

DRAFT
**TREASURY MANAGEMENT
PRACTICES**

Part 2: Schedules

2013 - 2016

Flintshire County Council

Treasury Management Practice Schedules 2013/14

TREASURY MANAGEMENT PRACTICES - SCHEDULES

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

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TMP1 RISK MANAGEMENT

1 Credit & Counterparty Policies

1. Criteria to be used for creating/managing approved counterparty lists/limits -
 - The Head of Finance will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising time, type, sector and specific counterparty limits.
 - Treasury Management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties. The complete list is available in the Strategy & Technical Section. It should be noted that not all of these counterparties will be used. This depends on whether they are in the market at the time of investment and whether they are offering competitive rates.
 - The Council will use credit criteria in order to select creditworthy counterparties for placing investments.
 - Credit ratings will be used as supplied from Fitch, Moody's and Standard & Poors credit rating agencies.
 - The minimum level of credit rating for an approved counterparty will be as follows: -

	<u>Cash Limit</u>	<u>Time Limit</u>	<u>Fitch</u>	<u>Moody's</u>	<u>S & P</u>
Banks, Building Societies and other organisations whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	£7m each, sum total of investments over 1 year will not exceed £20m	5 years	AAA	Aaa	AAA
		5 years	AA+	Aa1	AA+
		4 years	AA	Aa2	AA
		3 years	AA-	Aa3	AA-
		2 years	A+	A1	A+
		1 year	A	A2	A
	£5m	6 months	A-	A3	A-
The council's current account bank (NatWest Bank plc)	£5m	next day			
UK Building Societies with assets greater than £750m, which are either unrated by the credit rating agencies or have a minimum rating of BBB or equivalent and above	£5m each	3 months			
Money Market Funds ¹ and similar pooled vehicles whose lowest published credit rating is AAA	£7m each	1 year			
UK Central Government (irrespective of credit rating)	unlimited	5 years			
UK Local Authorities ²	£7m each	5 years			

¹ as defined in the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 ² as defined in the Local Government Act 2003

A definition of the ratings can be found in appendix A.

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- In addition, UK Building Societies without credit ratings or those which are lower rated will be considered to be of 'high credit quality', but subject to a lower cash limit (£5m) and shorter time period than higher rated building societies in the table above. The minimum asset size of the building society must be £750m. However, no investments will be made with building societies that hold a long term credit rating lower than BBB Fitch and Standard & Poors or Baa2 Moody's, due to the increased likelihood of default implied by this rating. Due to the strong regulatory framework to which building societies must adhere, the additional risk is minimised and widening the scope for investment will maximise the investment return available.
- The Council also has access to all UK local authorities, the Governments Debt Management Office (DMO) and AAA rated Money Market Funds (MMFs)
- The maximum period for investments will be 5 years.
- For rated banks and building societies, the maximum value for any one investment transaction will be £7 million or 25% of the total portfolio if balances fall below £30 million. For non-rated the limit will be £5 million or 10% of the total portfolio if balances fall below £30 million. The aim is to spread any risk over as many Counterparties as are available within the credit rating criteria.
- A group of financial institutions under the same ownership will be treated as a single organisation for limit purposes with a maximum limit of £7m.
- The maximum percentage of the portfolio which may be invested in the building society sector will be 60%.
- The approved counterparty list may include non UK registered counterparties from foreign countries with a minimum sovereign rating of AA+. The individual overseas country limit will be £10 million. Total Overseas % of investment portfolio will be 25% (Overseas banks do not include UK incorporated banks e.g. Clydesdale. Although they are subsidiaries of foreign banks they are incorporated in the UK, have substantial domestic operations and are subject to full oversight by the FSA.)
- The sector limits are shown below –

UK banks	100%
Building Societies	60%
Overseas Banks	25%
Money Market Funds	100%
Debt Management Office (DMO)	100%

2. Approved methodology for changing limits and adding/removing counterparties

Credit ratings for individual counterparties can change at any time. The Head of Finance is responsible for applying the stated credit rating criteria in 1.1 for selecting approved counterparties, and will add or delete counterparties as appropriate to / from the approved counterparty list when there is a change in

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the credit ratings of individual counterparties or in banking structures e.g. on mergers or take-overs. The Head of Finance will also adjust lending limits and periods when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or take-overs in accordance with the criteria in 1.1.

3. Details of Credit Rating Agencies' services or other services which provide current credit ratings and updates on changes.
 - Ratings from the three agencies are updated monthly by Arlingclose; however, they will provide immediate notification of any changes which affect Flintshire County Council counterparties. If a counterparty no longer meets the investment criteria, no further investments will be made with that counterparty and consideration will be given to recalling the monies. If a counterparty is being reviewed for a possible downgrade outside the criteria no more investments will be made.
 - Arlingclose will also inform the Head of Finance of any other market information that they have (e.g. Credit Default Swap prices, news reports and opinion, balance sheet analysis in the absence of credit ratings) which may require credit ratings to be overridden and no further investment to be made with that counterparty.

1.2 Liquidity

1. Amounts of approved minimum cash balances and short-term investments
 - The Council manages its cash balances on a daily basis, dependent upon cash flow demands. The objective is to achieve a balance of +/- £300,000 each day by means of temporary investments and borrowing. Temporary investments are cash flow driven with the objective of ensuring that future temporary borrowing is minimised.
2. Details of:
 - Standby facilities - Short-term borrowing undertaken.
 - Bank overdraft arrangements - authorised arrangement up to £300,000 overdrawn.
 - Short-term borrowing facilities - short term borrowing will be arranged for any overdrawn balance in excess of £200,000 through the money market if no call money is available.
 - Insurance/guarantee facilities - not required.
 - Other contingency arrangements - negotiations with the Council's bankers.
 - Call Accounts with limits of £7 million each (subject to ratings and sector limits).

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1.3 Interest Rate

1. Details of approved interest rate exposure limits -
 - The upper limit on fixed interest rate exposures is £200 million.
 - The upper limit on variable interest rate exposures is £40 million.
2. Trigger points and other guidelines for managing changes to interest rate levels –
 - This is monitored in conjunction with the Council's treasury advisers, Arlingclose and through the London money market on a daily basis.
 - The management of a balanced investment portfolio which retains a mix of long term investments (fixed rate) and shorter term (variable rate) investments which are variable to protect against interest risk.

1.4 Exchange Rate

Approved criteria for managing changes in exchange rate levels -

- The Council does not make payments or receive foreign currency in sufficient levels that warrant currency management e.g. hedging

1.5 Refinancing

1. Debt/other capital financing maturity profiling, policies and practices.
 - To manage the Council's debt maturity profile i.e. to leave no one future year with a high level of repayments that could cause problems in re-borrowing.
2. Projected capital investment requirements.
 - The borrowing requirement is determined as part of the Capital Programme.
3. Policy concerning limits on revenue consequences of capital financing.
 - This is part of the ongoing budget monitoring process

1.6 Legal & Regulatory

References to relevant statutes and regulations

- Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Head of Finance to be satisfied, by reference to the Monitoring Officer, the Authority's legal department and external advisors as appropriate, that the proposed transaction does not breach statute, external regulations or the

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Authority's Financial Procedures.

- The Council's legal powers and regulatory requirements come from –
 - ❖ Local Government Act 2003
http://www.opsi.gov.uk/acts/acts2003/pdf/ukpga_20030026_en.pdf
 - ❖ Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (and subsequent amending regulations)
http://www.opsi.gov.uk/legislation/wales/wsi2003/wsi_20033239_en.pdf
 - ❖ Welsh Government "Guidance on Local Government Investments"
<http://wales.gov.uk/topics/localgovernment/publications/guideinvest/?jsessionid=mp3KKnDTyn91SG3PQvIFrpqnBVTnlXvyGH1pynJcCpJg5n9hL0tP!514291769?lang=en>
 - ❖ CIPFA "Treasury Management in the Public Services Code of Practice"
 - ❖ CIPFA "Prudential Code for Capital Finance in Local Authorities"

Hard copies are available in the Strategy & Technical Section.

1.7 Fraud, error and corruption, and contingency management

1. Details of systems and procedures to be followed, including internet services.
 - These are documented in the Treasury Management Operational Guidelines.
2. Emergency and contingency planning arrangements
 - This process is currently under review.
3. Fraud, Error & Corruption.
 - There is a system of internal control in place to prevent and identify fraud and error.
 - Any issue identified will be immediately reported to the Head of Finance and Head of Internal Audit and subsequently to Audit Committee and Council.

1.8 Market Value of Investments

Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (Government Issue Long Term Stock - GILTS, Certificates of Deposit - CDs, etc.)

- No current investments are held where capital values may be influenced by market movements and fluctuate.

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TMP 2 PERFORMANCE MEASUREMENT

2.1 Performance Measurement

1. The Council's Treasury Management Consultants recommended the following for use as benchmarks against which to compare performance. For investments, the most commonly used benchmark is the 3 month London Inter-Bank Bid (LIBID) rate.
2. In the annual Treasury Management Out-turn Report, investment and borrowing rates are analysed against the above recommended rates and with previous years.
3. Health checks are undertaken by the Council's Treasury Management Consultants.
4. The Council is a member of CIPFA's benchmarking club on Treasury Management

2.2 Value for Money

Frequency for reviewing and tendering for the following services:

- Banking services - tendered every 5 years.
- Money-broking services - annual review.
- Treasury Consultant services – tendered every 3 years.
- External Cash Managers - none currently employed but this will be analysed as part of a continuous review.

2.3 Methods to be employed for measuring the performance of the organisation's Treasury Management activities

1. The Head of Finance will receive a monthly update on Treasury Management from the Finance Manager (Strategy & Technical).
2. The performance of treasury management will be reported quarterly to the Audit Committee and then to Cabinet and Council in the Mid-year Report and Annual Out-turn Report using the performance measures outlined in 2.1.

2.4 Benchmarks and calculation methodology:

1. Debt management:
 - Average rate on all external debt.
 - Average rate on external debt borrowed in previous financial year.
 - Average rate on internal borrowing.
 - Average period to maturity of external debt.
 - Average period to maturity of new loans in previous year.

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2. Investment:

The performance of investment earnings will be measured against the following benchmarks: -

- 3 month LIBID rate.
- Indicative rates provided by the CIPFA Benchmarking Club on Treasury Management.

TMP 3 DECISION-MAKING AND ANALYSIS

3.1 Funding, borrowing, lending and new instruments/techniques:

1. Records to be kept:

- These are documented in the Treasury Management Operational Guidelines. All records are kept to provide a full audit trail for all Treasury decisions.

2. Processes to be pursued:

- All reports on Treasury Management issues are submitted to the Head of Finance for decision making

3. Issues to be addressed:

- In respect of every decision made the Council will:
 - a. Above all be clear about the nature and extent of the risks to which the Council may become exposed
 - b. Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
 - c. Be content that the documentation is adequate both to deliver the Council's objectives and protect the organisation's interests, and to deliver good housekeeping
 - d. Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded
 - e. Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.
- In respect of borrowing and other funding decisions, the Council will:
 - a. Evaluate the economic and market factors that might influence the manner and timing of any decision to fund.
 - b. Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships.

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- c. Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.
 - d. Consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets.
- In respect of investment decisions, the organisation will:
 - a. Consider the optimum period, in the light of cash flow availability and prevailing market conditions.
 - b. Consider the alternative investment products and techniques available, especially the implications of using any which may expose the organisation to changes in the value of its capital.
4. Considerations to be made before each temporary borrowing and investment decision.
 - Borrowing
 - a. Are funds available in call accounts?
 - b. Arrange temporary borrowing through a broker for the shortest period of time at the lowest rate of interest available.
 - Investing
 - a. Establish funds available to be invested
 - b. Establish a maturity date using cash flow and Arlingclose's monthly investment strategy
 - c. Using the Ratings spreadsheet –
Check the limit for building societies (60% of portfolio)
Headroom available with each counterparty
 - d. Check the credit ratings and other market information available for the chosen counterparty.
 - e. Use a broker to find the highest rate of interest for the requirements above
 - f. If after the above, funds still cannot be placed and call accounts are full, then invest with DMO.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Approved activities of the Treasury Management operation

All borrowing is undertaken in accordance with the Local Government Act 2003 section 1 and all investments undertaken in accordance with section 12.

The approved activities are:

- borrowing;
- lending;

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- debt repayment and rescheduling;
- consideration, approval and use of new financial instruments and treasury management techniques;
- managing the underlying risk associated with the Council's capital financing and surplus funds activities;
- managing cash flow;
- banking activities;
- leasing.

4.2 Approved Instruments for Borrowing

All borrowings are undertaken in line with the following approved loan instruments -

- Public Works Loan Board (PWLB)
- European Investment Bank (EIB)
- Local Authorities
- Banks
- Building Societies
- Pension Funds
- Negotiable Bonds
- Stock Issues
- Internal sources
- Sterling commercial paper (for 7 days to 1 year)
- Sterling medium term notes (for 1 to 5 years)

4.3 Approved Instruments for Investments

The annual Treasury Management Strategy provides details of specified and non-specified investments and the maximum limits for each, as is required under Guidance issued by the Welsh Government. The approved investment instruments are -

- Fixed Term Deposits
- Certificates of Deposit
- Bank Accounts (Instant Access & Notice Accounts)
- Pooled Investment Vehicles (Such as Money Market Funds)
- U.K. Treasury Bills
- U.K. Government Bonds (Gilts)

4.4 Approved Techniques

- Forward dealing up to 364 days;
- Callable deposits.

4.5 Approved methods and sources of raising capital finance

Finance will only be raised in accordance with the Prudential Code for Capital

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Finance, and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet

Public Works Loan Board (PWLB)
European Investment Bank (EIB)
Local Authorities
Banks
Building Societies
Pension Funds
Stock issues
Negotiable Bonds
Internal sources (capital receipts & revenue balances)
Sterling commercial paper
Sterling medium term notes
Finance Leases

Off Balance Sheet

Deferred Purchase

Other Methods of Financing

Government and EC Capital Grants
Lottery monies
Private Finance Initiative (PFI)

All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Head of Finance has delegated powers through this Policy and the Strategy to take the most appropriate form of borrowing from approved sources.

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

5.1 Limits to Responsibilities/Discretion at Committee/Cabinet levels

1. County Council

The Council is responsible for:-

- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approval of annual policy and strategy.
- Approval of/amendments to the organisation's adopted clauses, treasury management policy and strategy.
- Budget consideration and approval.
- Approval of the division of responsibilities.

2. Cabinet

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The Cabinet is responsible for:

- Receiving reports from the Head of Finance informed by the deliberations of the Audit Committee on the implementation and regular monitoring of its treasury management policy, strategy and practices.
- Consideration of Treasury Policy and Strategy for approval by Council.

3. Audit Committee

The Audit Committee is responsible for –

- Reviewing the treasury management policy and practices and making recommendations to Cabinet.
- Receiving and reviewing regular monitoring reports.

5.2 Principles and practices concerning segregation of duties

Procedure	Regular	Trained in Absence
Cash Balances	Accounting Technician	Accounting Technician
Dealing and Limit Calculations	Accounting Technician	Accountancy Technician
Logotech	Accounting Technician	Accounting Technician
Dealing Check	Accounting Technician	Accounting Technician /Finance Assistant
Dealing Authorisation	5 Authorised Bank Signatories (Head of Finance, Corporate Finance Manager, 3 Finance Managers)	
Funds Transfer Operators	Finance Assistant	Finance Assistant
Funds Transfer Approval	Accountants	
Bankline System Administrators	Administration Manager	Business Support Officer

5.3 Statement of duties/responsibilities of each Treasury post

1. Head of Finance / Corporate Finance Manager –

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular treasury management policy and strategy reports.
- Submitting budgets and budget variations.

- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management.
- Ensuring the adequacy of treasury management resources and skills

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and the effective division of responsibilities within the treasury management function.

- Ensuring the adequacy of internal audit and liaising with external audit.
- Approving the selection of external service providers (within the Council's Contract Procedure Rules) and agreeing terms of appointment.

2. Finance Manager (Strategy & Technical)

- To deputise for the Head of Finance.
- To advise the Head of Finance in the discharge of his/her duties.
- Regularly review the Treasury Management function.
- Submitting management information reports to the Head of Finance.
- Drafting reports for Audit Committee, Cabinet and Council.
- Review a monthly report from the Technical Accountant on the performance of the Treasury Management function.

3. Technical Accountant

- Supervise treasury management staff.
- Review the draft report on the performance of the Treasury Management function.
- Identify and recommend opportunities for improved practices.
- Ensure that the day to day activities accord with the Treasury Management Policy Statement and Practices.

4. Accounting Technician

- Execution of transactions.
- Adhere to agreed policies and practices on a day-to-day basis.
- Maintain relationships with counterparties and external service providers.
- Draft reports for Audit Committee, Cabinet and Council.
- Produce cash flow projections and monitor performance.
- Report on the performance of the treasury management function.

5. Other Officers

- To deputise as necessary for the above posts, adhering to their duties and responsibilities.

5.4 Dealing Limits

As outlined in 1 - Credit and Counterparty Policies

5.5 List of Approved Brokers

Five approved brokers are currently used by the Council (see 11.2).

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- Garban Intercapital Limited
- Martin Brokers (UK) Plc
- Prebon Marshall Yamane (UK) Limited
- Tradition (UK) Ltd
- Sterling International Brokers Ltd

5.6 Policy on Brokers' Services

Reviewed annually.

5.7 Policy on taping conversations

No conversations are currently taped

5.8 Direct Dealing Practices

This is undertaken as and when required to maximise investment return

5.9 Settlement transmission procedures

Standard Settlement Instructions

5.10 Documentation Requirements

- Flintshire CC Treasury Management Policy Statement.
- Flintshire CC Treasury Management Annual Strategy.
- Flintshire CC Treasury Management Annual Outturn Report.
- Treasury Management Health checks.
- Loans and Treasury Management System Manual (LOGOTECH).
- Manual Diary and Cash Flow Statement (LOGOTECH).
- Money Market Dealing Form.
- Loans Outstanding Form / Limit Calculations.
- List of Brokers and Telephone Numbers.
- Approved Counterparties (Regular update from Arlingclose).
- Outstanding and Matured Investments/Borrowing File.
- Previous TM Consultants Correspondence Files.
- Arlingclose Consultancy Services Correspondence File (TM Consultants).
- Treasury Management Operational Guidelines.
- Treasury Management (Long Term Borrowing) Operational Guidelines.

5.11 Arrangements concerning the management of third-party funds.

Third party funds are included in the net daily bank balance and the funds are utilised by the Council on that basis. Interest is paid as follows -

- Education Trust Funds – base rate, annually.
- Optec Youth Exchange Fund – average monthly rate, quarterly.
- Insurance Fund – average seven day rate, annually.

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- Education Delegated Fund – average seven day rate, annually.

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

6.1 Annual Treasury Management Strategy Statement

1. The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This Strategy will be scrutinised by Audit Committee, submitted to the Cabinet and then to the County Council Committee for approval before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this organisation may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.
3. The Treasury Management Strategy is concerned with the following elements:
 - the prospects for interest rates;
 - the limits placed by this organisation on treasury activities
 - the expected borrowing strategy;
 - the expected investment strategy;
 - the expectations for debt rescheduling;
 - any extraordinary treasury issue.
 - Treasury Management Indicators.
4. The Treasury Management Strategy will establish the expected move in interest rates (using all available information such as published interest rate forecasts where applicable).

6.2 Prudential Code for Capital Finance

1. In accordance with legislation, the Council is required to approve key indicators and limits for the Prudential Code for Capital Finance. These are listed below and reported in the Prudential Indicators Report.
 - Estimates of Capital Expenditure
 - Ratio of financing costs to net revenue stream
 - Incremental impact of capital investment decisions on council tax/housing rents
 - Capital financing requirement
 - Authorised limit for external debt
 - Operational Boundary for external debt

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The following are within the Treasury Management Code.

- Upper limit on fixed interest rate exposures
 - Upper limit on variable interest rate exposures
 - Upper and lower limits for maturity structure of borrowing
 - Limit for principal sums invested for periods longer than 364 days
2. The Head of Finance is responsible for incorporating the relevant limits for the Treasury Management Code into the Annual Treasury Management Strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Head of Finance shall submit the changes for scrutiny by the Audit Committee and recommendation by the Cabinet before submission to County Council for approval.

6.3 Annual Investment Strategy

The Welsh Government requires the documentation of an Annual Investment Strategy including the following:

- Specified Investments – Investments offering high security and liquidity
- Non-specified Investments – Investments with greater potential risk
- Investments which can be prudently committed for longer than 1 year.
- Credit Risk Assessment.
- Use of Investment Consultants.
- Investment Training.
- Investment money borrowed in advance of need.

6.4 Annual Report on Treasury Management Activity

An annual report will be presented to the Audit Committee, Cabinet and then the County Council at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following: -

- a comprehensive picture for the financial year of all treasury policies, plans, activities and results
- transactions executed and their revenue (current) effects
- report on risk implications of decisions taken and transactions executed
- monitoring of compliance with approved policy, practices and statutory / regulatory requirements
- monitoring of compliance with powers delegated to officers
- degree of compliance with the original strategy and explanation of deviations
- explanation of future impact of decisions taken on the organisation
- measurements of performance
- report on compliance with CIPFA Code recommendations

The report will be subject to review by the Audit Committee

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6.5 Mid-Year Review

A mid-year report will be presented to the Audit Committee, Cabinet and Council, which will include the following:

- activities undertaken
- variations (if any) from agreed policies/practices
- interim performance report
- regular monitoring
- monitoring of treasury management indicators for local authorities.

The report will be subject to review by the Audit Committee

6.6 Management Information Reports

The Technical Accountant will report management information to the Finance Manager (Strategy & Technical) monthly for review. The Finance Manager (Strategy & Technical) will report monthly to the Head of Finance/Corporate Finance Manager.

6.7 Presentation of Reports

As a minimum:

The County Council will receive:

- An annual report on the strategy and plan to be pursued in the coming year
- 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 organisation's Treasury Management Policy Statement and TMPs.

In addition to the above, the Audit Committee and Cabinet will receive regular monitoring reports on treasury management activities and risks. Audit Committee will also have responsibility for the scrutiny of treasury management policies and practices.

Treasury Management Indicators will be reported in the strategy.

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TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Statutory/ Regulatory Requirements

The Treasury Management part of the statement of accounts has been prepared in accordance with the accounting policies applicable to local authorities.

7.2 Accounting Practices and Standards

The accounts are prepared in accordance with the CIPFA Treasury Management in the Public Sector Code of Practice, supported by guidance notes on the application of accounting standards.

7.3 Budget Monitoring

The budget for treasury management activities is monitored on a monthly basis through the Central Loans and Investment Account (CLIA).

TMP 8 CASH AND CASH FLOW MANAGEMENT

8.1 Arrangements for preparing/submitting cash flow statements

Annual cash flow prepared before the start of the financial year and updated throughout the year.

8.2 Content and frequency of cash flow budgets

All known cash flow factors are included for the coming financial year.

8.3 Listing of sources of information

Correspondence from external organisations and internal departments, together with various information extracted from the Annual Budget Book.

External –

- Welsh Government
- North Wales Police Authority
- North Wales Fire Authority

Internal –

- Payroll
- Pensions
- Council Tax
- Creditors

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8.4 Bank statement procedures

All bank statement information is obtained electronically from the NatWest Bankline website.

8.5 Procedures for banking of funds

All day to day treasury management transactions are paid and received by the Clearing House Automated Payments System (CHAPS).

8.6 Cash Flow Management

Arrangements as detailed in section 3.1.4

8.7 Debtors and Creditors

Debtors and Creditors are monitored so that any significant moves can be prepared for. Creditors provide warning of payments 2 days in advance.

TMP 9 MONEY LAUNDERING

9.1 Procedures for establishing identity/authenticity of Lenders

1. The Council does not accept loans from individuals. All loans are obtained from the PWLB or from authorised institutions on the FSA Register which is a public record of financial service firms, individuals and other bodies which fall under its regulatory jurisdiction as defined in the Financial Services & Markets Act 2000 (FSMA). This Act came into force on 1st December 2001.
2. Any borrowing undertaken from the money markets is through money brokers, who are also authorised and regulated by the Financial Services Authority. This adds a further layer of protection as the broker vets the institutions involved in any transactions.

TMP 10 STAFF TRAINING AND QUALIFICATIONS

10.1 Details of approved training courses

1. Reviewed as part of the annual Employee Appraisal process. Arlingclose also provide training on treasury issues to staff when required.
2. Flintshire County Council is a member of the CIPFA Treasury Management Network. Treasury officers receive weekly updates from the Network and attend seminars organised by the Network, as required.

10.2 Records of training received by Treasury staff

All training is recorded on a departmental database.

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10.3 Approved qualifications for Treasury staff

All treasury officers are qualified to AAT Technician level as a minimum.

10.4 Training of Members

Audit Committee Members will receive a quarterly Treasury Management report and training will be given as required. Other Members will be invited to attend training and receive treasury reports as outlined in these practices.

10.5 Statement of Professional Practice (SOPP)

1. Where the Head of Finance is a member of CIPFA, there is a professional need for the Head of Finance 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.

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

11.1 Details of contracts with Service Providers, including Bankers, Brokers, Consultants & Advisers

1. Banking services:

- National Westminster Bank Plc
- Contract commenced June 2008 to run for 5 years.
- Cost of core service - £35,000 p.a.
- Payments due on an ongoing basis throughout the year

2. Money-broking services:

The following money market brokers services are utilised for day to day transactions as and when required.

- Garban Intercapital plc
- Martin Brokers (UK) plc
- Prebon Marshall Yamane (UK) Limited
- Tradition UK Limited

3. Treasury Consultant services:

- Arlingclose Consultancy Services
- Contract commenced 1st May 2010 for 3 years with the option to extend for a further 2 years.
- Cost of service - £8,800 plus VAT per annum
- Payments due quarterly

Treasury Management Practice Schedules 2013/14

11.2 Procedures and frequency for tendering services

See TMP2 Performance Measurement section (2.2) for full details of services tendered. The process must comply with the Council's Contract Procedure rules.

TMP 12 CORPORATE GOVERNANCE

12.1 List of documents to be made available for public inspection

- 12.1.1 Treasury Management Policy Statement
- 12.1.2 Treasury Management Strategy
- 12.1.3 Treasury Management Practices
- 12.1.4 Treasury Management Mid Year Report
- 12.1.5 Treasury Management Annual Out-turn Report

APPENDIX A

Definition of Ratings

Fitch Long Term

- **AAA** -Highest credit quality. Rating denotes the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for payment of financial commitments. The capacity is highly unlikely to be adversely affected by foreseeable events.
- **AA** - Very high credit quality. Rating denotes expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
- **A** - High credit quality. Rating denotes expectation of low credit risk. The capacity for payment of financial commitments is considered strong. The capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
- **BBB** - Good quality rating. 'BBB' ratings indicate that there are currently expectations of low credit risk. The capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity. This is the lowest investment grade category.

The modifiers "+" & "-" may be appended to any of the ratings above to denote a relative status within major categories.

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Moody's Long Term

- **Aaa** - Judged to be one of the highest quality, with minimal credit risk
- **Aa** - Judged to be of high quality and are subject to very low credit risk
- **A** - Considered upper-medium grade and are subject to low credit risk
- **Baa** - Offers adequate credit quality. However, certain protective elements may be lacking or may be characteristically unreliable over any great length of time.

Moody's appends numerical modifiers 1, 2 and 3 to each rating classification. 1 indicates that the obligation ranks in the higher end of its category, 2 mid-range and 3 a ranking in the lower end of that category.

Standard & Poors Long Term

- **AAA** - An obligor rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.
- **AA** - An obligor rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.
- **A** - An obligor rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.
- **BBB** - An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

Plus (+) or minus (-) The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories