

## **APPENDIX 2**

# CHERWELL DISTRICT COUNCIL Treasury Management Practices 2011-12

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## **TMP1 Risk Management**

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 in the schedule to this document.

### **1.1 Credit and Counterparty Risk Management**

Credit and counter-party risk is the risk of failure by counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

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 to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

#### **1.1.1 Policy on the use of credit risk analysis techniques**

1. The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.
2. Credit ratings will be used as supplied from all three rating agencies - Fitch, Moodys and Standard & Poors
3. Sector - the Councils Treasury Management Consultants will provide regular updates of changes to all ratings relevant to the council.
4. We will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.

The Council uses the Sector creditworthiness service based on using colours determined by minimum combinations of ratings to derive maturity limits as follows: -

- Green – 3 months
- Red – 6 months
- Orange – 1 year
- Purple – 2 year
- Yellow for UK Government backed securities – 5 years

In addition a credit default swap overlay is used as a further safeguard to give early warning of potential creditworthiness problems which may only belatedly lead to actual changes in credit ratings.

As this methodology is complex, readers are referred to the document produced by Sector "Guide to Establishing Credit Policies April 2009" for a full explanation.

5. Credit ratings for individual counterparties can change at any time. The Head of Finance is responsible for applying approved credit rating criteria for selecting approved counterparties. Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.
6. The Council will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including: -
- The quality financial press
  - Market data
  - Information on government support for banks and
  - The credit ratings of that government support
7. Maximum maturity periods and amounts to be placed in different types of investment instrument are as follows: -

	<b>* Minimum Credit Criteria</b>	<b>Use</b>	<b>*** Max £</b>	<b>Max. maturity period</b>
Term Deposits – Local Authorities	--	In-house	<b>£10m</b>	<b>364 days</b>
UK nationalised banks	green	In-house /Tradition	<b>£15m</b>	<b>364 days</b>
UK nationalised banks	* Short-term F1__, Long-term _A_, Individual _B_ or C_, Support _3 OR 2_	Investec	<b>£5m</b>	<b>364 days</b>
Banks nationalised by high credit rated (sovereign rating) countries – non UK	green	In-house/Tradition	<b>£5m</b>	<b>364 days</b>
Banks nationalised by high credit rated (sovereign rating) countries – non UK	* Short-term F1__, Long-term _A_, Individual _B_ or C_, Support _3 OR 2_	Investec	<b>£5m</b>	<b>364 days</b>
Money Market Funds	AAA	In-house	<b>£10m</b>	

8. Diversification: the Council will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following: -
- Maximum amount to be placed with any one institution - £15m
  - Group limits where a number of institutions are under one ownership – maximum of £15m
  - Country limits – a minimum sovereign rating of \_AA-\_\_ is required for an institution to be placed on our approved lending list. The list of countries which currently meet this criteria is: -

AAA

- Canada
- Denmark

- Finland
  - France
  - Germany
  - Luxembourg
  - Netherlands
  - Norway
  - Singapore
  - Sweden
  - Switzerland
  - U.K.
  - U.S.A.
- AA+
- Australia
  - Belgium
  - Spain \*
- AA
- Hong Kong
  - Japan
  - Kuwait
  - Qatar (AA S&P rating)
  - UAE
- AA-
- Italy
  - Portugal \*
  - Saudi Arabia

\* Sector has suggested that clients exercise care and caution when considering placing deposits with Portuguese and Spanish banks as their economies are currently under severe pressure.

Ireland no longer appears on this list as it has been downgraded to A+.

For the purpose of the 2011/12 Strategy Cherwell District Council has decided not to place deposits with Spanish & Portuguese banks including Santander UK

9. Investments will not be made with counterparties that do not have a credit rating in their own right
10. The definition of '**high credit quality**' in order to determine what are specified investments as opposed to non specified investments which do not have high credit ratings is set out at the end of TMP1 in schedule 1. This schedule also sets out the categories of investment instruments which fall into the specified investments category as they entail **minimum procedural formalities** in terms of the placing of those investments by the treasury management team. Minimal procedural formalities mean that the team is well experienced and knowledgeable in using these types of instruments and they pose minimal risk in their use.
11. The Council's external fund managers Investec & TUK, will adhere to the counterparty credit criteria and maximum individual limits set by the Council;

however it is understood that Investec may use a subset of the counterparty list so derived.

12. A full individual listing of Counterparties and Counterparty Limits as at 28 February 2011 is attached at Appendix 2a.

## **1.2 Liquidity Risk Management**

This 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 organisation's business /service objectives will be thereby compromised.

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. We will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

### **1.2.1. Amounts of approved minimum cash balances and short-term investments**

The Treasury Management section shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day. Borrowing or lending shall be arranged in order to achieve this aim.

### **1.2.2. Details of:**

a) Standby facilities

At the end of each financial day any unexpected surplus funds are transferred to the RBS Money Market account. The balance on this account is instantly accessible if the group bank account becomes overdrawn.

b) Bank overdraft arrangements

A £250,000 overdraft at 1% over base rate has been agreed as part of the banking services contract. The overdraft is assessed on a group basis for the Council's accounts.

c) Insurance/guarantee facilities

There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

## **1.3 Interest Rate Risk Management**

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

This organisation 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.

It 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 to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

## **1.4 Exchange Rate Risk Management**

As the Council only trades in Sterling, this section is not relevant.

## 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 refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

This organisation 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 overreliance on any one source of funding if this might jeopardise achievement of the above.

## 1.6 Legal and Regulatory Risk Management

The risk that the organisation itself, or an organisation 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 organisation suffers losses accordingly.

This organisation 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 organisation, particularly with regard to duty of care and fees charged.

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

### 1.6.1. References to Relevant Statutes and Regulations

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

- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- Guidance on Investments ODPM 12.3.2004
- Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006 Statutory Instrument No. 521
- Guidance on Housing Capital Receipts Pooling ODPM 23.3.2004
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2009,
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2009
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- LAAP Bulletins
- Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
- PWLB circulars on Lending Policy
- Financial Services Authority's Code of Market Conduct
- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations

#### **1.6.2 The Council's Scheme of Delegated Functions Procedures for Evidencing the Council's Powers/Authorities to Counterparties**

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

##### **England and Wales**

Investing: Local Government Act 2003, section 12

Borrowing: Local Government Act 2003, section 1

In addition, it will make available on request the following: -

- a. the scheme of delegation of treasury management activities which is contained in the Treasury Management Strategy 2011/12 which states which officers carry out these duties
- b. the document which sets which officers are the authorised signatories.

##### **Required Information on Counterparties**

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Council's treasury advisers based upon credit ratings supplied by Fitch, Moodys and Standard & Poors.

#### **1.6.3 Statement on the Council's Political Risks and Management of Same**

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

#### **1.6.4 Monitoring Officer**

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

#### **1.6.5. Chief Financial Officer**

The Chief Financial Officer is the Head of Finance; the duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to



make a report to the Council if he has concerns as to the financial prudence of its actions or its expected financial position.

## **1.7 Fraud, Error and Corruption, and Contingency Management**

The risk that an organisation 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 commonly referred to as operational risk.

This organisation 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.

The Council will therefore:-

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

### **1.7.1. Details of Systems (including Internet Services)**

#### **Authority**

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans/deposits and investments are negotiated by the responsible officer or authorised persons.
- Loan/deposit procedures are defined in the Council's Financial Regulations.

#### **Investment and borrowing transactions**

- A detailed register of all loans and investments is maintained in the LOMAS system.
- A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the organisation.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the Technical Accountant for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Technical Accountant for resolution.
- Contract notes for transactions carried out by the external fund managers will be received and maintained.

### **Regularity and security**

- Lending is only made to institutions on the Approved List of Counterparties.
- The LOMAS system prompts the Officers that money borrowed or lent is due to be repaid.
- All loans raised and repayments made go directly to and from the bank account of approved counterparties.
- Counterparty limits are set for every institution (see 1.5.1.6.) that the Council invests with.
- Brokers have a list of named officials authorised to agree deals.
- There is a separation of duties in the section between dealers and the checking and authorization of all deals.
- The Council's bank holds a list of Council officials who are authorised signatories for treasury management transactions.
- No member of the treasury management team is an authorised signatory.
- Payments can only be authorised in a formal letter by an authorised signatory, the list of signatories having previously been agreed with the current provider of our banking services.
- The LOMAS system can only be accessed by a password.
- There is adequate insurance cover for employees involved in loans management and accounting.
- Capital and interest withdrawals and capital injections in respect of monies managed by external fund managers can only be carried out in writing by the authorised signatories to the fund management agreement and notified to the fund managers.

### **Checks**

- The bank reconciliation is carried out daily from the bank statement to the financial ledger.
- The LOMAS system balances are proved to the balance sheet ledger codes at the end of each month and at the financial year end.
- An investment income listing is produced every month when a review is undertaken against the budget for interest earnings.
- The valuations and investment income statements received monthly from the Council's fund managers will be checked and retained for audit inspection. The authority will ensure that the external funds we invest in, are accounted for in accordance with proper accounting practices
- We have complied with the requirements of SORP and IFRS Code and will account for the fund as Fair Value through Profit or Loss. As a result, all gains and losses and interest (accrued and received) will be taken to the Income and Expenditure Account

### **Calculations**

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

### **Emergency and Contingency Planning Arrangements Disaster Recovery Plan**

In the event of Bodicote House being rendered unusable key staff will relocate to Thorpe Lane to ensure business continuity. If the electronic banking systems are unavailable information can be accessed by telephone and payments made manually by the bank.

All members of the treasury management team are familiar with this plan and new members will be briefed on it.

All computer files are backed up on the server to enable files to be accessed from remote sites.

### **1.7.2. Insurance Cover Details**

#### **Fidelity Insurance**

The Council has 'Fidelity' insurance cover with Zurich Municipal. This covers the loss of cash by fraud or dishonesty of employees. This cover is limited to £1m for all staff, £6m for Accountants and £10m for the Head of Finance and S151 Officer.

#### **Professional Indemnity Insurance**

The Council also has a 'Professional Indemnity' insurance policy with Zurich Municipal which covers loss to the Council from the actions and advice of its officers which are negligent and without due care. This cover is limited to those staff who work in Human Resources, Legal and Regeneration & Estates only.

#### **Business Interruption**

The Council also has a 'Business Interruption' cover as part of its property insurance with Zurich Municipal. This is limited to £8.3m.

### **1.8 Market Risk Management**

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

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

## TMP 1 SCHEDULE 1 – SPECIFIED AND NON SPECIFIED INVESTMENTS

### SPECIFIED INVESTMENTS:

(All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable)

	<b>* Minimum 'High' Credit Criteria</b>	<b>Use</b>
Debt Management Agency Deposit Facility	n/a	In-house
Term deposits – local authorities	n/a--	In-house
Term deposits – banks and building societies **	Green	In-house/Tradition
Term deposits – banks and building societies **	* Short-term F1__, Long-term _A_, Individual _B_ or C_, Support _3_ OR 2_	Investec

Since the credit crunch crisis there have been a number of developments which require separate consideration and approval for use: -

Banks eligible for support under the UK bail-out package and which have issued debt guaranteed by the Government are eligible for a continuing Government guarantee when debt issues originally issued and guaranteed by the Government mature and are refinanced. However, no other institutions can make use of this support as it closed to new issues and entrants on 28.2.10. The banks which have used this explicit guarantee are as follows: -

- Bank of Scotland
- Barclays
- Clydesdale
- Coventry Building Society
- Investec bank
- Nationwide Building Society
- Rothschild Continuation Finance plc
- Standard Life Bank
- Tesco Personal Finance plc
- Royal Bank of Scotland
- West Bromwich Building Society
- Yorkshire Building Society

**LIMITS:**

	<b>* Minimum Credit Criteria</b>	<b>Use</b>	<b>*** Max £</b>	<b>Max. maturity period</b>
	<b>* Minimum Credit Criteria</b>	<b>Use</b>	<b>*** Max £</b>	<b>Max. maturity period</b>
Term Deposits – Local Authorities	--	In-house	£10m	364 days
UK nationalised banks	green	In-house /Tradition	£15m	364 days
UK nationalised banks	* Short-term F1__, Long-term _A_, Individual _B or C_, Support _3 OR 2_	Investec	£5m	364 days
Banks nationalised by high credit rated (sovereign rating) countries – non UK	green	In-house/Tradition	£5m	364 days
Banks nationalised by high credit rated (sovereign rating) countries – non UK	* Short-term F1__, Long-term _A_, Individual _B or C_, Support _3 OR 2_	Investec	£5m	364 days
Money Market Funds	AAA	In-house	£10m	

If forward deposits are to be made, the forward period plus the deal period should not exceed one year in aggregate.

N.B. buy and hold may also include sale at a financial year end and repurchase the following day in order to accommodate the requirements of SORP.

**Accounting treatment of investments.** The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

**NON-SPECIFIED INVESTMENTS:** A maximum of 30% will be held in aggregate in non-specified investment

## 1. Maturities of ANY period

	<b>* Minimum Credit Criteria</b>	<b>Use</b>	<b>Max Amount £m</b>	<b>Max. maturity period</b>
Term deposits – local authorities	--	In-house	£5m	<b>5 years</b>
Term deposits – banks and building societies	Purple	In-house	£5m	<b>2 years</b>
Collateralised deposit	N/A	In-house	£10m	<b>5 years</b>
Commercial paper issuance covered by a specific UK Government (explicit) guarantee and issued by banks covered by the UK bank support package	UK sovereign rating or * Short-term F1, Long-term A_, Individual B/C, Support 3/2	Investec	£1m	<b>1 years</b>
Corporate Bonds issuance covered by UK Government (implicit) guarantee and issued by banks covered by the UK bank support package : the use of these investments would constitute capital expenditure	UK sovereign rating or * Short-term F1, Long-term A_, Individual B/C, Support 3/2	Investec	£1m	<b>1 years</b>
Corporate Bonds other : the use of these investments would constitute capital expenditure	Short-term F1, Long-term A_, Individual B/C, Support 3/ 2	Investec	£1m	<b>1 years</b>
Other debt issuance by UK banks covered by UK Government (explicit) guarantee	- UK sovereign rating or * Short-term F1, Long-term A_, Individual B/C, Support 3/2_	Investec	£1m	<b>1 years</b>
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	* Short-term F1__, Long-term _A_, Individual _B or C_, Support _3 OR 2_	Investec	£1m	<b>1 years</b>
Certificates of deposit issued by banks and building societies covered by the UK government banking support package (implicit guarantee)	* Short-term F1__, Long-term _A_, Individual _B or C_, Support _3 OR 2_	Investec	£1m	<b>1 years</b>

Certificates of deposit issued by banks and building societies NOT covered by UK Government guarantee support package (implicit guarantee)	Short-term F1 __, Long-term _A_, Individual _B_ or C_, Support _3 OR 2_	Investec	£1m	<b>1 years</b>
UK Government Gilts	UK sovereign rating	Investec	£1m	<b>1 years</b>
Local authority mortgage guarantee scheme	N/A	In-house	£5m	<b>5 years</b>

Local Authority Collateralised Deposit - Term deposits with UK institutions where such deposits are secured on loans made to other UK local authorities. These deposits will not form part of the limits determined by the individual institution's credit rating criteria. Investment is permitted subject to a maximum exposure of £10m, for a maximum term of 3 year(s).

Collateralised deposit can be structured or not – structured.

## **TMP 2 Performance Measurement**

### **2.1 Evaluation and Review of Treasury Management Decisions**

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

- a. quarterly reviews carried out by the Executive Committee
- b. reviews with our treasury management consultants Sector
- c. annual review after the end of the year as reported to Full Council
- d. comparative reviews
- e. strategic, scrutiny and efficiency value for money reviews

#### **2.1.1 Periodic reviews during the financial year**

The Head of Finance holds a treasury management review meeting with the treasury management team every quarter to review actual activity against the Treasury Management Strategy and cash flow forecasts. This includes total investments including average rate and maturity profile and changes to the above from the previous review and against the Treasury Management Strategy.

#### **2.1.2 Reviews with our treasury management consultants**

The treasury management team also holds reviews with Sector and our Fund Managers every quarter to review the performance of the investment portfolio.

#### **2.1.3 Annual Review after the end of the financial year**

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

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

#### **2.1.4 Comparative reviews**

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

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

### **2.2 Policy Concerning Methods for Testing Value for money in Treasury Management**

#### **2.2.1 Frequency and processes for tendering**

Tenders are normally awarded on a 3 year basis with the option to extend for 3 years, if approved by the Finance Scrutiny Committee. The process for advertising and awarding contracts will be in line with the Council's Procurement Strategy.



### **2.2.2 Banking services**

The Council's banking arrangements are to be subject to competitive tender every 5 years unless it is considered that there will be changes in the volume of transactions in the foreseeable future which renders a shorter period appropriate. If tendering is not considered appropriate a specialist banking company must be appointed to ensure that the terms offered represent value for money.

The tender with the Councils current bankers NatWest is due for review in 2011/12.

### **2.2.3 Money-broking services**

The Council will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. An approved list of brokers will be established which takes account of both prices and quality of services.

### **2.3.4 Policy on External Managers (Other than relating to Superannuation Funds)**

The Council's policy is to appoint full-time professional cash/external investment fund managers to manage a proportion of its cash and will comply with the Local Authorities (Contracting Out of Investment Functions) Order 1996 [SI 1996 No 1883].

The delegation of investment management to external managers will entail the following:

- Formal contractual documentation;
- Agreement on terms for early termination of the contract;
- Setting of investment instruments, constraints/parameters/conditions
- Setting of investment counterparty limits;
- Setting a performance measurement benchmark and a performance target;
- Frequency of performance reporting;
- Frequency of meetings with investment managers;

The Code of Practice places an obligation on the Council to monitor the performance of the fund managers. This Council has appointed Sector Treasury Services Limited to assist in this respect.

## **TMP 3 Decision-making and Analysis**

### **3.1 Funding, Borrowing, Lending, and New Instruments/Techniques:**

#### **3.1.1 Records to be kept**

The Treasury section has a computerised database system in which all investment and loan transactions are recorded. Full details of the system are covered in the user manual. The following records will be retained: -

- Daily cash balance forecasts
- Money market rates obtained by telephone from brokers
- Dealing slips for all money market transactions
- Brokers' confirmations for investment transactions
- Confirmations from borrowing institutions where deals are done directly
- Certificates for market loans, local bonds and other loans
- Contract notes received from fund managers
- Fund managers valuation statements

### **3.1.2 Processes to be pursued**

- Cash flow analysis.
- Investment maturity analysis
- Ledger reconciliation
- Performance information (e.g. monitoring of actual against budget for interest earned, also monitoring of average pool rate, investment returns, etc).

### **3.1.3 Issues to be addressed.**

#### **3.1.3.1. In respect of every treasury management decision made the Council will:**

- a) Above all be clear about the nature and extent of the risks to which the Council may become exposed
- b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- c) Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping
- d) Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded
- e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

#### **3.1.3.2 In respect of investment decisions, the Council will:**

- a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions;
- b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital;

## **TMP 4 Approved Instruments, Methods and Techniques**

### **4.1 Approved Activities of the Treasury Management Operation**

- borrowing;
- lending;
- debt repayment and rescheduling;
- consideration, approval and use of new financial instruments and treasury management techniques;
- managing the underlying risk associated with the Council's capital financing and surplus funds activities;
- managing cash flow;
- banking activities;
- the use of external fund managers (other than Pension Fund)
- leasing.

### **4.2 Approved Techniques**

- Forward dealing
- LOBOs – lenders option, borrower's option borrowing instrument
- The use of structured products such as callable deposits

### **4.3 Approved Methods and Sources of Raising Capital Finance**

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

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	●	●
EIB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Leasing (not operating leases)	●	●
Deferred Purchase	●	●

#### **Other Methods of Financing**

Government and EC Capital Grants  
 Lottery monies  
 PFI/PPP  
 Operating leases

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The responsible officer has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

#### **4.4 Investment Limits**

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

#### **4.5 Borrowing Limits**

See the Treasury Management Strategy Statement and Prudential and Treasury Indicators.

### **TMP 5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements**

#### **5.1 Allocation of responsibilities**

##### **(i) Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy.

##### **(ii) Executive Committees**

- approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities

- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

**(iii) Accounts, Audit and Risk Committee**

- receiving and reviewing regular monitoring reports and acting on recommendations

**(iv) Chief Finance Officer with responsibility for scrutiny**

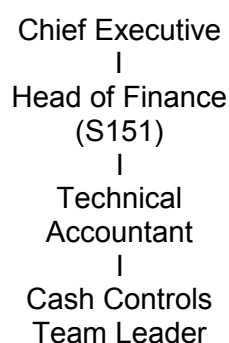
- reviewing the treasury management policy and procedures and making recommendations to the Head of Finance.

## **5.2 Principles and Practices Concerning Segregation of Duties**

5.2.1 The following duties must be undertaken by separate officers: -

Dealing	Negotiation and approval of deal. Receipt and checking of broker's confirmation note against loans diary. Reconciliation of cash control account. Bank reconciliation
Accounting Entry	Production of transfer note. Processing of accounting entry
Authorisation/Payment of Deal	Entry onto system. Approval and payment.

### 5.3 Treasury Management Organisation Chart



### 5.4 Statement of the treasury management duties/responsibilities of each treasury post

#### 5.4.1. The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Head of Finance. This person will carry out the following duties: -

- a) recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- b) submitting regular treasury management policy reports
- c) submitting budgets and budget variations
- d) receiving and reviewing management information reports
- e) reviewing the performance of the treasury management function
- f) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- g) ensuring the adequacy of internal audit, and liaising with external audit
- h) recommending the appointment of external service providers.
- i) The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
- j) The responsible officer may delegate his power to borrow and invest to members of his staff. The Technical Accountant or the Cash Controls Team Leader must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave/sickness. All transactions must be authorised by at least one of the named officers above.
- k) The responsible officer will ensure that the Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
- l) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations
- m) It is also the responsibility of the responsible officer to ensure that the Council complies with the requirements of The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

#### 5.4.2. Technical Accountant / Cash Controls Team Leader

The responsibilities of this post will be: -

- a) execution of transactions
- b) adherence to agreed policies and practices on a day-to-day basis
- c) maintaining relationships with counterparties and external service providers

- d) supervising treasury management staff
- e) monitoring performance on a day-to-day basis
- f) submitting management information reports to the responsible officer
- g) identifying and recommending
- h) opportunities for improved practices

#### **5.4.3. The Head of the Paid Service – the Chief Executive**

The responsibilities of this post will be: -

- a) Ensuring that the system is specified and implemented
- b) Ensuring that the responsible officer reports regularly to the Full Council on treasury policy, activity and performance.

#### **5.4.4. The Monitoring Officer – the Head of Legal Services**

The responsibilities of this post will be: -

- a) Ensuring compliance by the responsible officer with the treasury management policy statement and treasury management practices and that they comply with the law.
- b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- c) Giving advice to the responsible officer when advice is sought.

#### **5.4.5. Internal Audit**

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and treasury management practices.
- b) Reviewing division of duties and operational practice.
- c) Assessing value for money from treasury activities.
- d) Undertaking probity audit of treasury function.

### **5.5 List of Approved Brokers**

A list of approved brokers is maintained within the Treasury Team and a record of all transactions recorded against them. See TMP 11.1.2.

### **5.6 Policy on Taping of Conversations**

It is not this Council's policy to tape broker's conversations

### **5.7 Direct Dealing Practices**

The Council will consider dealing direct with counterparties if it is appropriate and the Council believes that better terms will be available. At present, most deals are arranged through brokers. There are certain types of accounts and facilities, however, where direct dealing is required, as follows;

- Business Reserve Accounts:
- Call Accounts:
- Money Market Funds.

### **5.8 Documentation Requirements**

For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

## **TMP 6 Reporting Requirements and Management Information Arrangements**

### **6.1 Annual programme of reporting**

- a) Annual reporting requirements before the start of the year: -
  - a. review of the organisation's approved clauses, treasury management policy statement and practices
  - b. strategy report on proposed treasury management activities for the year comprising of the Treasury Management Strategy and the Annual Investment Strategy
- b) Quarterly review
- c) Annual review report after the end of the year

### **6.2 Annual Treasury Management Strategy**

1. The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Executive and then to Full Council for approval before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this Council may decide to postpone investing if fixed interest rates are expected to rise, or invest early if fixed interest rates are expected to fall.
3. The Treasury Management Strategy Statement is concerned with the following elements:
  - a) Prudential and Treasury Indicators
  - b) current Treasury portfolio position
  - c) borrowing requirement
  - d) prospects for interest rates
  - e) borrowing strategy
  - f) investment strategy
  - g) creditworthiness policy
  - h) policy on the use of external service providers
  - i) any extraordinary treasury issue
4. The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

### **6.3 The Annual Investment Strategy Statement**

At the same time as the Council receives the Treasury Management Strategy it will also receive a report on the Annual Investment Strategy which will set out the following: -

- a) The Council's risk appetite in respect of security, liquidity and optimum performance
- b) The definition of high credit quality to determine what are specified investments as distinct from non specified investments
- c) Which specified and non specified instruments the Council will use
- d) Whether they will be used by the in house team, external managers or both (if applicable)
- e) The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- f) Which credit rating agencies the Council will use

- g) How the Council will deal with changes in ratings, rating watches and rating outlooks
- h) Limits for individual counterparties and group limits
- i) Country limits
- j) Levels of cash balances
- k) Interest rate outlook
- l) Budget for investment earnings
- m) Use of a cash fund manager
- n) Policy on the use of external service providers

### **6.5 Policy on Prudential and Treasury Indicators**

1. The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
2. The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the Full Council

### **6.6 Mid year review**

The Council will review its treasury management activities and strategy on a quarterly basis. This review will consider the following: -

- a) activities undertaken
- b) variations (if any) from agreed policies/practices
- c) interim performance report
- d) regular monitoring
- e) monitoring of treasury management indicators for local authorities.

### **6.7 Annual Review Report on Treasury Management Activity**

An annual report will be presented to the Executive and then to the full Council at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following: -

- a) transactions executed and their revenue (current) effects
- b) report on risk implications of decisions taken and transactions executed
- c) compliance report on agreed policies and practices, and on statutory/regulatory requirements
- d) performance report
- e) report on compliance with CIPFA Code recommendations
- f) monitoring of treasury management indicators

### **6.8 Management Information Reports**

Management information reports will be prepared every quarter by the Technical Accountant and will be presented to the Executive Committee.

These reports will contain the following information: -

- a) a summary of transactions executed (may want to add brokers used and fees paid) and their revenue (current effects);
- b) measurements of performance including effect on loan charges/investment income;
- c) degree of compliance with original strategy and explanation of variances.
- d) any non compliance with Prudential limits or other treasury management limits.



## **TMP 7 Budgeting, Accounting and Audit Arrangements**

### **7.1 Statutory/Regulatory Requirements**

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

### **7.2 Accounting Practices and Standards**

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

### **7.3 Sample Budgets / Accounts / Prudential and Treasury Indicators**

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

### **7.4 List of Information Requirements of External Auditors.**

- Reconciliation of loans outstanding in the financial ledger to Treasury Management records
- Maturity analysis of loans outstanding
- Certificates for new long term loans taken out in the year
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges reports from LOMAS
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Review of observance of limits set by Prudential and Treasury Indicators
- External fund manager's valuations including investment income schedules and movement in capital values.

### **7.5 Monthly Budget Monitoring Report**

Monthly Budget Monitoring reports are produced for the Heads of Service, whilst a quarterly budget monitoring report goes to Executive. The report is intended to highlight any variances between budgets and spend in order that the Council can assess its financial position. Details of treasury management activities are included within this report.

## **TMP 8 Cash and Cash Flow Management**

### **8.1 Arrangements for Preparing/Submitting Cash Flow Statements**

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

### **8.2 Bank Statements Procedures**

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

### **8.3 Payment Scheduling and Agreed Terms of Trade With Creditors**

Our policy is to pay creditors within 30 days of the invoice date and this effectively schedules the payments. (We have an additional agreement to pay local suppliers within 14 days of invoice receipt.) .

### **8.4 Arrangements for Monitoring Debtors / Creditors Levels**

The Technical Accountant is responsible for monitoring the levels of debtors and creditors. Details are passed to the treasury team on a daily basis to assist in updating the cash flow models.

### **8.5 Procedures for Banking of Funds**

All money received by an officer on behalf of the Council will without unreasonable delay be passed to the Controls Officers to deposit in the Council's banking accounts. They will tell the Cash Controls Team Leader each morning of cash and cheques banked the previous day so that the figures can be taken into account in the daily cash flow.

### **8.6 Practices Concerning Prepayments to Obtain Benefits**

The Council has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the responsible officer.

## **TMP 9 Money Laundering**

### **9.1 Proceeds of Crime Act 2002**

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these 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.

These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

## 9.2 The Terrorism Act 2000

This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment

## 9.3 The Money Laundering Regulations 2007

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FSA) are 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 Money Laundering Regulations 2003.

## 9.4 Local authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and may commit most of the principal offences under the POCA, but are not legally obliged to apply the provisions of the Money Laundering Regulations 2007. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly this Council will do the following: -

- a) evaluate the prospect of laundered monies being handled by them
- b) determine the appropriate safeguards to be put in place
- c) require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
- d) make all its staff aware of their responsibilities under POCA
- e) appoint a member of staff to whom they can report any suspicions.
- f) in order to ensure compliance is appropriately managed, this Council will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.
- g) The officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures is the Head of Legal and it shall be a requirement that all services and departments implement this corporate policy and procedures.

## 9.5 Methodologies for Identifying Deposit Takers

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

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

## **TMP 10 Training and Qualifications**

The Council recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals: -

- a) Treasury management staff employed by the Council
- b) Members charged with governance of the treasury management function

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

Additionally, training may also be provided on the job and it will be the responsibility of the Technical Accountant to ensure that all staff under his / her authority receives the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences from the treasury management team.

### **10.1 Details of Approved Training Courses**

Treasury management staff and members will go on courses provided by our treasury management consultants, CIPFA, money brokers etc.

### **10.2 Records of Training Received by Treasury Staff**

The Learning & Development Team maintain records on all staff and the training they receive.

### **10.3 Statement of Professional Practice (SOPP)**

1. Where the Chief Financial Officer is a member of a CCAB body there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.
2. Other staff involved in treasury management activities who are members of CCAB must also comply with the Code.

### **10.4 Member training records**

Records will be kept of all training in treasury management provided to members.

### **10.5 Members charged with governance**

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

## **TMP 11 Use of External Service Providers**

### **11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers**

This Council will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

It will also ensure that the skills of the in house treasury management team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Treasury management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press
- Market data
- Information on government support for banks and
- The credit ratings of that government support

#### **11.1.1 Banking Services**

- a) Name of supplier of service is the NatWest Bank.
- b) Regulatory status – banking institution authorised to undertake banking activities by the FSA
- c) The branch address is:
- d) 1 Town Hall Buildings, Bridge Street, Banbury OX16 5JS
- e) Contract commenced 1991
- f) Cost of service is variable depending on schedule of tariffs and volumes

#### **11.1.2 Money-Broking Services**

The Council will use money brokers for investment and temporary borrowing. It will seek to give an even spread of business amongst the approved brokers.

#### **11.1.3 Consultants'/Advisers' Services**

##### **Treasury Consultancy Services**

The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its approved lending list etc. The performance of consultants will be reviewed by the Head of Finance every quarter to check whether performance has met expectations.

- a) Name of supplier of service is Sector Treasury Services Limited. Their address is 17 Rochester Row, London SW1P 1QT Tel: 0871 664 6800
- b) Regulatory status: investment adviser authorised by the FSA
- c) Contract commenced 1<sup>st</sup> April 2010 and runs for 3 years.
- d) Cost of service is £7,500 per year.

##### **External Fund Managers**

- Investec Asset Management Ltd, 2 Gresham Street, London EC2V 7QP
- Gresham Street, London EC2V 7QP. 020 7597 2000

- Contract commenced 20<sup>TH</sup> June 2001.  
Fee is 0.15% of fund and minimum fee of £9,750 – Fees are deducted quarterly from the income received.
- The fund guidelines, limits, benchmarks and targets agreed with the manager are contained in the investment management agreement.
- Valuations and performance data versus the benchmark are provided by the manager monthly. Fund performance review meetings are held semi-annually

#### **External Fund Managers**

- Tradition (UK) Ltd , Beaufort House, 15 St Botolph Street, London EC3A 7QX
- Contract commenced 6th February 1997.
- Fee is performance based & linked to average 7 day LIBID.
- The fund guidelines, limits, benchmarks and targets agreed with the manager are contained in the investment management agreement.
- Valuations and performance data versus the benchmark are provided by the manager monthly. Fund performance review meetings are held semi-annually

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

#### **11.1.4 Credit Rating Agency**

The Council receives a credit rating service through its treasury management Consultants, the costs of which are included in the consultant's annual fee.

#### **11.2 Procedures and Frequency for Tendering Services**

See TMP2

## **TMP 12 Corporate Governance**

### **12.1.1 List of Documents to be Made Available for Public Inspection**

- a. The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.
- b. It has adopted the CIPFA Code of Practice on Treasury management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.
- c. The following documents are available for public inspection: -

- Treasury Management Policy Statement
- Treasury Management Strategy
- Annual Investment Strategy
- Annual Treasury Review Report
- Treasury Management monitoring reports
- Annual accounts and financial instruments disclosure notes
- Annual budget
- 3 Year Capital Plan

Minutes of Council committee meetings

Schedule of all external funds managed by the Council on behalf of others and the basis of attributing interest earned and costs of these investments.