
FRAMEWORK FOR TREASURY DECISIONS

Report of the Chief Financial Officer

1. Purpose of Report

- 1.1 This report proposes updating the framework of democratic and managerial controls by which the Council's borrowing and investments are governed, so as to reflect current best practice.

2. Summary

- 2.1 Treasury Management is the process by which the Council's borrowing and investments are managed. This is a vital activity because of the sums involved. As at 12 September 2003, the Council's debt was £268 million, which has been raised to pay for capital projects over many years. This level of indebtedness should, however, be seen in the light of the value of the Council's assets which were recorded at the end of 2002/2003 at a value of £1,389 million.
- 2.2 The Council also holds a lot of externally invested cash which stood at £49 million as at 12 September 2003.
- 2.3 The Council's borrowing and investment decisions are currently governed by its Treasury Policy Document which was adopted in 2000. This document lays down the arrangements for the management of borrowing and investment. This provides for a lot of delegation to the Chief Finance Officer (CFO), including making borrowing and investment decisions. There are two main mechanisms by which democratic control is maintained over delegated decisions. The first is the requirement for Cabinet to agree a Treasury Strategy for each financial year which specifies the overall objectives for borrowing and investment. The second is the requirement for the CFO to submit to scrutiny committee six monthly reports of Treasury Management activities.

- 2.4 The purpose of this report is to update the Policy Document to reflect the recommendations of “Treasury Management in the Public Services: Code of Practice” (“the code”) published by the Chartered Institute of Public Finance and Accountancy (CIPFA), in 2001. The resolutions proposed by this report will mean that the current Treasury Policy Document will cease to have effect, and will be superceded by the amended arrangements for governance proposed below.
- 2.5 Complying with the code enables a local authority to demonstrate to banks, and others in the money markets, that the highest standards are applied. This in turn helps the authority to borrow and invest on the best possible terms, and to evidence the legality and regularity of its transactions. The CPA inspection process will also expect authorities to comply with the code.
- 2.6 The recommendations of this report fall into 3 categories:
- i. Approval and adoption of a Treasury Management Policy Statement (TMPS),
 - ii. Approval and adoption of, 12 “treasury management practices” (“TMPs”), with supporting schedules
 - iii. Approvals of matters to be delegated to the Chief Finance Officer (CFO)
- 2.7 The TMPS defines the overall objectives of the treasury management function, and emphasises the pursuit of optimum performance and the effective control of risk. The 12 TMPs expand upon this and, together with supporting schedules, establish a comprehensive framework for the management and control of borrowing, investment and other treasury functions.

3. Recommendations

- 3.1 The Cabinet is recommended: -
- i. To recommend the Council to pass the resolution shown in paragraph 3.2 below
 - ii. To adopt the *treasury management policy statement* referred to above, and reproduced at paragraph 3.2 in the supporting information
 - iii. To adopt the *12 treasury management practices* referred to above, and reproduced in the supporting information
 - iv. To agree to the delegation to the Chief Finance Officer of the preparation of all schedules issued in connection with treasury management practices adopted by the Council,
 - v. To agree the delegation to the Chief Finance Officer of the maintenance of lists of bodies to whom the Council may lend and borrow money, but subject always to criteria agreed by cabinet.
 - vi. To agree the delegation to the Chief Finance Officer of the maintenance of a list of authorised instruments that may be used for investments,

- borrowing, leasing or other forms of capital finance, subject to agreed treasury management practices,
- vii. To agree the continued delegation to the Chief Finance Officer of the day to day activity of treasury management, as referred to in paragraph 2.9 of the supporting information
 - viii. To require the Chief Finance Officer to report to scrutiny committee details of powers of delegation exercised by means of a six monthly review of treasury management activities.

3.2 The Council is recommended to pass the following resolution.

“Leicester City Council adopts the key recommendations of CIPFA’s Treasury Management in the Public Services: Code of Practice (the Code) 2001 as described in section 4 of that Code. Accordingly, this organisation will create and maintain, as the cornerstones for effective treasury management:

- i) a treasury management policy statement (TMPS), stating the policies and objectives of its treasury management activities
- ii) suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs.

The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Chief Finance Officer who will act in accordance with the organisation’s policy statement and TMPs and CIPFA’s *Standard of Professional Practice on Treasury Management*.” Monitoring of the function will be undertaken by the Finance, Resources and Equal Opportunities Scrutiny Committee.

4. Financial and Legal Implications

4.1 This report is solely concerned with Financial Issues.

5 Report Author/Officer to contact:

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DECISION STATUS

Key Decision	No
Reason	Policy and Budget Framework
Appeared in Forward Plan	No
Executive or Council Decision	Council

FRAMEWORK FOR TREASURY DECISIONS

Report of the Chief Financial Officer

SUPPORTING INFORMATION

1. **Summary**

- 1.1 This report proposes changes to the decision making framework for the Council's treasury management activities.

REPORT

2. **CIPFA's Treasury Management Code**

- 2.1 The Council's borrowing and investment decisions are governed by its Treasury Policy Document which was adopted in 2000. The purpose of this report is to update this, to reflect the recommendations of "Treasury Management in the Public Services: Code of Practice" ("the code") published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 2.2 In substance the code varies little from previous versions, but the structure is significantly different. Previous versions required authorities to draw up a single document called the "treasury policy document" for cabinet approval. The new code effectively divides the "treasury policy document" into a Treasury Management Policy Statement ("TMPS") and "treasury management practices" ("TMPs"), supported by detailed schedules.
- 2.3 The code is applicable to all public sector organisations and specific wording is recommended for the TMPS and TMPs. The text of the schedules to the TMPs is not prescribed by the code, although guidance identifies the issues that should be addressed. The content of the schedules will differ, to reflect each authority's individual circumstances, for example the degree to which decisions

are delegated to officers. Taken together, the key recommendations, TMPs and schedules to the TMPs provide a comprehensive treasury manual.

- 2.4 On 1 April 2004 a new “prudential” system of controls will come into force, and the Council will need to ensure that all necessary changes are made in its policies and procedures. These changes can be accommodated within the framework described above in an efficient manner.

Delegation to Cabinet and To Officers

- 2.5 The CIPFA code does not specify how decisions should be delegated because each public body should make that determination itself, within the appropriate legal framework.
- 2.6 The treasury management decisions routinely reserved to the full Council are the setting of the budget (which includes the capital financing budget) and the setting of certain limits on borrowing (maximum borrowing, maximum exposure to short term loans and maximum exposure to variable rate loans).
- 2.7 Subject to these decisions, executive power lies with the cabinet. This report proposes continuing the existing arrangements in which this control is exercised through the approval of an annual Treasury Strategy.
- 2.8 The code prescribes the reports to be taken to members. At a minimum these will be an annual strategy and plan in advance of the year, and an annual report after its close. This report proposes continuing the existing reporting arrangements which comprise an annual strategy to the Cabinet and six monthly reports of treasury management activities to FREOPS scrutiny committee.
- 2.9 It is also proposed that the current arrangements continue under which day to day control of the treasury function is delegated to the Chief Finance Officer. Functions currently delegated are:
- Decisions on borrowing, investments, leasing and other forms of finance, subject to cabinet approval
 - Entering into associated contracts
 - determining borrowing and investment objectives, but subject always to the Treasury Policy , TMPs and treasury strategy set by cabinet
 - selection of the money market brokers used
 - selection of leasing brokers used
 - the allocation of responsibilities and other staffing matters in respect of the treasury function
 - determining the procedures to be followed by staff involved in treasury management, including internal controls and safeguards

- 2.10 It is now recommended that additional powers be delegated to the CFO. The first proposed delegation is the power to determine a list of institutions from whom the Council may borrow money. At present no such list exists, but it would be prudent to establish such a list, primarily as a measure to minimise the risk that the Council is unwittingly involved in money laundering by someone posing as a legitimate participant in the money markets.
- 2.11 The second proposed delegation is the preparation of schedules to TMPs. These would be prepared as working documents prepared for the day-to-day use of officers.
- 2.12 The third proposed delegation is the determination of the list of institutions (the “lending list”) to whom the Council will lend. At present cabinet is periodically asked to approve a draft lending list, together with a description of the criteria used in drawing up the list. Currently the CFO has power to respond to deteriorations in credit ratings by limiting the use of a counterparty but can not add new counterparties. This will enable a rapid response to new entrants to the market, or counterparties whose credit ratings improve. It is not believed that this additional delegation will present any risk to the Council.

3. **Outline of Proposals**

- 3.1 The Code recommends that the Council delegate responsibility for Treasury Management to Cabinet, with further delegation of day to day responsibility to the Chief Finance Officer. The recommended resolution giving effect to this is shown in paragraph 3.2 of the main report.
- 3.2 The code requires the creation of a treasury management policy statement (TMPS), stating the policies and objectives of its treasury management activities. The code also requires the creation of treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives. These documents are to be approved by Cabinet.
- 3.3 It is recommended that the following TMPS be adopted, which is in the form of words recommended by the Code.

Leicester City Council defines the policies and objectives of its treasury management activities as follows: -

“The management of the authority’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

3.4 There are 12 TMPs which the Cabinet is recommended to adopt;

TMP1 - Risk Management
TMP2 - Best Value and performance measurement
TMP3 - Decision making and analysis
TMP4 - Approved instruments, methods and techniques
TMP5 - Organisation, clarity and segregation of responsibilities and reporting arrangements
TMP6 - Reporting arrangements and management information arrangements
TMP7 - Budgeting accounting and audit arrangements
TMP8 - Cashflow and cashflow management
TMP9 - Money laundering
TMP10 - Staff training and qualifications
TMP11 - Use of external service providers
TMP12 - Corporate Governance

3.5 This report now considers each TMP in turn. The text that Cabinet is recommended to adopt is shown in italics, and, where appropriate, a commentary is given.

4. **TMP1 – Risk Management**

4.1 TMP1 is the most detailed of the TMPs. This is to be expected, as risk management is the most significant issue that a treasury manager has to consider.

- 4.2 The CFO will have paramount regard to the risk associated with treasury management decisions: *The CFO 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".*
- 4.3 The TMP then proceeds to recommend the adoption of specific further statements in respect of specific risks.
- 4.4 We will make sure we have enough money: *The CFO will ensure that the Council has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its service objectives.*
- 4.5 Borrowing and investment strategy should be undertaken with a careful eye on the budgetary implications for the Council, whilst not missing opportunities to save money through good borrowing and investment decisions: *The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements. The effects of varying levels of inflation, insofar as they can be identified as impacting directly on its treasury management activities, will be controlled by the organisation as an integral part of its strategy for managing its overall exposure to inflation. It will achieve these objectives by the prudent use of 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 or inflation. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.*
- 4.6 We will keep a list of the people we will lend money to: *The Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, the CFO will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited. 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.*
- 4.7 We will make sure we don't have to borrow too much all at once: *The Council will ensure that its borrowing, private financing and partnership arrangements are properly negotiated and structured and the maturity profile of the monies so raised are managed, with a view to obtaining terms for renewal or refinancing, if required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time. The Council will actively manage its*

relationship with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

- 4.8 We will make sure we obey the law: *The CFO on behalf of the Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation. The CFO 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 Council.*
- 4.9 We will use systems to prevent the risk of fraud or loss: *The CFO will ensure that circumstances are identified 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.*
- 4.10 We will ensure the Council is not exposed to big losses if interest rates move the wrong way: *The CFO will seek to ensure that its treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect the Council from the effects of such fluctuations.*
- 4.11 Members are asked to note that the avoidance of all risk is neither appropriate nor possible and a prudent balance will need to be struck between avoiding risk and maximising returns. The main exposure to market risk currently lies in funds invested by the Council's external fund manager. The value of the Council's investments is regularly monitored and detailed reports are received from fund managers on a quarterly basis, with less detailed reports received each month. Procedures for controlling exposure to changes in capital values in respect of funds managed externally are determined by the external managers within the performance targets and risk management limits set by the Council. These targets and limits ensure that exposure to market value fluctuation is limited without entirely removing the manager's discretion to take advantage of investment opportunities.

5. TMP2 – Best Value and Performance Measurement

- 5.1 We will continually monitor treasury management performance: *The Council is committed to the pursuit of best value in its treasury management activities, and to the use of performance monitoring and review in support of that aim, within the framework set out in its treasury management policy statement.*

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.

- 5.2 Members are asked to note that the following measures are currently (and will continue to be) reported to scrutiny committee in the six monthly reviews of treasury management activities.
- i. Comparison of average interest rate on outstanding loans with the average of other UK councils
 - ii. Whether borrowing was undertaken when interest rates were at their lowest
 - iii. Whether the premature repayment of debt was undertaken when interest rates were highest (this enables repayment on the most favourable terms)
 - iv. Whether fund managers have achieved target interest rates.
 - v. Whether investments managed internally have achieved target interest rates.

6. TMP3 – Decision-making and analysis

- 6.1 We will keep proper records: *The CFO on behalf of the Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued are to be detailed in the schedule, or schedules to this document.*
- 6.2 Current arrangements fulfill this requirement at a number of levels. At the lowest level office records maintain an audit trail that record what decisions were made, and by whom. At the highest level the six monthly reviews of treasury management activities presented to scrutiny committee records all major transactions during the period under review.

7. TMP4 Approved instruments, methods and techniques

- 7.1 We will only use such borrowing and investment instruments as cabinet approves: *The CFO will undertake treasury management activities by employing only those instruments specified below:*

Investments

1. *Short term deposits (less than 365 days) (including certificates of deposit) within the meaning of the Banking Act 1987 with a partnership or body which is an authorised institution for the purposes of that Act.*
2. *Short term deposits (less than 365 days) (including certificates of deposit) with, and shares in, a building society which is incorporated or deemed to be incorporated under the Building Societies Act 1986.*
3. *Short term deposits (less than 365 days) with another Local Authority (including Police/Fire authorities).*
4. *Eligible bank bills (i.e. bills accepted by a body included in a list issued by the Bank of England of bodies whose acceptances are eligible for discounts at the Bank)*
5. *Sterling Treasury bills*
6. *Gilt edged securities(i.e. securities specified in an order made under part 1 of schedule 2 to the Capital Gains Tax Act 1979 or listed in Part 2 of that schedule)*
7. *Sterling securities of which the interest and principal is guaranteed by H.M. Government.*
8. *Short term loans (less than 365 days) to the Nationalised Industries and statutory corporations listed in part 2 of Schedule 10 to the regulations.*
9. *The Debt Management Account (DMA) facility operated by HM Treasury*
10. *Triple A rated Money Market Funds*
11. *Triple A rated Bank of Ireland deposit facility*
12. *Abbey National and HBOS 30 Day Business Reserve and Instant Access Deposit Accounts*

Loans

1. *Public Works Loans Board*
2. *European Investment Bank*
3. *Stock Issues*
4. *Market Long-Term Loans*
5. *Market Temporary Loans (up to 364 days)*
6. *Local Temporary Loans*
7. *Local Bonds*
8. *Negotiable Bonds*
9. *Commercial Paper*
10. *Medium Term Notes*
11. *Bank Overdraft*

Other Capital Finance

1. *Operational Leases*
2. *Finance Leases*

8. TMP5 – Organisation, clarity and segregation of responsibilities, and dealing arrangements

- 8.1 We will make sure the duties of staff are properly organized and written down: *The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, and for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that as many activities as possible are structured and managed in a fully integrated manner, and that there is,*

where possible, a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury and 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 organization intends, as a lack of resources or other circumstances, to depart from these principles, the CFO will ensure that the reasons are properly reported and the implications properly considered and evaluated

The CFO 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 CFO will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

The CFO will fulfill all such responsibilities in accordance with the Council's policy statement and TMPs and the CIPFA "Standard of Professional Practice on Treasury Management".

9. TMP6 – Reporting requirements and management information arrangements

- 9.1 Regular reports will be taken to members: *The CFO will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.*

As a minimum, the Council will receive:

- i. an annual report on the strategy and plan to be pursued in the coming year*
- ii. an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's Treasury Management Policy Statement and TMPs.*

- 9.2 Existing arrangements reflect these requirements. The former report will be taken to the cabinet, the latter to the Council.

10. **TMP7 –Budgeting, accounting and audit arrangements**

- 10.1 The costs of treasury management will be reflected in the Council's normal budgeting and accounting arrangements: *The CFO will prepare, and the Council will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function together with associated income. The matters to be included in the budget will at a minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 "Risk Management", TMP2 "Best value and performance measurement", and TMP4 "Approved instruments, methods and techniques". The CFO will exercise effective controls over this budget, and will report upon and recommend any changes required.*

The CFO will account for treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

The CFO will ensure that its auditors (both internal and external) have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

- 10.2 These issues are addressed by the Council's existing systems and procedures.

11. **TMP8 – Cash and cashflow management**

- 11.1 The CFO will manage the Council's cash holdings in their entirety: *Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the CFO, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the CFO will ensure that these are adequate.*

- 11.2 The current arrangements meet these objectives. It does not make sense to earmark monies for treasury management purposes, as this would lose money.

12. **TMP9 – Money Laundering**

- 12.1 To avoid money laundering, we will make sure we know who we are dealing with: *The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.*

- 12.2 The current arrangements are under review in the light of money laundering regulations that are expected to be finalised over the next few months.

13. **TMP10 – Staff training and qualifications**

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

14. **TMP11 – Use of external service providers**

- 14.1 We will use external experts, where this is sensible: *The Council recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, the CFO will ensure it does so for reasons that have been submitted to full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review, and where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the CFO.*

15. **TMP12 – Corporate Governance**

- 15.1 *The Council is committed to the pursuit of proper corporate governance throughout its business and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.*

The Council has adopted and has implemented the key recommendations of the Treasury Management Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management and the CFO will monitor, and if necessary, report upon the effectiveness of these arrangements.

16. **Schedules to the TMPs**

- 16.1 A number of schedules are being prepared and are listed below.

Schedules to Treasury Management Practices

Appendix No	Title	Subject Matter
1	Criteria for Internally Managed Investments	Use of credit rating criteria, who determines credit limits and how, authorised types of investments, further information on credit ratings
2	Criteria for Externally Managed Investments	Credit rating criteria, risk limits on long dated investments, authorised types of investments.
3	Money market brokers	Authorised brokers, role of brokers, and authorised methods of communication.
4	Benchmarking and performance review criteria	Reporting mechanisms, frequency of review, benchmark or performance criteria.
5	Borrowing and investment criteria, Decision Making and Analysis	Objectives, issues to consider when borrowing and investment decisions are made.
6	Loans – permissible sources of borrowing and other criteria	Permissible sources, whether these can be taken as fixed or variable rate loans, borrowing only permitted in sterling.
7	Leasing	Requirements of Financial Procedure Rules, types of leases that are authorised, use of fixed and variable rate leases, reporting arrangements.
8	Delegation of treasury management functions	What is delegated to whom, including temporary cover arrangements, financial and other limits to delegation, banking, direct dealing, documentation requirements.
9	External treasury management advisers	Who our current advisers are, what they are paid and their role.
10	External agents	Fund managers, cash management funds and secured deposit facilities; who has delegated power to appoint them, the basis of reimbursement, other contractual matters.
11	Budget, accounting and audit arrangements	Where to find expenditure and income within the Council's FMIS system; both the costs of capital financing transactions and administrative costs. Audit arrangements.

12	Corporate governance arrangements	CIPFA's views, risk management, democratic control, CFO and managerial controls, internal audit, documents available for public inspection, procedures for consultation with stakeholders.
13	Cash and cashflow management arrangements	Cashflow forecasting and cash and working capital management.
14	Staff training & qualification	Training, qualifications, approved training courses, training records, and career development, record of secondment of senior management.
15	Money laundering	Current measures, procedures to establish identity, training, future developments.
16	Exchange rate risk	The stance to taken on accepting exchange rate risk and on measures to manage such risks (currently such risks are, and are expected to remain, insignificant)
17	Liquidity	Accessing deposits and other investments, minimum level of deposits and investments, borrowing facilities, optimum arrangements for investing and managing surplus cash.
18	Interest Rate Exposure	Statutory limits, managing exposure, trigger points for decisions, maturity limits in respect of debt, maturity limits in respect of investments, projected capital investment requirements, revenue consequences of capital financing.
19	Derivatives and similar issues	Forwards dealing, callable deposits. LOBOs, and policy on use of other derivatives (not allowed).
20	Inflation	Inflation exposure limits for cash and debt, technical note.
21	Conflicts of Interest	Disclosed business interests of third parties, undisclosed interests.
22	Types of risk - definitions	Definition of the main risks identified by CIPFA.
23	External agents appointed re the Council's stock issue	Details of the use of trustees and registrars to the stock issue.
24	Banking facilities	To be developed when banking facility next reviewed
25	Custodians	Custodians used to hold supranational bonds on behalf of the Council (currently none)

26	Dealing and decision making processes and limits.	General limits, direct dealing, documentation requirements, money market funds and other third party funds, procedure notes
27	Office procedure notes	List of current office procedure notes
28	Approved methods and techniques	The key functions and activities involved in treasury management.
29	Records and archives	Records, data and system files to be retained, retention period.
30	Market value of investments	Procedures and limits for controlling exposure to investments whose capital value may fluctuate.
31	Reporting arrangements	What to include in the Treasury Management Strategy and six monthly reviews of treasury management activities
32	Legal and Regulatory Issues	Statutes and regulations, procedures for evidencing the organisation's powers/authorities to counterparties.
33	Fraud error and corruption and contingency management	Systems and procedures, emergency and contingency planning arrangements, insurance cover details.

16.2 Preparing these schedules has proved a useful opportunity to comprehensively document the treasury function. These schedules will be further refined over the coming months. The aim is that a single comprehensive treasury manual will be prepared that will comprise the key recommendations referred to in this report, the Treasury Management Policy Statement, the Treasury Management Practices and the schedules.

17. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting Information
Equal Opportunities	No	-
Sustainable and Environmental	No	-
Crime and Disorder	No	-
Human Rights Act	No	-
Elderly/People on Low Income	No	-

18. **Consultations**

18.1 None.

19. **Background Papers – Local Government Act 1972**

19.1 None.

20. **Author**

20.1 The author of this report is David Janes of the Town Clerk's & Corporate Resources Department on extension 7490

M Noble
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