

CYNGOR SIR POWYS COUNTY COUNCIL.

**CABINET
14th February 2012**

**REPORT AUTHOR: County Councillor Tony Thomas
Portfolio Holder for Finance & Infrastructure**

SUBJECT: Treasury Management Policy Statement

REPORT FOR: Decision

Summary

CIPFA issued a 2011 edition of the Code of Practice for Treasury Management and Cross Sectoral Guidance notes in December 2011. The Authority's Treasury Management reporting arrangements require significant changes to the Treasury Management Policy Statement (TMPS) to be approved by Cabinet. Minor changes to the Statement are reported to members via the Portal.

The 2011 edition includes several important changes/additions. As such, the Authority's TMPS has been updated and is attached at Appendix A. Changes have been highlighted in red. This update also includes the changes in respect of reports going to Audit Committee rather than Scrutiny and the change in respect of which countries are currently AAA rated.

Proposal

It is proposed that Cabinet approves the updated Treasury Management Policy Statement and associated Practices.

Statutory Officers

Chief Finance Officer's comment:
"The CFO supports the recommendation of the report".

Future Status of the Report

Not applicable

Recommendation:		Reason for Recommendation:	
That Cabinet approve the updated Treasury Management Policy Statement with associated Practices		Statutory Requirement	
Relevant Policy (ies):	Treasury Management Policy		
Within Policy:	Y	Within Budget:	Y
Relevant Local Member(s):			
Person(s) To Implement Decision:	Ann Owen – Treasury Manager		
Date By When Decision To Be Implemented:	Immediate		

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Background Papers used to prepare Report:

CIPFA Code of Practice on Treasury Management and Cross Sectoral Guidance Notes

**CIPFA TREASURY MANAGEMENT IN THE PUBLIC
SERVICES : CODE OF PRACTICE**

STATEMENT,

**TREASURY MANAGEMENT
POLICY STATEMENT,**

PRACTICE STATEMENTS

and

SCHEDULES

THE CIPFA TREASURY MANAGEMENT IN THE PUBLIC SERVICES : CODE OF PRACTICE

STATEMENT

1. This Authority adopts the key principles of CIPFA's *Treasury Management in the Public Services : Code of Practice (2011 Edition)*, as described in Section 4 of that Code as follows:-

Key Principle 1:

Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

Key Principle 2:

Their policies and practices should make clear that the effective management and control of risks are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing funds.

Key Principle 3:

They should acknowledge that the pursuit of value for money in treasury management and the use of suitable performance measures are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that, within the context of effective risk management, their treasury management policies and practices should reflect this.

In framing these recommendations, CIPFA acknowledges the difficulties of striving for effective risk management and control, whilst at the same time pursuing value for money. This code does not seek to be prescriptive about how this issue should be handled, particularly since it covers such a wide variety of organisations. However, where appropriate, the sector specific guidance notes give suitable advice. CIPFA recognises that no two organisations in the public services are likely to tackle this issue in precisely the same manner but success in this area of treasury management is likely to be viewed, especially in value for money terms, as an indicator of a strongly performing treasury management function.

Even though it dates back to 1991, CIPFA considers that the report by the Treasury and Civil Service Committee of the House of Commons on the BCCI closure is still pertinent, wherein it was stated that:

In balancing risk against return, local authorities should be more concerned to avoid risks than to maximise returns.

Indeed this view was supported by the Communities and Local Government Select Committee report into local authority investments in 2009.

It is CIPFA's view that throughout the public services the priority is to protect capital rather than to maximise return. The avoidance of all risk is neither appropriate nor possible. However, a balance must be struck with a keen responsibility for public money.

2. Accordingly, the Authority will create and maintain, as the cornerstones for effective treasury management:
 - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - suitable treasury management practices (TMPs) setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Authority. Such amendments will not result in the Authority materially deviating from the Code's key principles.

3. The Authority will also have regard for the Guidance on Local Government Investments issued by the Welsh Assembly Government and effective from 1st April 2010.
4. Full Council will receive the annual strategy report as recommended in the Welsh Assembly Guidance on Local Government Investments and the Authority's Cabinet will receive reports on its treasury management policies, practices and activities, including, as a minimum, a mid year review and an annual report after its close, in the form prescribed in its TMPs.
5. The Authority delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Chief Financial Officer, who will act in accordance with the Authority's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
6. The Authority nominates Audit Committee to be responsible for ensuring effective scrutiny of treasury management policies, practices and performance.

THE TREASURY MANAGEMENT POLICY STATEMENT

1. The Authority defines its treasury management activities as:

“the management of the Authority’s investments and 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.”
2. The Authority 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 Authority **and any financial instruments entered into to manage these risks.**
3. The Authority 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 value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

TREASURY MANAGEMENT PRACTICES STATEMENTS:

TMP1 RISK MANAGEMENT

The Chief Financial Officer 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 Authority's objectives in this respect, all in accordance with the procedures set out in *TMP6 Reporting and management information arrangements*. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedules to this document.

(i) credit and counterparty risk management

This 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 whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in *TMP4 Approved instruments, methods and techniques* listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow or with whom it may enter into other financing arrangements.

(ii) liquidity risk management

The Authority will ensure it has adequate though not excessive cash resources, borrowing arrangements and overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

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.

(iii) interest rate risk management

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 Reporting requirements and management information arrangements*.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

(iv) exchange rate risk management

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

(v) refinancing risk management

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 Authority 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.

(vi) legal and regulatory risk management

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(i) *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 Authority.

(vii) fraud, error and corruption, and contingency management

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.

(viii) market risk management

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

TMP2 PERFORMANCE MEASUREMENT

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

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

TMP3 DECISION-MAKING AND ANALYSIS

The Authority will maintain full records of its treasury management decisions and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

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

Where the Authority intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Authority will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

The Authority considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Authority intends, as a result of lack of resources or other circumstances, to depart from these principles, the Chief Financial 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 Chief Financial Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and arrangements for absence cover. The Chief Financial Officer will also ensure that, at all times, those

engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.

The Chief Financial Officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegations to the Chief Financial Officer in respect of treasury management are set out in the schedule to this document. The Chief Financial Officer will fulfill all such responsibilities in accordance with the Authority's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

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

Full Council will receive an annual report on the strategy and plan to be pursued in the coming year.

As a minimum, Cabinet will receive:

- a mid year review
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the authority's treasury management policy statement and TMPs.

Cabinet will receive regular monitoring reports on treasury management activities and risks.

Audit Committee will have responsibility for the scrutiny of treasury management policies, practices and performance.

The Authority will report the treasury management indicators as detailed in the sector-specific guidance notes.

The present arrangements and the form of these reports are detailed in the schedule to this document.

TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The Chief Financial Officer will prepare, and the Authority will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate

compliance with TMP1 *Risk management*, TMP2 *Performance measurement*, and TMP4 *Approved instruments, methods and techniques*. The form which the Council's budget will take is set out in the schedule to this document.

The Chief Financial Officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangements*.

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

TMP8 CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Authority will be under the control of the Chief Financial Officer, 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 Chief Financial Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 (ii) *liquidity risk management*. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

TMP9 MONEY LAUNDERING

The Authority is alert to the possibility that it could 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 area are properly trained.

The Authority is very rarely involved in short-term borrowing and the current policy for long-term borrowing is to use either the PWLB or major financial institutions which are regulated by the Financial Services Authority. This policy, in conjunction with the Authority's financial regulations and standing orders, make the risk of an attempt negligible. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule to this document.

TMP10 TRAINING AND QUALIFICATIONS

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

The Chief Financial Officer will ensure that Cabinet and Council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those members charged with governance should recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in the schedule to this document.

TMP11 USE OF EXTERNAL SERVICE PROVIDERS

The Authority recognises that responsibility for treasury management decisions remains with the Authority at all times. However, it recognises that there may be potential value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subject to regular review. It will ensure that, where feasible and necessary, a spread of service providers is used to avoid overreliance 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 Chief Financial Officer and details of the current arrangements are set out in the schedule to this document.

TMP12 CORPORATE GOVERNANCE

The Authority 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 Authority has adopted and has implemented the key principles of the 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 Chief Financial Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

TREASURY MANAGEMENT PRACTICES SCHEDULES:

TMP1 – Risk Management

TMP2 – Performance Measurement

TMP3 – Decision-making and Analysis

TMP4 – Approved instruments, methods and techniques

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

TMP6 – Reporting requirements and management information arrangements

TMP7 – Budgeting, accounting and audit arrangements

TMP8 – Cash and cash flow management

TMP9 – Money laundering

TMP10 – Training and qualifications

TMP11 – Use of external service providers

TMP12 – Corporate governance

TMP 1 Risk management

1.1 Credit and counterparty risk:

The risk of failure by a counterparty to meet its contractual obligations to the Authority 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 Authority's capital or current (revenue) resources.

1.1.1 Policy on the use of credit risk analysis techniques

- i. The Authority will use credit criteria in order to select creditworthy counterparties for placing investments with.
- ii. Credit ratings will be used as supplied from all three rating agencies
 - o Fitch
 - o Moodys
 - o Standard & Poors.
- iii. The Authority's treasury management advisors will provide regular updates of changes to all ratings relevant to the Authority.
- iv. The Authority will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and will construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits. Credit ratings for individual counterparties can change at any time and treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.

1.1.2 Creditworthiness Service

The Authority will use the creditworthiness service supplied by the Authority's advisors as agreed by Board on 9th February 2010.

This service is based on using colours determined by minimum combinations of ratings to derive maturity limits as follows:-

- Green - 3 months
- Red - 6 months
- Orange - 1 year
- Purple - 2 years
- Blue - 1 year (for nationalised or semi-nationalised UK banks)

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.

A full explanation of the methodology behind the service is referred to in the document produced by the Authority's advisors entitled "Guide to Establishing Credit Policies December 2009".

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.

1.1.3 Criteria for Counterparties

The Authority’s advisors are not using the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as Moodys are currently very much more aggressive in giving low ratings than the other two agencies. This would therefore be unworkable and leave few banks on its suggested lending list. The advisors’ creditworthiness service uses the ratings from all three agencies but, by using a scoring system, does not give undue preponderance to just one agency’s ratings.

1.1.4 “High” credit quality

The Authority has adopted the following in respect of defining a “high” credit quality:-

Long Term Ratings:

Permitted Fitch Ratings	Permitted Moodys Ratings	Permitted S&P Ratings
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-

Short Term Ratings:

Permitted Fitch Rating	Permitted Moodys Rating	Permitted S&P Rating
F1+	N/A	A-1+
F1	P-1	A-1

Any institution who drops below any of the above ratings will be removed from the Authority’s counterparty list for investments.

By applying this criteria over and above the advisors’ creditworthiness service, the Authority is complying with the CIPFA suggested guidance in respect of using the lowest common denominator.

1.1.5 Country limits

The Authority will only use approved counterparties from countries with a sovereign credit rating of AAA from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that currently meet this criteria is as follows:-

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.K.

1.1.6 Definition of Investments – Specified and Non-Specified

The Local Government Act 2003 refers to specified and non-specified investments. The Welsh Assembly Government's Guidance on Local Government Investments, effective from 1st April 2010, defines the following:-

Specified Investments:

An investment is a specified one if all of the following apply:-

- (a) it is denominated in sterling and any payments or repayments in respect of it are payable only in sterling
- (b) the investment is not a long-term one i.e. it is one which is due to be repaid within 12 months of the date on which the investment was made or one which may require to be repaid within that period
- (c) the making of the investment is not defined as capital expenditure by virtue of regulation 20(1)(d) of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 [SI 3239 as amended]
- (d) the investment is made with a body or in an investment scheme of * high credit quality or with one of the following public sector bodies:
 - i. the UK Government
 - ii. a local authority in England or Wales (as defined in section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland
 - iii. a parish or community council

* High credit quality is defined in Paragraph 1.1.4 above.

Non-specified Investments:

An investment is non-specified if it does not meet the above definition.

There are various innovative products on offer which fit this criteria, many of which do so because their initial and maturity value can differ. The spirit of the guidance was to ensure that authorities had the skills to assess any such products prior to possible commitment. Our advisors have confirmed that officers within Powys have the ability and knowledge to assess the value of such products. Any such assessment will involve determining a high credit quality in line with Paragraph 1.1.4 above.

As per the Prudential Indicators at Appendix A, the Authority has a maximum limit for investments held for a period of over 364 days.

As per Paragraph 1.1.8 below, the Authority has a maximum limit of £45M to be held in Money Market Funds.

1.1.7 Country Limits

The Authority's advisors' view is that all Authorities should avoid a concentration of investments in too few counterparties or countries but that a suitable spreading approach in itself is likely to be sufficient given the safeguards already built into its creditworthiness service.

As such the Authority will have the following limits :-

Country	Maximum Investment per Country £M	Credit Rating/Other Assessment of Risk
AAA rated – countries (excluding the UK)	2	As per rating list
AAA rated – UK	No Maximum Investment	As per rating list

1.1.8 Group/Institutions - Counterparty Criteria/Limits

Specified Investments:

Institution	Maximum Investment per Group/ Institution £M	Maximum Length	Credit Rating/Other Assessment of Risk
UK Banks	15	Up to 364 days	As per Sector's matrices and the Authority's definition of a high credit rating

Foreign Banks	2	Up to 364 days	As per Sector's matrices and the Authority's definition of a high credit rating
Other Local Authorities	25	Up to 364 days	N/A

Non-Specified Investments:

Institution	Maximum Investment per Group/Institution £M	Maximum Length	Credit Rating/Other Assessment of Risk
UK Banks	10 (£3m limit with any one institution)	Up to 2 years	As per Sector's matrices and the Authority's definition of a high credit rating
Foreign Banks	2	Up to 2 years	As per Sector's matrices and the Authority's definition of a high credit rating
Money Market Funds	15	N/A	All are AAA rated
Other Local Authorities	10	Up to 2 years	N/A
European Investment Bank Bonds	3	2-3 years	N/A

Note: Limits for Specified and Non-Specified are combined limits. The maximum limit will also apply to a banking group as a whole e.g. Lloyds TSB and BOS will have an overall limit of £15M.

1.2 Liquidity risk:

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 business/service objectives will be thereby compromised.

1.2.1 On a daily basis the Authority aims to minimise the balance held in the Authority's main bank accounts. By so doing, the optimum amount of cash held for cashflow purposes is invested so effecting the best possible return on the Authority's cash.

1.2.2 Cash is invested on the basis of maximising the return by means of the most favourable interest rates, subject to ensuring the security of the investment, whilst also allowing instant access to a level of cash for use if necessary. However, as

cashflow is monitored for at least 12 months ahead, the necessity for large amounts of instant cash is rare. The minimum cash level available on instant access is set at £2,000,000.

- 1.2.3 The Council has a £200,000 overdraft agreement with its bankers for emergency situations. The overdraft is assessed on a group basis for the Authority's accounts and is charged at 1.65% over the Bank of England rate.
- 1.2.4 The need for short-term borrowing does not normally arise but is available via the money markets if necessary.
- 1.2.5 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:

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.

- 1.3.1 The Council has an approved range of indicators as a requirement of the CIPFA Prudential Code for Capital Finance in Local Authorities 2009 and the CIPFA Code of Practice for Treasury Management in the Public Services 2009 (Appendix A).
- 1.3.2 The majority of debt is at fixed rates so is not reactive to changes in interest rates. However, the debt is managed proactively in conjunction with the Authority's advisors and rescheduling of debt is carried out if changes in interest rate levels mean that it is favourable to the Authority to do so.
- 1.3.3 The Authority's policy is not to use financial derivatives for interest rate management.

1.4 Exchange rate risk:

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.

- 1.4.1 It is the Authority's policy to deal only in sterling. However, from time to time, the Authority may have an exposure to exchange rate risk arising from the receipt of income or the incurring of expenditure in a currency other than sterling. The Authority's strategy is to remove all foreign exchange exposures as soon as they are identified.

1.5 Refinancing risk:

The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the Authority for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

- 1.5.1 The Authority has a three year plan for Capital Expenditure which incorporates projected capital investment requirements and the revenue consequences (Appendix B). These revenue consequences are reflected in the revenue budgets. The policy of the Authority is to borrow within its Supported Borrowing as identified by the Welsh Assembly Government plus any prudential borrowing as determined by the Authority.
- 1.5.2 The Authority's policy is to ensure that the net borrowing requirement is within the Supported Borrowing identified by the Welsh Assembly Government plus any prudential borrowing as determined by Council.
- 1.5.3 In considering the affordability of its capital plans, the Authority will consider all the resources currently available/estimated for the future together with the total 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 council tax and housing rent levels. It will also take into account affordability in the longer term beyond this three year period.
- 1.5.4 Debt maturity profiling is continually monitored by the Treasury Management team in order to take advantage of any perceived anomalies in the interest rate yield curve. Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous. The reasons for any rescheduling to take place include:
- the generation of cash savings at minimum risk
 - to reduce the average interest rate
 - to amend the maturity profile and/or the balance of volatility of the debt portfolio.

All rescheduling will be reported to Cabinet as soon as is practicable.

1.6 Legal and regulatory risk:

The risk that the Authority itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Authority suffers losses accordingly.

- 1.6.1 The treasury management activities of the Authority comply fully with legal statute, guidance, Codes of Practice and the regulations of the Authority. These are:
- Local Government Act 2003 and explanatory notes
 - W.S.I. 2003 No.3034 (W.282) (C.113) The Local Government Act 2003 (Commencement) (Wales) Order 2003
 - W.S.I. 2003 No.3239 (W319) The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003
 - S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004
 - W.S.I. 2004 No. 1010 (W107) The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2004
 - 'Guidance on Local Government Investments' - April 2004

- The Welsh Assembly 'Guide on the Prudential Framework for Capital Finance for Local Authorities in Wales' - June 2004
- W.S.I. 2007 No. 1051 The Local Authorities (Capital Finance and Accounting) (Wales) Amendment) Regulations 2007
- WSI 2008 No 588 The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008
- W.S.I. 2009 No. 560 The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2009
- S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Allocation of financing costs to the HRA and requirement to make an HRA MRP - Local Government and Housing Act 1989 section 87 and schedule 4, item 8 in parts 1 and 2
- Definition of HRA capital expenditure - Local Government and Housing Act 1989 section 74 (1)
- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2009,
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2009
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous Professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- LAAP Bulletins
- 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 Council's Standing Orders relating to Contracts
- The Council's Financial Regulations
- The Council'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 the following legislation:

- Investing – Local Government Act 2003, section 12
- Borrowing – Local Government Act 2003, section 1

Investments are made only to institutions which form part of the approved counterparty list. This list has been compiled using advice from the Authority's advisors based upon credit ratings supplied by Fitch, Moodys and Standard & Poors.

Borrowings are made either from the Public Works Loans Board or major institutions regulated by the Financial Services Authority or from other local authorities.

1.6.3 Statement on the Authority's Political Risks and Management of the same

The Chief Financial Officer will take appropriate action with the Authority, the Chief Executive and the Chairman/Leader of Council and Cabinet to respond to and manage appropriately political risks such as a change of majority group, change of Government, etc.

1.6.4 Monitoring Officer

The monitoring officer is the Strategic Director for Law and Governance. The duty of this officer is to ensure that the treasury management activities of the Authority are lawful.

1.6.5 Chief Financial Officer

The Chief Financial Officer is the Strategic Director for Finance and Infrastructure. The duty of this officer is to ensure that the financial affairs of the Authority are conducted in a prudent manner and to make a report to the Authority if he has concerns as to the financial prudence of its actions or its expected financial position.

1.7 Fraud, error and corruption, and contingency management risk:

The risk that the 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.

1.7.1 The Authority will:-

- seek to ensure that there is an adequate division of responsibilities and an adequate level of internal check to minimise such risks.
- fully document all its treasury management activities so that proper procedures are made known.
- ensure that staff allowed to take up treasury management activities have proper training in procedures and are subsequently subject to an adequate and appropriate level of supervision.

- ensure that records are maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

1.7.2 Details of Systems and Procedures to be followed

Authority:

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans and investments are carried out by authorised persons.
- Loan procedures are defined in the Authority's Financial Regulations.

Procedures:

- The Authority uses an electronic banking system. There are three primary users of this system - the Treasury Manager and the Senior Accountancy Assistants. Secondary users of the system check all transmissions between accounts or to external payees. All transmissions are subsequently checked by the member of staff acting as Supervisor of the banking system to ensure that allowed counterparties have been used and that the limits to counterparties have not been exceeded.

Investment and borrowing transactions:

- A detailed register of loans and investments is maintained.
- A written acknowledgement of each investment deal is sent promptly to the borrowing institution.
- Written confirmations received in respect of investments and borrowings are checked for accuracy and any discrepancies are immediately dealt with.
- All transactions placed through brokers are confirmed by a brokers' note which is checked for accuracy and any discrepancies are immediately dealt with.

Regularity and security:

- Investments are made only to institutions which form part of the approved counterparty list.
- Counterparty limits are set for every institution that the Authority invests with.
- There is a separation of duties between the staff involved in transacting treasury management activities and those checking and authorising the deals and payments.
- The Authority's bank holds a list of the Authority's authorised signatories for financial transactions.
- No member of the treasury management team is an authorised signatory.
- The Public Works Loans Board holds a list of the Authority's officers who are authorised to borrow money.
- The electronic banking system can only be accessed with a password and security device.
- Dealings done via Internet services carry the usual security safeguards. These dealings are the equivalent of telephone dealings and are backed up by the usual written confirmations, etc.
- The Authority has adequate insurance cover for employees involved in loan management and accounting (Fidelity Insurance Guarantee).

1.7.3 Emergency and Contingency Planning Arrangements

- The Authority has a Business Continuity Plan in the event that offices which the treasury management team works in are rendered unuseable.
- The electronic banking system is web based and can therefore be accessed from any PC with the use of a password and security device. As such, treasury management staff carry their security devices with them rather than keep them in the workplace.
- There is an electronic copy available of all files and information that it would be necessary to access in order for the treasury management function to continue. All computer files are accessible from remote sites and a back up of all servers/files is kept off the main site.

1.7.4 Insurance Cover details

- Fidelity Insurance
The Authority has “Fidelity” insurance cover with Chartis. This covers the loss of cash by fraud or dishonesty of employees. This cover is limited to £5M for Designated Officers and £1M for other employees. There is an excess of £25,000 for any one event.
- Professional Indemnity Insurance
The Authority also has a “Professional Indemnity” insurance policy with Travelers Insurance which covers loss to the Authority from the actions and advice of its officers which are negligent and without due care. This cover is limited to £5M for any one event with an excess of £100,000 for such event.
- Business Interruption
The Authority also has a “Business Interruption” cover as part of its property insurance with Ecclesiastical Insurance.

1.8 Market Risk:

The risk that, through adverse market fluctuations in the value of the principal sums the 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 Council policy limits investments where the capital value is subject to market fluctuations to £3 million in AAA rated 2-3 year European Investment Bank Bonds. The capital value of these can fluctuate if they are redeemed prematurely of the maturity date.

TMP 2 Performance Measurement

2.1 Evaluation and Review of Treasury Management Decisions

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

- **Monthly treasury management team reviews:**
The treasury management team monitor and review cashflow and all treasury management activity on a continual basis. A monthly review meeting is held with the Accountancy Manager and the contents of this meeting are communicated to the Chief Financial Officer, the Head of Finance and the Portfolio member for Finance.
- **Reviews with treasury management advisors:**
A quarterly meeting is held with the Authority's advisors to review the performance of the investment and debt portfolios. Monthly investment performance reports are received from the advisors.
- **Annual Review after end of financial year:**
The statutory Annual Review Report required by 30th September each year is submitted to Cabinet and Audit Committee. This report reviews the previous year's performance and contains the following:
 - i. total debt and investments at the beginning and close of the financial year and average interest rates
 - ii. the strategy for the year
 - iii. debt rescheduling done in the year
 - iv. comparison of return on investments to the investment benchmark
 - v. compliance with Prudential and Treasury Indicators
 - vi. Summary Treasury Management Statement of Accounts
 - vii. EOY out-turn v budget
 - viii. Other relevant ad hoc information.
- **Quarterly Monitoring Reports:**
A quarterly monitoring report on treasury management activity is presented to Cabinet and Audit Committee.
- **Comparative Reviews:**
If data becomes available a comparative review is undertaken to see how the performance of the Authority on debt and investments compares to other Welsh authorities.
- **Audit:**
The Treasury Management function is subject to internal and external audit checks.

2.2 Benchmarks and Calculation Methodology

2.2.1 Debt Management:

- Average rate on all external debt

- 2.2.2 Investments:
- 3 month un compounded LIBID rate

2.3 Policy concerning methods for testing value for money in treasury management

2.3.1 Banking services:

Banking services are retendered or renegotiated every two-five years to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends.

2.3.2 Money-broking services:

If required, the Authority uses money broking services to make some deposits and/or to borrow, and charges for all services are established prior to using them. The following brokers are used on a rotatory basis in order to achieve fairness and the most favourable rates:-

- Tullett Prebon (Europe) Ltd.
- Tradition (UK) Ltd.
- Sterling International Brokers Ltd.
- Martin Brokers (UK) Ltd.

Additional brokers may be added to the list, if and when necessary, at the discretion of the Treasury Manager.

All brokers are regulated by the Financial Services Authority under the provisions of the Financial Services and Markets Act 2000.

2.3.3 Consultants/advisors services:

The Authority's policy is to appoint full-time professional treasury management advisors. Retendering or renegotiation is carried out every three years. The current appointees are Sector Treasury Services Ltd.

The advisors are subject to review which incorporates assessing the following:-

- Level of technical expertise
- Level of technical advice
- Appropriateness of advice given
- Usefulness of information provided i.e market commentaries, forecasts, etc.
- Value of training given
- Attendance at meetings

2.3.4 External Fund Managers:

It is not the Authority's current policy to appoint external investment fund managers other than relating to Superannuation Funds. This is because it is felt that, at present, the appointment of such managers would not justify the investment of senior management time in terms of the expected marginal return over what can be achieved internally.

TMP 3 Decision-making and analysis

3.1 Funding, borrowing, lending and new instruments/techniques

3.1.1 Records to be kept:

- cash balance forecasts
- statutory documentation
- briefings from external advisors
- register of loans and all associated paperwork
- register of investments and all associated paperwork
- credit rating list
- counterparty list

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 value for money)
- performance information e.g. monitoring of actuals against budget for debt charges, interest earned, debt management and monitoring of average debt rate, investment returns, etc.

3.1.3 Issues to be addressed:

In respect of every treasury management decision made the Authority will:

- be clear about the nature and extent of the risks to which the Authority may become exposed with reference to the CIPFA Code of Practice giving priority to security of capital and liquidity before yield
- be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- be content that the documentation is adequate both to deliver the Authority's objectives and protect the Authority's interests, and to deliver good housekeeping
- ensure that third parties 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.

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

- evaluate the economic and market factors that might influence the manner and timing of any decision to fund
- consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use

- consider the ongoing revenue liabilities created and the implications for the Authority's future plans and budgets.

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.

In respect of decisions regarding derivatives, the Authority will:

- *be able to demonstrate that the derivative transaction has reduced the Authority's overall exposure to treasury risks.*

TMP 4 Approved instruments, methods and techniques

4.1 Approved activities of the treasury management function

- 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
- the use of external fund manager (other than Superannuation Fund)
- managing the underlying exchange rate risk associated with the Authority's business

4.2 Approved instruments for investment

The instruments approved for investment and commonly used by local authorities are:-

- Gilts
- Treasury Bills
- Deposits with banks, building societies or local authorities and certain other bodies for up to 5 years
- Certificates of deposits with banks or building societies for up to 5 years
- Euro-Sterling issues by certain Supra-national bodies listed on the London and Dublin Stock Exchanges
- Triple A rated money market funds
- Debt Management Account (run by DMO/PWLB)
- Sterling bonds listed anywhere in the European Union

4.3 Approved Techniques

- LOBOs – lenders option, borrowers option borrowing instrument
- Callable deposits
- Forward dealing up to 364 days

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 Council has a number of approved methods and sources of raising capital finance as follows:-

On Balance Sheet	Fixed	Variable
PWLB	x	x
EIB	x	x
Market (long-term)	x	x
Market (temporary)	x	x
Market (LOBOs)	x	x
Overdraft		x
Internal (capital receipts and revenue balances)	x	x
Leasing (not operating leases)	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 methods of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Chief Financial Officer has delegated powers through and in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

4.5 Investment Limits

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

4.6 Borrowing Limits

See Appendix A.

TMP5 Organisation, clarity and segregation of responsibilities and dealing arrangements

5.1 Allocation of responsibilities

Full Council

- Approval of the Treasury Management Strategy Statement and Annual Investment Strategy

Cabinet

- Receiving, reviewing and approving if necessary reports on treasury management policies, practices and activities.
- Approval of the Authority's Treasury Management Policy Statement and treasury management practices
- Budget consideration and approval
- Approving the selection of external service providers and agreeing terms of appointment.

Audit Committee

- reviewing the treasury management policy, practices and performance and making recommendations to the responsible body if required.

5.2 Principles and Practices concerning Segregation of Duties

The segregation of duties to ensure the security of the Authority's monies is fundamental to the Treasury Management function. The details regarding this are set out in 5.4 below which schedules the relevant officers involved in the Treasury Management function and their specific responsibilities.

5.3 Treasury Management Organisation of Staff

- Strategic Director – Finance & Infrastructure
- Head of Finance
- Accountancy Manager
- Principal Accountant (Technical Support)
- Treasury Manager
- Senior Accountancy Assistants x 2
- Clerical Assistant

5.4 Statement of Duties/Responsibilities of each Treasury Management Post

5.4.1 Chief Financial Officer (Strategic Director for Finance & Infrastructure)

All monies in the hands of the Council will be aggregated for the purpose of Treasury Management and will be under the control of the Chief Financial Officer. All decisions on borrowing, investment or financing will be delegated to the Chief Financial Officer or through him to his staff who will all be required to act in accordance with the CIPFA Code of Practice and all other relevant

guidance.

1. The Chief Financial Officer will have responsibility for:
 - preparing the Treasury Management Policy Statement and Practice Schedules for approval, reviewing the same regularly and monitoring compliance
 - recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
 - submitting regular treasury management policy reports
 - submitting budgets and budget variations
 - receiving and reviewing management information reports
 - reviewing the performance of the treasury management function
 - ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
 - ensuring the adequacy of internal audit, and liaising with external audit
 - assessing and recommending the appointment of external service providers.
 - ensuring that the financial regulations of the Fair Funding Scheme for Schools specify the range of institutions and types of accounts in which funds may be held.
2. The Chief Financial Officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
3. The Chief Financial Officer may delegate his power to invest to members of his staff. The Treasury Manager or the Senior Accountancy Assistants (Treasury) must ordinarily conduct all dealing transactions, with other staff within the Finance Section acting as temporary cover for leave/sickness.
All transactions must be signed by one of the authorised signatories from the bank mandate (see Appendix C).
4. The Chief Financial Officer may delegate his power to borrow to members of his staff. The Principal Accountant (Technical Support), Principal Accountant (Capital) and the Treasury Manager are the authorised persons to arrange loans from the Public Works Loan Board and all other institutions. All borrowing transactions must be signed by one of the authorised signatories from the bank mandate (see Appendix C).
5. The Chief Financial Officer will ensure that the Treasury Management Policy is adhered to and, if not, will bring the matter to the attention of elected members as soon as possible.
6. The Chief Financial Officer is responsible for ensuring that the Authority complies with the requirements of The Non-Investment Products Code (previously known as The London Code of Conduct) for principal and broking firms in the wholesale markets.

7. The Chief Financial Officer will be satisfied that, prior to entering into any capital financing, lending or investment transaction, the proposed transaction does not breach any statute, external regulation or the Authority's Financial Regulations.
8. The Chief Financial Officer is responsible for the operation of bank accounts as are considered necessary, with weekly or monthly reconciliations. Opening or closing any bank account will require the approval of the Chief Financial Officer.

5.4.2 Head of Finance and Accountancy Manager

The responsibilities of these posts will be:-

- managing the overall Treasury Management function
- ensuring overall compliance with policies
- ensuring appropriate division of duties.

5.4.3 Principal Accountant (Technical Support)

The responsibilities of this post will be:-

- managing the day-to-day Treasury Management function
- ensuring that the Treasury Management section is always relevantly staffed and that there are suitable arrangements for absence.

5.4.4 Treasury Manager

The responsibilities of this post will be:-

- arranging and execution of transactions
- management and reconciliation of all the Council's banking arrangements and processes
- adherence to agreed policies and practices on a day-to-day basis
- maintaining relationships with third parties and external service providers
- monitoring performance on a day-to-day basis
- submission of reports on behalf of the Chief Financial Officer
- supervising treasury management staff
- identifying and recommending opportunities for improved practices
- preparing debt charges estimates and final accounts.

5.4.5 Head of the paid service (Chief Executive)

The responsibilities of this post will be:-

- ensuring that the system is specified and implemented
- ensuring that the Chief Financial Officer reports when necessary to Cabinet/Council on treasury management policy, activity and performance.

5.4.6 Monitoring Officer (Strategic Director for Law and Governance)

The responsibilities of this post will be:-

- ensuring compliance by the Chief Financial Officer with the Treasury Management Policy Statement and Treasury Management Practices and that they comply with the law
- being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice
- giving advice to the Chief Financial Officer when advice is sought.

5.4.8 Internal Audit

The responsibilities of Internal Audit will be:-

- reviewing compliance with approved policy and procedures
- reviewing division of duties and operational practice
- assessing value for money from treasury activities
- undertaking probity audit of treasury function.

5.5 **Absence Cover Arrangements**

The Authority's policy is for either the Treasury Manager or one of the Senior Accountancy Assistants to be present on a daily basis. On the rare occasion of none of these officers being present, the Clerical Assistant is available to provide cover with the Principal Accountant (Technical Support) providing support.

5.6 **Dealing Limits**

All Treasury Management officers are able to deal such amounts of cash that are available on a daily basis within the counterparty limits set down. Such deals are authorised prior to settlement by an authorised signatory.

5.7 **List of Approved Brokers**

The Authority's current list of approved brokers is as follows:-

- Tullett Prebon (Europe) Ltd.
- Tradition (UK) Ltd.
- Sterling International Brokers Ltd.
- Martin Brokers (UK) Ltd.

Additional brokers may be added to the list, if and when necessary, at the discretion of the Treasury Manager.

All brokers are regulated by the Financial Services Authority under the provisions of the Financial Services and Markets Act 2000.

5.8 **Policy on Brokers' Services**

The Authority uses money broking services to make some deposits and/or to borrow, and charges for all services are established prior to using them. Brokers are used on a rotatory basis in order to achieve fairness and the most favourable rates.

5.9 **Policy on taping of conversations**

The Authority's current policy is not to tape telephone conversations in respect of

dealing transactions. However, it can be the policy of counterparties to tape telephone dealing conversations and the Authority is pre-notified of this.

5.10 Direct Dealing Procedures

All Treasury Management officers are authorised to deal directly with the institutions that do so. Direct dealing has to be carried out in respect of Deposit/Call Accounts and Money Market Funds. Other direct dealing is carried out when the Authority is aware that better terms will be available.

5.11 Settlement Transmission Procedures

Every deal is recorded on a specific investment form. Details of the investment are input into the Authority's electronic banking system. This is done by one of the primary users of the system who are the Treasury Manager and the Senior Accountancy Assistants.

The details are checked electronically on the system and transmitted to the bank by one of the secondary users of the system. The checker initials the form when the details are checked as correct.

A hardcopy of the details of the transaction is printed off and is signed by one of the authorised signatories from the bank mandate.

All transmissions are subsequently checked by the member of staff acting as Supervisor of the banking system to ensure that allowed counterparties have been used and that the limits to counterparties have not been exceeded.

5.12 Documentation Requirements

All transactions are detailed in a loans or investments register.

All documentation relating to the transaction is kept on file.

All documentation relating to the Supervisor's role is kept on file.

5.13 Arrangements concerning the Management of Third Party Funds

The Authority holds some cash in respect of third party funds in the Authority's bank account but transactions are separately coded.

5.14 Arrangements for Locally Managed Schools to ensure Compliance with the Code and the Authority's Policies/Practices

The financial regulations of the Authority, which are incorporated in the Fair Funding Scheme for Schools document, specify the range of institutions and types of accounts in which funds may be held. Compliance with this is tested by Internal Audit.

TMP6 Reporting Requirements and Management Information Arrangements

6.1 Annual programme of reporting

The Authority has the following reporting arrangements in accordance with the revised Code of Practice:-

Report/Document	Committee	Frequency
Treasury Management Policy Statement and Practices	Audit Committee followed by Cabinet	When changes require
Treasury Management Strategy and Annual Investment Strategy	Full Council	Annually before the start of financial year
Treasury Management Update	Audit Committee followed by Cabinet	Quarterly
Treasury Management Review	Audit Committee followed by Cabinet	Annually by 30 th September after the end of financial year

6.2 Annual Treasury Management Strategy Statement

6.2.1 The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This Strategy will be submitted to Full Council for approval before the commencement of each financial year.

6.2.2. 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, the 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.

6.2.3. The Treasury Management Strategy Statement is concerned with the following elements:-

- Prudential and Treasury Indicators
- the current portfolio position
- borrowing requirement
- the prospects for interest rates
- borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- investment strategy
- creditworthiness policy
- policy on the use of external service providers
- any extraordinary treasury issue such as the implications of a LSVT.

6.2.4. 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 will highlight sensitivities to different scenarios.

6.3 Annual Investment Strategy

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

- the Authority's risk appetite in respect of security, liquidity and optimum performance
- the definition of high credit quality
- a list of the specified and non specified instruments the Authority will use
- 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
- which credit rating agencies the Authority will use
- how the Authority will deal with changes in ratings, rating watches and rating outlooks
- limits for individual counterparties and group limits
- country limits
- levels of cash balances
- interest rate outlook
- Treasury Management Budget
- use of a cash fund manager (if applicable)
- policy on the use of external service providers.

6.4 The Annual Minimum Revenue Provision Statement

This statement sets out how the Authority will make revenue provision for repayment of its borrowing using the four options for so doing. It is submitted to Cabinet for approval prior to the start of the financial year by the Principal Accountant (Capital).

6.5 Policy on Prudential and Treasury Indicators

6.5.1 Cabinet/Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators. The Treasury Indicators are reported via the Treasury Management Strategy Statement and Annual Investment Strategy Report. The Prudential Indicators are reported via the Capital Strategy and Prudential Indicators Report.

6.5.2 The Chief Financial Officer is responsible for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Chief Financial Officer will submit the changes for approval to Cabinet. A breach of any of the limits will be reported to Cabinet.

6.6 Mid Year Review

6.6.1 The CIPFA Code of Practice recommends a minimum mid-year review report on treasury management activities. However, this Authority already has a quarterly reporting procedure in place for treasury management activities. **These reports are submitted to Audit Committee prior to Cabinet.**

6.7 Annual Review Report

6.7.1 An annual report on Treasury Management activity will be presented to Audit Committee and Cabinet by the end of September following the financial year in question.

This report will include the following:-

- a comprehensive picture for the financial year of all treasury policies, activities and results
- monitoring of compliance with approved policy, practices and statutory/regulatory requirements
- performance report
- report on compliance with the CIPFA Code recommendations
- monitoring of treasury management indicators

6.8 Quarterly Activity Report

A quarterly report on Treasury Management activity will be presented to Audit Committee and Cabinet.

TMP7 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, together with those of its specific recommendations that are relevant to this Authority's treasury management activities.

7.2 Accounting Practices and Standards

The Treasury Management function gives regard to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in Great Britain.

7.3 Sample Budgets/Accounts/Prudential and Treasury Indicators

The Principal Accountant (Capital) prepares a three year medium term financial plan together with Prudential Indicators for Cabinet approval. This plan incorporates the budget for the forthcoming year and provisional estimates for the following two years. The Treasury Manager prepares the Treasury Management Strategy Statement and Annual Investment Strategy with Treasury Management Indicators for Full Council approval. The Treasury Manager monitors actual spend against the budget and monitors performance against the treasury management Prudential and Treasury Indicators and reports any changes required to Cabinet/Council.

An end of year summary Treasury Management Statement of expenditure/income is produced and is incorporated in the annual Treasury Management Review Report in respect of that year.

A summary Treasury Management budget is produced and incorporated in the annual Treasury Management Strategy Statement and Annual Investment Strategy Report.

7.4 List of Information Requirements of External Auditors

The external auditors have access to all paperwork supporting and explaining the operation and activities of the Treasury Management function as follows:-

- Reconciliation of loans outstanding in the 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 the ledger
- Calculation of loans fund interest and debt management expenses and their reconciliation to the ledger
- Details of interest rates applied to internal investments
- Interest accrual calculation

- Calculation of interest for any loans attracting an Effective Interest Rate
- Analysis of any deferred charges
- 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.

7.5 Regular Budget Monitoring

Regular budget monitoring reports are produced and reported to Cabinet. Reports are intended to highlight any variances between budgets and spend in order that the Authority can assess its financial position. Details of treasury management activities are included within these reports.

TMP8 Cash and Cash Flow Management

8.1 Arrangements for Preparing/Submitting Cash Flow Statements

8.1.1 Daily cashflow projections for at least a year ahead are prepared and continuously maintained by the Treasury Management section. They 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.

8.1.2 The content covers all income and expenditure of the Council together with details of bank balances and investments. All transactions are shown on a daily basis and the cash figures are balanced on a daily and weekly basis.
(See Appendix E for one week's example.)

8.1.3 Information is sourced from the following:-

- creditors system
- payroll system
- loans registers
- correspondence re: grant awards/ subsidy
- correspondence re: precepts/levies
- legal department in respect of asset purchase or sale

8.1.4 The projections allow the following to be determined:-

- whether minimum acceptable levels of cash balances plus investments might be breached
- the adequacy (or otherwise) of standby/overdraft facilities or other contingency arrangements
- the optimum arrangements to be made for investing and managing surplus cash

8.2 Bank Statements Procedures

8.2.1 Bank Accounts:

It is the responsibility of the Chief Financial Officer to operate such bank accounts as are considered necessary. Bank accounts are reconciled weekly or monthly as appropriate. Opening or closing a bank account requires the approval of the Chief Financial Officer. Bank accounts must all be in the name of Powys County Council.

Responsibility on a daily basis for banking arrangements, procedures, and reconciliations is delegated to the Treasury Management section. Instructions regarding banking arrangements are only accepted by the Authority's bankers from members of the Treasury Management section and, if relevant, accompanied by the necessary authorised signatures.

All bank accounts relating to cheque payments are reconciled within the Treasury Management section on a weekly basis as is the School Meals Income

account. All other bank accounts are reconciled within the Treasury Management section on a monthly basis.

8.3 Imprest Accounts

It is the responsibility of the Chief Financial Officer to provide employees of the Authority with cash or bank imprest accounts to meet minor expenditure on behalf of the Authority. This function is delegated to the Principal Accountant (Technical Support) and the Treasury Manager on a daily basis and incorporates the agreement of the petty cash limit, the maintaining of appropriate records in respect of all cash holders and the reconciliation of balances in the ledger.

8.4 Payment Scheduling and Agreed Terms of Trade with Creditors

The Authority's policy as put forward by the Welsh Assembly Government is to pay creditors within 10 days of the invoice date. Cheque and BACS runs are made on the basis of picking up all payments due before the next run to ensure timely payment. Performance indicators are produced in respect of timely payments.

8.5 Arrangements for Monitoring Debtors/Creditors Levels

Debtors:-

Invoices issued through the Sundry Debtors system are monitored on a regular basis and reminders sent. Non-paid items over three months old and over £10,000 in value are referred to the Revenues and Benefits Manager.

Council Tax/NDR:-

Payment of Council Tax and NDR is monitored on a regular basis and reminders are issued on a regular basis in respect of non-payments. Performance is monitored on a monthly basis and reported on a quarterly basis.

Creditors:-

A monthly report is produced for the monitoring of creditor levels and the timeliness of payments to suppliers.

8.6 Procedures for Banking of Funds

The Authority's financial regulations state that any money received by an employee on behalf of the authority is paid without delay to the Chief Financial Officer or representative or, as they direct, to the Council's bank account and is properly recorded by the issue of a receipt or controlled ticket or by direct entry into a receipting system.

8.7 Practices concerning Prepayments to obtain Benefits

The Authority has no formal arrangement in place. However, in certain circumstances, where such opportunities arise and where prepayment may be of particular benefit to the Authority then prepayment may be sought and authorised by the responsible officer.

TMP9 Money Laundering

- 9.1 Money laundering has the objective of concealing the origin of money generated through criminal activity. The regulations concerning money laundering changed with effect from 15th December 2007 with the implementation of The Money Laundering Regulations 2007. The related legislation to these regulations are The Terrorism Act 2000; The Anti-Terrorism, Crime and Security Act 2001; and The Proceeds of Crime Act 2002.
- 9.2 Local authorities are not bound by the Money Laundering Regulations 2007 but are bound by the Proceeds of Crime Act 2002. As such, local authorities are not required to appoint a Money Laundering Reporting Officer, but only a nominated officer who carries out anti-money laundering duties as per The Proceeds of Crime Act 2002.
- 9.3 The Proceeds of Crime Act 2002 established the main offences relating to money laundering. In summary these are:-
- concealing, disguising, converting, transferring or removing criminal property from England, Wales, Scotland or 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 Proceeds of Crime Act 2002 include:-

- failure to disclose money laundering offences
 - tipping off a suspect, either directly or indirectly
 - doing something that might prejudice an investigation e.g. falsifying a document.
- 9.4 The Terrorism Act 2000 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.
- 9.5 The Authority 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 and, accordingly, it has embraced the underlying principles of the Money Laundering Legislation and has put in place and will maintain the following policies, procedures and reporting arrangements appropriate with its activities:-
- i. the appointment of a responsible officer to whom suspicions of money laundering must be reported by staff – this officer is known as the Proceeds of Crime Reporting Officer and is the s151 officer of the Authority
 - ii. ensure that the responsible officer is fully aware of his/her responsibilities and the duty to notify the National Crime Intelligence Service in appropriate circumstances
 - iii. instruct staff to refuse to accept any cash payments in excess of £5,000 (except with the express authorisation of the Authority's s151 officer) and put a notice to this effect in all cash offices

- iv. train relevant staff and raise awareness amongst the persons most likely to be affected by these matters.

9.6 Procedures for Establishing Identity/Authenticity of Lenders

It is not a requirement under the Proceeds of Crime Act 2002 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 Public Works Loan Board, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000: a register of such institutions is maintained by the Financial Services Authority.

9.7 Methodology for Identifying Sources of Deposit

In the course of its Treasury Management 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 Public Works Loan Board, the Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000: a register of such institutions is maintained by the Financial Services Authority.

TMP10 Staff Training and Qualifications

10.1 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: -

- treasury management staff employed by the Authority
- 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. All treasury management staff are required to be members of an appropriate professional body and, in line with the continuing professional development requirements of these professional bodies, 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 is also provided on the job and it is the responsibility of the Head of Finance and Accountancy Manager to ensure that all staff under his/her authority receive the level of training appropriate to their duties.

10.2 Details of Approved Training Courses

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

10.3 Records of Training received by Treasury Staff

As required by their relevant professional bodies, treasury management staff will maintain records of training they receive.

10.4 Approved Qualifications for Treasury Staff

It is the Authority's policy that the Treasury Manager and the Senior Accountancy Assistants are qualified to at least AAT level.

The Principal Accountant (Technical Support) must be a fully qualified accountant.

CIPFA introduced a Treasury Management qualification commencing in September 2009 and relevant Treasury Management staff will be encouraged to complete this qualification.

10.5 Record of Secondment of Senior Management

There is no formal policy for this as the situation does not arise.

10.6 Statement of Professional Practice

1. Where the Chief Financial Officer 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.
2. Other staff involved in Treasury Management activities who are members of

CIPFA must also comply with the SOPP.

10.7 Member training records

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

10.8 Members charged with governance

Members charged with governance have a personal responsibility to ensure that they have the appropriate skills and training for this role.

TMP11 Details of Contracts with Service Providers including Bankers, Brokers, Consultants and Advisers

11.1 The 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 the Authority, especially in terms of being objective and free from conflicts of interest.

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

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

- the quality financial press
- market data
- information on government support for banks and the credit ratings of that government support.

11.2 Banking Services

- | | |
|--|---------------|
| a) Name of supplier of service | HSBC Plc |
| b) Contract commencement date | 1st June 2011 |
| c) Contract end date | 31st May 2014 |
| d) The cost of the service varies as it is on a turnover basis. However, the rates are fixed for the term of the contract. | |
| e) Charges are made monthly | |
| f) There are no specific terms for early termination of the contract. | |

11.3 Money-broking services

The Authority uses money broking services to make some deposits and/or to borrow, and charges for all services are established prior to using them. Brokers are used on a rotatory basis in order to achieve fairness and the most favourable rates.

The Authority uses the following four brokers:-

- Tullett Prebon (Europe) Ltd.
- Tradition (UK) Ltd.
- Sterling International Brokers Ltd.
- Martin Brokers Ltd.

Additional brokers may be added to the list, if and when necessary, at the discretion of the Treasury Manager. All brokers are regulated by the Financial Services Authority under the provisions of the Financial Services and Markets Act 2000.

11.4 Treasury Consultants/Advisors Services

The Authority will 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.

a) Name of supplier of service	Sector Treasury Services Ltd.
b) Contract commencement date	1st April 2010
c) Contract end date	31st March 2013
d) Cost of service	Fixed rate fee - index linked
e) Payments are due half-yearly	

11.5 Leasing Consultancy Services

a) Name of supplier of service	Sector Treasury Services Ltd.
b) Contract commencement date	1st September 2010
c) Contract end date	31st August 2013

11.6 External cash/fund management services

It is not the Authority's current policy to engage the services of cash/fund managers.

11.7 Credit-rating agencies

The Authority receives a credit rating service through its treasury management advisors, the cost of which is included in the annual fee.

11.8 Procedures and Frequency for tendering services

See TMP2.

The Authority is mindful of the requirements of the Bribery Act 2010 in its dealings with external providers.

TMP12 Corporate Governance

12.1 List of Documents to be made available for Public Inspection

- a) The Authority is committed to the principle of openness and transparency in its treasury management function and in all of its functions.
- b) It has adopted the CIPFA Code of Practice on Treasury management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.
- c) It also has regard for the Guidance on Local Government Investments issued by the Welsh Assembly Government and which are effective from 1st April 2010.
- d) The following documents are available on the Authority's website:

Treasury Management Policy Statement
Treasury Management Strategy Statement & Annual Investment Strategy
Minutes of Council / Cabinet / committee meetings

- e) The following documents are available for public inspection: -

Minimum Revenue Provision Policy Statement
Annual Treasury Review Report
Treasury Management monitoring reports

Annual accounts and financial instruments disclosure notes
Annual budget
3 Year Capital Plan

(If you wish to view any of these documents please contact the Treasury Management section of Finance on 01597 826348.)

APPENDIX A:

1. Interest Rate Exposure

The setting of upper and lower limits for interest rate exposures has the effect of creating ranges within which the Authority will limit its exposure to both fixed and variable interest rate movements.

As dictated by the Code of Practice this indicator for fixed and variable limits is calculated by looking at the net position between debt and investments as per the example below:

	£,000	£,000	£,000
Total at Fixed Rates	119,842	13,025	106,817
Total at Variable Rates	30,000	30,930	-930
Total	149,842	43,955	105,887
	%	%	%
Fixed Debt less investments (net position)	79.98%	29.63%	100.88%
Variable Debt less investments (net position)	20.02%	70.37%	-0.88%

The table above more clearly shows what the PI is trying to achieve in that the investments held in variable rate contracts easily outweigh those in fixed rates.

The current limits approved by Council on 2nd March 2011 are as follows:-

Fixed Limits: 40% to 140%
Variable Limits: -40% to 60%

2. Maturity Structure of Borrowing:

Local authorities are exposed to the risk of having to refinance debt at a time in the future when interest rates may be volatile or uncertain. This indicator is designed to assist authorities in avoiding large concentrations of fixed rate debt that has the same maturity structure and would therefore need to be replaced at the same time. It is recommended that the Authority sets upper and lower limits in each period as a percentage of its total borrowings.

The limits for 2011/12 approved by Council on 2nd March 2011 are as follows:-

	Upper Limit	Lower Limit
Under 12 months	40%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	50%	0%
10 years and above	100%	40%

3. Principal sums invested for periods longer than 364 days:

This indicator is used to demonstrate that the Authority has taken into account all the resources available for investment. This is to minimise the possibility that longer-term investments will need to be realised early which might have disadvantageous results. This indicator is also used to demonstrate that the Authority is not borrowing more than it needs to, or in advance of its needs, purely to profit through investment from the extra borrowing.

The limit for 2011/12 approved by Council on 2nd March 2011 is £10M.

4. Capital Financing Requirement

	Actual 31-Mar- 10 £000	Estimate 31-Mar- 11 £000	Estimate 31-Mar- 12 £000	Estimate 31-Mar- 13 £000	Estimate 31-Mar- 14 £000	Estimate 31-Mar- 15 £000
Non-HRA	173,551	174,956	177,779	183,870	185,515	183,575
HRA	16,083	15,431	14,854	16,506	21,657	26,944
Total	189,634	190,387	192,633	200,376	207,172	210,518

5. Authorised Limit for External Debt

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Borrowing	175.0	185.0	190.0	195.0
Other Long Term Liabilities	0.2	0.2	0.2	0.2
Total	175.2	180.2	190.2	195.2

6. Operation Boundary for External Debt

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Borrowing	159.0	167.0	173.0	179.0
Other Long Term Liabilities	0.2	0.2	0.2	0.2
Total	159.2	167.2	173.2	179.2

APPENDIX B:

Capital Expenditure

	Actual Spend 2009/10 £000	Budget 2010/11 £000	Revised Budget 2010/11 £000	Budget 2011/12 £000	Budget 2012/13 £000	Budget 2013/14 £000	Budget 2014/15 £000
Finance	29	524	442	5,009	2,533	1,678	2,834
Information & Customer Services	890	1,548	3,547	1,180	0	0	0
Human Resources	40	0	10	0	0	0	0
Local & Environmental Services	7,041	8,051	13,434	8,112	1,600	1,600	1,600
Central - Non Trading	9	0	0	0	0	0	0
Schools & Inclusion	6,866	13,756	14,928	24,851	8,040	2,405	2,000
Leisure & Recreation	1,121	3,982	3,057	1,363	15	15	15
Adult Services & Commissioning	353	654	1,499	299	0	0	0
Children's Services (CYPP)	118	250	150	125	0	0	0
Business & Performance Unit	17	0	1	0	0	0	0
Regeneration & Development	472	2,194	2,764	1,746	1,138	1,059	530
Housing & Public Protection	2,797	3,668	5,181	2,262	1,600	1,550	1,500
Non HRA	19,753	34,627	45,014	44,947	14,927	8,307	8,479
HRA	4,092	6,597	4,000	10,481	10,792	11,111	11,440
Total	23,845	41,224	49,014	55,428	25,719	19,418	19,919

APPENDIX C

POWYS COUNTY COUNCIL BANK and FINANCIAL TRANSACTIONS MANDATE

DESCRIPTION

SIGNATURE REQUIRED

Open chqs

Chief Financial Officer's Facsimile and One Manual

Crossed Chqs/Orders up to and including £9,975

Chief Financial Officer's Facsimile

Crossed Chqs/Orders from £9,975-01 up to and including
£19,950-00

Chief Financial Officer's Facsimile and Deputy Chief
Financial Officer's Facsimile

Crossed Chqs/Orders £19,950-01 and above

Chief Financial Officer's Facsimile and Deputy Chief Financial
Officer's Facsimile and Accountancy Manager's Facsimile
Signature

Authorised Signatories List for Bank and Financial Transactions:

Post:

Director of Finance & Infrastructure (Chief Financial Officer)
Head of Finance (Deputy Chief Financial Officer)
Accountancy Manager
Principal Accountant
Principal Accountant
Principal Accountant - Systems
Principal Management Accountant
Principal Management Accountant
Principal Management Accountant

Current

Postholder:

Geoff Petty
Clare Williams
Steve Cameron
Carl Leah
Dawn Richards
Sue Spencer
Sue Havard
Carol Cheeseman
Jane Thomas

APPENDIX D

Treasury Management Budget 2011/12:

	£
Employees	182,974
Transport	353,180
Supplies & Services	214,024
Interest Paid	7,412,648
Debt Management	6,000
Gross Expenditure	8,168,826
Interest Received	300,000
Gross Income	300,000
Net Expenditure	7,868,826

APPENDIX E:

CASH FLOW ANALYSIS - 2011/2012		pwlb 73.1k	pwlb 160.2	bank ch 4.2k					
				? 63K PAYROLL CHAPS?	?68k payroll	urgents			
	B/FWD	09/05/2011	10/05/2011	11/05/2011	12/05/2011	13/05/2011	C/FWD	TOTAL	
R.S.G.	xxxxxxxx	0	0	0	0	0	xxxxxxxx	0	
HBSUBSIDY	xxxxxxxx	0	0	0	0	0	xxxxxxxx	0	
9CWAG	xxxxxxxx	892	71	153	711	59	xxxxxxxx	1886	
AUTO CREDITS	xxxxxxxx	163	189	357	137	100	xxxxxxxx	946	
CTAX	xxxxxxxx	0	0	0	0	0	xxxxxxxx	0	
RENTS	xxxxxxxx	0	0	0	0	0	xxxxxxxx	0	
DEBTORS	xxxxxxxx	60	0	0	4	0	xxxxxxxx	64	
VAT	xxxxxxxx	0	0	0	0	0	xxxxxxxx	0	
INTEREST	xxxxxxxx	0	0	0	0	0	xxxxxxxx	0	
CAPITAL RECEIPTS	xxxxxxxx	0	0	0	0	0	xxxxxxxx	0	
MISCELLANEOUS B/FWD	237	126	111	0	0	0	xxxxxxxx	237	
MISCELLANEOUS	xxxxxxxx	36	37	168	240	167	223	871	
INCOME TOTAL		237	1277	408	678	1092	326	223	4004
CREDITORS B/FWD	104	2	3	70	25	4	0	104	
CREDITORS	xxxxxxxx	0	0	0	0	0	76	76	
CREDITORS BACS B/FWD	702	445	257	0	0	1	0	703	
CREDITORS BACS	xxxxxxxx	0	0	715	586	650	1319	3270	
HOUSING BENEFITS	2	1	1	0	0	0	32	34	
HOUSING BENEFITS BACS	12	12	0	6	0	0	786	804	
URGENT PAYMENTS B/FWD	0	0	0	0	0	0	0	0	
URGENT PAYMENTS	xxxxxxxx	0	0	0	0	0	0	0	
AUTO DEBITS	xxxxxxxx	88	166	70	16	68	0	408	
EXPENDITURE TOTAL		820	548	427	861	627	723	2213	5399
NET (+/-)	xxxxxxxx	729	-19	-183	465	-397	1990	-1395	
ESTIMATED BALANCE B/FWD	55774	0	0	0	0	0	0		
ESTIMATED BALANCE	xxxxxxxx	56503	56484	56301	56766	56369		56369	
NET TEMPORARY MONEY	-56010	-56010	-56735	-56705	-56495	-56960			
TEMP LENDING (-)	xxxxxxxx	-725	0	0	-465	0			
TEMP LENDING REPAYS (+)	xxxxxxxx	0	30	210	0	465			
TEMP BORROWING (+)	xxxxxxxx	0	0	0	0	0			
TEMP BORROWING REPAYS (-)	xxxxxxxx	0	0	0	0	0			
NET (+/-)	xxxxxxxx	-56735	-56705	-56495	-56960	-56495			
ESTIMATED BALANCE	xxxxxxxx	-232	-221	-194	-194	-126			
UNPRESENTED CHEQUES	xxxxxxxx	226	217	199	200	181			
C/FWD BALANCE	xxxxxxxx	-6	-4	5	6	55			
SUNDRY CREDITS	xxxxxxxx	1151.4	296.7	554	880.7	255			
COUNTY HALL CASHIER	xxxxxxxx	0	0	0	0	0			
OTHER LOCALS	xxxxxxxx	124.3	211	70.5	143.6	78.6			
AUTO DEBITS (-)	xxxxxxxx	-88	-165.9	-70.1	-15.8	-68			
TRNSFRS OUT TO OUR OTHER A/C'S(-)	xxxxxxxx	0	-1557.6	0	-2654.4	0			
TEMP LENDING (-)	xxxxxxxx	-725	0	0	-465	0			
TEMP BORROWING (+)	xxxxxxxx	0	0	0	0	0			
TEMP LENDING REPAYS (+)	xxxxxxxx	0	30	210	0	465			
TEMP BORROWING REPAYS (-)	xxxxxxxx	0	0	0	0	0			
RECS/SCH MEALS A/C'S	xxxxxxxx	-99.1	-1284.9	-520.5	-2631.4	-1900.8			
BALANCES B/FWD	-561.8	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx			
BALANCES:-	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx			
RECEIPTS A/C	xxxxxxxx	-340615	-1636259	-826510	-2875009	-2164900			
PAYMENTS A/C	xxxxxxxx	317469	1606681	804672	2025855	1353504			
SCHOOL MEALS A/C	xxxxxxxx	6429	15938	24387	29506	41828			
HOUSING BENEFIT A/C	xxxxxxxx	11074	9249	2547	825290	824625			
NET BALANCES	xxxxxxxx	-5643	-4391	5096	5642	55057			