

BACKGROUND PAPERS

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 the organisation.

		Page
TMP 1	Treasury Risk management	2
TMP 2	Performance measurement	12
TMP 3	Decision-making and analysis	15
TMP 4	Approved instruments, methods and techniques	17
TMP 5	Organisation, clarity and segregation of responsibilities and dealing arrangements	19
TMP 6	Reporting requirements and management information arrangements	26
TMP 7	Budgeting, accounting and audit regulations	29
TMP 8	Cash and cash flow management	31
TMP 9	Money Laundering	32
TMP 10	Training and qualifications	34
TMP 11	Use of external service providers	35
TMP 12	Corporate Governance	36

TMP1 - TREASURY 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 below.

1.1 CREDIT AND COUNTERPARTY RISK MANAGEMENT

Credit and counter-party risk is the risk of failure by a 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 Authority recognises its prime responsibility as a holder of public funds; to always put first the security of the principal of the sums which it invests. Consequently, it will optimise returns commensurate with the management of the associated risk. The Authority 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 which 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 below. 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 Authority 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. Treasury Management Consultants will provide regular updates of changes to all ratings relevant to the Authority's Treasury Management advisers.
4. The Head of Finance 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 Authority's Treasury Management advisers will use the Sector creditworthiness service based on using colours determined by minimum combinations of ratings to derive maturity limits as follows:-

- Yellow – 5 years*
- Purple - 2 years
- Blue - 1 year (only applies to nationalised/semi nationalised UK Banks)
- Orange - 1 year
- Red - 6 months

- Green - 3 months
- No Colour - not to be used

* *This category has been added for AAA rated Government debt or its equivalent.*

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.

5. Credit ratings for individual counterparties can change at any time. The Head of Finance, in consultation with the treasury management advisers, is responsible for applying approved credit rating criteria for selecting approved counterparties. The Head of Finance will also, in consultation with the treasury management advisers, add or delete counterparties to/from the approved counterparty list in line with the policy on

criteria for selection of counterparties.

6. The Authority 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. Investment limits by counterparty type are given in the table below:

	Maximum limit
Specified Investments (limit per counterparty)	
UK Government	Unlimited
Local Authorities	£10m
Money market Funds with a minimum rating AAA	£10m
Institutions with a minimum rating AAA/A	£10m
Institutions with a minimum rating AA-/A	£7.5m
Institutions with a minimum rating A-/A	£5m
Building Societies – assets greater than £5,000 million	£2.5m
Building Societies – assets greater than £1,000 million	£1.75m
Building Societies – assets greater than £250 million	£1.0m
Non specified investments (limit per counterparty)	
Investments for more than 365 days	£5m
Other non specified investments	£5m
Other limits (on day of investment)	
Percentage of portfolio with a single institution	70%
Percentage of portfolio with a group with common ownership	80%
Percentage of portfolio with non UK Europe	10%
Percentage of portfolio with Rest of World	10%
Percentage of portfolio with a single fund	40%
Aggregate value of Non-specified investments	£10m

The above percentages are at the time of making the investment.

Notes: a) Ratings shown are Standard and Poor's; comparable ratings are used by Moody's and Fitch rating agencies.

b) Ratings and limits are for guidance only, other information will also be taken into account, (e.g. Credit default swap prices), in determining whether to use a counterparty. Capital Asset Management's credit matrix will be the basis of all investment decisions.

c) For the purposes of the limits outlined above, investments include funds held in interest earning deposit accounts.

8. Diversification: the Authority will avoid concentrations of lending and borrowing by adopting a policy of diversification.

9. Investments will not be made with counterparties that do not have a credit rating in their own right.

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 Authority's service objectives will be thereby compromised. The Authority 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 service objectives. The Authority 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 Finance Team shall seek to minimise the balance held in the Authority's main bank accounts at the close of each working day. Borrowing or lending shall be arranged in order to achieve this aim.

DETAILS OF:

Standby facilities

At the end of each financial day any unexpected surplus funds are transferred to a Deposit Account which is then available if the group bank account becomes overdrawn.

Short-term borrowing facilities

The Authority accesses temporary loans through approved brokers on the London money market. The borrowing limit for short term debt is 20% of the authorised limit for external debt.

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 Authority's finances, against which the Authority has failed to protect itself adequately.

The Authority 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. 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.

1.3.1 FIXED / VARIABLE INTEREST RATE EXPOSURE LIMIT

The Finance Team ensures that the borrowing stays within the variable and fixed rate boundaries. The upper limit for variable debt is 25%, and for fixed it is 100%, with lower limits of 0 and 75% respectively. This is in order to reduce the risk from sudden movements in interest rates.

1.3.2 POLICIES CONCERNING THE USE OF INSTRUMENTS FOR INTEREST RATE MANAGEMENT

a) Forward dealing.

This is at the discretion of the Head of Finance, having consideration to cash flow and if advantageous rates are secured. This will only involve transactions being undertaken up to a maximum of 12 months in advance.

b) Callable deposits (fixed investment for up to 3 years at borrower's option).

The Authority may use callable deposits as part as of its Annual Investment Strategy (AIS). These will be classed as Non-Specified investments and the credit criteria and maximum periods are detailed in the current AIS.

c) LOBOS (borrowing under lender's option/borrower's option).

Use of LOBOs is considered as part of the annual borrowing strategy and would need to be approved by the Head of Finance.

1.4 EXCHANGE RATE RISK MANAGEMENT

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Authority's finances, against which the Authority has failed to protect itself adequately.

The Authority will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

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.

The Authority 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.

1.5.1 DEBT/OTHER CAPITAL FINANCING, MATURITY PROFILING, POLICIES AND PRACTICES

The Authority will establish through its Prudential Indicators the amount of debt maturing in any year/period as detailed below:

	Upper Limit %	Lower Limit %
Under 12 months	15	0
12 months and within 24 months	15	0
24 months and within 5 years	25	0
5 years to 10 years	35	0
10 years and above	90	50

Any debt rescheduling will be considered 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 amend the maturity profile and /or the balance of volatility of the debt

portfolio.

The approval of the Head of Finance is required for any debt rescheduling and prior approval to any action should be evidenced.

1.5.2 PROJECTED CAPITAL INVESTMENT REQUIREMENTS

The Head of Finance will prepare a four year plan for capital expenditure for the Authority. The capital plan will be used to prepare a four year revenue budget for all forms of financing charges.

England and Wales

Under the new capital financing system, the definition of capital expenditure and long term liabilities used in the Code will follow recommended accounting practice (IFRS).

1.5.3 POLICY CONCERNING LIMITS ON AFFORDABILITY AND REVENUE CONSEQUENCES OF CAPITAL FINANCING.

In considering the affordability of its capital plans, the Authority will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on Authority tax levels. It will also take into account affordability in the longer term beyond this three year period. (Note: paragraph 30 of the Prudential Code gives examples of matters relevant to the consideration of affordability, although this is not an exhaustive list.) The Authority will use the definitions provided in the Prudential Code for borrowing (64), capital expenditure (65), capital financing requirement (67), debt (67), financing costs (68), investments (69), net borrowing (70), net revenue stream (71), and other long term liabilities (72).

1.6 LEGAL AND REGULATORY RISK MANAGEMENT

Legal and regulatory risk is the risk that either the Authority, or a third party which it is dealing with in its Treasury Management activities, acts outside of its legal powers or regulatory requirements and the Authority incurs a loss accordingly.

The Authority 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 Authority, particularly with regard to duty of care and fees charged.

The Authority 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 Authority shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Authority. 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
- S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
- S.I. 2008 no. 414 f(Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- S.I. 2009 no. 321 (Capital Finance and Accounting) (Amendment) (England) Regulations 2009
- S.I. 2009 no. 2272 The Local Authorities (Capital Finance And Accounting) (England) (Amendment) (No.2) Regulations 2009
- S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- 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 Authority is likely to get into a financially unviable position
- Allocation of financing costs to the HRA (housing authorities) – annual determination by Secretary of State
- Definition of HRA capital expenditure - Local Government and Housing Act 1989 section 74 (1)
- CIPFA 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

- SORP – Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
- PWLB circulars on Lending Policy
- The Non Investment Products Code (NIPS) - (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets
- Financial Services Authority's Code of Market Conduct
- The Authority's Standing Orders relating to Contracts
- The Authority's Financial Regulations
- The Authority's Scheme of Delegated Functions

1.6.2 PROCEDURES FOR EVIDENCING THE AUTHORITY'S POWERS/AUTHORITIES TO COUNTERPARTIES

The Authority'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 document which shows 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 Authority's treasury advisers based upon credit ratings supplied by Fitch, Moodys and Standard & Poors.

1.6.3 STATEMENT ON THE AUTHORITY'S POLITICAL RISKS AND MANAGEMENT OF SAME

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

1.6.4 MONITORING OFFICER

The Monitoring Officer is the Solicitor to the Authority; the duty of this officer is to ensure that the Treasury Management activities of the Authority are lawful.

1.6.5 HEAD OF FINANCE

The Head of Finance is the Authority's Section 151 Officer.

1.7 FRAUD, ERROR AND CORRUPTION, AND CONTINGENCY RISK MANAGEMENT

This the risk that an Authority 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.

The Authority 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 Authority 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 AND PROCEDURES TO BE FOLLOWED, INCLUDING INTERNET SERVICES

The Authority 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.

To reduce the risk of fraud in its dealing with other bodies, Treasury Management officers shall deal only with certain corporations and public bodies, and through recognised brokers, each regulated by legislation and code. All major systems are restricted to nominated personnel and are only accessible by them using unique passwords and pin numbers. Staff who are permitted to use these major systems are further controlled by the level of access allowed to them i.e. input / authorisation. For financial transactions to be carried out through the banking system and which are controlled by personnel working for the Authority, various limits for each transaction have been set up to prevent any fraudulent activities occurring. All Treasury Management activities include requirements for checking and authorisation, and adhere to the principle of division of duties. Details can be found in TMP5: *Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements*.

Treasury Management shall not be conducted via internet dealing. In the event of a change in this policy (to be authorised by the Head of Finance), the risk will be assessed and appropriate procedures developed.

1.7.2 EMERGENCY AND CONTINGENCY PLANNING ARRANGEMENTS

Arrangements for staff cover are set out in TMP5: *Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements*.

In the event of the failure of the Logotech system (which is operated by Warrington Borough Council), Treasury Management officers shall follow the documented manual back-up procedures/ electronic notes also on shared drive. These also include requirements for checking and authorisation, and adhere to the principle of division of duties.

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

1.7.3 INSURANCE COVER DETAILS

Fidelity insurance

The Authority has 'Fidelity' insurance cover with Zurich. This covers the loss of cash by fraud or dishonesty of employees. This cover is limited to £2m for any one event with an excess of £1,000 for any one event.

Business Interruption

The Authority also has a 'Business Interruption' cover with Zurich.

1.8 MARKET RISK MANAGEMENT

Market risk is the risk that, through adverse market fluctuations in the value of the principal sums an Authority borrows and invests, its stated Treasury Management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

1.8.1 DETAILS OF APPROVED PROCEDURES AND LIMITS FOR CONTROLLING EXPOSURE TO INVESTMENTS WHOSE CAPITAL VALUE MAY FLUCTUATE (GILTS, CDS, etc.)

The Authority shall not invest in instruments whose capital value may fluctuate. In the event of a change in this policy (to be authorised by the Head of Finance), the risk will be assessed and appropriate procedures developed.

1.8.2 SPECIFIED & NON SPECIFIED INVESTMENTS

These will be published in the Treasury Management Strategy on an annual basis.

TMP 2 - PERFORMANCE MEASUREMENTS

2.1 EVALUATION AND REVIEW OF TREASURY MANAGEMENT DECISIONS

The Authority has a number of approaches to evaluating Treasury Management decisions:

- a. regular internal reviews
- b. reviews with our treasury management advisers
- c. annual review after the end of the year as reported to full Authority
- d. half yearly monitoring reports to committee / full Authority
- e. comparative reviews
- f. strategic, scrutiny and efficiency value for money reviews

2.1.1 PERIODIC REVIEWS DURING THE FINANCIAL YEAR

The Finance Team hold regular review meetings at least every three months to review actual activity against the Treasury Management Strategy and cash flow forecasts.

This will include:

- a) Total debt (both on-and off balance sheet) including average rate and maturity profile
- b) 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 Warrington Borough Council treasury management team holds reviews with their consultants every 3 months to review the performance of the investment and debt portfolios.

2.1.3 ANNUAL REVIEW AFTER THE END OF THE FINANCIAL YEAR

An Annual Treasury Report is submitted to the Authority each year after the close of the financial year which reviews the performance of the Authority's Treasury Management operations. This report contains the following: -

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

2.1.4 COMPARATIVE REVIEWS

When data becomes available, comparative reviews are undertaken to see how

the performance of the authority on debt and 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
- Sector Benchmarking Club

2.2 BENCHMARKS AND CALCULATION METHODOLOGY

2.2.1 DEBT MANAGEMENT

Warrington Borough Council Treasury Management officers shall produce and monitor indicators based on the following benchmarks

Average rate on all external debt

Average rate on external debt borrowed in previous financial year

Average rate on internal borrowing

Average period to maturity of external debt

Average period to maturity of new loans in previous year

2.2.2 INVESTMENT

The performance of investment earnings will be measured against 7 day London Interbank Bid (LIBID)

2.3 POLICY CONCERNING METHODS FOR TESTING VALUE FOR MONEY IN TREASURY MANAGEMENT

2.3.1 FREQUENCY AND PROCESSES FOR TENDERING

Treasury Management tenders will follow standard Authority practice as set down in the Financial Regulations.

2.3.2 BANKING SERVICES

The Authority's banking arrangements are to be subject to consideration for competitive tender every 3 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.

2.3.3 MONEY-BROKING SERVICES

Warrington Borough Council on behalf of the Authority 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 CONSULTANTS/ADVISERS SERVICES

Warrington Borough Council's policy is to appoint full time professional Treasury Management consultants to provide impartial advice and add value to the Treasury Management function. See TMP11 *Use of External Service Providers* for further details.

2.3.5 POLICY ON EXTERNAL MANAGERS (OTHER THAN RELATING TO SUPERANNUATION FUNDS)

The Authority's policy is not to appoint external investment 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 of Warrington Borough Council has a computerised Logotech system in which all investment and loan transactions are recorded. Full details of the system are covered in the user manual and help on line function. The following records will be retained.

- Daily cash balance forecasts
- Brokers' confirmations for investment and temporary borrowing transactions
- Confirmations from borrowing / lending institutions where deals are done directly
- PWLB loan confirmations
- Certificates for market loans, local bonds and other loans

The Authority supplements these records with records of its own.

3.1.2 PROCESSES TO BE PURSUED

- Cash flow analysis
- Debt and investment maturity analysis
- Ledger reconciliation
- Review of opportunities for debt restructuring
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer best value)
- Performance information (e.g. monitoring of actual against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns, etc.)

3.1.3 ISSUES TO BE ADDRESSED

a) In respect of every Treasury Management decision made the Authority will:

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

b) In respect of borrowing and other funding decisions, the Authority will:

- Consider the ongoing revenue liabilities created, and the implications for the Authority's future plans and budget
- Evaluate economic and market factors to form a view on future interest rates so as to determine the manner and timing of decisions to borrow
- Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships to minimize costs and risks
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.

c) In respect of investment decisions, the Authority will:

- Consider the optimum period, in the light of cash flow availability and prevailing market conditions
- Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Authority 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 Authority's capital financing and surplus funds activities
- Managing cash flow
- Banking activities
- Leasing

4.2 APPROVED INSTRUMENTS FOR INVESTMENTS

Deposits with banks, building societies, money market funds or local authorities, which fit the criteria detailed in TMP1

4.3 APPROVED TECHNIQUES

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

4.4 APPROVED METHODS AND SOURCES OF RAISING CAPITAL FINANCE

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

On Balance Sheet	Fixed	Variable
PWLB	X	X
European Investment Bank	X	X
Market (Long term)	X	X
Market (Temporary)	X	X
Market (LOBOS)	X	X
Overdraft		X
Negotiable Bonds	X	X
Internal (Capital receipts and revenue balances)	X	X
Leasing (not operating leases)	X	X
Deferred purchase	X	X

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 Head of Finance has power (through the scheme of delegation) to take the most appropriate form of borrowing from approved sources.

4.5 LIMITS

Limits on the value of borrowing and investment through different instruments are set up in TMP1 *Treasury Risk Management*

TMP 5 - ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS

5.1 LIMITS TO RESPONSIBILITIES / DISCRETION AT AUTHORITY/EXECUTIVE LEVELS

GENERAL

The Authority considers it essential, for the purposes of the effective control and monitoring of its Treasury Management activities, the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that the responsibilities of Treasury Management is always clear. The principle on which this will be based is a clear distinction between those charged with setting Treasury Management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of Treasury Management decisions, and the audit and review of the Treasury Management function. If and when this organisation intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 *Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

The Head of Finance will ensure that there are clear written statements of the responsibilities for each post engaged in Treasury Management, and the arrangements for absence cover. The present arrangements are detailed in the schedule to this document.

The Head of Finance will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the below.

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

(i) Full Authority

- approval of annual strategy

(ii) Policy Committee

- Monitoring of yearly Treasury Outturn Report
- approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- approval of the Treasury Management Practices evidence
- receiving and reviewing regular monitoring reports and acting on recommendations

- approving the selection of external service providers and agreeing terms of Appointment

5.2 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES

Segregation of duties must apply to the following tasks (some of these tasks are carried out by Warrington Borough Council on the Authority's behalf)

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 Approval of payment.

5.3 STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST

5.3.1 HEAD OF FINANCE

The responsible officer is the person charged with professional responsibility for the Treasury Management function and in this Authority 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 Head 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.
- j) The Head of Finance may delegate his power to borrow and invest to members of his staff. The Head of Finance, Senior Accountant and Accountant or the Finance Advisers must conduct all dealing transactions, or staff authorised by the Head of Finance to act as temporary cover for leave/sickness. All transactions must be authorised by at least two of the named officers above.
- k) The Head of Finance will ensure that 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 Head of Finance to be satisfied, by reference to the Authority's legal department and external advisors as appropriate, that the proposed

transaction does not breach any statute, external regulation or the Authority's Financial Regulations.

m) It is also the responsibility of the Head of Finance to ensure that the Authority 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. This requirement is discharged by Warrington Borough Council on the Authority's behalf.

5.3.2 HEAD OF FINANCE / SENIOR ACCOUNTANT / ACCOUNTANT / WARRINGTON BOROUGH COUNCIL

The responsibilities of these post will be (with appropriate separation of duties and internal check): -

- 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

Some of these activities will take place at our treasury management advisers (Warrington Borough Council).

5.3.3 THE MONITORING OFFICER – SOLICITOR TO THE AUTHORITY

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

5.3.4 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.

5.4 ABSENCE COVER ARRANGEMENTS

Daily scrutiny of the Authority's cash position is undertaken by the Head of Finance/Senior Accountant/Accountant. Daily money-market dealing is to be carried out by Warrington Borough Council's Senior Accountant (Treasury), or in his/her absence, the Finance Adviser, who endeavour to plan leave so that their absence is not concurrent. In the absence of both members of the Treasury team, cover will be provided by the Finance Adviser of Financial Planning.

5.5 DEALING PROCEDURES & LIMITS

5.5.1 SHORT-TERM, TEMPORARY BORROWING (less than 365 days)

The Senior Accountant/Accountant will identify the need to borrow short-term and will prepare a proposal for the Head of Finance (or in his/her absence the Head of Finance) to review identifying:-

- The amount of proposed short-term borrowing, the timing of and duration of the proposed borrowing.
- The reasons for the proposed borrowing and whether the cash flow forecast identified this need to borrow.
- The proposed borrowing is consistent with prudential indicators within the Treasury Management strategy.

The Head of Finance (or in his/her absence the Finance Manager) will review the proposal and:-

- Confirm the need to borrow and that the proposal conforms to prudential indicators agreed by full Authority.
- Authorise a proposal up to 20% of the allowed limit for short-term borrowing in value for a period of up to 3 months.
- Refer any short-term borrowing proposal that is either greater than 20% of the allowed limit, or longer than a period of 3 months

Once authorisation has been received, Warrington Borough Council's Senior Accountant (Treasury) (or in his/her absence the Finance Adviser) will process the transaction and confirm and provide evidence to the authoriser that the transaction has been completed.

5.5.2 LONG TERM BORROWING (over 364 days)

The Senior Accountant/Accountant will prepare a proposal for the Head of Finance (or in his/her absence the Head of Finance) to review identifying:-

- The amount of proposed long-term borrowing, the timing of and duration of the proposed borrowing.
- The reasons for the proposed borrowing and the underlying cash flow need to borrow.
- The market conditions that make this the right time to borrow long-term.
- The proposed borrowing is consistent with prudential indicators within the Treasury Management strategy.

The Head of Finance (or in his/her absence the Chief Fire Officer with advice from the Head of Finance) will review and either authorise or reject the proposal.

Once authorisation has been received, Warrington Borough Council's Senior Accountant (Treasury) (or in his/her absence the Finance Advisor) will process the transaction and confirm and provide evidence to the authoriser that the transaction has been completed.

5.5.3 LENDING / INVESTMENT

The Senior Accountant/Accountant will prepare a proposal for the Head of Finance (or in his/her absence the Head of Finance) to review identifying:-

- The amount of proposed lending / investment, the timing of and duration of the proposed lending / investment.
- The reasons for the proposed lending / investment and the cash flow forecast implications of this lending / investment.
- The proposed lending / investment is consistent with the Treasury Management strategy.
- The proposed lender meets the credit ratings set by the Authority.

The Head of Finance (or in his/her absence the Head of Finance) will review the proposal and:-

- Confirm the need to lend / invest and that the proposal conforms to prudential indicators agreed by full Authority.
- Confirm the credit ratings of the lender is consistent with the ratings limits set by the Authority.
- Confirm that cash flow forecast deficits are covered by new income or maturing investments during the loan period.
- Authorise a proposal up to a value of £10m.

Once authorisation has been received, Warrington Borough Council's Senior Accountant (Treasury) (or in his/her absence the Finance Advisor) will process the transaction and arrange for payment from the Authority's bank account to be authorised by one of the following:- The Head of Finance, the Head of Finance, the Senior Accountant or the Accountant.

The above payment authorisers have the responsibility before authorising of confirming:-

- The lending proposal has been correctly authorised in line with the above procedures.
- The bank account details and transaction value are correct and match the authorised proposal.
- Lending is within the Counterparty limit.

Once payment has been made, the Senior Accountant (Treasury) (or in his/her absence the Finance Advisor) will confirm and provide evidence to the proposal authoriser that the transaction has been completed.

5.6 LIST OF APPROVED BROKERS

All dealing with approved brokers will be carried out by Warrington Borough Council on the Authority's behalf. References to officers and activities in this section and sections up to section 5.13 are therefore to the Council's officers and activities.

Approved Brokers are:

Sterling International Brokers Ltd

Martin Brokers (UK) plc

Tullet Prebon

Tradition

Brokers are regulated by the Financial Services Authority (FSA) and also governed by the London Code of Conduct. The Finance Manager (Financial Planning & Reporting) or Head of Financial Planning may add properly registered brokers to the approved list as seen fit.

5.7 POLICY ON BROKERS' SERVICES

It is this Authority's policy to use the broker that can provide the best rate, and subsequently provide the best value for the Authority.

5.8 POLICY ON TAPING OF CONVERSATIONS

It is not this Authority's policy to tape brokers' conversations.

5.9 DIRECT DEALING PRACTICES

The Authority will consider dealing direct with counterparties if it is appropriate and the Authority 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.

5.10 SETTLEMENT TRANSMISSION PROCEDURES

There are four steps to this process.

- 1) Completing of Payment Requisition form or investment proforma
- 2) Entering payment on to Natwest Bankline System
- 3) Authorisation of payments
- 4) Sending payments

Investments shall be entered, authorised and sent using the Natwest Bankline System.

Step 1) is completed by Treasury Management team and should be signed by an authorised signatory, using Logotech printouts as backing paperwork

Step 2) is conducted by the Treasury Management team and 3) and 4) are carried out by designated users, as details above.

5.11 DOCUMENTATION REQUIREMENTS

Confirmation from the Brokers / Counterparties are checked against Logotech system and filed.

Each Treasury Management transaction is recorded in the Loans Ledger, which is then authorised by a designated signatory and a confirmation letter is sent to the Counterparty.

5.12 ARRANGEMENTS CONCERNING THE MANAGEMENT OF THIRD-PARTY FUNDS

The Authority holds a number of trust funds. The cash in respect of these funds is held in the Authority's bank account but transactions are separately coded. Interest is given on credit balances at the average rate for internal balances for the year.

TMP 6 - REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

6.1 ANNUAL PROGRAMME OF REPORTING

- a) Annual reporting requirements: -
 - (i) review of the organisation's approved clauses, treasury management policy statement and practices
 - (ii) strategy report on proposed treasury management activities for the year comprising of the Treasury management strategy statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement
- b) Mid-year review
- c) Annual review report after the end of the year

6.2 ANNUAL TREASURY MANAGEMENT – BORROWING AND MRP STRATEGY

1. The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Full Authority for approval at 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 Authority may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.
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) policy on borrowing in advance of need
 - g) debt rescheduling
 - h) investment strategy
 - i) creditworthiness policy
 - j) policy on the use of external service providers
 - k) any extraordinary treasury issue
 - l) the MRP strategy
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.
5. This statement will set out how the Authority will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

6.3 THE ANNUAL TREASURY MANAGEMENT INVESTMENT STRATEGY

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

- a) The Authority'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 Authority will use
- d) Whether they will be used by the in house team, external managers or both (if applicable)
- e) The Authority'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 Authority will use
- g) How the Authority 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 (if applicable)
- n) Policy on the use of external service providers

6.4 POLICY ON PRUDENTIAL AND TREASURY INDICATORS

1. The Authority approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
2. The Head of Finance is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, 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 Authority

6.5 MID YEAR REVIEW

The Authority will review its treasury management activities and strategy on a six monthly 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

6.6 ANNUAL REVIEW REPORT ON TREASURY MANAGEMENT ACTIVITY

An annual report will be presented to the to the Policy Committee 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

6.7 MANAGEMENT INFORMATION REPORTS

The Authority has little treasury activity. Reports on activity are covered in regular management meetings.

With regard to Warrington Borough Council, management information reports will be prepared every month by the Senior Accountant (Treasury) and will be presented to Finance Manager (Financial Planning & Reporting) and Corporate Finance Manager for review and then the Fire Authority's Head of Finance.

These reports will contain the following information: -

- a) a summary of transactions executed 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.

6.8 CHESHIRE FIRE CONTRACT

The Treasury Management Strategy (including Prudential Indicators & Investment Strategy) will be prepared yearly as part of the budget setting process by Warrington Borough Council and agreed with the Authority. The Council will then operate within the dictates of the strategy. The Authority must provide the Council with copies of the Treasury Management Prudential Indicators and Annual Investment Strategy before the commencement of each financial year.

The Council will provide the following regular reports to the Authority on the activities undertaken on their behalf and include as appropriate the performance indicators.

- Monthly report on the investments/borrowings undertaken in the previous month should be with each Authority within a working week of the month end.
- Quarterly and outturn reports to Members should be with each Authority 10 working days before the closure of the agenda to allow time for queries to be resolved (timetable to be provided by the Authority).

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 Authority 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 Authority'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 INDICATORS

The Head of Finance will prepare a four year medium term financial plan with Prudential Indicators for Treasury Management for three years 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 Indicators, and will report upon and recommend any changes required in accordance with TMP6.

7.4 LIST OF INFORMATION REQUIREMENTS OF EXTERNAL AUDITORS

Treasury Management functions are subject to audit by the Authority's external auditors, the Audit Commission, on an annual basis. These audits may also be carried out by members of the Authority's Internal Audit Service. Auditors are entitled to ask for evidence in order to form an opinion on the Authority's accounts. To that end, Treasury Management officers shall answer any audit questions and make available any and all documents relating to Treasury Management activities.

- 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 the Logo Tech
- 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
- Calculation of the Minimum Revenue Provision
- External fund manager(s) valuations including investment income schedules and movement in capital values
- Monthly budget monitoring reports

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 Authority receives daily bank statements and a daily download of data from its bank. A formal bank reconciliation is undertaken on a monthly basis by the Senior Finance Officer.

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.

8.4 ARRANGEMENTS FOR MONITORING DEBTORS / CREDITORS LEVELS

On a quarterly basis a report is produced detailing the levels of creditors and debtors, which is used to assist in updating the cash flow models. The creditors team currently report to the Treasury Management team the level of creditors to be paid in the payment run, this helps cash flow management on a weekly basis.

8.5 PROCEDURES FOR BANKING OF FUNDS

The Finance Team have schedules detailing income from Council Tax, NNDR and Government Grants. These are used to manage cash flow on a monthly basis. The Senior Finance Officer notifies the Senior Accountant/Accountant 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 Authority has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the Head of Finance

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 Authority 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; this person is the Monitoring Officer
- f) in order to ensure compliance is appropriately managed, this Authority 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

9.5 PROCEDURES FOR ESTABLISHING IDENTITY / AUTHENTICITY OF LENDERS

It is not a requirement under POCA for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, there is a need for due diligence and this will be effected by following the procedures below.

The Authority does not accept loans from individuals. All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. When repaying loans, the procedures in 9.6 will be followed to check the bank details of the recipient.

9.6 METHODOLOGIES FOR IDENTIFYING DEPOSIT TAKERS

In the course of its Treasury activities, the Authority 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. All transactions for making deposits or repaying loans will be carried out by CHAPS.

TMP 10 - TRAINING AND QUALIFICATIONS

The Authority 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 (ie members of the Finance Team) employed by the Authority
- 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 Authority 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 Head of Finance to ensure that all staff under his / her authority receive the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences.

10.1 DETAILS OF APPROVED TRAINING COURSES

Cheshire Fire Authority Treasury Management staff will go on courses provided by:

- a) Brokers (e.g. Sterling Brokers Ltd)
- b) Treasury Management Consultants (e.g. Sector Treasury)
- c) CIPFA
- d) Any other courses considered to be suitable

10.2 APPROVED QUALIFICATIONS FOR TREASURY STAFF

Approved qualifications are:

- a) AAT
- b) CIPFA (or other CCAB, or equivalent)
- c) ACT ITM-PF

10.3 STATEMENT OF PROFESSIONAL PRACTICE (SOPP)

- a) Where the Head of Finance is a member of CIPFA, 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.
- b) Other staff involved in Treasury Management activities who are members of CIPFA must also comply with the SOPP.

10.4 MEMBER TRAINING RECORDS

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

TMP 11 - USE OF EXTERNAL SERVICE PROVIDERS

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

This Authority 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 Finance 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. Finance Team members 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
- The credit ratings of that government support

11.1.1 BANKING SERVICES

- a) Name of supplier of service is the Cooperative Bank PLC
- b) The branch address is: Chester Branch
54/556 Northgate Street
Chester
CH1 2HT
- c) Cost of service is variable depending on schedule of tariffs and volumes

11.1.2 MONEY BROKING SERVICES

Warrington Borough Council on behalf of the Authority will use money brokers for temporary borrowing and investment and long term borrowing. It will seek to give an even spread of business amongst the approved brokers. Approved Brokers are:

- a) Sterling International Brokers Ltd
- b) Martin Brokers (UK) plc
- c) Tullet Prebon
- d) Tradition

11.1.3 CONSULTANTS'/ADVISERS' SERVICES

Treasury Consultancy Services

Warrington Borough Council on behalf of the Authority 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 Chief Financial Officer annually 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: 0870 1916800

b) Contract commenced 2009 and currently runs for 1 year at a time.

11.1.4 CREDIT RATING AGENCY

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

TMP 12 - CORPORATE GOVERNANCE

12.1 LIST OF DOCUMENTS TO BE MADE AVAILABLE FOR PUBLIC INSPECTION

The Authority is committed to the principle of openness and transparency in its Treasury Management function and in all of its functions. 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.

The following documents are available for public inspection: -

Treasury Management Policy Statement

Treasury Management Strategy Statement

Annual Investment Strategy

Minimum Revenue provision policy statement

Annual Treasury Review Report

Treasury Management monitoring reports (e.g. half yearly)

Annual accounts and financial instruments disclosure notes

Annual budget

4 Year Capital Plan

Minutes of Authority / committee meetings