

**SWALE BOROUGH COUNCIL**

**TREASURY MANAGEMENT PRACTICES**

**JUNE 2011**

**Introduction:**

The CIPFA Code of Practice on Treasury Management in the Public Services (the Code) which was revised in 2001, had further revision in 2009. The code requires the setting out of the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. This Council had adopted the original Code and has similarly adopted the revised 2009 Code in February 2010. 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 (TMPs) 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 and other documents held at an operational level specify the systems and routines to be employed and the records to be maintained in fulfilling the Council's treasury functions.

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

- 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 key 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 from which it may borrow, or with whom it may enter into other financing arrangements.*

**Schedule:**

Criteria to be used for creating/managing approved counterparty lists/limits	<p>The Head of Finance is responsible for setting a prudent criteria and the Council's treasury advisors will also provide guidance and assistance in setting the criteria.</p> <p>The criteria will be agreed by Cabinet.</p> <p>The current criteria is set out in the Treasury Management 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 all 3 ratings agencies and other alternative assessments of credit strength (for example, statements of potential government support, Credit Default Swaps (CDS) information). 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 Head of Finance 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	<p>A full individual listing of counterparties based on the criteria will be maintained. As credit ratings etc. are subject to change without notice, an up-to-date lending list will be maintained on an ongoing basis within the Operations Manual.</p>
Country, sector and group listings of counterparties and overall limits applied to each, where appropriate	<p>Investments will be displayed so as to show total group exposure, total country exposure and total sector exposure. Group limits have been set for the above, in terms of monetary value where appropriate.</p>
Details of credit rating agencies' services and their application	<p>The Council considers the ratings of all 3 ratings agencies (Standard &amp; 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.</p>
Description of the general approach to collecting/using information other than credit ratings for counterparty risk assessment	<p>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 Head of Finance reads quality financial press for information on counterparties.</p>

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

**Principle :** *The Head of Finance 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 flow and cash Balances	<p>The Council will aim for effective cash flow forecasting and monitoring of cash balances and will prepare a cash flow forecast annually in advance of the year which is monitored on a monthly basis.</p> <p>The Treasury Officer shall 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 £NIL is the objective for the Council's bank account, unless a small balance in the region of +/-£10K remains as not viable to move in periods of low interest rates.</p>
Short term investments	<p>The Council uses various Reserve Accounts and Money Market Funds to manage its liquidity requirements. These Accounts/Funds are set out 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 National Westminster Bank of £0.75m 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 £0.75m.</p>

- 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 but will, at the same time, allow sufficient flexibility enable it to benefit from potentially advantageous changes in market conditions and level of interest rates and also to mitigate the effects of potentially disadvantageous changes.</p> <p>The Council will achieve this 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.</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 advisors and are closely monitored by the Head of Finance. Variations from original estimates and their impact on the Council's debt and investments are notified to the Cabinet as necessary.</p>
<p>Details of approved interest rate exposure limits</p>	<p>As per the Council's prudential indicators, the upper limit for variable interest rate investments as a proportion of total investments is -100%. In terms of long term borrowing, the Council can have no more than 100% in variable interest rate borrowings.</p>

- 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	<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>If the Council has a contractual obligation to make a payment in a currency other than sterling then forward foreign exchange transactions will be considered, with professional advice.</p> <p>At the present time statute prevents the Council borrowing in currencies other than Sterling. The Council has also determined that all its investments will be in Sterling.</p>
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- 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 refinancings, 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 investment requirements	3 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.  As required by the Prudential Code, the Council will undertake Options Appraisal to evaluate the best capital expenditure financing route.
Debt profiling, policies and practices	The policy of the Council is not to borrow to fund capital expenditure.
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.

- 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 under 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, particularly with regard to duty of care and fees charged.*

*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. These are:</p> <ul style="list-style-type: none"> <li>▪ CIPFA's Treasury Management Code of Practice 2001 and subsequent amendments;</li> <li>▪ CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities;</li> <li>▪ CIPFA Prudential Code for Capital Finance in Local Authorities and subsequent amendments;</li> <li>▪ CIPFA Standard of Professional Practice on Treasury Management;</li> <li>▪ The Local Government Act 2003;</li> <li>▪ The Local Authorities (Capital Finance and Accounting) (England ) Regulations 2003 SI 2003 No 3146, and subsequent amendments;</li> <li>▪ Pensions, England and Wales - The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 – SI 2009 No 3093;</li> <li>▪ The CLG's statutory Guidance on Minimum Revenue Provision (MRP);</li> <li>▪ The ODPM's (now CLG's) Guidance on Local Government Investments in England issued March 2004 and subsequent amendments;</li> <li>▪ The Local Authorities (Contracting out of Investment Functions) Order 1996 SI 1996 No 1883;</li> <li>▪ LAAP Bulletins;</li> <li>▪ Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards;</li> <li>▪ Accounts and Audit Regulations 2003, as amended together with CLG's Guidance;</li> <li>▪ The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets;</li> <li>▪ Council's Constitution including:- <ul style="list-style-type: none"> <li>○ Financial Standing Orders and Regulations</li> <li>○ Scheme of Delegation</li> </ul> </li> </ul>
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Procedures for evidencing the organisation's powers/ authorities to counterparties	<p>The Council's Financial Regulations contain evidence of the power/ authority to act as required by section 151 of the Local Government Act 1972, under the general direction of the Council.</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>
Statement on political risks and management of the same	<p>Political risk is managed by:</p> <ul style="list-style-type: none"> <li>• adoption of the CIPFA Treasury Management Code of Practice;</li> <li>• adherence to Corporate Governance (TMP 12: Corporate Governance);</li> <li>• adherence to the Statement of Professional Practice by the Head of Finance;</li> <li>• the roles of the Audit Committee.</li> </ul>

- 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 <b>TMP5: Organisation, clarity and segregation of responsibilities, and dealing arrangements.</b></p> <p>1. <u>Electronic Banking and Dealing</u></p> <p>(a) Banking: The Council's online banking service provided by The National Westminster bank 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 as follows:</p> <ul style="list-style-type: none"> <li>• Head of Finance</li> <li>• Chief Accountant</li> <li>• Principal Accountants</li> <li>• Senior Accountants</li> <li>• Senior / Accountancy Assistant (Treasury)</li> <li>• Exchequer Manager</li> <li>• Direct Debit Assistants</li> </ul> <p>Officer access is reviewed at least 6 monthly or as necessary.</p> <p>(b) Access to the Council's treasury management system, Logotech is limited to those officers listed below, each having a separate log-on and password.</p> <ul style="list-style-type: none"> <li>• Senior Accountants</li> <li>• Senior / Accountancy Assistant (Treasury)</li> </ul> <p>These also are reviewed at least 6 monthly or as necessary.</p> <p>(c) Transactions are also processed on-line via Goldman Sachs Portal. Procedures for on-line dealing are documented in the Operations manual.</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>2. <u>Standard Settlement Instructions</u> (SSI) list: a list is maintained of named officers who have the authority to transact loans and investments.</p> <ul style="list-style-type: none"> <li>• Brokers and counterparties with whom the Council deals directly are provided a copy of the SSI list.</li> <li>• A list of named officers with authority to invest with the Debt Management Agency Deposit Facility (DMADF) is also maintained with the Debt Management Office (DMO).</li> </ul>
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	<p>3. <u>Payment Authorisation</u> :</p> <ul style="list-style-type: none"> <li>• Payments can only be authorised by an agreed cheque signatory(ies) of the Council, the list of signatories having previously been agreed with the Council's bank.</li> <li>• Inflow and outflow of monies borrowed and invested will only be from the counterparty's bank accounts.</li> <li>• As far as possible, separate officers will carry out (a) dealing and (b) recording of transactions and disbursements.</li> </ul>
Verification	<p>Loans and investments will be maintained in the Council's treasury management system Logotech, which will include fees and brokerage paid.</p> <p>Transactions will be cross-checked against broker notes, and counterparty confirmations by verifying dates, amounts, interest rates, maturity, interest payment dates etc.</p>
Substantiation	<ol style="list-style-type: none"> <li>1. The Treasury Management system balances are reconciled with financial ledger codes at the financial year end.</li> <li>2. Working papers are retained for audit inspection.</li> <li>3. The bank reconciliation is carried out monthly from the bank statement to the Council's financial management system, Agresso.</li> </ol>
Internal Audit	<p>Internal Audit carry out a regular review of the treasury management function including probity testing. See TMP7: Budgeting, accounting and audit arrangements.</p>

Contingency Management	<ol style="list-style-type: none"> <li>1. All treasury systems are retained on the Council's network. Daily back-ups are taken and maintained and network back-ups can be used by the ICT department to restore files, if necessary.</li> <li>2. Weekly back-ups are taken by the ICT department, saved on disc and are stored off-site.</li> <li>3. Temporary off-site working facility: The officers who can avail of this facility following an emergency are N Vickers, P Wilson, C Frampton and D Walton, who will individually be made aware of the procedures to follow.</li> <li>4. Electronic Banking System Failure: Balance details and information can be obtained by telephoning the Council's bankers, and manual CHAPS payments can be made by faxing instructions to the bank on official bank forms signed by 2 bank signatories.</li> <li>5. The Emergency Procedures Manual is maintained by the Senior Accountant for treasury management. Printed copies are retained within the treasury management Operations Manual, and electronic copies are retained on the Council's network and backed-up by the ICT department.</li> </ol>
Insurance Cover details	The Council has Fidelity Guarantee cover. Details of the provider and cover are held by the Accountancy Section.

- 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 has failed 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.*

**Schedule:**

Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDs etc)	Not applicable given the current range of deposits.
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Accounting for unrealised gains/losses	Not applicable given the current range of deposits.
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## TMP 2: PERFORMANCE MEASUREMENT

**Principle:** *The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.*

*Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the 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 value for money	<p>The Council will participate in the CIPFA Treasury management and Accountancy benchmarking.</p> <p>The Council uses Investments benchmarking provided by Arlingclose to review value for money.</p>
Policy concerning methods for performance measurement	<p>The Council will use the CIPFA and Arlingclose benchmarking to review risk and reward.</p> <p>The Council benchmarks its Investment returns against the average 7 day London Interbank Bid Rate (LIBID) and the Bank of England Base Rate.</p> <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>
Methodology to be applied for evaluating the impact of treasury management decisions	<p>Monitoring of the outcome of treasury management activity against Prudential Indicators approved by the Council will be carried out as part of the half yearly reporting to Audit Committee, Cabinet and Council.</p> <p>The year-end Annual Treasury Report will also include, as a matter of course, the outturn against the PIs set prior to the commencement of the financial year and any in-year amendments.</p>

Methodology to be employed for measuring the performance of the Council's treasury management activities	Treasury management activity is reviewed twice a year against strategy and prevailing economic and market conditions through the reports to Audit Committee, Cabinet and Council.
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### TMP 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 issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed 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> <ol style="list-style-type: none"> <li>a) changes to Prudential Indicator(s) during the course of the financial year;</li> <li>b) options Appraisal to determine a funding decision;</li> <li>c) investing longer-term (i.e. in excess of 1 year);</li> <li>d) utilisation of investment instruments which constitute capital expenditure (i.e. loan capital/share capital in a body corporate);</li> <li>e) leasing;</li> <li>f) change in banking arrangements;</li> <li>g) appointing/replacing a treasury advisor;</li> <li>h) any other determined by the Council.</li> </ol>
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 Head of Finance will prepare monthly for the ensuing 12 months rolling forecasts of the financing, borrowing and surplus cash requirements of the Council, for the purpose of:</p> <ul style="list-style-type: none"> <li>• applying the strategy on a day to day basis;</li> <li>• monitoring the results of the strategy;</li> <li>• recommending amendments to the strategy to the Cabinet where applicable during the course of the year.</li> </ul>

Delegated powers for treasury management	The Head of 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.
Issues to be addressed, evaluation, authorisation	<p>In exercising these powers, the Head of Finance and those to whom the treasury activity have been delegated will :</p> <ul style="list-style-type: none"> <li>• have regard to the nature and extent of any associated risks to which the Council may become exposed;</li> <li>• be certain about the legality of the decision reached and that the necessary authority to proceed has been obtained;</li> <li>• 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;</li> <li>• ensure that the perceived credit risk associated with the approved counterparties parties is judged satisfactory and is within agreed limits;</li> <li>• be satisfied that the terms of any transactions have been fully checked against the market, and have been found to be competitive;</li> <li>• follow best practice in implementing the treasury transaction.</li> </ul> <p>In exercising Borrowing and Funding decisions, the Head of Finance will :</p> <ul style="list-style-type: none"> <li>• evaluate economic and market factors that may influence the manner and timing of any decision to fund;</li> <li>• consider alternative forms of funding, including use of revenue resources, leasing and private partnerships;</li> <li>• consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use;</li> <li>• consider ongoing revenue liabilities created.</li> </ul> <p>In exercising Investment decisions, the Head of Finance will :</p> <ul style="list-style-type: none"> <li>• determine that the investment is within the Council's strategy and pre-determined instruments and criteria;</li> <li>• consider the optimum period, in the light of core balances and reserves, cash flow availability and prevailing market conditions;</li> <li>• consider the alternative investment products and techniques available if appropriate.</li> </ul>



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 and 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>Records and working papers will be maintained by the Council.</p>

**TMP 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

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

**Schedule:**

Approved treasury management activities	<p>The Council is permitted to undertake the following activities:</p> <ul style="list-style-type: none"> <li>▪ Managing cashflow</li> <li>▪ Capital financing</li> <li>▪ Borrowing including debt restructuring and debt repayment</li> <li>▪ Lending including redemption of investments</li> <li>▪ Banking</li> <li>▪ Leasing</li> <li>▪ Managing the underlying risk associated with the Council's capital financing and surplus funds activities.</li> </ul> <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>
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<p>Approved capital financing methods and types/sources of funding</p>	<p><u>On balance sheet</u></p> <ul style="list-style-type: none"> <li>• Public Works Loans Board (PWLB) loans</li> <li>• Long term money market loans including Lender Option / Borrower Option (LOBO's)</li> <li>• Temporary money market loans (up to 364 days).</li> <li>• Bank overdraft</li> <li>• Loans from bodies such as the European Investment Bank (EIB)</li> <li>• Stock issues</li> <li>• Finance Leases</li> <li>• Deferred Purchase</li> <li>• Government and EU Capital Grants</li> <li>• Lottery monies</li> <li>• Other Capital Grants and Contributions</li> <li>• Private Finance Initiative (PFI) /Public Private Partnership (PPP)</li> </ul> <p><u>Internal Resources</u></p> <ul style="list-style-type: none"> <li>• Capital Receipts</li> <li>• Revenue Balances</li> <li>• Use of Reserves</li> </ul> <p><u>Off balance sheet</u></p> <ul style="list-style-type: none"> <li>▪ Operating Leases</li> <li>▪ Structured Finance</li> </ul> <p>The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.</p>
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Approved investment instruments	<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 and which will be used by the appointed external fund manager(s) including the maximum exposure for each category of non-specified investments. Where applicable, the Council's credit criteria will also apply.</p> <ul style="list-style-type: none"> <li>▪ Deposits with the UK government, the Debt Management Agency Deposit Facility (DMADF), and UK local authorities</li> <li>▪ Term deposits with banks and building societies</li> <li>▪ Callable deposits</li> <li>▪ Investments in Money Market Funds , i.e. 'AAA' liquidity funds with a 60-day Weighted Average Maturity (WAM)</li> <li>▪ Gilts</li> <li>▪ Bonds issued by multilateral development banks</li> </ul>
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## **TMP 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.*

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

*The Head of 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 Head of 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 Head of Finance 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 below.*

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

### **Schedule:**

<p>Head of Finance / Chief Accountant / Principal Accountant / Senior Accountant / Senior Accountancy Assistant/ Accountancy Assistant</p>
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**Schedule:**

Limits to responsibilities at Executive levels	<p>Full Council:</p> <ul style="list-style-type: none"> <li>• Approval of the Treasury Management Strategy in advance of the year (following receipt by Cabinet).</li> <li>• Receiving an Annual Report on Treasury Management (following receipt by Cabinet).</li> <li>• Receiving a Mid Year Review on Treasury Management (following receipt by Cabinet).</li> </ul> <p>The Cabinet:</p> <ul style="list-style-type: none"> <li>• The implementation and regular monitoring of its treasury management policies and procedures</li> <li>• Recommend the Treasury Management Strategy to Council</li> <li>• Recommend the Annual Report on Treasury Management to Council</li> <li>• Recommend the Mid Year Review on Treasury Management to Council</li> </ul> <p>Audit Committee:</p> <ul style="list-style-type: none"> <li>• Ensuring effective scrutiny of the treasury management strategy and policies</li> </ul> <p>Chief Executive:</p> <ul style="list-style-type: none"> <li>• That the system for effective treasury management is laid down and resourced</li> <li>• That the Head of Finance reports regularly to elected members on treasury policy, activity and performance</li> </ul> <p>Director of Corporate Services Monitoring Officer:</p> <ul style="list-style-type: none"> <li>• Ensuring compliance by Head of Finance with the Treasury Policy Statement and that that statement complies with law.</li> <li>• Ensuring that any proposal to vary treasury policy or practice complies with the law or Code of Practice.</li> </ul>
Role of Internal Audit	<ul style="list-style-type: none"> <li>• Reviewing compliance with approved policy and procedures</li> <li>• Reviewing segregation of duties and operational practice</li> <li>• Assessing value for money from treasury activities</li> <li>• Undertaking probity of the treasury function</li> </ul>

Head of Information, Communities and Technologies (ICT)	<ul style="list-style-type: none"> <li>• Ensuring all electronic systems are backed up regularly</li> <li>• Ensure all systems meet data security legislation</li> </ul>
Principles and practices concerning segregation of duties	<p>The segregation of duties will be determined by Head of Finance.</p> <p>Segregation of duties exists in that:</p> <ul style="list-style-type: none"> <li>• 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 cash book and completing cheque and bank reconciliations;</li> <li>• the officer(s) responsible for negotiating and closing treasury management deals is separate from officer(s) authorising payments;</li> <li>• all borrowing/investments decisions must be authorised by the Head of Finance.</li> </ul> <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>Examples:</p> <p>The Head of Finance:</p> <ul style="list-style-type: none"> <li>• submitting budgets and budget variations;</li> <li>• recommending clauses, treasury management policy, practices for approval, reviewing the same regularly and monitoring compliance;</li> <li>• determining Prudential Indicators and Treasury Management Strategy including the Annual Investment Strategy;</li> <li>• submitting regular treasury management policy reports;</li> <li>• receiving and reviewing management information reports;</li> <li>• reviewing the performance of the treasury management function;</li> <li>• ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;</li> <li>• ensuring the adequacy of internal audit and liaising with external audit;</li> <li>• recommending the appointment of external service providers;</li> <li>• determining long-term capital financing and investment decisions.</li> <li>• The Head of Finance may delegate his power to borrow and invest to the Chief Accountant.</li> <li>• The Head of Finance may delegate his power for day to day operation of the Treasury Function to Senior Accountant, Senior / Accountancy Assistant.</li> </ul>
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	<p>Senior Accountant:</p> <ul style="list-style-type: none"> <li>• adherence to agreed policies and practices on a day to day basis;</li> <li>• maintaining relationships with third parties and external service providers;</li> <li>• monitoring performance on a day to day basis;</li> <li>• submitting management information reports to the responsible officer;</li> <li>• identifying and recommending opportunities for improved practices.</li> </ul> <p>Senior / Accountancy Assistant:</p> <ul style="list-style-type: none"> <li>• execution of transactions;</li> <li>• adherence to agreed policies and practices on a day to day basis;</li> <li>• maintaining relationships with third parties and external service providers;</li> <li>• monitoring performance on a day to day basis;</li> <li>• submitting management information reports to the responsible officer;</li> <li>• identifying and recommending opportunities for improved practices;</li> <li>• recording treasury management transactions;</li> <li>• reconciling treasury management transactions with the financial ledger;</li> <li>• recording/ reconciling counterparty documentation.</li> </ul>
Absence cover arrangements	<p>Cover in the absence of the relevant treasury management officer is provided by:</p> <ul style="list-style-type: none"> <li>• Senior Accountancy Assistant</li> <li>• Senior Accountant</li> </ul> <p>Cover is reviewed at least every 6 months, or as necessary. Full procedure notes are available, detailing the processes required to enable the day to day operation of the treasury management function.</p>
Description of the relationships between the chief finance officer, the monitoring officer and the head of paid service.	<p>The Head of Finance reports to the Corporate Services Director (also the Monitoring Officer) and is a member of the Strategic Management Team.</p>

**Dealing**

<p>Authorised officers</p>	<p>Responsible officer for borrowing/investment decisions: Head of Finance.</p> <p>Borrowing activity: Senior Accountants, Senior /Accountancy Assistant.</p> <p>Lending activity: Senior Accountants, Senior /Accountancy Assistant.</p> <p>Authorising payments for borrowing/lending: Head of Finance, Chief Accountant, Principal Accountants.</p> <p>Transaction recording: Senior Accountants, Senior /Accountancy Assistant.</p>
<p>Dealing limits</p>	<p>Internally Managed Investments:</p> <p>All investments should be diversified as far as is practicable,</p> <ul style="list-style-type: none"> <li>• the maximum for any one investment deal is £2 million (subject to the lending limits detailed in the Council's Annual Investment Strategy);</li> <li>• for institutions within a banking group, the group limit will remain at £2 million (subject to the lending limits detailed in the Council's Annual Investment Strategy);</li> <li>• investments in Money Market Funds (MMF's) should be spread between two funds or more;</li> <li>• all investments for Term Deposits and Call Accounts are to be held with UK banks.</li> </ul>
<p>List of approved brokers</p>	<p>Brokers used by the Council are named in TMP 11: External Service Providers</p>
<p>Policy on brokers' services</p>	<p>It is the Council's policy to utilise the services between at least two brokers. The Council will maintain a spread of business between them in order to avoid relying on the services of any one broker.</p>
<p>Policy on taping of conversations</p>	<p>The Council does not have a policy in place for the taping of conversations.</p>

Direct dealing practices	<p>Direct dealing is carried out with institutions identified in the Operational Schedule subject to counterparty and maturity limits and dealing 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 Instructions is included in the Operations Manual.</p>
Deal Ticket pro-forma	Deals will be recorded as per the deal ticket pro-forma (pro-forma maintained at operational level)
Settlement transmission procedures	<ul style="list-style-type: none"> <li>• settlements are made by Clearing House Automated Payment System (CHAPS);</li> <li>• all CHAPS payments relating to settlement transactions require authorisation by either the Head of Finance, Chief Accountant or Principal Accountants;</li> <li>• all electronic CHAPS payments require 1 bank signature;</li> <li>• all manual CHAPS payments require 2 bank signatories;</li> <li>• the details are transmitted either electronically or by facsimile (Fax) to the Council's bankers.</li> </ul>
Documentation requirements	<p>For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payments date(s), broker.</p> <p>Investments:</p> <ul style="list-style-type: none"> <li>• deal ticket authorising the investment;</li> <li>• confirmation from the broker;</li> <li>• confirmation from the counterparty;</li> <li>• Chaps payment transmission document.</li> </ul> <p>Loans:</p> <ul style="list-style-type: none"> <li>• deal ticket with signature to agree loan;</li> <li>• confirmation from the broker;</li> <li>• confirmation from PWLB/market counterparty;</li> <li>• Chaps payment transmission document for repayment of loan.</li> </ul>
Arrangements concerning the management of counterparty funds	The Council normally makes investments and only rarely borrows short term for cashflow purposes.

## TMP 6: REPORTING REQUIREMENTS AND 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.*

*As a minimum, the Audit Committee, Cabinet and Council will receive:*

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

*The Audit Committee, Cabinet and Council will receive regular monitoring reports on treasury management activities and risks.*

*The Audit Committee will have responsibility for the scrutiny of treasury management policies and practices.*

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

### Schedule:

Frequency of executive reporting requirements	<p>The Head of Finance will annually submit budgets and will report on budget variations as appropriate.</p> <p>The Head of Finance will submit the <b>Prudential Indicators</b> and the <b>Treasury Strategy Statement (including Annual Investment Strategy)</b> and report on the projected borrowing and investment strategy and activity for the forthcoming financial year to Cabinet and Council before the start of the year.</p> <p>The <b>Annual Treasury Report</b> will be prepared as soon as practicable after the financial year end and, in all cases, before the end of September.</p> <p>A <b>Mid-Year Treasury Report</b> will be prepared by the Head of Finance, which will report on treasury management activities for the first part of the financial year. The report will also provide a forecast for the current year. The Mid-Year Report will be submitted to Audit Committee, Cabinet and Council during the year.</p>
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<p>Content of Reporting: 1. Prudential Indicators</p>	<p>The Council will set the following Prudential Indicators, revise if necessary, and following the year end publish actual (where appropriate) in respect of :</p> <ul style="list-style-type: none"><li>▪ Financing costs as a proportion of net revenue stream (estimate; actual)</li><li>▪ Capital expenditure (estimate; actual)</li><li>▪ Incremental impact of capital financing decisions (estimate)</li><li>▪ Capital Financing Requirement (estimates; actual)</li><li>▪ Authorised limit for external debt</li><li>▪ Operational boundary for external debt</li><li>▪ Actual external debt</li><li>▪ Upper limits on fixed and variable rate interest exposures</li><li>▪ Upper and lower limits to maturity structure of fixed rate borrowing</li><li>▪ Upper limit to total of principal sums invested longer than 364 days.</li></ul> <p>The Prudential Indicators are approved and revised by Council and are integrated into the Council's overall financial planning and budget process.</p>
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<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"> <li>• link to Capital Financing and Treasury Management Prudential Indicators for the current and ensuing three years;</li> <li>• the extent to which surplus funds are earmarked for short term requirements;</li> <li>• the investment strategy for the forthcoming year(s);</li> <li>• the minimum to be held in short term/specified investment during the coming year;</li> <li>• the interest rate outlook against which the treasury activities are likely to be undertaken.</li> </ul> <p>*Based on the ODPM's (now CLG's) Guidance on Investments, the Council will produce an Annual Investment Strategy (AIS) which sets out:</p> <ul style="list-style-type: none"> <li>▪ the objectives, policies and strategy for managing its investments;</li> <li>▪ 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;</li> <li>▪ the limits for the use of Non-Specified Investments.</li> </ul> <p>The AIS will be integrated into the Treasury Strategy Statement.</p>
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3. Annual Treasury Report	<p>The Head of Finance will produce an annual report for the Audit Committee, Cabinet and Council on all activities of the treasury management function (including the performance of fund managers) as soon as practicable after year end and in all cases no later than 30 September of the succeeding financial year.</p> <p>The main contents of the report will comprise :</p> <ul style="list-style-type: none"> <li>▪ confirmation that the Council calculated its budget requirements and set a balanced budget for the Financial Year;</li> <li>▪ the prevailing economic environment;</li> <li>▪ a commentary on treasury operations for the year, including their revenue effects;</li> <li>▪ commentary on the risk implications of treasury activities undertaken and the future impact on treasury activities of the Council;</li> <li>▪ compliance with agreed policies/practices and statutory/regulatory requirements;</li> <li>▪ compliance with Prudential Indicators;</li> <li>▪ performance measures.</li> </ul>
4. Mid-Year Treasury Report	<p>The Head of Finance will produce a mid-year report for Audit Committee, Cabinet and Council on the borrowing and investment activities of the treasury management function (including performance of fund managers) 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"> <li>• economic background;</li> <li>• economic forecast (including interest rates forecast);</li> <li>• Treasury Management Strategy Statement update;</li> <li>• performance versus benchmarks;</li> <li>• borrowing information (including premature repayment, new loans information);</li> <li>• information on investments, including current lending list;</li> <li>• prudential indicators relating to treasury management;</li> <li>• governance framework and scrutiny arrangements.</li> </ul>

## TMP 7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

**Principle:** *The Head of Finance 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 form which the Council's budget will take is set out in the schedule below.*

*The Head of Finance 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><b>Balanced Budget Requirement:</b> 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> <p>(a) the expenditure which is estimated to be incurred in the year in performing its functions and which will be charged to a revenue account and,</p> <p>(b) revenue costs which flow from capital financing decisions.</p> <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".



## TMP 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 Head of Finance, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Head of Finance will ensure that these are adequate for the purposes of monitoring compliance with **TMP1 [2] liquidity risk management**. The present arrangements for preparing cash flow projections and their form are set out in the schedule below.*

### Schedule:

<p>Arrangements for preparing /submitting cash flow statements</p>	<p>Cash flow forecasts will be viewed over 12 months 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>A <b>detailed annual cash flow</b> is prepared for the financial year once the budget for the ensuing year has been agreed, which is monitored and updated on a monthly basis. It identifies the major inflows and outflows on a month by month basis.</p> <p>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 incurring the expenditure /receiving the income and can be supplemented by the experience from previous years.</p> <p><b>Daily cash flows</b> show forecast and planned movements of cash on a daily basis, including the matching of known inflows and payments. This is recorded in the Logotech Treasury Management system.</p>
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<p>Content and frequency of cash flow projections</p>	<p>The detailed annual cash flow model includes the following:</p> <ul style="list-style-type: none"> <li>• revenue income and expenditure based on the budget;</li> <li>• profiled capital income and expenditure as per the capital programme.</li> </ul> <p><b>Revenue activities:</b></p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> <li>▪ Revenue Support Grant</li> <li>▪ Precepts received</li> <li>▪ Non domestic rates receipts</li> <li>▪ NNDR receipts from national pool</li> <li>▪ Council tax receipts</li> <li>▪ Housing subsidy</li> <li>▪ DSS / other government grants</li> <li>▪ Cash for goods and services</li> <li>▪ Other operating cash receipts</li> </ul> <p><u>Outflows:</u></p> <ul style="list-style-type: none"> <li>▪ Salaries and payments on behalf of employees</li> <li>▪ Operating cash payments</li> <li>▪ Housing Benefit paid</li> <li>▪ Precepts paid</li> <li>▪ NNDR payments to national pool</li> <li>▪ Payments to the capital receipts pool</li> </ul> <p><b>Capital activities including financing</b></p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> <li>▪ Capital grants received</li> <li>▪ Sale of fixed assets</li> <li>▪ Other capital cash receipts</li> </ul> <p><u>Outflows:</u></p> <ul style="list-style-type: none"> <li>▪ Purchase of fixed assets</li> <li>▪ Purchase of long-term investments</li> <li>▪ Other capital cash payments</li> </ul> <p><b>Financing, Servicing of Finance/Returns on Investments</b></p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> <li>▪ New long-term loans raised</li> <li>▪ New short-term loans raised</li> <li>▪ Interest received</li> <li>▪ Discount on premature repayment of loan</li> </ul> <p><u>Outflows:</u></p> <ul style="list-style-type: none"> <li>▪ Loan repayments</li> <li>▪ Premia on premature repayment of loan</li> <li>▪ Short-term investments</li> <li>▪ Capital element of finance lease rental payments</li> <li>▪ Interest paid</li> <li>▪ Interest element of finance lease rental payments</li> </ul>
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Monitoring, frequency of cash flow updates	<p>The annual cash flow statement is updated monthly with the actual cash inflows and outflows after taking account of any revisions including those relating to grant income and capital expenditure and will be reconciled with:</p> <ul style="list-style-type: none"> <li>• net RSG and NNDR payments as notified;</li> <li>• (as applicable) county council and police authority precepts as notified;</li> <li>• actual salaries and other employee costs paid from general account bank statements;</li> <li>• actual payments to Inland Revenue from general account bank statements;</li> <li>• actual council tax received from general account bank statements;</li> <li>• actual housing benefit and housing subsidy grant received from CLG;</li> <li>• actual capital programme expenditure and receipts.</li> </ul>
Bank statements procedures	<p>The Council receives bank statements on a daily basis. These are posted independent of the treasury function and are reconciled to the Council's financial management system, Agresso on a monthly basis.</p>
Payment scheduling	<p>The Council has a policy of paying suppliers in line with agreed terms of trade and the following service standards:</p> <ul style="list-style-type: none"> <li>• Best Value Performance Indicator 8 (BVPI8).</li> </ul>
Monitoring debtor/ creditor levels	<p>Debtor levels are monitored by a monthly Sundry Debtors Monitoring Report to the relevant Heads of Service which will include an analysis of debt by age and details and details of recovery status.</p> <p>The level of Creditor invoices being processed / remaining unpaid is monitored on a daily basis by the Accounts Payable Assistant. A daily report is produced that details all BACS and cheque payments for the next payment day in advance and recorded in the payment log held in the Exchequer Section.</p>
Banking of funds	<p>Instructions for the banking of income are set out in the Financial Standing Orders and Regulations. Cash and cheques received in the cashiers section are banked daily.</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>

## TMP 9: MONEY LAUNDERING

**Background:** The Proceeds of Crime Act (POCA) 2002 consolidated, updated and reformed criminal law in the UK in relation to money laundering. The principal offences relating to money laundering are:

- 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 or suspects 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.

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 and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule 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>(a) The Council has nominated the Internal Audit Manager to be the responsible officer(s) to whom any suspicions relating to transactions involving the Council will be communicated.</p> <p>(b) 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>(c) 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>Procedures for establishing the Identity of Lenders and Borrowers</p>	<p>(a) In the course of its treasury activities, the Council will only borrow from permitted sources identified in TMP 4.</p> <p>(b) The Council will not accept loans from individuals.</p> <p>(c) In the course of its treasury activities, the Council will only invest with those counterparties which are on its approved lending list.</p> <p>(d) The identity and authenticity of commercial institutions (banks, building societies and other financial institutions) authorised to carry out borrowing and lending activity in the UK will be checked via the Financial Services Authority's website <a href="http://www.fsa.gov.uk">www.fsa.gov.uk</a>.</p> <p>(e) All receipts/disbursements of funds will be undertaken by BACS or CHAPS settlement.</p> <p>(f) Direct Dealing mandates: The Council will provide (in the case of lending) / obtain (in the case of borrowing) and maintain on file dealing mandates with any new money market counterparty. The mandates should be on letter-headed paper, dated and signed.</p> <p>(g) All banking transactions will only be undertaken by the personnel authorised to operate the Council's banks accounts.</p>

## TMP 10: TRAINING AND QUALIFICATIONS

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

*The Head of 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.*

*The present arrangements are detailed in the schedule below.*

### Schedule:

Qualifications/ experience for treasury staff	<ul style="list-style-type: none"> <li>▪ Qualified accountants</li> <li>▪ Regular training from the Council's treasury advisors Arlingclose</li> </ul>
Details of approved training courses	<p>The courses/events the Council would expect its treasury personnel to consider are <i>(examples below)</i>:</p> <ul style="list-style-type: none"> <li>▪ training courses for Accounting, Auditing, Best Value/Competition, Budgeting, Capital Finance &amp; Borrowing, Financial Management run by CIPFA and IPF;</li> <li>▪ any courses/seminars run by Treasury Management Consultants;</li> <li>▪ attending CIPFA Conference;</li> <li>▪ training attended by those responsible for scrutiny of the treasury function.</li> </ul>
Records of training received by treasury staff	Treasury-related training records are maintained.
Records of training received by those charged with governance	Training records are maintained of those people/committees responsible for governance of treasury management.

**TMP 11: USE OF EXTERNAL SERVICE PROVIDERS**

**Principle:** *The Council recognises that responsibility for the treasury management decisions remains with the organisation at all times. It 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. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Head of Finance, and details of the current arrangements are set out in the schedule below.*

**Schedule:**

Contract threshold	The Council's Financial Regulations require that a formal contract is in place with external service providers where the contract value is <del>£1,000</del> and above. The contract will clearly state the services to be provided and the terms on which they will be provided.
Details of service providers and procedures and frequency for tendering services	<p>(a) Bankers to the Council: National Westminster Bank Contract Expires: 30 June 2011</p> <p>(b) Treasury advisor Arlingclose Contract Expires: 4 May 2013</p> <p>(c) Brokers It is considered good practice for the Council to have at least two brokers and spread the business between them. Swale Borough Council has four authorised brokers available. Tradition / Sterling / Prebon / R P Martin Contract Expires: N/A</p>

**TMP 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 (Revised 2009). 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 the Head of Finance will monitor and, if and when necessary, report upon the effectiveness of these arrangements.*

**Schedule:**

Stewardship responsibilities	The Head of Finance 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.	<p>The following documents are freely available for public inspection:</p> <ul style="list-style-type: none"> <li>▪ Annual Statement of Accounts</li> <li>▪ Treasury Management Policy</li> <li>▪ Treasury Management Strategy</li> <li>▪ Quarterly Budget Monitoring Reports</li> <li>▪ Annual Treasury Report</li> </ul>
Council's website.	Financial information is additionally available on the Council's website.



Note:

Items the Council would maintain at operational level in an 'Operations Manual' as referred to in this template:

1. The Council's Credit Criteria
2. Current Lending List
3. Business Reserve Accounts / Money Market Funds
4. Counterparties with whom the Council deals direct
5. Dealing checklist
6. Deal ticket proforma
7. Format of the Council's Standard Settlement Instructions form
8. Settlement Procedures
9. Procedure Notes for the Council's on-line banking system
10. Procedure Notes for the Council's treasury management system
11. Procedure Notes for dealing on-line with counterparties.