance of:

- A Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities.
- 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 manage and control those activities.

THE TREASURY MANAGEMENT PRACTICES COMPRISE:

TMP 1	Treasury Risk Management
TMP 2	Best value and performance measurement
TMP 3	Decision making and analysis
TMP 4	Approved instruments, methods and techniques
TMP 5	Organisation, clarity and segregation of responsibilities; dealing arrangements
TMP 6	Reporting requirements, Management information arrangements
TMP 7	Budgeting, Accounting and Audit Arrangements
TMP 8	Cash and Cash Flow Management
TMP 9	Money Laundering
TMP 10	Staff training and qualifications
TMP 11	Use of external service providers
TMP 12	Corporate governance.

Schedules supporting these practices along with documents held at an operational level provide details of the systems employed to implement the Council's treasury function.

TREASURY MANAGEMENT PRACTICE 1: RISK MANAGEMENT

All treasury management activities involve both risk and the pursuit of reward or gain for the Council. The Council's policies and practices emphasise that the effective identification, management and containment of risk are the prime objectives of treasury management activities.

The Investment Manager will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. These arrangements are scheduled below:

1.1

Liquidity Risk Management: Liquidity risk is the risk that cash will not be available when it is needed, that the ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business objectives will be compromised.

Principle: The Investment Manager will ensure the Council 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 it which are necessary for the achievement of its business/service objectives.

Schedule:

Cash Flows and Cash Balances	<p>The Council will aim for effective cash flow forecasting and monitoring of cash balances.</p> <p>The Treasury Officers will seek to optimise the balance held in the Council's main bank accounts at the close of each working day, in order to minimise the amount of bank overdraft interest payable or maximise the amount of interest that can be earned.</p> <p>In order to achieve the maximum return from investments, a daily cash balance of +/- £250k is the objective for the Council's bank account.</p>
Short Term Investments	<p>A balance in the region of £30m to deal with day-to-day cash flow fluctuations is maintained by investing money overnight and by using instant access accounts and money market funds.</p> <p>These accounts/funds are named on the Council's approved counterparty list. The maximum balance on each of these accounts is reviewed and set as part of the Council's investment strategy.</p>
Temporary Borrowing	<p>Temporary borrowing up to 364 days through the money market is available should there be a cash flow deficit during the year.</p> <p>At no time will the outstanding total of temporary and long-term borrowing, together with any bank overdraft, exceed the Prudential Indicator for the Authorised Borrowing Limit.</p>

Bank Overdraft	The Council has an authorised overdraft limit with its bankers HSBC of £6m at an agreed rate of 1% over base rate. The facility is used as a contingency when temporary borrowing is difficult or more expensive, or for amounts of less than £250k.
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1.2

Interest Rate Risk Management: Interest Rate risk is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

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

Schedule:

Minimum/ maximum proportions of fixed/variable rate debt/interest	<p>Short-term borrowing/investments may be at a fixed or variable rate, depending on the size of the loan/investment and market conditions.</p> <p>The Prudential Code requires the Council to determine each year the maximum proportion of interest payable on net borrowing which is subject to fixed and variable interest rates. This is set each year as part of the annual budget setting process.</p> <p>In setting its forward Treasury Strategy on an annual basis, the Council will determine the necessary degree of certainty required for its plans and budgets. At the same time it will allow sufficient flexibility to benefit from potentially advantageous conditions and mitigate the effects of potentially disadvantageous situations.</p> <p>The Council will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques. This will create stability and certainty of costs and revenues, but at the same time will retain a sufficient degree of flexibility.</p>
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<p>Managing changes to interest rate levels</p>	<p>The main impact of changes in interest rate levels is to monies borrowed and invested at variable rates of interest.</p> <p>Interest rate forecasts are provided by the Council's treasury advisors and are closely monitored by the Investment Manager. Variations from original estimates and their impact on the Council's debt and investments are notified to the Senior Finance Manager – Corporate Finance as necessary.</p> <p>For its investments, the Council also considers dealing from forward periods dependant upon market conditions.</p>
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1.3

Exchange Rate Risk Management: The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances against which the Council has failed to protect itself adequately.

Principle: The Council will ensure that it protects itself adequately against the risk of fluctuations in foreign exchange rates creating an unexpected or unbudgeted burden on the Council's finances. It will manage any exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

Schedule:

<p>Exchange rate risk management</p>	<p>This Council does not, on a day-to-day basis, have foreign currency transactions or receipts. Unexpected receipt of foreign currency will be converted to sterling at the earliest opportunity.</p> <p>At the present time statute prevents the Council borrowing in currencies other than Sterling.</p>
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1.4

Inflation Risk Management: Inflation Risk is the risk that prevailing levels of inflation cause an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

Principle: The effects of varying levels of inflation, insofar as they can be identified as impacting directly on its treasury management activities, will be controlled by the Council as an integral part of its strategy for managing its overall exposure to inflation. 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 avail itself of potentially advantageous changes, subject at all times to policy and budgetary implications.

Schedule:

Inflation risk management	In the current era of relatively low and stable inflation, its impact on future income and expenditure streams is minimal. Therefore, there is little requirement for the active consideration of this risk as part of overall treasury strategy.
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1.5

Credit and Counterparty Risk Management: Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party’s diminished creditworthiness, and the resulting detrimental effect on the Council’s capital and revenue resources.

Principle: The Council regards a prime objective of its treasury management activities to be the security of the 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. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations to which it may make investments.

Schedule:

Criteria to be used for creating/ managing approved counterparty lists/limits	<p>The council’s treasury advisors will provide guidance and assistance to the Director of Finance and Resources who is responsible for setting prudent criteria.</p> <p>Council will agree the criteria.</p> <p>The current criteria are contained in the Annual Investment Strategy.</p> <p>The Council’s treasury management advisors will advise on credit policy and creditworthiness related issues. The Council will maintain a counterparty list based on its criteria and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include credit ratings and other alternative assessments of credit strength (for example, statements of potential government support). The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties</p>
Approved methodology for changing limits and adding/ removing counterparties	<p>The Director of Finance and Resources has delegated responsibility to add or delete counterparties and to review limits within the parameters of the criteria detailed above.</p>

Counterparty list and limits	A full individual listing of counterparties based on the criteria will be maintained. As credit ratings are subject to change without notice, an up-to-date lending list will be maintained on an ongoing basis.
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1.6

Refinancing Risk Management: The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those re-financings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

Principle: 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 favourable 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.

Schedule:

Projected capital expenditure requirements	<p>Three-year projections are in place for capital expenditure and financing. Funding will be from capital receipts, reserves and any grants or contributions awarded, revenue resources or long term borrowing, as decided.</p> <p>As required by the Prudential Code, the Council will undertake Options Appraisal to evaluate the best capital expenditure financing route.</p> <p>The Council's projected long-term borrowing requirement will be linked to the projected Capital Financing Requirement.</p>
Debt profiling policies and practices	<p>Any longer term borrowing will be undertaken in accordance with the Prudential Code and will comply with the Council's Prudential Indicators and the Annual Treasury Management Strategy.</p> <p>The Council will maintain through its treasury system, Logotech, reliable records of the terms and maturities of its borrowings. Where appropriate it will plan and successfully negotiate terms for re-financing.</p> <p>Where the lender to the Council is a commercial body the Council will aim for diversification in order to spread risk and avoid over-reliance on a small number of counterparties.</p>

Policy concerning limits on revenue consequences of capital financings	The revenue consequences of financing the capital programme are included in cash flow models, annual revenue estimates and medium term forecasts.
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1.7

Legal and Regulatory Risk Management: The risk that the Council itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

Principle: 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 it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council.

The Council 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.

Schedule:

References to relevant statutes and regulations	<p>The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council.</p> <p>These are:</p> <ul style="list-style-type: none"> ▪ CIPFA’s Treasury Management Code of Practice 2001 and subsequent amendments ▪ CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities ▪ CIPFA Prudential Code for Capital Finance in Local Authorities ▪ CIPFA Standard of Professional Practice on Treasury Management ▪ The Local Government Act 2003 ▪ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003 No 3146, as amended by SI 2004 No 3055, SI 2007 No 573, SI 2008 No 414 and subsequent amendments ▪ The CLG’s statutory Guidance on Minimum Revenue Provision (MRP) ▪ The ODPM’s (now CLG’s) Guidance on Local Government Investments in England issued March 2004 and The Local Authorities (Capital Finance)(Amendment)(England) Regulations 2004 No 534 and The Local Authorities (Capital Finance)(Amendment)(England) 2007 No 573 ▪ The Local Authorities (Contracting out of Investment Functions) Order 1996 SI 1996 No 1883 ▪ Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009 No. 321 – Accounting for Possible Investment Losses
References to relevant statutes and regulations (continued)	<ul style="list-style-type: none"> ▪ LAAP Bulletin 55 CIPFA’s Guidance on Local Authority Reserves and Balances ▪ SORP – Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice ▪ Accounts and Audit Regulations 2003, as amended/superseded by CLG’s Guidance in 2006 (Circular 03/2006 dated 18/8/06)) ▪ The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets. ▪ Council’s Constitution including: - ▪ Standing Order relating to Contracts ▪ Financial Regulations ▪ Scheme of Delegation
Procedures for evidencing the organisation’s	<p>The Council’s, Finance & Resources Group Scheme of Delegations contains evidence of the power / authority to act as required by section 151 of the Local Government Act 1972.</p>

powers/ authorities to counterparties.	<p>The Council will confirm, if requested to do so by counterparties, the powers and authorities under which the Council effects transactions with them.</p> <p>Where required, the Council will also establish the powers of those with whom they enter into transactions, including any compliance requirements in respect of a duty of care and best practice.</p>
Required information from counterparties concerning their powers/ authorities	<p>Lending shall only be made to institutions on the Council's authorised lending list.</p> <p>The Council will only undertake borrowing from approved sources such as the PWLB, organisations such as the European Investment Bank and from commercial banks.</p>
Statement on political risks and management of the same	<p>Political risk is managed by:</p> <p>Adoption of the CIPFA Treasury Management Code of Practice adherence to Corporate Governance (TMP 12 – Corporate Governance)</p> <p>Adherence to the CIPFA Ethics Statement of Professional Practice by the Investment Manager</p>

1.8

Fraud Error and Corruption and Contingency Management: This is the risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends.

Principle: 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.

Schedule:

<p>Details of systems and procedures to be followed, including Internet services</p>	<p>Segregation of duties minimises the possibility of fraud and loss due to error, and is detailed in TMP5 “Organisation, clarity and segregation of responsibilities, and dealing arrangements”.</p> <p>Electronic Banking and Dealing Banking: The Council’s online banking service provided by HSBC is subject to separate log-on and password control allowing varying levels of access. Details of transactions and balances are available as required and the system also holds historic data. Officers having access to the bank’s online system are detailed in the Operations Manual. Officer access is reviewed as required following operational changes.</p> <p>Access to the Council’s treasury management system, Logotech is limited to those officers listed in the Operations Manual and is password protected</p> <p>Full procedure notes covering the day-to-day operation of the on-line banking system and the treasury management system are documented and included in the Operations Manual.</p> <p>Standard Settlement Instructions (SSI) list: A list is maintained of named officers who have the authority to transact loans and investments and is included in the operations manual.</p> <p>Brokers and counterparties with whom the Council deals direct are provided with a copy of the SSI list.</p> <p>A list of named officers with authority to borrow from the PWLB and invest with the Debt Management Agency Deposit Facility is also maintained with the PWLB/DMADF.</p> <p>Payment Authorisation: Payments can only be authorised by an agreed bank signatory/(ies) of the Council, the list of signatories having previously been agreed with the Council’s bank. One bank signatory is required for payments up to £1m and two signatures for any payments over £1m.</p> <p>Inflow and outflow of monies borrowed and invested will only be from the counterparty’s bank accounts.</p> <p>Separate officers will carry out (a) dealing and (b) recording of transactions and disbursements within the Oracle accounting system.</p>
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Verification	<p>Loans and investments will be maintained in registers and the Logotech treasury management system.</p> <p>Transactions will be cross-checked against broker notes, counterparty confirmations and PWLB loan schedules by verifying dates, amounts, interest rates, maturity, interest payment dates etc.</p>
Substantiation	<p>The Treasury Management system balances are reconciled with Oracle financial ledger codes at the end of each month and at the financial year end.</p> <p>Working papers are retained for audit inspection.</p> <p>The bank reconciliation is carried out monthly from the bank statement to the Oracle accounting system.</p> <p>Investment and loan principal and interest transactions are verified through the daily treasury cash flow monitoring process.</p>
Internal Audit	<p>An annual review is carried out by Internal Audit of the treasury management function including probity testing. See TMP7 “Budgeting, accounting and audit arrangements”.</p>
Contingency Management	<p>All treasury systems are retained on the Council’s network.</p> <p>Daily back-ups are taken and maintained and can be used by the IT department to restore files, if necessary.</p> <p>Daily back ups are also carried out offsite by a third party.</p> <p>Temporary off-site working facility: Members of the Treasury section can access the off-site facility following an emergency and will be made aware of the procedures to follow.</p> <p>Electronic Banking System Failure: Contact can be made directly with the bank via telephone and systems are in place to ascertain bank account balances. Arrangements have been made with the local branch of the bank to allow properly authorised payment instructions to be actioned.</p> <p>The Operations Manual, which includes contingency procedures, is maintained by the Treasury Department and printed copies are retained both on and off site.</p>
Insurance Cover details	<p>The Council has Fidelity Guarantee cover. The Insurance department holds details of the provider and cover.</p>

1.9

Market Risk Management: This is the risk that, through adverse market fluctuations in the value of the principal sums the Council invests, its stated treasury management policies and objectives are compromised, against which it fails to protect itself adequately.

Principle: This 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 as it is possible to do so.

Schedule:

<p>Details of limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDs etc)</p>	<p>Certain investment instruments are subject to fluctuation in capital movements and are exposed to interest rate risk.</p> <p>In order to minimise these risks capital preservation is set as the primary objective and pursuit of investment performance should be commensurate with this objective.</p> <p>Risk control guidelines are detailed in the Annual Investment Strategy and include maximum exposure and duration limits.</p>								
<p>Accounting for unrealised gains/losses</p>	<p>The method used when accounting for unrealised gains or losses on the valuation of assets complies with SORP.</p> <p>Accounting for financial instruments will be based on the 2007 SORP.</p> <p>Under the 2007 SORP all financial assets are classified into one of three categories, which are:</p> <ul style="list-style-type: none"> ▪ Loans and Receivables ▪ Available-for-Sale financial assets ▪ Unquoted equity securities for which a reliable fair value cannot be determined. <table border="1" data-bbox="528 1476 1262 1740"> <thead> <tr> <th>Category</th> <th>Measurement Basis</th> </tr> </thead> <tbody> <tr> <td>Loans and Receivables.</td> <td>Amortised cost</td> </tr> <tr> <td>Available for sale financial assets.</td> <td>Fair value through Profit and Loss</td> </tr> <tr> <td>Financial liabilities measured at amortised cost</td> <td>Amortised Cost</td> </tr> </tbody> </table> <p>Investments taking the form of cash deposits fall in the “Loans and Receivables” category. There are no changes in existing accounting practice anticipated in relation to investments falling into this category.</p>	Category	Measurement Basis	Loans and Receivables.	Amortised cost	Available for sale financial assets.	Fair value through Profit and Loss	Financial liabilities measured at amortised cost	Amortised Cost
Category	Measurement Basis								
Loans and Receivables.	Amortised cost								
Available for sale financial assets.	Fair value through Profit and Loss								
Financial liabilities measured at amortised cost	Amortised Cost								

	<p>Investments falling into the category “available for sale” include</p> <ul style="list-style-type: none">▪ Gilts▪ Certificates of Deposit▪ Bonds issued by Multilateral Development Banks▪ Collective Investment Schemes▪ Corporate Bonds▪ Equities <p>These may be subject to changes in accounting practice and presentation.</p>
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TREASURY MANAGEMENT PRACTICE 2 - BEST VALUE AND PERFORMANCE MEASUREMENT

Principle: The Council is committed to the pursuit of best value 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 Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, or 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 below.

Schedule:

Policy concerning methods for testing best value	Best value will include the production of plans to review the way services are provided by challenging, comparing performance and consulting with other users and interested parties. Applying competition principles in order to pursue continuous improvement in the way the Council's functions are exercised, having regard to a combination of value for money, efficiency and effectiveness.
Methodology to be applied for evaluating the effectiveness and impact of treasury management decisions	Monitoring the outcome of treasury management activity against the Prudential Indicators will be carried out as part of the treasury report and will be reported to Cabinet on a six monthly basis. The year-end Annual Treasury Report will also include, as a matter of course, the outturn against the Prudential Indicators set prior to the commencement of the financial year and any in-year amendments.

	<p>The Council is a member of the IPF benchmarking club. The club enables comparison of performance with other authorities for its investment returns, financing costs and instrument balances. The Council annually provide data for comparison.</p> <p>The Council's Treasury Management advisers regularly review the existing debt portfolio and all transactions that have occurred in the interim in order to ensure that best practice has been achieved.</p> <p>The Council's Treasury Management advisors compare the performance of the Council's in-house funds against the 7 day LIBID.</p> <p>The Council will evaluate performance in risk-adjusted terms, i.e. for investments - viewed against level of risk to capital; for debt – viewed against stability, flexibility and control over the portfolio.</p>
<p>Policy concerning methods for performance measurement</p>	<p>Performance measurement is intended to calculate the effectiveness of the treasury activity in delivering the strategic objectives and to enhance accountability. These objectives are set through the Treasury Management Strategy and the Council's Prudential Indicators</p> <p>Costs and income relating to financial instruments are scrutinised through the monthly budget monitoring process.</p> <p>Prudential Indicators are local to the Council and are not intended as a comparator between authorities.</p> <p>The performance review will be made in the light of general trends in interest rates during the year and how the decisions made corresponded with these trends and the Council's agreed strategy, i.e. the Council will avoid hindsight analysis.</p> <p>Any comparison of the Council's treasury portfolio against recognised industry standards, market indices and other portfolios is intended to:</p> <ul style="list-style-type: none"> ▪ Allow the Council the opportunity to assess the potential to add value through changes to the existing ways in which its portfolio is managed. ▪ Permit an informed judgement about the merits or otherwise of using new treasury management techniques or instruments.

	<p>In drawing any conclusions the Council will bear in mind that the characteristics of its treasury operations may differ from those of other councils, particularly with regard to the position on risk.</p>
<p>Methodology to be applied for evaluating the effectiveness and impact of treasury management decisions</p>	<p>Monitoring the outcome of treasury management activity against the Prudential Indicators will be carried out as part of the treasury report and will be reported to Cabinet on a six monthly basis.</p> <p>The year-end Annual Treasury Report will also include, as a matter of course, the outturn against the Prudential Indicators set prior to the commencement of the financial year and any in-year amendments.</p> <p>The Council is a member of the IPF benchmarking club. The club enables comparison of performance with other authorities for its investment returns, financing costs and instrument balances. The Council annually provide data for comparison.</p> <p>The Council's Treasury Management advisers regularly review the existing debt portfolio and all transactions that have occurred in the interim in order to ensure that best practice has been achieved.</p> <p>The Council's Treasury Management advisors compare the performance of the Council's in-house funds against the 7 day LIBID.</p> <p>The Council will evaluate performance in risk-adjusted terms, i.e. for investments - viewed against level of risk to capital; for debt – viewed against stability, flexibility and control over the portfolio.</p>
<p>Methodology to be employed for measuring the performance of the Council's treasury management activities</p>	<p>Treasury management activity is reviewed every six months against strategy and prevailing economic and market conditions through the Treasury Report to Cabinet.</p> <p>The report will include:</p> <ul style="list-style-type: none"> ▪ Total debt including average rate and maturity profile ▪ The effect of new borrowing and/or maturities on the above ▪ The effect of any debt restructuring on the debt portfolio ▪ An analysis of any risks inherent within the debt portfolio (e.g. exposure to variable rate: LOBOs in their call period) ▪ Total investments including average rate, credit and maturity profile ▪ The effect of new investments/redemptions/maturities on the above

	<ul style="list-style-type: none"> ▪ The rate of return on investments against their indices for internally and externally managed funds ▪ A statement whether the treasury management activity resulted in a breach of the Prudential Indicators and other limits set within treasury strategy.
Benchmarking and calculation methodology	<p>Investment returns are compared to the 7 day LIBID benchmark</p> <p>The investment credit profile is also scored monthly with reference to credit ratings on a value and time weighted basis.</p> <p>Internally Managed Investment Returns will show the total interest accruing on investment balances relating to the period under review.</p> <p>Debt Management</p> <p>Average Rate on external debt</p> <p>Maturity profile of external debt</p> <p>Ratio of PWLB and market debt (beginning and end of period)</p> <p>Ratio of fixed and variable rate debt (beginning and end of period)</p>
Best value	<p>The treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated corporate and service objectives.</p> <p>When tendering for treasury-related or banking services, the Council adheres to its Procurement Standing Orders.</p>

TREASURY MANAGEMENT PRACTICE 3 - DECISION MAKING AND ANALYSIS

Principle: 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 issued 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 below.

Schedule:

Major treasury decisions	<p>As a public service organisation, there is a requirement to demonstrate openness and accountability in treasury management activities. Accordingly, the Council will create and maintain an audit trail of major treasury management decisions which comprise either:</p> <ul style="list-style-type: none"> ▪ Changes to Prudential Indicator(s) during the course of the financial year
	<ul style="list-style-type: none"> ▪ Options Appraisal to determine a funding decision ▪ Raising a new long-term loan / long-term source of finance ▪ Prematurely restructuring/redeeming an existing long-term loan(s) ▪ Investing longer-term (i.e. in excess of 1 year) ▪ Utilisation of investment instruments which constitute capital expenditure (i.e. loan capital/share capital in a body corporate) ▪ Leasing ▪ Change in banking arrangements ▪ Appointing/replacing a treasury advisor
Process	<p>The Council's strategy for the application of its treasury policy is set out in the annual Treasury Management Strategy.</p> <p>Based on the Annual Treasury Management Strategy, the Investment Manager will prepare a cash flow forecast of the financing, borrowing and surplus cash requirements of the Council, for the purpose of:</p> <ul style="list-style-type: none"> ▪ Applying the strategy on a day to day basis ▪ Monitoring the results of the strategy ▪ Recommending amendments to the strategy where applicable during the course of the year to the Council
Delegated powers for treasury management	<p>The Senior Finance Manager – Corporate Finance, has delegated powers to carry out the Council's strategy for debt management, capital finance and borrowing, depositing surplus funds and managing the cash flows of the Council.</p>

<p>Issues to be addressed, evaluation, authorisation</p>	<p>In exercising these powers, the Senior Finance Manager – Corporate Finance and those to whom the treasury activity have been delegated:</p> <ul style="list-style-type: none"> ▪ Will have regard to the nature and extent of any associated risks to which the Council may become exposed; ▪ Be certain about the legality of the decision reached and that the necessary authority to proceed has been obtained; ▪ Be satisfied that the documentation is adequate to deliver the Council’s objectives, protect the Council’s interests, and to maintain an effective audit trail; ▪ Ensure that the perceived credit risk associated with the approved counterparties parties is judged satisfactory and is within agreed limits;
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	<ul style="list-style-type: none"> ▪ Be satisfied that the terms of any transactions have been fully checked against the market; ▪ Follow best practice in implementing the treasury transaction. <p>In exercising Borrowing and Funding decisions, the Investment Manager will:</p> <ul style="list-style-type: none"> ▪ Evaluate economic and market factors that may influence the manner and timing of any decision to fund; ▪ Consider alternative forms of funding, including use of revenue resources, leasing and private partnerships; ▪ Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use; ▪ Consider ongoing revenue liabilities created. <p>In exercising Investment decisions, the Investment Manager will:</p> <ul style="list-style-type: none"> ▪ Determine that the investment is within the Council’s strategy and pre-determined instruments and criteria; ▪ Consider the optimum period, in the light of cash flow availability and prevailing market conditions; ▪ Consider the alternative investment products and techniques available if appropriate.
Processes to be followed	The processes to be followed will be in keeping with TMP 4: “The Council’s Approved, Instruments, Methods and Techniques”.
Evidence, Records to be kept	<p>The Council will maintain a record of all major treasury management decisions, the processes undertaken and the rationale for reaching the decision made. These will allow for an historical assessment of decisions made and verification that any checks and safeguards are indeed in place and operating correctly.</p> <p>The Council will maintain records and working papers electronically using Oracle, Logotech, Excel, Word and scanning software. Hard copies of relevant documentation will also be retained where required.</p>

TREASURY MANAGEMENT PRACTICE 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

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

Schedule:

<p>Approved treasury management activities</p>	<p>The Council is permitted to undertake the following activities:</p> <ul style="list-style-type: none"> ▪ Managing cash flow ▪ Capital financing ▪ Borrowing including debt restructuring and debt repayment ▪ Lending including redemption of investments ▪ Banking ▪ Leasing ▪ Managing the underlying risk associated with the Council's capital financing and surplus funds activities <p>The above list is not finite and the Council would, from time to time, consider and determine new financial instruments and treasury management techniques. However, the Council will consider carefully whether the officers have the skills and experience to identify and manage the advantages and risks associated with using the instruments/techniques before undertaking them, more so as some risks may not be wholly or immediately transparent.</p>
<p>Approved capital financing methods and types/sources of borrowing</p>	<p><u>On balance sheet:</u> Public Works Loans Board (PWLB) loans Long term money market loans including LOBOs Temporary money market loans (up to 364 days). Bank overdraft Loans from bodies such as the European Investment Bank (EIB) Stock issues Finance Leases Deferred Purchase Government and EU Capital Grants Lottery monies Other Capital Grants and Contributions</p> <p><u>Internal Resources</u> Capital receipts Revenue balances Use of Reserves</p>

	<p><u>Other</u> PFI/PPP Operating leases Structured Finance</p> <p>The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.</p>
<p>Approved investment instruments and exposure limits</p>	<p>The Council will determine through its Annual Investment Strategy (AIS) which instruments it will use, giving priority to the security and liquidity of its invested monies. The investments will be categorised as 'Specified' or 'Non Specified' based on the criteria set out by the ODPM in its Investment Guidance March 2004.</p> <p>The Council will determine through the AIS which instruments will be used in-house including and the maximum exposure for each element of specified and non-specified investments. Two criteria will be used and the lower applied when ascertaining exposure limits. The criteria include absolute values and relative percentages of the average investment portfolio. The relative percentage will be based on the rolling average investment total for the proceeding 30 days. By applying two criteria the council will maintain a diversified spread of investments.</p> <p>Where applicable, the Council's credit criteria will also apply.</p> <ul style="list-style-type: none"> Deposits with the UK government, the Debt Management Agency Deposit Facility (DMADF), and UK local authorities Term deposits with banks and building societies Certificates of deposit Callable deposits Investments in Money Market Funds, i.e. 'AAA' liquidity funds with a 60-day Weighted Average Maturity (WAM) Gilts Bonds issued by multilateral development banks Bonds issued by financial institutions guaranteed by the UK government Sterling denominated bonds by non-UK sovereign governments Pooled funds, i.e. Collective Investment schemes as defined in SI 2004 No 534

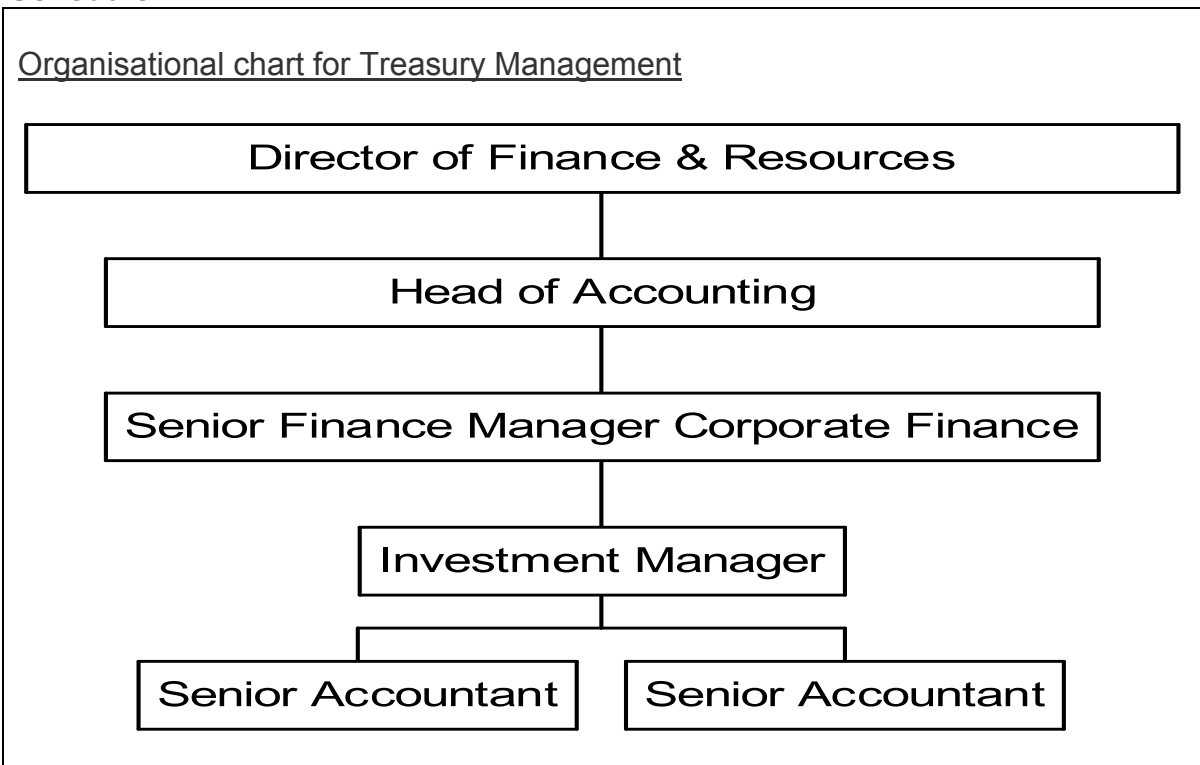
TREASURY MANAGEMENT PRACTICE 5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS

Principle: The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, 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 principle 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.

The delegations to the responsible officers in respect of treasury management are set out in the schedule below. The responsible officers will fulfil all such responsibilities in accordance with the organisation's TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

Schedule:



Schedule:

<p>Limits to responsibilities at Executive levels</p>	<p>Full Council: Receiving and reviewing Prudential Indicators, Treasury Strategy and Investment Strategy as part of the budget setting process (following receipt by Cabinet)</p> <p>The Cabinet/Audit Committee: Receiving and reviewing reports on treasury management policies, practices and activities Approval of amendments to adopted clauses, Treasury Management Policy statement, Treasury Management Practices, Treasury Strategy Statement and Investment Strategy Receiving and reviewing external audit reports and acting on recommendations</p>
<p>Principles and practices concerning segregation of duties</p>	<p>Segregation of duties exists in that:</p> <ul style="list-style-type: none">▪ The officer(s) responsible for negotiating and closing treasury management deals are completely separate from the officer(s) with responsibility for recording the transactions in the cashbook and completing cheque and bank reconciliations.▪ The officer(s) responsible for negotiating and closing treasury management deals is separate from officer(s) authorising payments <p>Additionally, The Council receives bank statements on a daily basis. These are posted independent of the treasury function in order to maintain an adequate separation of duties.</p>

<p>Statement of duties/ responsibilities of each treasury post</p>	<p>Director of Finance and Resources</p> <ul style="list-style-type: none"> ▪ Implement the Council's treasury policy ▪ Determine Capital Financing, borrowing and investment strategy, and Prudential Indicators <p>Head of Accounting</p> <ul style="list-style-type: none"> ▪ Oversee the Treasury function ▪ Submit budgets and reports on budget variations ▪ Receive Internal Audit Reports on the Treasury Function ▪ Approving long term borrowing and investment decisions <p>Senior Finance Manager</p> <ul style="list-style-type: none"> ▪ Monitor and oversees the Treasury function ▪ Receive Internal Audit Reports on the Treasury Function ▪ Approving long term borrowing and investment decisions <p>Investment Manager</p> <ul style="list-style-type: none"> ▪ Provide budget information and variations ▪ Recommending clauses, treasury management policy, practices for approval, reviewing the same regularly and monitoring compliance ▪ Assist in determining Prudential Indicators and Treasury ▪ Recommending and advising on long-term borrowing and investment decisions ▪ Management Strategy including the Annual Investment Strategy ▪ Submit regular treasury management policy reports ▪ Review management information reports ▪ Review the performance of the treasury management function and promoting best value reviews ▪ Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
	<ul style="list-style-type: none"> ▪ Liaise with internal and external audit ▪ Assist in determining long-term capital financing and investment decisions. ▪ Determine and undertake the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments. ▪ Reviewing daily transactions and querying discrepancies ▪ Identify and recommend opportunities for improved practices.

	<p>Senior Accountants</p> <ul style="list-style-type: none"> ▪ Execution of transactions: ▪ To make short term borrowing or investments decisions adherence to agreed policies and practices on a day to day basis ▪ Maintain relationships with third parties and external service providers ▪ Monitor performance on a day to day basis ▪ Submit management information reports to the Investment Manager and Senior Management ▪ Record treasury management transactions ▪ Reconcile treasury management transactions with the financial ledger ▪ Record/ reconcile counterparty documentation ▪ Record/reconcile relevant bank transactions and charges ▪ Maintain the cash flow forecast ▪ Maintain TM Operations Manual ▪ Update and maintain the counterparty list ▪ Verify third party deal confirmations ▪ Ensure monies to be paid are released and monies due are received
Absence cover arrangements	<p>Adequate cover is maintained at all times to ensure the treasury function remains operational.</p> <p>Full procedure notes are included in the Operations manual, detailing the processes required to enable the day-to-day operation of the treasury management function.</p>

Dealing:

Authorised officers	Included within the Operational manual / dealing procedure notes
Dealing limits	<p>The maximum for any one-investment deal is subject to the lending limits detailed in the Council's Annual Investment Strategy.</p> <p>Senior Accountants/Trainee should confirm investments in excess of three months with the Investment Manager/Senior Management prior to agreement.</p>
List of approved brokers	Brokers used by the Council are named in TMP 11: External Service Providers
Policy on brokers' services	It is the Council's policy to utilise the services of four brokers. The Council will maintain a spread of business between them in order to avoid relying on the services of any one broker.
Policy on taping of conversations	The Council does not record conversations with brokers. However recording systems are in place with all brokers and as such the brokers record conversations.

Direct dealing practices	<p>Direct dealing is carried out subject to counterparty and maturity limits.</p> <p>Prior to undertaking direct dealing, the Council will ensure that each counterparty has been provided with the Council's list of authorised dealers and the Council's Standard Settlement Instructions.</p> <p>The template for the Council's Standard Settlement Procedures is included in the Operational Manual.</p>
Deal Ticket pro forma	Deals will be recorded as per the deal card.
Settlement transmission procedures	<p>Settlements are made by CHAPS.</p> <p>All CHAPS payments relating to settlement transactions require authorisation by the one bank signatory for transactions up to £1m and two bank signatories for transactions over £1m</p> <p>CHAPS payments are transmitted using the HSBCnet online banking system.</p>
Documentation requirements	<p>For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, maturity date and broker if applicable.</p> <p>Investments:</p> <ul style="list-style-type: none"> ▪ Deal card ▪ Payment voucher (unless HSBC transfer or roll over) ▪ Confirmation from the broker ▪ Confirmation from the counterparty ▪ CHAPS payment transmission document ▪ Income advice
	<p>Loans:</p> <ul style="list-style-type: none"> ▪ Deal card with signature to agree loan ▪ Confirmation from the broker (if used) ▪ Confirmation from PWLB/market counterparty ▪ CHAPS payment transmission document when repayment of loan actioned.
Unpaid Investment Recovery Procedures	Instructions on the procedures to deal with unpaid investments are held at an operational level and included within the treasury management operations manual.

TREASURY MANAGEMENT PRACTICE 6: REPORTING REQUIREMENTS, MANAGEMENT INFORMATION ARRANGEMENTS

Principle: 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 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.

Council will receive:

A strategy report on the Prudential Indicators, proposed Treasury Management Strategy, Investment Strategy and activities for the forthcoming year

Cabinet will receive:

Monthly, mid financial year and end of financial year reports on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed. It will also include details of non-compliance with the organisation's treasury management policy statement and TMPs.

Schedule:

<p>Frequency of executive reporting requirements</p>	<p>The Head of Accounting will submit budgets and will report on budget variations as appropriate.</p> <p>The Investment Manager will submit the Prudential Indicators and the Treasury Strategy Statement (including Annual Investment Strategy) and report on the projected borrowing and investment strategy and activity for the forthcoming financial year to Council before the start of the year.</p> <p>The Annual Treasury Report will be prepared after the financial year end and included with the month two budget monitoring report.</p>
<p>Content of Reporting: 1. Prudential Indicators</p>	<p>The Council will set the following Prudential Indicators and following the year end publish actuals in respect of:</p> <ul style="list-style-type: none"> ▪ Financing costs as a proportion of net revenue stream (estimate; actual) ▪ Capital expenditure (estimate; actual) ▪ Incremental impact of capital financing decisions (estimate) ▪ Capital Financing Requirement (estimates; actual) ▪ Authorised limit for external debt ▪ Operational boundary for external debt ▪ Actual external debt ▪ Upper limits on fixed and variable rate interest exposures

	<ul style="list-style-type: none"> ▪ Upper and lower limits to maturity structure of fixed rate borrowing ▪ Upper limit to total of principal sums invested longer than 364 days. <p>The Prudential Indicators are approved and revised by Council and are integrated into the Council's overall financial planning and budget process.</p> <p>Reasons for any significant difference between gross and net debt and the risks associated with such a strategy will be placed before Cabinet and Council as part of their agreement of the Annual Strategy</p>
<p>2. Treasury Strategy Statement including the Annual Investment Strategy</p>	<p>The Treasury Strategy Statement integrates with the Prudential Indicators being set and will include the following:</p> <ul style="list-style-type: none"> ▪ Link to Capital Financing and Treasury Management Prudential Indicators for the current and ensuing three years ▪ Strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next three years and for restructuring of debt; ▪ The investment strategy for the forthcoming year (see below*) ▪ The interest rate outlook against which the treasury activities are likely to be undertaken.
	<p>Based on the ODPM's Guidance on Investments, the Council will produce an Annual Investment Strategy (AIS) which sets out:</p> <ul style="list-style-type: none"> ▪ The objectives, policies and strategy for managing its investments; ▪ The determination of which Specified and Non Specified Investments the Council will utilise during the forthcoming financial year(s) based on the Council's economic and investment outlook and the expected level of investment balances; ▪ The limits for the use of Non-Specified Investments. <p>The AIS will be integrated into the Treasury Strategy Statement.</p>

3. Annual Treasury Report	<p>The Investment Manager will produce an annual report for the Cabinet on all activities of the treasury management and should be included with the month two budget outturn report.</p> <p>The main contents of the report will comprise:</p> <ul style="list-style-type: none"> ▪ The prevailing economic environment ▪ A commentary on treasury operations for the year ▪ Commentary on the risk implications of treasury activities undertaken and the future impact on treasury activities of the Council ▪ Compliance with agreed policies/practices and statutory/regulatory requirements ▪ Compliance with Prudential Indicators; ▪ Performance measures.
4. Content and frequency of management information reports	<p>The Investment Manager will produce for Cabinet a mid financial year update on treasury activities covering the same items as those in the annual treasury report. In addition, a monthly report will also be produced providing an overview on treasury activities.</p> <p>The Treasury Officers will produce daily, weekly and monthly treasury updates for senior management:</p> <p>The Monthly report includes details of:</p> <ul style="list-style-type: none"> ▪ Loan balances, activity and interest payable. ▪ Investment balances and interest earned ▪ Performance of investments against benchmark ▪ Information and compliance with treasury prudential indicators ▪ Details of any breaches of daily bank balances against target balances.
	<p>The weekly report includes details of:</p> <ul style="list-style-type: none"> ▪ Maturity profile of investments ▪ Weighted rate of return by investment maturity and in total ▪ Country breakdown of investments ▪ Credit rating breakdown of investments ▪ Weekly review and forthcoming weekly strategy <p>The daily report include details of:</p> <ul style="list-style-type: none"> ▪ Summary and detail of investments ▪ Compliance against deposit limits ▪ Activity regarding new and repaid investments ▪ Details of any short term borrowing ▪ Commentary to support Investment decisions

TREASURY MANAGEMENT PRACTICE 7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

Principle: The Head of Accounting 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 minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 “Risk management”, TMP2 “Best value and performance measurement”, and TMP4 “Approved instruments, methods and techniques”.

The Head of Accounting 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 transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of the Council’s accounts is set out in the schedule.

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed below.

Schedule:

Statutory/ regulatory requirements	Balanced Budget Requirement: The provisions of S32 and S43 of the Local Government Finance Act 1992 require this Council to calculate its budget requirement for each financial year including, among other aspects: <ul style="list-style-type: none"> ▪ The expenditure which is estimated to be incurred in the year in performing its functions and which will be charged to a revenue account ▪ Revenue costs which flow from capital financing decisions <p>S33 of the Act requires the Council to set a council tax sufficient to meet expenditure after taking into account other sources of income.</p>
Proper Accounting Practice	CIPFA’s Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the local authority SORP) constitutes “proper accounting practice under the terms of S21 (2) of the Local Government Act 2003”.

Statement of Accounts	<p>The Statement of Accounts comprises:</p> <ul style="list-style-type: none"> ▪ An explanatory foreword ▪ A statement of accounting policies ▪ Statement of Responsibilities for the Statement of Accounts ▪ The Accounting Statements (see below) ▪ Additional Financial Statements (Housing Revenue Account, Collection Fund) ▪ Notes to the Accounts ▪ Statement on Internal Control ▪ Auditor's Report
Format of the Council's accounts	<p>The current form of the accounts is available on the Council website.</p>
The Accounting Statements	<p>These comprise of</p> <ul style="list-style-type: none"> ▪ Income and Expenditure Account ▪ Statement of Movement on the General Fund Balance ▪ Statement of Total Recognised Gains and Losses (STRGL) ▪ Balance Sheet ▪ Cash Flow Statement ▪ Supplementary single entity financial statements ▪ Group Accounts ▪ Pension Fund Accounts
Disclosures relating to treasury management	<p>Due regard will be given to the disclosure requirements under the Statement of Recommended Practice and Accounting Standards</p>
<p>Treasury-related Information</p> <p>Requirements of external auditors</p>	<p>The following information is specifically requested by the external auditor and should be considered an initial request for information. It is usually followed by more detailed audit testing work, which often requires further information and/or explanations from the Council's officers.</p> <p>Information in this context includes:</p> <ul style="list-style-type: none"> ▪ System generated reports ▪ Supporting working papers ▪ Internally generated documents ▪ Externally generated documents <p>Prudential Indicators: Treasury Management Strategy including Annual Investment Strategy.</p>

	<p>External borrowing:</p> <ul style="list-style-type: none"> ▪ New loans borrowed during the year: PWLB certificates / documentation in relation to market loans borrowed ▪ Loan maturities ▪ Loans restructured during the year including gains or losses on repurchase of borrowing: ▪ Amortisation of previous gains or losses on repurchase of borrowing ▪ Analysis of loans outstanding at year end including maturity analysis ▪ Analysis of borrowing between long and short-term ▪ Analysis of deferred charges ▪ Debt management and financing costs ▪ calculation of (i) interest paid (ii) accrued interest ▪ interest paid ▪ MRP calculation and analysis of movement in the CFR ▪ Bank overdraft position ▪ Brokerage/commissions/transaction related costs
	<p>Investments:</p> <ul style="list-style-type: none"> ▪ Investment transactions during the year including any transaction-related costs ▪ Cash and bank balances at year end ▪ Short-term investments at year end ▪ Long-term investments at year end by asset type, including unrealised gains or losses at year end ▪ Calculation of (i) interest received (ii) accrued interest ▪ Actual interest received ▪ Basis of valuation of investments
Internal Audit	<p>Internal Audit generally conducts a yearly review of the treasury management function and probity testing.</p> <p>The internal auditors will be given access to treasury management information/documentation as required by them.</p>
Compliance with CIPFA Treasury Management and Prudential Codes	<p>Auditors may require evidence/demonstration of compliance with external and internal treasury management policies and strategy.</p> <p>Any serious breach of the TM Code's recommendations or Prudential Indicators should be brought to the attention of the external auditor.</p>
Costs for treasury management	<p>The budget for treasury management forms part of the Corporate Finance budget</p>

TREASURY MANAGEMENT PRACTICE 8: CASH AND CASH FLOW MANAGEMENT

Principle: Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Director of Finance and Resources, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared and the Investment Manager will ensure that these are adequate for the purposes of monitoring compliance with TMP1 [1] liquidity risk management. The present arrangements for preparing cash flow projections and their form are set out in the schedule to this document.

Schedule:

<p>Arrangements for preparing /submitting / cash flow statements</p>	<p>Cash flow forecasts will be viewed over a 3 yearly time horizon and will be used to formulate the Council's borrowing and investment strategy by identifying periods of surplus or shortfall of cash balances.</p> <p>The cash flow forecasts and statements are held at operational level.</p> <p>The accuracy and effectiveness of the Council's cash flows are dependent on the accuracy of estimating expenditure, income and their corresponding time periods.</p> <p>An outline medium-term cash flow model is prepared as part of the budget process, with projections for 3 further years. It is highly summarised and looks mainly at cash flows arising from the capital programme, the in-year capital financing requirement, scheduled loan maturities and long-term investment maturities.</p>
	<p>A detailed annual cash flow is prepared for the financial year once the budget for the ensuing year has been agreed, which is monitored and updated as required. It identifies the major inflows and outflows on a month-by-month basis. It is prepared using the agreed revenue budget and capital programme for the financial year and based on the knowledge obtained from the Council's various service sections. The cash flow is also supplemented by the experience from previous years.</p> <p>Daily cash flows show forecast and planned movements of cash on a daily basis, including the matching of known inflows and payments.</p> <p>The medium term and annual cash flows are recorded electronically whilst the daily cash flow is held manually.</p>

<p>Content and frequency of cash flow projections</p>	<p>The detailed annual cash flow model includes the following: Revenue income and expenditure - based on the budget. Profiled capital income and expenditure - as per the capital programme.</p> <p>Revenue activities: Inflows:</p> <ul style="list-style-type: none"> ▪ Non domestic rates receipts ▪ Council tax receipts ▪ Housing subsidy ▪ Government grants ▪ Other operating cash receipts <p>Outflows:</p> <ul style="list-style-type: none"> ▪ Salaries and payments on behalf of employees ▪ Operating cash payments ▪ Precepts and levy payments ▪ NNDR payments to national pool ▪ Payments to the capital receipts pool ▪ Pension contribution payments <p>Capital activities including financing Inflows:</p> <ul style="list-style-type: none"> ▪ Capital grants received ▪ Sale of fixed assets ▪ Other capital cash receipts <p>Outflows:</p> <ul style="list-style-type: none"> ▪ Purchase of fixed assets ▪ Purchase of long-term investments ▪ Other capital cash payments
	<p>Financing, Servicing of Finance>Returns on Investments Inflows</p> <ul style="list-style-type: none"> ▪ New long-term loans raised ▪ New short-term loans raised ▪ Interest received ▪ Discount on premature repayment of loan <p>Outflows:</p> <ul style="list-style-type: none"> ▪ Loan repayments ▪ Premia on premature repayment of loan ▪ Short-term investments ▪ Capital element of finance lease rental payments ▪ Interest paid ▪ Interest element of finance lease rental payments
<p>Monitoring, frequency of cash flow updates</p>	<p>The annual cash flow prediction is updated as required taking account of any revisions.</p>

Bank statements procedures	The Council receives bank statements on a daily basis. These are posted independent of the treasury function and are reconciled to the Oracle accounting system on a monthly basis.
Payment scheduling	The Council has a policy of paying suppliers in line with agreed terms of trade.
Monitoring debtor/ creditor levels	<p>Debtor levels are monitored on an ongoing basis. The status of overdue payments is examined regularly and the appropriate action is taken to recover any delinquent debts.</p> <p>The level of Creditor invoices being processed and which remain unpaid is monitored on a monthly basis by the P2P Operational Manager.</p>
Banking of funds	<p>Instructions for the banking of income are set out in the Financial Regulations. Income should be paid fully and promptly into the appropriate authority bank account in the form in which it is received.</p> <p>All the Council's sections are advised of the requirement to bank on a regular basis in order to comply with recommended best practice and also remain within the particular insurance limits for the Council's premises.</p>

TREASURY MANAGEMENT PRACTICE 9: ANTI MONEY LAUNDERING

Background: The Proceeds of Crime Act 2002 (POCA) consolidated, updated and reformed criminal law in the UK in relation to money laundering. Part 7 of the POCA establishes the principal offences relating to money laundering, these being: Concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland. Being concerned in an arrangement, which a person knows, suspects or facilitates the acquisition, retention use or control of criminal property. Other offences include failure to disclose money laundering offences, tipping off a suspect either directly or indirectly, and doing something that might prejudice an investigation.

The Money Laundering Regulations 2003 [Statutory Instrument 2003 No. 3075], which came into force on 1st April 2004, are concerned with measures to restrict the opportunities for money laundering in certain types of business.

CIPFA believes that public sector organisations should “embrace the underlying principles behind the money laundering legislation and regulations and put in place anti money laundering policies, procedures and reporting arrangements appropriate and proportionate to their activities”.

Principle: 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, reporting suspicions and ensuring staff involved in this area are properly trained. The present arrangements, including the title of the officer to whom reports should be made, are detailed in the schedule below.

Schedule:

Anti money laundering policy	<p>This Council’s policy is to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.</p> <p>The Council has accepted responsibility to ensure that those of its staff who are most likely to be exposed to money laundering can make themselves fully aware of the law and, where necessary, are suitably trained.</p>
Nomination of Responsible Officer(s)	<p>The Head of Internal Audit and & Risk Management is supported by the Head of Revenues and they have been nominated by as the responsible officers for money laundering. Any suspicions relating to transactions involving the Council will be communicated to these officers.</p>

	<p>The responsible officer will be conversant with the requirements of the Proceeds of Crime Act 2002 and will ensure relevant staff are appropriately trained and informed so they are alert for suspicious transactions.</p> <p>The responsible officer will make arrangements to receive and manage the concerns of staff about money laundering and their suspicion of it, to make internal enquiries and to make reports, where necessary, to National Criminal Intelligence Services (NCIS).</p>
<p>Limit placed on acceptance of cash sums</p>	<p>The Council has set an upper limit of £5,000 for receipt of 'cash' (this includes notes, coins, or travellers cheques in any currency). This limit should be applied to any transaction or group of related transactions amounting to more than the limit specified.</p>
<p>Procedures for establishing the Identity of Lenders and Borrowers</p>	<p>In the course of its treasury activities, the Council will only borrow from permitted sources identified in TMP 4.</p> <p>The Council will not accept loans from individuals</p> <p>In the course of its treasury activities, the Council will only invest with those counterparties, which are on its approved lending list.</p> <p>All banking transactions will only be undertaken by the personnel authorised to operate the Council's banks accounts.</p>

TREASURY MANAGEMENT PRACTICE 10: STAFF TRAINING AND QUALIFICATIONS

Principle: The Council recognises the importance of ensuring that all staff involved in the treasury management function is 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 Senior Finance Manager – Corporate Finance will recommend and implement the necessary arrangements. The present arrangements are detailed in the schedule below.

Schedule:

Qualifications/ experience for treasury staff	Investment Manager – CCAB qualified
Career Development / Continuing Professional Development (CPD)	<p>Among the courses/events the Council would expect its treasury personnel consider for CPD are:</p> <p>Training courses run by CIPFA Any courses/seminars run by Treasury Management Consultants. Attending CIPFA Conference.</p> <p>The Council participates in a CIPFA Employer Accreditation Scheme for CPD purposes, which is based on planning, recording and evaluating development.</p>
Training records	Treasury-related training records are maintained providing details of the date and event relating to each member of staff.
Qualifications / Access to Training for Council Members	The Director of Finance and Resources will ensure that all Council Members tasked with treasury management responsibilities (including those responsible for setting strategy, scrutiny and receipt of reports) have access to training relevant to their needs and those responsibilities.

TREASURY MANAGEMENT PRACTICE 11: USE OF EXTERNAL SERVICE PROVIDERS

Principle: The Council recognises 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 a 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. 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 details of the current arrangements are set out in the schedule below.

Schedule:

Contract threshold	The Council's Procurement Standing Orders require that a formal contract is in place with external service providers where the contract value is £50k and above.
Details of Providers	Bankers to the Council: HSBC High Street, Uxbridge Contract expires Mar 2010 – extension exercised (Three years with two year extension option) Formal agreement in place: yes This service will be re-tendered every three or five years depending on whether the extension option is exercised

	<p>Treasury advisor: Arlingclose Ltd 6/7 Hatton Garden, London, EC1N 8AD Tel 020 7831 3114 Contract period: Feb 2009 to Feb 2012 with two year extension option Formal agreement in place: yes This service may be re-tendered every three of five years depending on whether the extension option is exercised</p> <p>Brokers: It is considered good practice for the Council to have at least four brokers and to spread business between them.</p> <p>Tradition (UK) Ltd Beaufort House, 15 St Botolph Street, London, EC3A 7DT Tel: 020 7422 3566 No contract or formal agreement in place</p> <p>Martin Brokers Ltd 25 Dowgate Hill, London, EC4R 2BB Tel: 020 7469 9580 No contract or formal agreement in place</p> <p>Sterling 10 Chiswell Street, London, EC1Y 4UQ Tel: 020 7496 8950 No contract or formal agreement in place</p> <p>Tullet Prebon 155 Bishopsgate London EC2M 3TQ Tel: 020 7200 7393 No contract or formal agreement in place</p>
Business reserve accounts / direct deposit takers	Business Reserve Accounts / Direct deposit takers The Council may have one or more business reserve accounts / access to direct to deposit takers at any one time. Their details are held separately at an operational level.

TREASURY MANAGEMENT PRACTICE 12: CORPORATE GOVERNANCE

Principle: 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.

The Council has adopted and has implemented the key recommendations of the code. This together with the other arrangements detailed in the schedule below, are considered vital to the achievement of proper corporate governance in treasury management, and Internal Audit will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Schedule:

Stewardship responsibilities.	Internal Audit ensures that systems exist to deliver proper financial administration and control and maintaining a framework for overseeing and reviewing the treasury management function.
List of documents to be made available for public inspection or on the council's website.	The following documents are freely available for public inspection: <ul style="list-style-type: none"> ▪ Annual Statement of Accounts ▪ 3 Year Capital Plan ▪ Treasury Management Policy ▪ Treasury Management Strategy ▪ Budget Monitoring Reports ▪ Annual Treasury Report

Note:

Items the Council would maintain at operational level in an 'Operations Manual' include:

- The Council's Credit Criteria
- Current Lending List
- Business Reserve Accounts / Money Market Funds
- Counterparties with whom the Council deals direct
- Dealing checklist
- Deal card proforma
- Format of the Council's Standard Settlement Instructions form
- Settlement Procedures
- Procedure Notes for the Council's on-line banking system
- Procedure Notes for the Council's treasury management system
- Procedure Notes for the recovery of unpaid investments.