

**TREASURY MANAGEMENT PRACTICES (TMP)
PRINCIPLES AND SCHEDULES (Revised August 2010)**

INTRODUCTION:

The CIPFA Code of Practice on Treasury Management in the Public Services (the Code), which was revised in 2001, had a further revision in 2009. 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 previous Code in March 2002 and the new revised code in February 2009.

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	Risk management
TMP 2	Performance measurement
TMP 3	Decision-making and analysis
TMP 4	Approved instruments, methods and techniques
TMP 5	Organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP 6	Reporting requirements and management information arrangements
TMP 7	Budgeting, accounting and audit arrangements
TMP 8	Cash and cash flow management
TMP 9	Money laundering
TMP 10	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 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:

<p>Criteria to be used for creating/managing approved counterparty lists/limits</p>	<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 consideration of credit ratings from 3 ratings agencies and other alternative assessments of credit strength (for example, statements of potential government support, CDS data and share price etc). The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties.</p>
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Approved methodology for changing limits and adding/removing counterparties	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.
Counterparty list and limits	A full individual listing of counterparties based on the criteria will be maintained. As credit ratings and other credit quality related indicators are subject to change without notice, an up-to-date lending list will be maintained on an ongoing basis.
Country, sector and group listings of counterparties and overall limits applied to each, where appropriate	Investments will be displayed so as to show individual exposure, total group exposure and total country exposure. Limits have been set for the above, in terms of monetary value and percentage of overall portfolio, where appropriate.
Credit rating agencies' services and their application	The Council considers the ratings of all 3 ratings agencies (Standard & Poor's, Moody's and Fitch) when making investment decisions. Credit rating agency information is just one of a range of instruments used to assess creditworthiness of institutions.
General approach to collecting/using information other than credit ratings for counterparty risk assessment	The Council's Treasury Advisor, Arlingclose, provides timely information on counterparties, in terms of credit rating updates and economic summaries. Credit default swap information is received monthly, as well as information on share price. In addition, the Senior Finance Manager, Investment Manager and Treasury Senior Accountant read quality financial press for information on counterparties.

1.2 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.

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

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 and obviate overdraft fees, a daily cash balance of between zero and £600k 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 placing short-term deposits and by using call 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 at any point 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 agreed by the Council before the start of each financial year.</p>
Bank Overdraft and standby facilities	<p>The Council has an authorised overdraft limit with its bankers HSBC of £200k at an agreed rate of 2.55% over base rate.</p>

1.3 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:

<p>Minimum/ maximum proportions of fixed/variable rate debt/interest</p>	<p>Borrowing/investments may be at a fixed or variable rate.</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>
<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>The Council will consider matching borrowing at variable rates with investments similarly exposed to changes in interest rates as a way of mitigating any adverse budgetary impact.</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>
<p>Approved interest rate exposure limits</p>	<p>The upper limit for variable interest rate exposure is shown within the Council's prudential indicators, included in the Treasury Management Strategy Statement.</p>

1.4 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:

Exchange rate risk management	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. At the present time statute prevents the Council borrowing in currencies other than Sterling.
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1.5 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 its financing or funding. Financing will be from capital receipts, reserves and any grants or contributions awarded, revenue resources or reserves. Funding will be from internal or external 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	<p>The revenue consequences of financing the capital programme are included in cash flow models, annual revenue estimates and medium term forecasts.</p>

1.6 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 as set out in TMP1(1) 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 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:

<p>References to relevant statutes and regulations</p>	<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 Prudential Code for Capital Finance in Local Authorities and subsequent amendments ▪ 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 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 subsequent amendments ▪ Code of Practice on Local Authority Accounting in the United Kingdom ▪ LAAP Bulletins ▪ Accounts and Audit Regulations 2003, as amended together with CLG Guidance ▪ Council’s Constitution including: - <ul style="list-style-type: none"> - Standing Order relating to Contracts - Financial Regulations - Scheme of Delegation
<p>Procedures for evidencing the organisation’s powers/ authorities to counterparties</p>	<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> <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	Lending shall only be made to institutions on the Council's authorised lending list. The Council will only undertake borrowing from approved sources such as the PWLB, organisations such as the European Investment Bank and from commercial banks.
Statement on political risks and management of the same	Political risk is managed by: <ul style="list-style-type: none"> ▪ Adoption of the CIPFA Treasury Management Code of Practice ▪ Adherence to Corporate Governance (TMP 12 – Corporate Governance) ▪ Adherence to the CIPFA Ethics Statement of Professional Practice by the Investment Manager

1.7 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. It includes the area of risk referred to as operational risk.

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>Details of systems and procedures to be followed, including Internet services continued...</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>

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>A daily back up is taken and maintained and can be used by the IT department to restore files, if necessary.</p> <p>A daily back up is 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. Also the Civil Protection Service holds a complete Business Continuity Plan.</p>
Insurance Cover details	<p>The Council has Fidelity Guarantee cover. The Insurance department holds details of the provider and cover.</p>

1.8 Market Risk Management

This is the risk that, through adverse market fluctuations in the value of the principal sums the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects 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:

Details of limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDs etc)	<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>
Accounting for unrealised gains/losses	<p>The method used when accounting for unrealised gains or losses on the valuation of financial assets will comply with Accounting Code of Practice</p>

TREASURY MANAGEMENT PRACTICE 2 - 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:

<p>Policy concerning methods for testing value for money</p>	<p>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.</p> <p>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.</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>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>Policy concerning methods for performance measurement continued...</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'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>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 ▪ The rate of return on investments against their indices for internally managed funds ▪ A statement whether the treasury management activity resulted in a breach of the Prudential Indicators.
<p>Benchmarking and calculation methodology with regard to risk and return</p>	<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>
<p>Best value</p>	<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 ▪ 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 ▪ 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 will:</p> <ul style="list-style-type: none"> ▪ 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; ▪ 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 core balances and reserves, cash flow availability and prevailing market conditions; ▪ consider the alternative investment products and techniques available if appropriate.
<p>Processes to be followed</p>	<p>The processes to be followed will be in keeping with TMP 4: “The Council’s Approved, Instruments, Methods and Techniques”.</p>

<p>Evidence and records to be kept</p>	<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>
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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 funding</p>	<p><u>Capital financing methods</u> Capital receipts Revenue balances Use of Reserves Capital Grants and Contributions</p> <p><u>Funding Sources</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</p>

<p>Approved capital financing methods and types/sources of funding continued...</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 (in that order) of its invested monies. The investments will be categorised as 'Specified' or 'Non Specified' based on the criteria set out by the ODPM (now CLG) in its Investment Guidance March 2004 (as amended).</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

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.

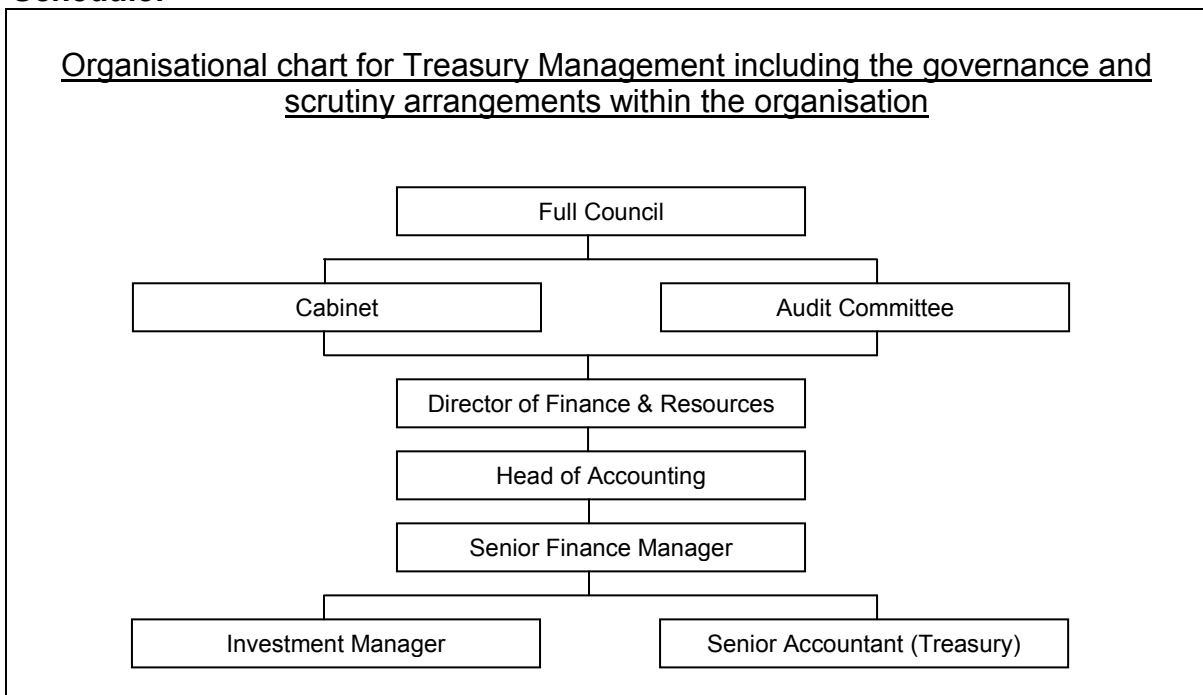
The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of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

The Senior Finance Manager – Corporate Finance will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Senior Finance Manager – Corporate Finance will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule below.

The Investment Manager 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.

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: Receive, review and approve :</p> <ul style="list-style-type: none"> ▪ Treasury Management Strategy Statement and amendments ▪ Prudential Indicators and amendments ▪ Treasury Management Investment Strategy and non-operational amendments <p>The Cabinet: Receive and review:</p> <ul style="list-style-type: none"> ▪ Treasury Management Strategy Statement & Prudential Indicators ▪ Treasury Management Investment Strategy ▪ Reports on treasury management activities <p>Audit Committee Receive and review:</p> <ul style="list-style-type: none"> ▪ Treasury Management Strategy Statement & Prudential Indicators ▪ Treasury Management Investment Strategy ▪ Treasury Management Practices ▪ External audit reports and acting on recommendations
<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 ▪ Approve operational amendments to counterparty list <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 – Corporate Finance</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>Statement of duties/ responsibilities of each treasury post continued...</p>	<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 ▪ 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 ▪ Review treasury products in order to achieve best value ▪ Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function ▪ 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 Accountant</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
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Principles and practices concerning segregation of duties	<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>
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	<p>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.</p>
Policy on taping of conversations	<p>The Council does not record conversations with brokers. However recording systems are in place with all brokers and as such the brokers record conversations.</p>

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 <p>Income advice 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 reports on the Prudential Indicators (PI's), Treasury Management Strategy Statement, Annual Investment Strategy (AIS) 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. It will consist of the effects of the decisions taken, the management of activities, risks and include details of non-compliance with the organisation's treasury management policy statement. Receive and scrutinise Treasury Management Strategy Statement (Including AIS and PI's)

The Audit Committee:

Will receive and be responsible for the annual scrutiny of Treasury Management Policies and Practices and Treasury Management Strategy Statement (Including AIS and PI's).

The present arrangements and the form of these reports are outlined below.

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 Audit Committee and Cabinet prior to agreement at full Council before the start of the year.</p> <p>Monthly, mid year and year end treasury reports will be prepared by the Investment Manager and will report on treasury management activities relating to their relevant period. These reports will be submitted to Cabinet for scrutiny during the year.</p>
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<p>Frequency of executive reporting requirements continued...</p>	<p>Amendments to the Treasury Management Policies and Practices will be submitted to the Audit Committee for scrutiny annually.</p> <p>The Treasury Officers will produce daily, weekly and monthly treasury updates for senior management:</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 ▪ 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>Audit Committee and Cabinet will receive a copy of this report prior to Council to carry out its scrutiny role of treasury management.</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 <p>The interest rate outlook against which the treasury activities are likely to be undertaken.</p> <p>Based on the ODPM's (now CLG) 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> <ul style="list-style-type: none"> ▪ Audit Committee and Cabinet will receive a copy of this report to carry out its scrutiny role of treasury management.
<p>3. The Year End Annual Treasury Report</p>	<p>The Investment Manager will produce an annual report for the Cabinet on all activities of 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 ▪ 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; ▪ Performance measures. ▪ Borrowing information (including premature repayment, new loans information) ▪ Information on investments, including current lending list ▪ Prudential indicators relating to treasury management ▪ Governance framework and scrutiny arrangements

<p>4. Mid-Year Treasury Report</p>	<p>The Investment Manager will produce a mid-year report for Cabinet on the borrowing and investment activities of the treasury management function for the first six months of the financial year.</p> <p>The main contents of the report will comprise:</p> <ul style="list-style-type: none"> • Economic background • Economic forecast (including interest rates forecast) • Treasury Management Strategy Statement update • Performance measures • Borrowing information (including premature repayment, new loans information) • Information on investments, including current lending list • Prudential indicators relating to treasury management • Governance framework and scrutiny arrangements
<p>5. Monthly Reporting</p>	<p>The Treasury Officer will produce a monthly report for Cabinet on the borrowing and investment activities of the treasury management function.</p> <p>The main contents of the report will comprise:</p> <ul style="list-style-type: none"> • Performance measures • Borrowing information (including premature repayment, new loans information) • Information on investments • Compliance with prudential indicators • Short term strategy information
<p>6. Content and frequency of management information reports</p>	<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>6. Content and frequency of management information reports continued...</p>	<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
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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 “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	<p>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:</p> <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 constitutes “proper accounting practice under the terms of S21 (2) of the Local Government Act 2003”.

Financial Statements	<p>The Financial Statements comprise:</p> <ul style="list-style-type: none"> • Explanatory foreword • Accounting policies, changes in accounting estimates and errors • Presentation of financial statements • Movement in reserves statement • Comprehensive income and expenditure statement • Balance sheet • Cash flow statement • Statement of responsibilities • Notes to the financial statements • Housing revenue account • Collection fund • Statements reporting reviews of internal controls or Internal financial controls • Events after the reporting period • Related party disclosures
Format of the Council's accounts	The current form of the accounts is available on the Council website.
Disclosures relating to treasury management	Due regard will be given to the disclosure requirements under CIPFA's Accounting Code of Practice
<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</p> <p>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 ▪ Compliance with proper accounting practice, regulations and determinations for the amortisation of premiums and discounts arising on loans restructured during the year and previous years. ▪ Analysis of loans outstanding at year end including maturity analysis ▪ Analysis of borrowing between long and short-term ▪ Debt management and financing costs <ul style="list-style-type: none"> - 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 three 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>
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<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 ▪ Schools payments ▪ Tax ▪ National Insurance ▪ 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

Monitoring, frequency of cash flow updates	The annual cash flow prediction is updated as required taking account of any revisions.																																
Bank statements procedures	The Council receives bank statements on a daily basis. These are posted independently 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	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. The level of Creditor invoices being processed and which remain unpaid is monitored on a monthly basis by the P2P Operational Manager.																																
Banking of funds	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. 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.																																
Listing of sources of information	The treasury function receives cash flow information from the following persons/departments: <table border="1" data-bbox="528 1370 1378 1982"> <thead> <tr> <th>Type of Information</th> <th>Source</th> </tr> </thead> <tbody> <tr> <td>Area Based Grants</td> <td>Sharon Carter</td> </tr> <tr> <td>West London Waste</td> <td>Sharon Carter</td> </tr> <tr> <td>London Pension</td> <td>Sharon Carter</td> </tr> <tr> <td>Greater London Authority</td> <td>Sharon Carter</td> </tr> <tr> <td>Environment Agency</td> <td>Sharon Carter</td> </tr> <tr> <td>Lee Valley</td> <td>Sharon Carter</td> </tr> <tr> <td>DSG</td> <td>Rajan Perinpanayagam</td> </tr> <tr> <td>Schools</td> <td>Ken Wood</td> </tr> <tr> <td>Schools Salaries</td> <td>Rajan Perinpanayagam</td> </tr> <tr> <td>LBH Salaries</td> <td>Tina Lockyer</td> </tr> <tr> <td>TPA & HMRC</td> <td>Tina Lockyer</td> </tr> <tr> <td>NNDR, BAA, BA</td> <td>Mitra Davami</td> </tr> <tr> <td>Housing Benefits</td> <td>Richard Wakefield</td> </tr> <tr> <td>Supporting Peoples Grant</td> <td>Ceri Lamoureux</td> </tr> <tr> <td>Weekly BACS payments</td> <td>Tracey Tully</td> </tr> </tbody> </table>	Type of Information	Source	Area Based Grants	Sharon Carter	West London Waste	Sharon Carter	London Pension	Sharon Carter	Greater London Authority	Sharon Carter	Environment Agency	Sharon Carter	Lee Valley	Sharon Carter	DSG	Rajan Perinpanayagam	Schools	Ken Wood	Schools Salaries	Rajan Perinpanayagam	LBH Salaries	Tina Lockyer	TPA & HMRC	Tina Lockyer	NNDR, BAA, BA	Mitra Davami	Housing Benefits	Richard Wakefield	Supporting Peoples Grant	Ceri Lamoureux	Weekly BACS payments	Tracey Tully
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<p>Practices concerning prepayments to obtain benefits</p>	<p>Contracts where payments are made in advance include:</p> <ul style="list-style-type: none">Treasury advisersTreasury software supportFinancial publicationsCIPFA networkVehicle leasing <p>It is common practice for these services to have contractual arrangements where the annual fee is paid in advance. Accounting prepayment journals correct costs to reflect the actual charge for the accounting year.</p>
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TREASURY MANAGEMENT PRACTICE 9: 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.
- Acquiring, using or possessing 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.

Organisations pursuing relevant businesses were required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions.

In December 2007, the UK Government published the Money Laundering Regulations 2007, which replaced the 2003 Regulations. The Money Laundering Regulations 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>
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<p>Nomination of Responsible Officer(s)</p>	<p>The Head of Internal Audit and & Risk Management is supported by the Head of Revenues and they have been nominated as the responsible officers for anti-money laundering. Any suspicions relating to transactions involving the Council will be communicated to these officers.</p> <p>The responsible officers 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 officers 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 bank accounts.</p>

TREASURY MANAGEMENT PRACTICE 10: 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.

The Senior Finance Manager – Corporate Finance will ensure that council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

Schedule:

Qualifications/ experience for treasury staff	Investment Manager – CCAB qualified
Career Development / Continuing Professional Development (CPD)	Among the courses/events the Council would expect its treasury personnel to consider for CPD are: Training courses run by CIPFA Any courses/seminars run by Treasury Management Consultants. Attending CIPFA Conference. Training attended by those responsible for scrutiny of the treasury function. The Council participates in a CIPFA Employer Accreditation Scheme for CPD purposes, which is based on planning, recording and evaluating development.
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	Treasury Management is included in the general finance training for members.

TREASURY MANAGEMENT PRACTICE 11: USE OF EXTERNAL SERVICE PROVIDERS

Principle: The Council recognises that responsibility for treasury management decisions remains within the organisation at all times. 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 be in place with external service providers where the contract value is £20k and above.
Details of providers and procedures and frequency for tendering services	<p>Bankers to the Council: HSBC High Street, Uxbridge Contract from April 10 to April 13 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> <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>Details of providers and procedures and frequency for tendering services continued...</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 International Brokers Ltd 10 Chiswell Street, London, EC1Y 4UQ Tel: 020 7496 8950 No contract or formal agreement in place</p> <p>Tullet Prebon Group Ltd 155 Bishopsgate London EC2M 3TQ Tel: 020 7200 7393 No contract or formal agreement in place</p>
<p>Business reserve accounts / direct deposit takers</p>	<p>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.</p>
<p>Regulatory status of services provided</p>	<p>The Council's external service providers are listed below, along with their regulatory status: Bankers to the Council (HSBC) – regulated by the Financial Services Authority (FSA) Treasury Adviser (Arlingclose) – regulated by FSA Brokers Tradition (UK) Ltd - regulated by FSA Martin Brokers Ltd - regulated by FSA Sterling International Brokers Ltd - regulated by FSA Tullet Prebon Group Ltd - regulated by FSA</p>
<p>Details of service provided by Treasury Advisor</p>	<p>Provide economic and political information and advice to allow treasury making decisions.</p> <p>Advice and assistance to structure appropriate investment/borrowing strategy and decisions.</p> <p>Advice on investment counterparty creditworthiness, including prudent parameters established using information from one or more of the leading credit rating agencies.</p> <p>Reports to be provided monthly with any revisions to ratings provided as they are announced.</p> <p>Advice on borrowing, debt management and investments including regular information on interest rates for borrowing/investment opportunities.</p> <p>Interest rate (investment and borrowing) forecasts with analysis.</p>

<p>Details of service provided by Treasury Advisor</p>	<p>Provision of advice on alternative financing options.</p> <p>Daily bulletins covering information on financial markets, economic data releases and market rates, including interest rate views and forecasts</p> <p>Training in relation to treasury management and capital finance.</p> <p>Meetings including on-site annual strategy meeting and in-year review meeting to develop and inform annual treasury management.</p> <p>Monitoring and advice on legislative and accounting issues affecting treasury management and capital finance.</p> <p>The provision of template documents and advice on:</p> <ul style="list-style-type: none"> • Annual Treasury Management Strategy Report • Annual review report • Treasury Management Practices • Adoption of CIPFA Code of Treasury Management • Annual investment strategy. <p>Provide fair value calculations for investments and loans in relation to year-end accounting disclosure requirements.</p> <p>Leasing advice and options appraisal.</p>
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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 Treasury Management Code of Practice. 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.	<p>The following documents are freely available for public inspection:</p> <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
External funds managed on behalf of others and the basis of attributing interest earned and costs to these investments	<p>The Council manages the following external funds on behalf of others: Hillingdon Homes</p> <p>The basis of attributing interest earned and costs to these investments is as follows: Rates of interest are based on the weighted average achieved and paid by the Council. Costs of administering these investments are based on a percentage of the cost centre.</p>

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, Payment Voucher & confirmation of deal fax proformas
- Format of the Council's Standard Settlement Instructions form
- Settlement procedures
- Full procedures notes for the day-to-day operation of the TM function
- 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
- Contingency procedures
- List of names officers with authority to transact loans and investments
- List of officers with access to HSBC's online banking system
- List of officers with access to the Treasury Management Logotech System