

TMP1 Schedule

[1] liquidity risk management

Monitoring daily by the Investments Manager and quarterly reports to the *Treasury Management Group* comprising the Strategic Director of Resources, the Head of Service (Audit and Investments) and the Investments Manager.

[2] interest rate risk management

[3] exchange rate risk management

[4] inflation risk management

Monitoring daily by the Investments Manager and quarterly reports to the *Treasury Management Group*.

[5] credit and counterparty risk management

Policy

The general policy is to invest surplus funds prudently, giving priority to security and liquidity rather than yield and investing in sterling instruments only.

Approved List

Attached as Appendix A is a list of approved counterparties. The principles behind the list are as follows:

- (i) UK based financial institutions graded F1 short term and Support 1 or 2 by Fitch;
- (ii) UK based wholly-owned subsidiaries of institutions in (i) above;
- (iii) F1 rated UK subsidiaries of overseas F1 short term and Support 1 institutions;
- (iv) Overseas banks rated F1 short term and Support 1;
- (v) The Co-Operative Bank and local authorities; and
- (vi) AAA rated Money Market Funds.

The Strategic Director of Resources may remove any organisation from the *Approved List* but additions require Cabinet Member for Finance and Property approval. Some investments may involve opening accounts with the counterparties.

Specified Investments

Guidance issued by the Office of the Deputy Prime Minister (ODPM) suggest classifying investments between specified and non-specified. The former are investments in sterling, offering high security and liquidity and having a maturity of no more than a year. All investments (up to one year duration) with the counterparties listed in the Lending List are considered Specified Investments apart from those with the Co-Operative Bank.

Non-specified Investments

The Co-Operative Bank is the County Council's banker, but does not have the same rating attributed by Fitch as the others listed. Because of the greater perceived risk of these investments it is proposed to limit the total invested in non-specified investments to £20 million or 25% of the total invested at the time of the investment, whichever is the higher.

Diversification

The maximum amount lent to any one organisation listed in the *Approved List* is subject to the following sliding scale:-

	<u>Limit £m</u>
For total funds invested up to £80m	10
Between £80m and £120m	15
Over £120m	20

The Strategic Director of Resources may authorise up to £10 million above these limits to the County Council's bankers (subject to the non-specified limit above) on occasions when there are insufficient borrowers in the market at current market rates.

Authorisation

The Investments manager may lend sums up to and including 3 months. Longer periods require permission from one other member of the *Treasury Management Group*.

[6] refinancing risk management

Responsibility lies with the Head of Service (Audit and Investments).

[7] legal and regulatory risk management

The Investments Manager will monitor any future regulatory requirements.

[8] fraud, error and corruption, and contingency management

Systems and procedures are subject to both internal and external audit. In the case of an emergency disabling County Hall, the Investments Manager is able to carry out a limited daily treasury operation from home.

[9] market risk management

Decisions on investment in tradeable securities, which risk loss of capital, will only be authorised by the *Treasury Management Group*.

TMP2

Cash management returns are benchmarked against the 7-day rate each year.

The target for borrowing rates is to achieve a managed decline in the average rate and borrow each year close to the lowest rate available.

TMP3

Meetings of the Treasury Management Group will be serviced and minuted by the Investments Manager.

TMP4

The Strategic Director of Resources is authorised to borrow and make early repayments within the limits, and by any instrument allowed by statute. In particular this includes:-

- (a) by overdraft or short-term loan from an authorised Bank;
- (b) by loan from a bank, merchant bank, bank subsidiary, local authority, nationalised industry, building society or other organisation of acceptable financial standing;

- (c) the PWLB;
- (d) loan instruments, including transferable loans up to five years duration and non-transferable of no fixed duration;
- (e) accepting deposits from charities and individuals; and
- (f) by any other means approved by the Secretary of State.

TMP5

Responsibilities:

Treasury Management Group

This group comprising the Strategic Director of Resources, the Head of Service (Audit and Investments) and the Investments Manager shall be responsible for the function of Treasury Management as defined in the *Treasury Management Policy Statement*. In particular it will:-

- (a) authorise the use of borrowing instruments;
- (b) set borrowing and lending strategies for the Investments Manager;
- (c) authorise deletions from the *Approved Lending List*;
- (d) monitor external borrowing levels against the Council's agreed limits;
- (e) monitor cash management and debt management performance.

The Investments Manager is responsible for day to day decisions within the parameters set by the *Treasury Management Policy Statement* and decisions of the *Treasury Management Group*.

Cash Flow

The *Treasury Management Group* will receive annual and weekly cash flow forecasts.

The officer dealing on the money market each day must prepare a cash flow forecast for that day based on the most up-to-date information available and this must be checked by another officer under the responsibility of the Investments Manager before that day's deals are carried out.

Dealing Procedures

Deals must be actioned in accordance with the office procedural manual and be within the limits set out in **TMP1**. Dealing staff must be aware of the principles set out in the "London Code of Conduct" published by the Bank of England.

Documentation

Deals must be documented in accordance with the office procedural manual.

Transmission Procedures

The transfer of funds will be actioned in accordance with the procedural manual under the responsibility of the Investments Manager. The authorisation of a County Council cheque signatory is necessary before funds may be transferred. The Investments Manager will not be an authorised cheque signatory for this purpose.

Limits to Decision making

Individual deal limits specified in **TMP1** apply to all staff dealing on the money market.

Any borrowing or lending for periods greater than three months may only be actioned on the authority of a member of the *Treasury Management Group*.

Counterparty Limits

Money may only be lent to organisations listed on the *Approved List*.

TMP6

The Cabinet Member for Finance and Property and the County Council will receive annual reports on strategy.

The Cabinet Member for Finance and Property and the County Council will receive annual reports on performance of the Treasury Management function.

The Cabinet Member for Finance and Property will receive quarterly reports on performance.

The Treasury Management Group will receive quarterly reports on policy and performance.

Members of the *Treasury Management Group* will be informed immediately of any breach of the principles contained in **TMP5**.

TMP7

Treasury Management Budget

	£000
In-house (16% of Investments Section)	30
Reuters	2
Fitch	2
Gross Expenditure	34
Income for advice to Police Authority	-4
Net Expenditure	30

TMP8

Weekly Cash Flow forecasts are submitted to the *Treasury Management Group*.

TMP9

Suspicious that a third party is attempting to involve the County Council in a "money laundering" operation should be reported to the Head of Service (Audit and Investments).

TMP10

Requests and suggestions for training may be discussed at any time with the Investments Manager. It is also a standard item at annual EPDR meetings.

TMP11

Reuters are used for Money Market and Gilt on-line information.

Fitch is used for Credit ratings.

TMP12

The treasury management function and its activities will be undertaken with openness, honesty, integrity and accountability with regular reporting to Council.

The County Council has adopted and implemented the key recommendations of the Code.

Policy & Strategy and Activity Reports are each reported to the County Council each year.