

TREASURY MANAGEMENT POLICY STATEMENT for January 2012 – March 2015

1. INTRODUCTION

In accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Treasury Management (Revised 2009), this Council defines the policies and objectives of its treasury management activities as follows:

- 1.1 This Council 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”.
- 1.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will include their risk implications for the Council, and any financial instruments entered into to manage these risks.
- 1.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its Medium Term Financial Strategy. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.
- 1.4 The Chief Finance Officer will produce for adoption by Full Council prior to the commencement of each financial year an annual Treasury Management Strategy Statement which will set out the borrowing and investment strategy to be adopted for the for the year ahead along with the associated Prudential Indicators, in compliance with the CIPFA Prudential Code for Capital Finance in Local Authorities.
- 1.5 The Chief Finance Officer will maintain suitable Treasury Management Practices (TMPs) which will set out the manner in which this Council will seek to achieve its treasury management policies and objectives and how it will manage and control those activities.
- 1.6 The Council’s borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

1.7 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

2. Objectives

2.1 The principal objectives of this Treasury Management Policy Statement are to provide a framework within which: -

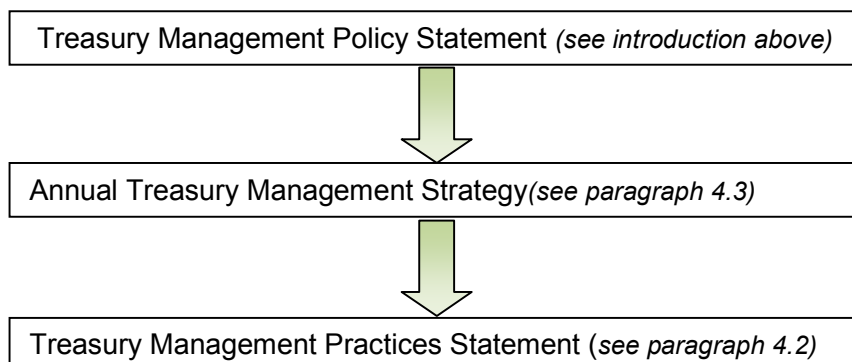
- i) Risks which might affect the Council's ability to fulfill its responsibilities or which might jeopardise its financial security can be identified and managed;
- ii) Borrowing costs can be minimised whilst ensuring the long term security and stability of the Council's financial position;
- iii) Investment returns can be safely maximised and capital values maintained;
- iv) The use of assets as loan security is minimised.

3. Review Period

It is the Council's responsibility to approve a Treasury Management Policy Statement on a periodic basis. This policy will be reviewed every three years or whenever legislative, regulatory or best practice changes materially affect the effectiveness of the current policy. In the absence of changes, the next scheduled date for review is therefore January 2015.

4. Documentation

This document forms part of a suite of Treasury documents intended to govern and regulate treasury management activity. The hierarchy of documents is set out below and the role of each is explained



4.2 The Treasury Management Practices Statement sets out that detailed application the lies behind the policy and sets out the manner in which the organisation will seek to achieve the policy objectives, describing how it will manage and control the activities listed below:

- Treasury Risk Management
- Best value and performance measurement
- Decision making and analysis
- Approved instruments, methods and techniques
- Organisation, clarity and segregation of responsibilities; dealing arrangements
- Reporting requirements, Management information arrangements
- Budgeting, Accounting and Audit Arrangements
- Cash and Cash Flow Management
- Money Laundering
- Staff training and qualifications
- Use of external service providers
- Corporate governance

4.3 The Annual Treasury Management Strategy integrates with the Prudential Indicators being set and will include the following:

- Links to Capital Financing and Treasury Management Prudential Indicators for the current and ensuing year
- Strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next year and for restructuring of debt
- the extent to which surplus funds are earmarked for short term requirements
- the investment strategy for the forthcoming year (*see below*)

- the minimum to be held in short term/specified investment during the coming year
- the interest rate outlook against which the treasury activities are likely to be undertaken.

4.4 Based on the CLG Guidance on Investments, the Council will produce as part of the Annual Treasury Management Strategy, an investment strategy that sets out

- § the objectives, policies and strategy for managing its investments;
- § the determination of which Specified and Non Specified Investments the Council will utilise during the forthcoming financial year(s) based on the Council's economic and investment outlook and the expected level of investment balances;
- § the limits for the use of Non-Specified Investments.

5. Basis of Policy

5.1 The Council will adhere to the regulatory framework set out in the following documents: -

- a) CIPFA Code of Practice on Treasury Management (Revised 2009);
- b) The 2009 Prudential Code for Capital Finance (the 2003 document having first introduced requirements for the manner in which capital spending plans are to be considered and approved and in conjunction with this, the development of an integrated Treasury Management Strategy);
- c) The Council's Constitution, Code of Financial Governance and the scheme of Officer Delegations.

5.2 Copies of the documents listed above are available from the Chief Finance Officer, if required. The Council will be bound by the requirements of any successor documents to those listed above unless a subsequent review of this policy deems them no longer to be appropriate.

5.3 In arriving at treasury management decisions, due cognisance will be taken of written and verbal advice provided by Funding Advisors but neither the Council nor its officers will be bound by such advice.

5.4 The Chief Finance Officer will only transact with brokers, funders and counterparties who have accepted the principles set out in the current Bank of

England's "Non Investment Products Code (NIPS Code)
(<http://www.bankofengland.co.uk/markets/forex/fxjsc/nipscode.pdf>).