

Great Aycliffe Town Council

Treasury Management Code of Practice



2018 Update

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Section 1 - Introduction and Statutory Background

- 1.1 Treasury management covers the borrowing and investment and cash flow activities of the Council and the effective management of risks in relation to these activities. Treasury management is an important element in the overall management of the Council's financial affairs.
- 1.2 The Council's treasury management activities are controlled by Schedule 1 of the Local Government Act 2003, in relation to Capital Finance for Parish and Community Councils.
- 1.3 The Council is also required by the Local Authorities Capital Finance and Accounting (England Regulations 2003 to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) publications; the Treasury Management in the Public Services Code of Practice and the Prudential Code for Capital Finance in Local Authorities in relation to its treasury management activity.
- 1.4 Although there is no statutory requirement for town and parish councils to comply with the requirements of the CIPFA Treasury Management Code of Practice or Prudential Code for Capital Finance, it is considered good practice for the Council to operate its treasury management activities in accordance with these Codes as far as is considered relevant to the Council's circumstances.
- 1.5 The CIPFA Treasury Management Code of Practice identifies three key principles:-
 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.*
 2. *Their policies and practices should make clear that the effective management and control of risk are prime objectives for 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.*
 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, treasury management policies and practices should reflect this. In balancing risk against return, local authorities should be more concerned to avoid risks than to maximise returns.*
- 1.6 The Council will adopt the above statements as the overriding principles for this Treasury Management Code of Practice.

- 1.7 The CIPFA Treasury Management Code of Practice also requires the Council to create and maintain, as the cornerstones for effective treasury management:-
- *A treasury management policy statement, stating the policies, objectives and approach to the risk management of the Council's treasury management activities; and*
 - *Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control treasury management activities.*
- 1.8 The purpose of the Council's Treasury Management Code of Practice is to comply with the above requirements and put in place a framework setting out the formal treasury management policy statement and practices, which will ensure the effective management and control of the Council's treasury management activities.
- 1.9 The approval and implementation of this Code of Practice will also support the Council in the achievement of Strategic Aims 1 and 2 from the Parish Performance Plan, which are:-
- "To provide good quality governance and management of the Council"*
- "To manage the Council's finances and assets in a responsible manner".*
- 1.10 The Council's Policy and Resources Committee will be responsible for approving this Code of Practice, as well as receiving all reports on treasury management activity, and approving any decisions in relation to treasury management e.g. new borrowing and investments.
- 1.11 Information on the Council's treasury management activity each year will be regularly reported to the Policy and Resources Committee and considered as part of the approval of the annual Statement of Accounts, Medium Term Financial Plan, Revenue and Capital Budget, and the quarterly Budgetary Control Reports.
- 1.12 The Council's annual Treasury Management Strategy will be reviewed each year and included within the Council's five year Medium Term Financial Plan, which is updated every year.
- 1.13 Responsibility for the implementation and regular monitoring of the Council's treasury management policies and practices and for the execution and administration of treasury management decisions in accordance with this Code of Practice, will be delegated to the Finance Manager who, as a CIPFA Member, will act in accordance with the CIPFA Standard of Professional Practice on Treasury Management.
- 1.14 The Internal Auditor will be responsible for ensuring that the requirements of the Council's Financial Regulations and this Code of Practice in relation to treasury management activity are followed, and that an annual audit of treasury management is undertaken.

Section 2 - Treasury Management Policy Statement

2.1 The CIPFA Treasury Management Code of Practice recommends that the following treasury management policy statement is adopted by the Council to define the policies and objectives of its treasury management activities:-

1. The Council defines its treasury management activities as:

“The management of the organisation’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 Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.

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

2.2 The Council will adopt the above as its Treasury Management Policy Statement for this Treasury Management Code of Practice.

Section 3 - Treasury Management Practices

3.1 The CIPFA Treasury Management Code of Practice makes specific recommendations concerning the practices that the Council should formally adopt as providing the framework within which the Council will achieve the objectives set out in the Treasury Management Policy Statement.

3.2 These Treasury Management Practices (TMPs) prescribe how the Council will manage and control its treasury management activities.

3.3 The Code of Practice sets out twelve Treasury Management Practices (TMPs) that the Council must consider and formally adopt:-

TMP1 Risk Management

TMP2 Best Value and Performance Measurement

TMP3 Decision Making and Analysis

TMP4 Approved Instruments, Methods and Techniques

TMP5 Organisation, Clarity and Segregation of Duties

TMP6 Reporting Requirements

TMP7 Budgeting, Accounting and Audit Arrangements

TMP8 Cash and Cash Flow Management

TMP9 Money Laundering

TMP10 Staff Training and Qualifications

TMP11 Use of External Service Providers

TMP12 Corporate Governance

3.4 Each Treasury Management Practice (TMP) is covered individually in the following sections of the Code of Practice, including a description of the systems and routines that are expected to be employed, the records to be maintained, and how the Council will ensure that it meets the requirements of the TMP, as far as each TMP is relevant to the Council's own circumstances.

TMP1 - Treasury Risk Management

The Finance Manager will design, implement and monitor all arrangements for the identification, management, monitoring and control of treasury management risk.

The following areas of treasury management risk need to be managed and controlled:-

1. Credit and Counterparty Risk

This is the risk of failure by a third party to meet its contractual obligations to the Council under an investment or borrowing arrangement, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental impact on the Council's finances.

The Council regards a key objective of its treasury management activities to be the security of its investments.

Accordingly the Council 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 activity to the instruments, methods and techniques listed in TMP4 Approved Instruments.

As such, investments will only be made with those counterparties approved by the Council and only investments with an AAA credit rating will be used, thereby minimising exposure to credit and counterparty risk.

The Council outstanding borrowing is currently all held with the Public Works Loan Board (PWLB) and any new borrowing would also be undertaken via the PWLB. Credit and counterparty risk in relation to outstanding borrowing is therefore considered to be very low.

Any proposed changes to the Council's borrowing or investment arrangements would be subject to the requirements of this Code of Practice and the approval of the Council and would therefore ensure that credit and counterparty risk was taken into account.

2. Liquidity Risk

This is the risk that cash will not be available when it is needed or that ineffective management of liquidity creates unbudgeted costs which would compromise the Council's service objectives.

The Finance Manager will ensure that the Council has adequate, though not excessive, cash resources available in order to ensure the necessary level of funds for the achievement of its service objectives.

This will be achieved via the production and regular monitoring of a cash flow forecast. Provision will be made for future receipts and payments based on income and expenditure profiles and past experience in order to anticipate cash flow within the Council's bank accounts on a month to month basis.

The Finance Manager and Senior Accountancy Assistant will ensure that the balances held in the Council's bank accounts at the close of business each

working day are held at a level in order to avoid the risk of overdraft penalties and meet day to day cash flow requirements.

Transfers between bank accounts and investments will be made as and when required to ensure that sufficient resources are available.

The Council does not therefore have or require an approved overdraft facility.

The Council's Financial Regulations and supporting financial policies ensure that proper procedures and controls are in place around management of cash and bank accounts, while work of the Internal Auditor ensures that the risk of fraud or error is minimised.

Finally, the Council also has in place appropriate insurance arrangements and fidelity guarantee facilities in order to mitigate any remaining risk in relation to fraudulent losses in relation to its cash balances.

Exposure to liquidity risk is therefore minimised.

3. Interest Rate Risk

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

All of the Council's current outstanding borrowing is made up of Public Sector Loans Board annuity loans which are on fixed interest rates and not therefore liable to fluctuation.

It is highly likely that any future borrowing would be undertaken on a similar basis i.e. fixed rate annuity loans. However, where relevant, the Council would take into account the implications of any potential fluctuations in interest rates in the consideration of future borrowing decisions.

The current rates of interest available on the Council's investments are taken into account in cash flow forecasts and budget monitoring during the year.

An estimate of the likely future rates of interest available on the Council's invested balances is taken into account in the setting of the Council Revenue Budget each year and in the Medium Term Financial Plan.

Exposure to interest rate risk is therefore minimal.

4. Exchange Rate Risk

This is the risk that fluctuations in exchange rates create an unexpected or unbudgeted burden on the Council's finances against which the Council has failed to protect itself adequately.

The Council does not deal with foreign currency, so is not exposed to exchange rate risk.

5. Refinancing Risk

This is the risk that maturing borrowings cannot be refinanced on terms that reflect the provisions made by the Council for those refinancings, both capital and revenue.

The revenue costs to the Council of the current levels of outstanding borrowing are closely monitored and reviewed and integrated into the Council's financial planning processes.

Rescheduling or early repayment of debt would only be considered where it was financially advantageous for the Council to do so.

In relation to early repayment of debt, a number of factors would need to be considered including whether sufficient balances and reserves were available to facilitate the early repayment, the savings that would be achievable in principal repayments and interest, and the premiums and discounts that would be incurred or receivable from the early repayment of the debt.

Rescheduling of debt would only take place if a material cash saving could be made while at the same time reducing the interest rate on the outstanding borrowing, and would be made at the time when the difference between the refinancing rate and the redemption rate is considered most advantageous.

Exposure to refinancing risk is therefore minimised.

6. Legal and Regulatory Risk

This is the risk that the Council, fails to act in accordance with its legal powers or regulatory requirements in relation to its treasury management activities, and that the Council suffers losses as a result.

The treasury management activities of the Council shall comply with the following legal statute and regulatory requirements as far as is relevant to the size and scope of the Council's circumstances:-

- Schedule 1 of the Local Government Act 2003 (Capital Finance for Parish and Community Councils);
- CIPFA Prudential Code for Capital Finance in Local Authorities 2013;
- CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2011.

The Council conducts much of its treasury management activity with the Public Sector Loans Board, Public Sector Deposit Fund and Barclays Bank, all of which who are regulated by the Financial Services Authority under the provisions of the Financial Services and Markets Act 2000.

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

The preparation, adoption and maintenance of this Code of Practice for the Council will also help to ensure that legal and regulatory risk is minimised.

7. Fraud, Error and Corruption, and Contingency Management Risk

This is the risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error and corruption in its treasury management activities and fails to employ suitable systems and procedures and maintain effective contingency management arrangements.

Loans and investment procedures and delegated authority to Officers are set out in the Council's Financial Regulations and in this Code of Practice.

The Council also has in place an Anti-Fraud and Corruption Policy setting out the Council's framework for preventing and detecting fraud and corruption and the procedures for the reporting and investigation of suspected fraud.

The Internal Auditor is responsible for ensuring that the requirements of the Council's Financial Regulations and this Code of Practice in relation to treasury management activity are followed and that an annual audit of treasury management is undertaken.

Detailed records of loans and investments and bank accounts are maintained and regularly reconciled to actual balances held. Bank reconciliations are carried out on a monthly basis.

Access to the Council's bank accounts is made electronically via the internet banking system provided by Barclays Bank, and is limited to the four named officers on the Council's bank mandate and password protected. The current mandate of four signatories is approved by the Council and held by the bank.

All payments and transfers of cash between bank accounts are authorised.

In the event of a failure in the electronic system, there is a contingency arrangement with the bank whereby cash balances can be obtained and cash transfers can be authorised verbally but only by approved staff known to the bank personnel. Salaries and wages can be paid by faxing the information to the bank for remote processing.

Segregation of duties is practised as far as possible within the limits of the small size of the Finance section.

The Council also has "fidelity guarantee" insurance cover in place which covers the loss of cash by fraud or dishonesty of employees up to a maximum of £1 million in respect of the four officers on the bank mandate.

The above measures ensure that the risk of fraud, error and corruption is minimised and that proper contingency management plans are in place.

8. Market Risk

This is the risk that through adverse market fluctuations in the value of the principal sums that the Council borrows or invests, its stated treasury management policies and objectives are compromised

The Council does not have any borrowings or investments where the capital value may fluctuate and is not therefore exposed to market risk.

TMP2 - Value for Money and Performance Measurement

The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance measurement, wherever relevant, in support of that aim.

The Council's treasury management function is currently undertaken by the Finance Manager, supported by the Senior Accountancy Assistant.

Due to the small size of the Council and the associated treasury management activity, the Council does not currently employ the services of money brokers, treasury management consultants or external fund managers.

However, should any external treasury management support be required in the future, any contracts would be advertised and awarded in line with the Council's approved Standing Orders for Contracts. Contract periods would vary depending on the services being procured.

Banking services will be reviewed regularly to ensure that they continue to meet the Council's needs and provide value for money and the Council will test the market as and when considered necessary.

The Council's treasury management performance will be measured through the production and approval of this Code of Practice and compliance with the CIPFA Code of Treasury Practice.

Treasury management activity will be regularly monitored and reported to the Council as part of the annual Statement of Accounts, Medium Term Financial Plan, Revenue and Capital Budgets and Budgetary Control Reports.

Due to the relatively small scale of the Council's treasury management activities, it is not recommended that the Council monitors performance against CIPFA's Prudential Indicators for Treasury Management, as the vast majority of these indicators are not relevant.

The following performance measures are considered relevant to the Council's treasury management performance and may be calculated from time to time, if required, for benchmarking purposes:-

- 1. Total Interest Payable as a percentage of Long Term Loans Outstanding*
- 2. Average Rate of Interest earned on Investments*

TMP3 - Decision Making and Analysis

The Finance Manager will maintain full records of the Council's treasury management activities and any treasury management decisions, and of the processes and practices applied in reaching those decisions.

Treasury Management Records

The Finance Section will maintain the following records:-

- Bank statements;
- Bank reconciliations;
- Barclays internet banking system transactions and transfers;
- Cash book reconciliations from the Opera 3 Financial Management System;
- PWLB Loan Schedules;
- PWLB correspondence; and
- Investment confirmations from Barclays Bank and the Public Sector Deposit Fund.

Treasury Management Processes

The following processes and reconciliations will be carried out:-

- Daily review of cash flow and bank balances using the Barclays internet banking system;
- Monthly cash book and bank account reconciliations;
- PWLB Loans Schedules to be updated annually and all repayments properly posted up to the Opera Financial Management System;
- Regular monitoring, checking and posting to the Opera Financial Management System of bank charges and interest receivable; and
- Regular review of opportunities for debt rescheduling.

Treasury Management Decision Making

In respect of all future treasury management decisions, the Council will:-

- Take full account of the risks to which the Council may be exposed;
- Be certain about the legality of the decision;
- Ensure that the decision is fully documented and evidenced;
- Check the value for money and affordability of the decision; and
- Consider the ongoing revenue liabilities or benefits created and the implications for future budgets.

The Council will use treasury management consultancy where relevant, to ensure that the above objectives are achieved.

TMP4 - Approved Instruments, Methods and Techniques

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in this Code of Practice, taking into account the risks defined in TMP1 - Risk Management.

The approved activities of the treasury management operation are as follows:-

- Borrowing
- Investments
- Early repayment or rescheduling of debt
- Managing cash flow
- Banking arrangements
- Leasing arrangements
- Managing and reviewing treasury management risk
- Reviewing treasury management techniques

Approved Instruments for Investments

The Council's approved methods and instruments for investments will be:-

- **Fixed term deposits with the Council's bank**
- **High interest bank accounts with the Council's bank**
- **The Public Sector Deposit Fund**

Local councils have the power to invest surplus funds for "*any purpose relevant to its functions or for the purpose of prudent financial management*".

Section 15(1) of the Local Government Act 2003 requires local authorities to have regard to the Statutory Guidance on Local Government Investments issued by the Department for Communities and Local Government (DCLG) where total investments exceed a value of £500,000.

The guidance recommends that the council prepares an investment strategy setting out policies for the '*prudent investment of funds that it holds on behalf of the local community*'.

The investment strategy must give priority firstly to the security (the protection from potential loss) of those investments and, secondly, to their liquidity (the availability of the money when required) and lastly, once proper levels of security and availability have been secured, to the yield.

It identifies the procedures for monitoring, assessing and mitigating the risk of loss of the invested sums and for ensuring that such sums are readily accessible for expenditure whenever needed.

The Council's investment strategy is set out in this Treasury Management Code of Practice with the overriding priorities being the security and liquidity of the public money invested.

Responsibility for the investment of surplus balances lies with the Finance Manager and is subject to the approval of Policy and Resources Committee. Any changes to the Council's investment arrangements would need to be reported to the Policy and Resources Committee and approved by the Council.

All investments of money under the control of the Council will be in the name of Great Aycliffe Town Council.

As highlighted above, the Council's approved methods of investment are short term treasury deposits, high interest bank accounts, term deposits with banks and building societies, and the Public Sector Deposit Fund, all of which offer high security and liquidity.

Approved Instruments for Borrowing

The Council's approved method and instrument for borrowing will be:-

- **Public Sector Loans Board (PWLB) Loans**

The Public Sector Loans Board is a government department that makes finance available to local authorities at government borrowing rates.

All borrowing will be taken out in the name of Great Aycliffe Town Council and will be made up of fixed interest rate loans so as not to subject the Council to the risks associated with interest rate fluctuation.

Responsibility for the approval of any new external borrowing and any rescheduling of existing borrowing lies with the Council and would be based on advice provided by the Finance Manager.

The Council would need to obtain a borrowing approval from the Department for Communities and Local Government before taking up any new borrowing.

An application form should be submitted via the County Durham Association of Local Councils (CDALC), and, if approved, DCLG will send the Council a borrowing approval letter which will set out a number of conditions that need to be fulfilled, specify how much the council can borrow, and the maximum term of the loan. Loans would only generally be approved for specific capital investment purposes and not merely as a way of replenishing Council balances.

However, the Council recognises that there are many other methods of raising resources for capital financing, other than borrowing, including use of Council Balances and Reserves, Government and EC grants, Lottery funding, leases and capital contributions from other partners and stakeholders.

Wherever possible the Council will seek external funding towards capital programme projects and would only consider further borrowing if no other funding was available.

The Medium Term Financial Plan does not anticipate any further borrowing over the next 5 years.

TMP5 - Organisation, Clarity and Segregation of Responsibilities

The Council considers it essential, for the purposes of effective control 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 an integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The key principle on which this is based is that there must be 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.

Council Responsibilities

The Council is responsible for:-

- Setting treasury management policy via the approval of the Council's Treasury Management Code of Practice.
- Receiving and reviewing reports on treasury management activities throughout the year.
- Approving all new treasury management decisions e.g. borrowing.

Town Clerk Responsibilities

- Ensuring that the Finance Manager reviews and monitors compliance with the Treasury Management Code of Practice and regularly reports treasury management activity to the Council.

Finance Manager Responsibilities

The Finance Manager, supported by Finance staff, is responsible for:-

- Reviewing and updating this Code of Practice;
- Monitoring of compliance with this Code of Practice by internal audit;
- Reporting treasury management decisions and issues to the Council;
- Administration and recording of all treasury management decisions;
- Execution of treasury management transactions;
- Maintaining records of loans and investments;
- Managing cash flow on a daily basis;
- Managing the Council's bank accounts including weekly reconciliations;
- Ensuring segregation of treasury management duties;
- Reviewing treasury management performance;
- Receiving and reviewing all internal and external audit reports; and
- Recommending the use of external treasury management consultants.

It must be acknowledged that due to the small size of the Finance Section, the achievement of clear segregation of duties in relation to the administration of the treasury management function is not possible at all times. However, the Finance Manager will ensure as far as possible that clear segregation of duties and responsibilities is achieved.

TMP6 - Reporting Requirements

The Finance Manager will report on all borrowing, investment and cash flow activity during the year as part of the quarterly Revenue and Capital Budgetary Control Reports and also at the start and end of each financial year in the annual Revenue and Capital and Budgets and Statement of Accounts.

The Council's Treasury Management Strategy will also be considered and reviewed every year during the review and update of the Council's Medium Term Financial Plan.

The Treasury Management Strategy will set out the specific expected treasury management activities for the following five year period, including any proposed changes to the Council's borrowing and investment arrangements.

The treasury management function will continue to be reviewed each year by the Council's Internal Auditor and the outcome of the review will be reported to the Council's Audit Sub Committee.

The Treasury Management Code of Practice will be reviewed as and when required e.g. if the legislation controlling treasury management activity is changed, or if there was a significant change in the Council's circumstances e.g. following local government reorganisation, and any amendments would be reported to and subject to approval by Council.

TMP7 - Budgeting, Accounting and Audit Arrangements

Budgeting for Treasury Management

The Finance Manager will prepare an annual Budget for all revenue costs and income associated with the Council's treasury management activities, within the Capital Financing Charges Budget, which will be approved by Council as part of the annual budget setting process.

The Finance Manager will exercise effective control over this budget during the year and will report upon progress during the year via the quarterly Budgetary Control Reports to the Policy and Resources Committee.

Any changes to the Council's treasury management arrangements or treasury management decisions will be reported in accordance with TMP6 Reporting Requirements.

All transactions relating to treasury management e.g. loan repayments, interest paid and received etc will be properly recorded in the Council's financial management system and year-end accounts.

Accounting for Treasury Management

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

The Council's Statement of Accounts is currently drawn up in accordance with Part 4 of Governance and Accountability for Local Councils – A Practitioners Guide (England) 2010 which is based around the accounting requirements set out in the Financial Reporting Standard for Smaller Entities 2015 (FRSSE).

In relation to accounting for treasury management activities, the Council has adopted within this Code of Practice, the principles set out in CIPFA's Treasury Management in the Public Services – Code of Practice and Cross Sectoral Guidance Notes.

Audit Arrangements

The treasury management function will be audited at least once a year by the Council's Internal Auditor.

The Council will ensure that its internal and external auditors, and those charged with regulatory review, have access to all information and working papers surrounding the activities of the treasury management function, as is necessary to ensure the fulfilment of their roles, and that such information complies with approved practices.

Such information will include the loans register, bank statements, investment records, treasury management reports to Council etc.

TMP8 - Cash and Cash Flow Management

All monies in the hands of the Council are the responsibility of the Finance Manager and will be aggregated for cash flow and investment purposes.

Cash flow projections will be prepared on a regular basis, and the Finance Manager will ensure that these are adequate for the purposes of monitoring and managing liquidity risk as set out in TMP1.1.

A formal cash flow forecast for the financial year will be prepared annually following the approval of the Council's Revenue and Capital Budget and further cash flow forecasts will be produced throughout the year as necessary.

In addition cash and bank balances will be monitored on a monthly basis via the bank reconciliations and budgetary control process and on a weekly and daily basis through the management of the Council's bank accounts.

Any material changes in income and expenditure levels and payment and receipt dates will be taken into account in managing cash flow arrangements.

The Finance Manager will ensure that the Council has adequate, though not excessive, cash resources available in order to ensure the necessary level of funds for the achievement of its service objectives

This will largely be achieved via the production of the cash flow forecast. Provision will be made for future receipts and payments based on income and expenditure profiles and past experience in order to anticipate cash flow within the Council's bank accounts. Transfers between bank accounts will be made as and when required to ensure that sufficient resources are available.

The Finance Manager and Senior Accountancy Assistant will ensure that the balances held in the Council's bank accounts at the close of business each working day are held at a level in order to avoid the risk of overdraft penalties and meet day to day cash flow requirements.

Cash flow forecasts will use the following sources of information:-

- a) Twice yearly Precept and Council Tax Support Grant payment dates;
- b) Pre-school funding payment dates;
- c) Expected payment dates for any other external contributions due;
- d) Budgeted income profiles for fees and charges;
- e) The salaries and wages budget model;
- f) Schedule of payroll payment dates;
- g) Expenditure budget profiles;
- h) Weekly creditor payment schedules;
- i) Estimated Capital Programme Budget timetables;
- j) PWLB loan repayment schedules;

Regular reconciliations of the Council's bank accounts will be undertaken to ensure that all transactions have been properly recorded in the Council's Financial Management System.

Transfers between bank accounts and investments will be made as and when required to ensure that sufficient resources are available.

The Council does not therefore have or require an approved overdraft facility.

The Council's Financial Regulations and supporting financial policies ensure that proper procedures and controls are in place around management of cash and bank accounts, while work of the Internal Auditor ensures that the risk of fraud or error is minimised.

Finally, the Council also has in place appropriate insurance arrangements and fidelity guarantee facilities in order to mitigate any remaining risk in relation to fraudulent losses in relation to its cash balances.

TMP9 - Money Laundering

The Council is alert to the possibility that it may become subject to an attempt to involve it in a transaction involving the laundering of money.

The Council will maintain procedures as far as is practicable for verifying and recording the identity of counterparties and will report any suspected instances of money laundering in accordance with the Money Laundering Regulations 2003.

However, it should be stressed that the vast majority of the Council's cash taking activities are limited in nature, involve relatively small amounts of money and are generally from sources well known to the Council.

No cash payments taken by the Council exceed the 15,000 Euros de-minimus limit set out in the Regulations.

Therefore the requirements of the Regulations do not apply to the majority of the Council's customers, unless the officer taking the cash payment has reasonable grounds to suspect money laundering activities.

In terms of the Council's borrowing and investment activities, all borrowing has been undertaken from the Public Sector Loans Board, while the Council's investments are held with Barclay Bank and the Public Sector Deposit Fund both of whom are authorised by the Financial Services Authority (FSA).

The only other large sums of money receivable to the Council will relate to grants and contributions from Government Departments or other local authorities and any capital receipts due from sale of assets. However in the vast majority of cases these monies will be paid by BACS or cheque and therefore it is the bank that will be required to comply with the Money Laundering Regulations.

In the unlikely event of any significant cash receipts, the payment will be properly scrutinised, evaluated and appropriate evidence gathered to ensure that the risk of involvement in money laundering is minimised.

In respect of payments made by the Council, all payments other than petty cash transactions will be made by either cheque or BACS, so again it is the bank that will be required to comply with the regulations.

TMP10 - Staff Training and Qualifications

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully trained and equipped to undertake the duties and responsibilities allocated to them.

The Finance Manager is CIPFA qualified and the Senior Accountancy Assistant is currently undertaking the CIPFA qualification.

Details of any further training needs including any treasury management related training will be identified on an annual basis.

The Finance Manager will also attend any Treasury Management seminars as considered appropriate in order to stay abreast of any changes to legislation or accounting practice.

TMP11 - Use of External Service Providers

The Council recognises that responsibility for making treasury management decisions remains with the Council at all times.

However, it also recognises the potential value in employing external providers of treasury management services, if required, in order to access specialist skills and resources.

The Council's treasury management function is currently all undertaken by the Finance Section. Due to the small scale of the Council and the associated treasury management activity, the Council does not currently employ the services of money brokers, treasury management consultants or external fund managers.

However, specialist treasury management consultancy may be utilised in the future if this was deemed necessary or appropriate.

At present the only external service providers used on a regular basis by the Council in respect of its treasury management activities are Barclays Bank who provide the Council's banking arrangements and hold some of the Council's investments, and the Public Sector Deposit Fund who hold the remainder of the Council's investments.

The Council operates the banking contract on a year to year basis and the costs of the service are variable depending on volumes of transactions, numbers of bank accounts etc.

The Public Sector Deposit Fund is used as and when relevant to invest the Council's short term cash flow resources.

TMP12 - Corporate Governance

The Council is committed to the pursuit of proper corporate governance throughout all of its service areas and to establishing efficient and effective principles and practices by which this can be achieved.

Accordingly, the treasury management function and its activities will be undertaken with openness, transparency, honesty, integrity and accountability at all times.

The Council has adopted and implemented the key recommendations of the CIPFA Treasury Management Code of Practice, which are considered vital to the achievement of effective corporate governance.

The Council will make available for public inspection the following key financial documents, all of which include sections on treasury management activity, in order to demonstrate the achievement of proper corporate governance:-

- Annual Statement of Accounts
- Annual Governance Statement
- Medium Term Financial Plan
- Annual Revenue and Capital Budgets
- Quarterly Budgetary Control Reports