

*Torbay Council*

# **TREASURY MANAGEMENT PRACTICES**

## ***Part 2: Schedules***

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## **TREASURY MANAGEMENT PRACTICES - SCHEDULES**

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

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## **TMP1 RISK MANAGEMENT**

### **1.1 LIQUIDITY**

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

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

#### **1.1.2 Details of:**

a. Standby facilities

Not applicable

b. Bank overdraft arrangements

A £1million overdraft at 1% over base has been agreed as part of the bank tender. The overdraft is assessed on a group basis for the Councils accounts.

c. Short-term borrowing facilities

The Council has the facility to access temporary loans through its approved brokers on the London money market. The borrowing limit for short-term debt, approved by the Executive on 11<sup>th</sup> February 2003 is £12million.

d. Insurance/guarantee facilities

Not applicable

### **1.2 INTEREST RATE**

#### **1.2.1. Details of approved interest rate exposure limits**

No specific limits are set but reference should be made to the Treasury Management Strategy report on the overall view of interest rates.

#### **1.2.2 Trigger points and other guidelines for managing changes to interest rate levels**

No specific trigger points are set but reference should be made to the Treasury Management Strategy report on the overall view of interest rates.

The Treasury Management team obtains indicative deposit rates for overnight to one year from three sources each day. These are recorded on the Daily Rates excel spreadsheet and used to determine the best investment option for that day and for the portfolio as a whole.

**1.2.3 Minimum/maximum proportions of variable rate debt/interest**

the maximum proportion of interest on borrowing which is subject to variable rate interest.	60 %
the minimum proportion of interest on borrowing which is subject to variable rate interest	0 %

**1.2.4 Minimum/maximum proportions of fixed rate debt/interest**

the minimum proportion of interest on borrowing which is subject to fixed rate interest.	40 %
the maximum proportion of interest on borrowing which is subject to fixed rate interest	100 %

**1.2.5 Policies concerning the use of financial derivatives and other instruments for interest rate management.**

**1.2.5.1 Investments**

The Council has subscribed to two Money Market Funds and the governments Debt Management Account Deposit Facility to offer further liquidity options and to provide an alternative means of investment to cash deposits when the rates for these are not at their optimum.

The Director of Finance has the power to invest in all instruments permitted within the Local government (Capital Finance) (Approved Instruments) Regulations 1990 e.g. Gilts, Bills of Exchange. However, the in-house treasury team only deal with cash flow surplus' (core cash being with a Fund Manager) and these instruments are not appropriate for shorter-term investments.

In principle, no investments will be made in markets in which the treasury team are not familiar with.

**1.2.5.2 Borrowing**

The Council's main source of long-term borrowing is from the Public Works Loan Board. Use of LOBOs (Lenders Option/Borrowers Option) will be considered as part of the annual borrowing strategy. The Director of Finance, or his two nominated deputies, must approve all borrowing for periods in excess of 364 days.

### **1.3 EXCHANGE RATE**

#### **1.3.1 Approved criteria for managing changes in exchange rate levels**

- a) The Council currently has no exposure to fluctuations in exchange rates as it only deals in Sterling (other than occasional operational payments in foreign currencies).
- b) The Council's Fund Manager is permitted to invest in Sterling only under the Approved Investment Regulations and as such has no exposure to exchange rate fluctuations.

### **1.4 INFLATION**

#### **1.4.1. Details of approved inflation exposure limits for cash investments/debt**

During the current period of low and stable worldwide inflation there is little requirement for an active consideration of the impact of inflation, a view supported by the Councils' treasury advisors. The key consideration is that investments reap the highest real rate of return, with debt costing the lowest real cost, consistent with other risks mentioned within this section.

#### **1.4.2. Approved criteria for managing changes in inflation levels**

Inflation both current and projected will form part of the debt and investment decision-making criteria both within the strategy and operational considerations.

### **1.5 CREDIT AND COUNTERPARTY POLICIES**

#### **1.5.1. Criteria to be used for creating/managing approved counterparty lists/limits**

- 1. The Chief Accountant will formulate a suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising time, type, sector and specific counterparty limits.
- 2. 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. The complete list of approved counterparties will be included in the annual strategy report.
- 3. The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.
- 4. Credit ratings to be used will be from Fitch Ratings agency as supplied by the Council's Treasury Management Consultants who will provide updates of all ratings relevant to the council.

5. The approved counterparty list is determined by the following criteria: -

ORGANISATION	CRITERIA	MAX AMOUNT	MAX PERIOD
U.K. Clearing Bank and U.K. Building Society	Minimum F1, A1 or P1 short term backed up by AAA or AA long term credit rating and support ratings of 1, 2 or 3.	£5million	364 days
U.K. Clearing Bank and U.K. Building Society	Minimum F1, A1 or P1 short term backed up by A long term credit rating and support ratings of 1, 2 or 3.	£2million	3 months
Debt Management Office		Unlimited	364 days
UK Local Authorities, Fire Authorities, Police Authorities and National Park Authorities		£5million	364 days

6. The maximum period of lending is 364 days .
7. The maximum value for any one investment transaction will be £5million.
8. The maximum investment level of £5million may be exceeded in the Money Market Funds to a ceiling of £100 ,000 per Fund to allow for the compounded interest accrued.
9. There is no limit to the level of investment in any one market sector.
10. The Council's external fund manager will adhere to the counterparty credit criteria and maximum individual limits set by the Council; however it is understood that the fund manager may use a subset of the list so derived. The maximum investment of Council funds in any one institution could, therefore, potentially be £10 million.
11. Individual deals and totals with counterparties are recorded on the daily Cash Flow spreadsheet.

#### **1.5.2. Approved methodology for changing limits and adding/removing counterparties**

Credit ratings for individual counterparties can change at any time. The Director of Finance is responsible for applying the stated credit rating criteria in 1.5.1.5 to select approved counterparties. The Chief Accountant will add or delete counterparties as appropriate to / from the approved list when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers. This is delegated on a daily basis to staff in the treasury management function.

The Divisional Director of Finance will also adjust lending limits and periods when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or

takeovers in accordance with the criteria in 1.5.1.5. This is delegated on a daily basis to staff in the treasury management function.

## **1.6 REFINANCING**

### **1.6.1. Debt/other capital financing maturity profiling, policies and practices**

Any debt rescheduling is likely to take place when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- a) the generation of cash savings at minimum risk;
- b) to reduce the average interest rate;
- c) to enhance the balance of the long term portfolio (amend the maturity profile and /or the balance of volatility)

All rescheduling will be reported to the Executive at the meeting immediately following its action.

The Council will seek to limit refinancing exposure by ensuring a flat maturity profile over the medium to long term with no more than 20% of the fixed rate loan portfolio maturing in any one year.

### **1.6.2. Projected capital investment requirements**

The corporate finance section will prepare a three year plan for capital expenditure for the Council. This will be in accordance with the Prudential Code for Capital Finance. The capital plan will be used to prepare a three year revenue budget for loan charges of principal repayments, interest and expenses that will take account of the plans for capital expenditure, loan repayments and forecasts of interest rate changes.

### **1.6.3. Policy concerning limits on revenue consequences of capital financing**

The revenue budget for loan charges is based on the capital plan and expenditure limits. The policy regarding revenue consequences will comply with the requirements of the Prudential Code for Capital Finance.

## **1.7 LEGAL AND REGULATORY**

### **1.7.1. References to relevant statutes and regulations**

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

- CIPFA's Treasury Management Code of Practice
- Local Government and Housing Act 1989 sections 40 to 45
- The Non Investment Products (NIPS) Code for principals and broking firms in the wholesale markets.
- Councils Standing Order relating to Contracts
- Councils Financial Regulations
- Councils' Scheme of delegated Functions
- The Prudential Code for Capital Finance in Local Authorities

### **1.7.2. Procedures for evidencing the organisations powers/authorities to counterparties**

The Council will prepare, adopt and maintain, as the cornerstones for effective treasury management:-

- a Treasury Management Policy Statement, stating the overriding principles and objectives of its treasury management activities and, as an integral part of that Statement,
- Treasury Management Practices, setting out the manner in which the Council will achieve those principles and objectives, and prescribing how it will manage and control those activities.

### **1.7.3. Required information from counterparties concerning their powers/authorities**

Lending shall only be made to counterparties on the Authorised list. This list has been compiled from advice from the Council's treasury advisers, who have fully researched the background and credit of counterparties. No proof of authority is required from the counterparties themselves.



**1.7.4. Statement of the organisations political risks and management of same**

The Director of Finance shall take appropriate action with the Council, the Managing Director and the Leader of the Council to respond and manage appropriately political risks such as change of majority Group, Leadership etc.

**1.8 FRAUD, ERROR AND CORRUPTION, AND CONTINGENCY MANAGEMENT**

**1.8.1. Details of systems and procedures to be followed, including Internet services**

**Authority:**

The Scheme of Delegation to Officers empowers the Director of Finance to take any decisions and to exercise all legal powers relevant to the Council's borrowing, investments and financial management. All loans and investments, including PWLB, are negotiated by the Director of Finance or authorised staff.

**Occurrence:**

A detailed register of loans and investments is maintained as part of the Treasury Management system. This is regularly reconciled to the ledger balance.

Adequate and effective cash flow forecasting records are maintained to support the decision to lend or borrow.

Written confirmation is received from the counterparty.

All transactions placed through the brokers are confirmed by a broker note showing details of the loan arranged.

**Completeness:**

The loans register is updated to record all lending and borrowing. This includes the name of the counterparty, date of the transaction, amount, interest rate, interest calculation, brokerage fees and settlement details.

**Measurement:**

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

The Treasury Management spreadsheets calculate periodic interest payments of PWLB and other long-term loans. This is used to check the amount paid to these lenders.

**Timeliness:**

The Cash Flow spreadsheet prompts the Treasury Manager that money borrowed or lent is due to be repaid .

**Regularity:**

All lending is only made to institutions on the Approved List.

All loans raised and repayments made go directly to and from the institutions bank account.

Authorisation limits are set for every institution (see 1.5.1.5).

Brokers have a list of named Council officials authorised to perform loan transactions.

There is adequate insurance cover for employees involved in loan management and accounting.

The control totals on the Treasury Management records for borrowing and lending are regularly reconciled with the ledger balance sheet codes by the Assistant Accountant.

There is a separation of duties in the Financial Services Division between the repayment of a loan and its checking and authorisation.

The bank reconciliation is carried out regularly from the bank statement to the general ledger.

**Security:**

The Bankline system for actioning payments and bank details can only be accessed by individual passwords.

Payments can only be authorised by an approved cheque signatory.

The Councils' bankers are issued with a list of Officers authorised to deal in treasury management issues.

**Substantiation:**

The Treasury Management spreadsheet balances are proved to the General Ledger codes at the end of each month and at the financial year-end. Working papers are retained for audit inspection.

The weekly Investment & Borrowing Statement includes debt and investment interest for budget monitoring purposes.

The valuations and investment income statements received monthly from the Council's Fund Managers will be evaluated and retained for audit inspection.

The method of accounting for unrealised losses or gains on the valuation of assets within the funds will comply with Best Value Accounting Code of Practice by reflecting the market value of the fund in the balance sheet.

**1.8.2. Emergency and contingency planning arrangements**

Treasury Management records are held on various spreadsheets on the Council's corporate network and are backed up in line with the Council's IT policy.

**Electronic Banking System Failure**

A supply of manual CHAPS forms are kept by Financial Services to enable payments to be made via the local branch of the National Westminster Bank plc. Balances can be obtained over the telephone.

**1.8.3. INSURANCE COVER DETAILS.**

The Council has 'Fidelity Guarantee' insurance cover with Zurich Municipal. This covers the loss of cash by fraud or dishonesty of employees.

The Council also has a 'Professional Indemnity' insurance policy with St Paul's International 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 £1,000,000 for any one event with an excess of £5,000 for any one event.

The Council also has a 'Business Interruption' cover as part of its property insurance with Zurich Municipal covering up to £1,000,000.

## **1.9 MARKET VALUE OF INVESTMENTS**

### **1.9.1. Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate**

Investment instruments used by the external fund managers are subject to fluctuations in capital movements and exposed to interest rate risk. In order to minimise these risks capital preservation is set as the primary objective and investment performance should be commensurate with this objective.

The Council's in-house treasury team only invests in cash deposits, Money Market Funds and the governments Debt Management Account facility.

## **TMP 2 BEST VALUE AND PERFORMANCE MEASUREMENTS**

### **2.1 METHODOLOGY TO BE APPLIED FOR EVALUATING THE IMPACT OF TREASURY MANAGEMENT DECISIONS**

The Treasury Management Consultants review the existing debt portfolio and all transactions that have occurred in the year in order to ensure that best practice has been achieved.

The Council is a member of the CIPFA benchmarking club and has participated in their 2002-2003 information gathering exercise. Comparisons with a number of other authorities of a similar value of debt have been informally reviewed..

The Treasury Management consultant will carry out a health check of the Councils' Treasury Management function on a per-value basis. The performance of the external fund managers will also be evaluated by the Treasury Management consultants on a quarterly and annual basis.

### **2.2 POLICY CONCERNING METHODS FOR TESTING BEST VALUE IN TREASURY MANAGEMENT,**

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

Tenders are normally awarded on a three yearly basis (five for banking services) if approved by Executive. The process for advertising and awarding contracts will be in line with the Council's Contract Standing Orders.

#### **2.2.2 Banking services**

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

#### **2.2.3 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.

#### **2.2.4 Cash/fund management services**

The Council appointed Alliance Capital Fund Managers in November 2001 to manage £10 million of the funds from the sale of the Council's housing stock. They will continue to manage the fund on the basis of their agreed mandate. The mandate allows for additional amounts to be placed with the Fund Manager and the Director of Finance will exercise this option if it is deemed to be in the best interest of the Council.

**2.2.5 Consultants'/advisers' services**

The Council has appointed a professional treasury management consultant for a period of 3 years (see para 11.1.3) – the position will be reviewed at the end of the contract.

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

2.3.5 Performance measured against Annual Treasury Strategy Statement targets.

2.3.6 Compliance to CIPFA Code of Treasury Practice.

2.3.7 Expenses contained within approved budget.

2.3.8 Review of benchmarking club data.

**2.4 BENCHMARKS AND CALCULATION METHODOLOGY:**

**2.4.1 Debt management**

Average rate on all external debt

Average rate on external debt borrowed in previous financial year

Average period to maturity of external debt

Average period to maturity of new loans in previous year

**2.4.2 Investment.**

The performance of in house investment earnings will be measured against 7 day LIBID.

The performance target of the external fund managers is 10% in excess of the 7 day LIBID rate, compounded weekly.

Performance will also be measured against other local authority funds with a similar benchmark and parameters managed by other fund managers.

## **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 suite of excel spreadsheets as well as individual loan register and fund movement forms. All loan transactions are recorded on the appropriate form and spreadsheet. Full details are contained in the procedures document.

The following records will be used relative to each loan or investment:

Daily cash projections

Indicative rates

Investment Diary with entries outlining the decisions on the days transactions

PWLB loan schedules.

Brokers confirmations for deposits/investments

Contract notes received from the Fund Manager

Fund Manager valuation statements

Minutes of monthly Treasury management meetings

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

Cash flow analysis.

Maturity analysis.

Ledger reconciliations

Review of borrowing requirement.

Monitoring of projected loan charges and interest and expenses costs.

Review of opportunities for debt rescheduling.

Collation of weekly performance information (Investment & Borrowing Statement).

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

##### ***3.1.3.1. In respect of every 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 borrowing and other funding decisions, the Council will:***

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

***3.1.3.3 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;
- leasing;
- managing the underlying exchange rate risk associated with the Council's business activities.

### **4.2 APPROVED INSTRUMENTS FOR INVESTMENTS**

In accordance with the Local Authorities Capital Finance Approved Investment Regulations 1990 and subsequent amendments, the instruments approved for investment are:

- term deposits with banks and building societies up to a maximum of 364 days
- certificates of deposits up to a maximum of 364 days \*
- gilts \*
- euro sterling bonds
- AAA rated money market funds
- Debt Management Account

\* these instruments to be used by the Council's external Fund Manager only

#### **4.3 APPROVED METHODS AND SOURCES OF RAISING CAPITAL FINANCE**

Finance will only be raised in accordance with the Local Government and Housing Act, 1989, and within this limit the Council has a number of approved methods and sources of raising capital finance. Those applicable to treasury management are:

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	●	●
EIB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Overdraft		●
Finance Leases	●	●

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

## **TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS**

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**5.12 Documentation requirements**

**5.13 Arrangements concerning the management of third-party funds.**

**5.1 LIMITS TO RESPONSIBILITIES/DISCRETION AT COMMITTEE/EXECUTIVE LEVELS**

**Council**

- a) The Executive will receive and review reports on treasury management policies, practices and activities, the annual treasury management strategy and the annual outturn report.
- b) The Divisional Director of Finance will be responsible for amendments to the Council's adopted clauses, treasury management policy statement and treasury management practices.
- c) The Full Council will consider and approve the Treasury Management Budget within the authorities overall budget.
- d) The Director of Finance will approve the segregation of responsibilities.
- e) The Director of Finance will receive and review external and internal audit reports and put recommendations to the Scrutiny Committee.
- f) Approval of the selection of external service providers and agreeing terms of appointment will be made by the Executive and the Director of Finance in accordance with Financial Regulations.

**5.2 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES**

- 5.2.1 The Divisional Director of Finance or one of his deputies authorizes all new long-term borrowing.
- 5.2.2 Short term borrowing and investment is authorised by the Principal Accountant, Treasury Management Team.
- 5.2.3 Only specifically named members of the Treasury Management team, nominated by the Director of Finance, are authorised to arrange treasury management transactions including deals on the London Money Market.
- 5.2.4 Details of transactions to be recorded by the dealing officer of the day.
- 5.2.5 Investment payment vouchers to be authorised by an appropriate officer other than the dealing officer.
- 5.2.6 All investment transactions to be approved by a further two officers via Bankline payment procedures.
- 5.2.7 Confirmations to be checked against the records by an officer independent of the Treasury Management team.
- 5.2.8 Bank reconciliation is to be carried out regularly by an officer independent of the Treasury Management team.
- 5.2.9 Loan transactions to be reconciled on a quarterly basis and reconciliation's to be approved by the Principal Accountant, Treasury Management or Chief Accountant.
- 5.2.10 The Treasury Management function to be subject to annual internal audits.

### **5.3 TREASURY MANAGEMENT ORGANISATION CHART**

		Director of Finance		
		I		
		Assistant Director of Finance		
		I		
		Chief Accountant		
		I		
Assistant Accountant	_____	Principal Accountant, Treasury Management Team	_____	Bankline authorising officers

### **5.4 STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST**

#### **5.4.1. Divisional Director of Finance**

1. The Divisional Director of Finance will:

- a) Recommend clauses, treasury management policy / practices for approval, reviewing the same on a regular basis, and monitoring compliance.
  - b) Submit treasury management policy reports as required.
  - c) Submit budgets and budget variations in accordance with Financial Regulations and guidance.
  - d) Receive and review weekly management information statements.
  - e) Review the performance of the treasury management function and promote best value reviews.
  - f) Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
  - g) Ensure the adequacy of internal audit, and liaising with external audit.
  - h) Recommend the appointment of external service providers in accordance with council standing orders.
2. The Divisional Director of Finance 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.
3. The Divisional Director of Finance may delegate his power to borrow and invest to members of his staff. All staff shown in the Treasury Management Organisation Chart above, with the exception of Bankline authorising officers, can conduct dealing transactions.

4. The Divisional Director of Finance will ensure that the Policy is adhered to, and if not will bring the matter to the attention of elected members.
5. Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Head of Financial Services to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations
6. It is also the responsibility of the Divisional Director of Finance to ensure that the Council complies with the requirements of The Non Investment Products (NIPS) Code for principals and broking firms in the wholesale markets.

#### **5.4.2 Chief Accountant**

The Chief Accountant has line responsibility for the Principal Accountant, Treasury Management and will also undertake operational matters in the Principal Accountant's absence.

#### **5.4.2. Principal Accountant, Treasury Management**

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 third parties and external service providers.
- d) Supervising treasury management staff and ensuring adequate training
- e) Monitoring performance on a day-to-day basis.
- f) Submitting management information reports to the Divisional Director of Finance, his deputies and specific Members.
- g) Identifying and recommending opportunities for improved practices.
- h) Keeping abreast of legislation.
- i) Attend Treasury Management seminars and training sessions on a regular basis.
- j) Ensuring that points identified by internal audit are evaluated and actioned as appropriate
- k) Ensure all procedures, processes, schedules and reports etc are up to date.

#### **5.4.3. Assistant Accountant**

The responsibilities of this post will be: -

- a) Recording the daily rates and cash movements and reporting these to the Principal Accountant, Treasury Manager
- b) Reconciling loan transactions to the General Ledger.
- c) Acting as Dealing Officer in the Principal Accountant's absence.

#### **5.4.4. Internal Audit**

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and procedures.
- 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 ABSENCE COVER ARRANGEMENTS**

It is preferable that the Principal Accountant and Assistant Accountant are not both on leave at one time. When this is unavoidable (for short periods only) the Chief Accountant will act as dealing officer. The Principal Accountant will ensure that enough Bankline approvers are available on any day. The Director of Finance or one of his deputies must be available for authorising long-term borrowing.

### **5.6 DEALING LIMITS**

Persons authorised to deal are identified at 5.5 above. No specific dealing limits are applied to individual staff who may operate within the criteria applicable to particular counterparties.

### **5.7 LIST OF APPROVED BROKERS**

The Councils approved brokers are:

- Martin Brokers (UK) plc (including the “UK-Locals” dealing website)
- Prebon Yamane
- Tradition UK Limited

In addition to the above, direct dealing facilities are available with the following:

- HBOS (via their dedicated dealing website)
- Abbey National plc (Business Reserve Account)
- Barclays Global Investors (Money Market Fund)
- Royal bank of Scotland (Money Market Fund)
- Debt Management Account
- Public Works Loan Board
- Bradford & Bingley plc
- The Principality Building Society
- Northern Rock plc

### **5.8 POLICY ON BROKERS’ SERVICES**

The Treasury Management team will access the UK-Locals dealing website as first broking option. If the deals and counterparties available dictate further market assessment, the business will be rotated between the two approved ‘telephone’ brokers.

Only reputable and sufficiently well established brokers on the London Money Markets will be used as intermediaries for the Council.

### **5.9 POLICY ON TAPING OF CONVERSATIONS**

It is not Council Policy to tape brokers conversations

### **5.10 DIRECT DEALING PRACTICES**

The Council also has a number of direct contacts and the Treasury Management team is authorised to use these when additional benefits can be gained eg a direct counterparty may take smaller amounts for deposits and may lend direct as well thus saving on broking fees.



### **5.11 SETTLEMENT TRANSMISSION PROCEDURES**

All lending transactions will be made by electronic transfer using the Clearing House Automated Payment System (CHAPS) through the National Westminster Bank's Bankline service.

Brokers and counterparties are advised of the standard settlement instructions for maturing loans:

Account Name: Torbay Council General Account

Account Number: 006040411

Sort Code: 55-70-01

### **5.12 DOCUMENTATION REQUIREMENTS**

#### **5.12.1 Loan Advances**

- Loan Register form or Fund Movement form
- Payments voucher
- CHAPS authorisation form
- Brokers confirmation note
- Counterparty acknowledgement

#### **5.12.1 Borrowing**

- Loan Register form
- Loan Application and Authorisation form
- PWLB confirmation
- Premium/Discount calculations for rescheduled borrowing

### **5.13 ARRANGEMENTS CONCERNING THE MANAGEMENT OF THIRD-PARTY FUNDS.**

The treasury team does not currently manage any third party funds and will not do so without appropriate professional indemnity insurance.

## **TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGMENTS**

### **6.1 ANNUAL TREASURY MANAGEMENT STRATEGY STATEMENT**

- 6.1.1 The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Executive for approval before the commencement of each financial year.
- 6.1.3 The formulation of the annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter term variable interest rates. For instance, the Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.
- 6.1.3 The Treasury Management Strategy is concerned with the following elements:
- the current Treasury position;
  - the prospects for interest rates;
  - treasury limits in force which will limit the treasury risk and activities of the Council;
  - the expected borrowing strategy;
  - the expected investment strategy;
  - the expectations for debt rescheduling opportunities;
  - temporary borrowing requirements;
  - reporting arrangements and management evaluation;
  - any other treasury issues
- 6.1.4 The Treasury Management Strategy will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

### **6.2 POLICY ON INTEREST RATE EXPOSURE**

- 6.2.1 As part of its annual Treasury Management Strategy, the Council approves before the beginning of each financial year the following treasury limits:
- Upper limit for fixed interest rate exposure
  - Upper limit for variable rate risk exposure.
- 6.2.2 The Divisional director of Finance is responsible for ensuring compliance with the limits. Should it prove necessary to amend these limits, the DoF shall submit the changes for approval to the Executive.

### **6.3 ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY**

An annual report will be presented to the Executive 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. a comprehensive picture for the financial year of all treasury policies, plans, activities and results;
- b. transactions executed and their revenue effects;
- c. report on risk implications of decisions taken and transactions executed;
- d. monitoring of compliance with approved policy, practices and statutory / regulatory requirements;
- e. monitoring of compliance with powers delegated to officers;
- f. degree of compliance with the original strategy and explanation of deviations;
- g. explanation of future impact of decisions taken on the Council;
- h. measurements of performance;
- i. report on compliance with CIPFA Code recommendations.

#### **6.4 MANAGEMENT INFORMATION REPORTS**

A weekly Investment & Borrowing Statement will be prepared by the Principal Accountant (and approved by the Chief Accountant) for distribution to the Divisional Director of Finance, Assistant Director of Finance, Chief Accountant and lead Members.

The Statement will consist of all details of the transactions during the preceding week and will balance with the treasury management portfolio at the commencement of the following week. The Statement will also provide a measure of interest paid and received against the expected budgeted position at that week.

#### **6.5 PERIODIC MONITORING COMMITTEE REPORTS**

The Executive will receive and consider as a minimum:

- a) an annual treasury strategy before the commencement of the new financial year;
- b) an annual treasury management outturn report before the 30 September after the year end to which it relates;
- c) the outcome of debt rescheduling undertaken, reported as soon as possible after completion of the exercise.

#### **6.6 MONTHLY REVIEW MEETINGS**

Treasury Manager/Chief Accountant/Assistant Director of Corporate Finance will meet every month to review previous month's performance and plan following month's activities

## **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
- Account and Audit Regulations 2003
- SORP

### **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. The Council adopts in full the principles set out in CIPFA's 'Code of Best Practice and Guide for Treasury Management in the Public Services' (the 'CIPFA Code and Guide'), together with those of its specific recommendations that are relevant to the Council's treasury management activities.

### **7.3 SAMPLE BUDGETS / ACCOUNTS**

Budget Digest

Prudential Code for capital Finance

Capital Plan

### **7.4 LIST OF INFORMATION REQUIREMENTS OF EXTERNAL AUDITORS.**

Breakdown of investments as at 31<sup>st</sup> March, reconciled to the General Ledger.

Supporting documentation for any reconciling items.

Annual Treasury Management Outturn Report.

Annual Treasury Management Strategy report.

Papers to support interest receivable debtor.

Access to supporting documentation for all investments held.

Analysis of long-term borrowing as at 31<sup>st</sup> March to agree to note to accounts) analysis by loan and period to maturity).

Supporting documentation for any reconciling items.

Calculation of interest payable accrual.

Supporting documentation for loans held at 31<sup>st</sup> March

## **TMP 8 CASH AND CASH FLOW MANAGEMENT**

### **8.1 ARRANGEMENTS FOR PREPARING/SUBMITTING CASH FLOW STATEMENTS**

Cash flow projections are prepared on a daily basis for the year ahead on a bespoke Excel spreadsheet. The cash flow projections are prepared from the previous years daily cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates.

### **8.2 CONTENT AND FREQUENCY OF CASH FLOW BUDGETS**

	<b><u>Payment/Receipt</u></b>
Pay runs – various	P
Income Tax & NI payments – monthly	P
Superannuation - monthly	P
Housing Benefit payments – various	P
Housing Benefit Subsidy - monthly	R
Council Tax receipts - monthly	R
NDR receipts - monthly	R
PWLB principal and interest – various	P
Precepts - various	P
Creditor Runs - daily	P
Revenue Support Grant - various	R
Other Grants - various	R
Payments to Schools – half yearly	P
VAT Refunds - monthly	R
Education and Social Services payments - various	P
Sundry cash income - daily	R
Clearing Payment cheques - daily	P

### **8.3 LISTING OF SOURCES OF INFORMATION**

Payroll notifications;  
 Treasury Management records for interest and loans premium payments;  
 Exchequer & Benefits for Council Tax & NNDR and Benefits;  
 PWLB notifications;  
 Individual Counterparties;

Bankline information  
Creditor run reports  
Daily cash figures  
Housing benefit reports  
Service Accountants

#### **8.4 BANK STATEMENTS PROCEDURES**

The Bank Statements are reconciled independently of treasury management staff.

#### **8.5 PAYMENT SCHEDULING AND AGREED TERMS OF TRADE WITH CREDITORS**

Our policy is to pay creditors within 28 days of the invoice date and this effectively schedules the payments. Certificated payments to sub-contractors must be paid within 14 days.

#### **8.6 ARRANGEMENTS FOR MONITORING DEBTORS / CREDITORS LEVELS**

There is no requirement to monitor either debtor or creditor level. Service Departments are expected to advise the Treasury team of any extraordinary item, otherwise large sums are identified through the daily information obtained from the Bankline system.

#### **8.7 PROCEDURES FOR BANKING OF FUNDS**

The procedures governing the banking of funds are contained within section 11 of the Council's Financial regulations.

## **TMP 9 MONEY LAUNDERING**

### **9.1 PROCEDURES FOR ESTABLISHING IDENTITY / AUTHENTICITY OF LENDERS**

The Council does not currently accept loans from individuals. All material loans are obtained from the PWLB, other local authorities or from authorised institutions under the Banking Act 1987. The Financial Services Authority (FSA) maintains a register of authorised institutions accessible from their website [www.fsa.gov.uk/list\\_banks/lob\\_03.html](http://www.fsa.gov.uk/list_banks/lob_03.html)

### **9.2 METHODOLOGIES FOR IDENTIFYING SOURCES OF DEPOSITS**

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.

## **TMP 10 STAFF TRAINING AND QUALIFICATIONS**

### **10.1 DETAILS OF APPROVED TRAINING COURSES**

Training courses are organised by CIPFA, Sector and other organisations in the various areas of treasury management. There are no approved courses as such but decisions on which to attend by whom are made taking into account the level of knowledge of the officer (informed by the RADAR process) concerned and the content of the course. While the Council uses Sector as its adviser the courses they arrange are generally free of charge.

### **10.2 RECORDS OF TRAINING RECEIVED BY TREASURY STAFF**

Training and training updates will form part of the RADAR process

### **10.3 CAREER DEVELOPMENT/SUCCESSION ARRANGEMENTS**

Not applicable.

### **10.4 APPROVED QUALIFICATIONS FOR TREASURY STAFF**

The Financial Services Training Policy requires all new staff appointed at Principal Officer level to be AAT qualified. All new appointments at Finance Manager level must be ACCB qualified.

### **10.5 STATEMENT OF PROFESSIONAL PRACTICE (SOPP)**

The Director of Finance is committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained. Other staff involved in treasury management activities are committed towards compliance with the SOPP.



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

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

#### **11.1.1 Banking services**

- a) The name of supplier of service is the National Westminster Bank plc.
- b) The Contract commenced in May 2000 and runs for 5 years until May 2005.
- c) Cost of service is variable depending on schedule of tariffs and volumes.
- d) Payments are due quarterly by direct debit for the bulk of charges.
- e) There are no terms for early termination of the contract.

#### **11.1.2 Money-broking services**

- Martin Brokers (UK) plc
- Prebon Yamane
- Tradition UK Limited

#### **11.1.3 Consultants'/advisers' services**

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

- a) The name of supplier of service is Sector Treasury Services Limited.
- a) The contract commenced on 6<sup>th</sup> June 2002 and runs for three years to 5<sup>th</sup> June 2005.
- a) Cost of service is £20,000 per year.
- a) Payments due once a year in arrears.
- a) Either party may terminate the agreement upon giving three months notice.

##### **Leasing Consultancy Services**

- a) The name of supplier of service is Unilink Finance Limited.
- b) No formal contract exists.
- c) The fee is agreed at 1% of the capital cost of drawdown.

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

- a) The name of supplier of service is Alliance Capital Limited.
- d) The contract commenced 23<sup>rd</sup> November 2001 and will be reviewed on 22<sup>nd</sup> November 2004.
- e) The cost of the service is 0.15% of the value of the invested funds payable quarterly in arrears.

**11.2 PROCEDURES AND FREQUENCY FOR TENDERING SERVICES**

See TMP 2.2

## **TMP 12 CORPORATE GOVERNANCE**

### **12.1 LIST OF DOCUMENTS TO BE MADE AVAILABLE FOR PUBLIC INSPECTION**

Annual accounts

Annual Budget

3 Year Capital Plan

Treasury Management Policy

Treasury Management Strategy

Annual Treasury Outturn Report

Access to minutes at libraries