



Dacorum Borough Council

Treasury Management Principles and Practices

Treasury Management Policy Statement

Dacorum Borough Council defines the policies and objectives of its treasury management activities as follows:

1. This Authority defines its treasury management activities as: *“The management of the authority’s 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. This Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Authority.
3. This Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Treasury Management Practices

Treasury Management Practices (TMP’s) set out the manner in which Dacorum Borough Council will seek to achieve its treasury management policies and objectives, and how it will manage and control those activities.

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Treasury Management Practice 1

Risk Management

The responsible officer will:

- *Design, implement and monitor all arrangements for the identification, management and control of treasury management risk ...*
- *Report at least annually on the adequacy/suitability thereof ...*
- *Report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect ...*

... all in accordance with the procedures set out in TMP6 Reporting Requirements and Management Information Arrangements.

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in this document.

1. Liquidity Risk Management

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

DBC will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

Liquidity risk is the risk that cash not be available when it is required. This can jeopardise the ability of the Council to carry out its functions or disrupt those functions being carried out in the most cost-effective manner. The Council will therefore have sufficient standby facilities to ensure that there is always sufficient liquidity to deal with unexpected occurrences. It will also seek to ensure that its cash flow forecasting gives as accurate a picture as possible of income and expenditure and the resulting daily cash balances.

Amounts of approved minimum cash balances and short-term investments

The Treasury Management section shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day in order to minimise both the credit interest foregone and overdraft interest payable. Borrowing and lending shall be arranged in order to achieve this aim.

Investment of Short-Term Funds

Each morning the Bank's forecast figures for the day are aggregated with any other anticipated cash flows (e.g. cash courier receipts, RTB funds flows income) to produce a consolidated forecast balance for the end of the day. Any short-term credit balance will be either:

- Transferred in to the Council's Call Account with its bankers (The Co-operative Bank) or
- Placed in a Business Reserve Account with selected approved counterparties who offer this facility
- Placed into a Money Market Fund

All funds lodged in this way are instantly available if required.

The Council receives interest if its consolidated balance on any particular night shows a credit balance.

Bank Overdraft Arrangements

A £0.5m net, overdraft facility is available with the Council's bankers. Overdraft charges are only applicable if the Council's consolidated balance on any particular night is overdrawn, and are charged in line with the Bank Contract.

Short-Term Borrowing Facilities

Short-term borrowing is very rarely required. If ever any short-term borrowing is undertaken, this is done through brokers on the London Money Market, or through the Public Works Loan Board. The approved borrowing limits are set out in the Treasury Management Strategy.

Insurance/Guarantee Facilities

There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

2. Interest Rate Risk Management

DBC will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as described in TMP6 Reporting Requirements and Management Information Arrangements.

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

Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council will seek to minimise this risk by seeking expert advice on forecasts of interest rates from treasury management consultants and discussing with them its strategy for the coming year for the investments and debt portfolios. It will also determine appropriate limits and trigger points as set out below.

The limits and strategy are set out in the annual Treasury Management Strategy Statement. This strategy will be periodically reviewed during the relevant year to see whether any modifications are required in the light of actual movements in interest rates.

Details of Approved Interest Rate Exposure Limits

The Council's strategy regarding interest rate exposure is described in the Treasury Management Strategy Statement and Annual Investment Strategy, which is produced shortly before the start of each financial year.

Trigger Points and Other Guidelines for Managing Changes to Interest Rate Levels

The Treasury Management Strategy Statement Strategy outlines the Council's policy for each financial year regarding interest rates and their movements.

Minimum / Maximum Proportions of Variable / Fixed Rate Debt / Interest

The Treasury Management Strategy Statement Strategy outlines the Council's policy for each financial year regarding borrowing limits.

Forward Dealing

Consideration will be given to dealing from forward periods dependant upon market conditions. Investments may be agreed weeks or months in advance if market conditions suggest that this course of action is appropriate. Any forward deals of this nature, whose maturity date is over one year hence at the time the investment is agreed, will only be undertaken with the approval of the Director of Finance. Occasionally investments are also agreed a few days in advance for administrative convenience (e.g. due to annual leave etc).

Callable Deposits

The Council will use callable deposits as part of its Treasury Management Strategy. The credit criteria and maximum periods are set out in the Schedule of Specified and Non-Specified Investments included within the Treasury Management Strategy.

3. Exchange Rate Risk Management

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

Exchange rate risk is the risk that unexpected changes in exchange rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council has a minimal exposure to exchange rate risk as it has no powers to enter into loans or investments in foreign currency for treasury management purposes. It will also seek to minimise what risk it does have by using the policies below.

Approved Criteria for Managing Changes in Exchange Rate Levels

As a result of the nature of the Council's business, the Council may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling.

The Council will adopt a full hedging strategy to control and add certainty to the sterling value of any foreign currency transactions above £10,000 in value (at the prevailing exchange rate). This will mean that the Council will eliminate all material foreign exchange exposures as soon as they are identified.

Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange transactions will be considered, with professional advice, to comply with this full cover hedging policy for material foreign currency transactions. Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity unless the Council has a contractual obligation to make a payment in the same currency at a date in the future. In this instance, the currency will be held on deposit to meet this expenditure commitment

4. Credit and Counterparty Risk Management

Dacorum Borough Council regards the primary objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, the Council will ensure that its counterparty lists and limits reflect a prudent attitude towards counterparties with whom funds may be deposited. Furthermore, the Council will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments, Methods and Techniques and listed in the schedule to this document.

The Council also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially due to deterioration in its creditworthiness, which causes the Council an unexpected burden on its capital or revenue resources.

As a holder of public funds, the Council recognises its prime responsibility to always put first the preservation of the principal of the sums which it invests. Consequently, it will optimise returns commensurate with the management of the associated risk.

Criteria to be used for Creating/Managing Approved Counterparty Lists/Limits

The Council places a strong reliance on its treasury adviser (Sector Treasury Services) to help manage credit and counterparty risk. Sector has much greater market expertise and direct access to market knowledge than the Council itself possesses. None the less, the Council recognises that all advice provided by its treasury adviser is precisely that, and that full responsibility for all counterparties used, and investments placed, rests entirely with the Council.

The three elements to managing credit and counterparty risk are:

- 1 Determining *'Specified and 'Non-Specified' Investments* criteria
- 2 Determining the *Approved Lending Policy*, which sets out minimum credit criteria, duration and monetary amount limits.
- 3 Managing the *Approved Lending List* (or list of counterparties).

Specified and Non-Specified Investments

The Council will determine through its Treasury Management Strategy the credit criteria for various investment instruments in the 'Specified' and 'Non-Specified' Investments categories. Specified Investments are sterling investments of not more than one year maturity (or the ability to be repaid within one year), meeting the minimum 'high' rating criteria and require *'minimal procedural formalities'*. Non-specified investments are any other type of investment. The maximum amounts and maturity periods along with the overall limits are set out in the Treasury Management Strategy.

Lending Policy

The Lending Policy is based on Sector guidance. This uses different ratings combinations and allocates those which meet the minimum criteria a colour as set out in the Treasury Management Strategy. The Council has allocated each of these colour bands a maximum duration and amount. Any changes to the Treasury Management Statement require the approval of Full Council.

Money Market Funds

Money Market Funds will be used in line with the Councils Treasury Management Strategy. The funds used will be reviewed on at least an annual basis in March, unless market conditions, trends and external advice suggests reviews should be undertaken sooner than this.

Approved Lending List

The list of approved counterparties is derived from applying the limits in the Treasury Management Strategy to the weekly ratings list of deposit takers provided by Sector. The list includes domestic and foreign banks, building societies, supranational institutions and multi-lateral development banks. The weekly updated list includes information about movements in credit default swap markets which enable Sector to advise promptly on appropriate movements within their creditworthiness matrix and is supplemented by a ratings alert service for changes to the ratings of individual counterparties.

If the Council uses external fund managers, they will adhere to the counterparty credit criteria and maximum individual limits set by the Council; however it is understood that the fund managers may use a subset of the counterparty list so derived.

The Regulatory and Financial Accounting Team is responsible for maintaining the Approved Lending List on the Council's Investment System and for ensuring any changes are communicated to the fund manager, where appropriate. A paper copy of the advice received is stored on file.

A full copy of the Council's approved counterparties, along with their individual amount and duration limits, will be included in the Treasury Management Annual Report produced shortly after the end of each financial year.

5. Refinancing Risk Management

Dacorum Borough Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favorable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.

The Council will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

Refinancing risk is the risk that when loans or other forms of capital financing mature, that they cannot be refinanced where necessary on terms that reflect the assumptions made in formulating revenue and capital budgets.

Debt / Other Capital Financing Maturity Profiling, Policies and Practices

The Councils only debt currently is that arising from the Housing Self Financing transactions in March 2012. This transaction was subject to details reports and approvals, and a specific Audit. Debt has been taken on over a thirty year period as fixed term loans from the Public Works Loan Board (PWLb).

Borrowing activities and strategies and limits will be identified within the Treasury Management Strategy.

Projected Capital Investment Requirements

Regular updates are made to the Authority's 5 year revenue and capital budget projections. These projections identify the key capital items (both expenditure and income) that are forecast for forthcoming years, and this analysis is used to ensure that the Council will have sufficient funds available in forthcoming years to fulfill its capital expenditure requirements.

Under the new capital financing system, the definition of capital expenditure and long-term liabilities used in the Code will follow recommended accounting practice.

Policy Concerning Limits on Revenue Consequences of Capital Financing

The Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue forecasts for the forthcoming year and the two following years and the impact these will have on council tax and housing rent levels. It will also take into account affordability in the longer term beyond this three year period. *(Note: the Prudential Code gives examples of matters relevant to the consideration of affordability, although this is not an exhaustive list).* The Council will use the definitions provided in the Prudential Code for borrowing, capital expenditure, financing costs, investments, net borrowing, net revenue stream, other long-term liabilities.

Whenever major capital projects are planned, a full examination is undertaken of the potential revenue impact of the project. Issues considered include the revenue costs / benefits that will result directly from the project, and the impact on revenue of interest receipts foregone as a consequence of undertaking the capital investment.

Capital Receipts Generated by the HRA

The council pools its Capital Receipts arising from Housing Assets. The Council also has the ability to recycle 100% of its non Right to Buy Housing receipts if used for purposes set out in the pooling regulations (Affordable Housing and Regeneration). Receipts under £10,000 are not subject to pooling.

6. Legal and Regulatory Risk Management

Dacorum Borough Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[4] Credit and Counterparty Risk Management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

The Council also 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 organisation.

Legal and regulatory risk is the risk that either the Council or a third party which it is dealing with in its treasury management activities, acts outside of its legal powers or regulatory requirements and as a result the Council incurs loss.

References to Relevant Statutes and Regulations

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. These are:

Legislation

- CIPFA Prudential Code for Capital Finance in Local Authorities
- Local Government Act 2003 and amendments
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- Local Government and Housing Act 1989
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2006 and amendments
- Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- CIPFA’s Treasury Management Codes of Practice and Guidance Notes
- LAAP Bulletin 55 CIPFA’s Guidance on Local Authority Reserves and Balances
- The Non Investment Products Code (NIPS) - (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
- Financial Services Authority’s Code of Market Conduct
- Annual Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice

Dacorum Borough Council

- The Council’s Standing Orders
- The Council’s Financial Regulations
- The Council’s Scheme of Delegation
- The Council’s Treasury Management Strategy
- The Council’s Treasury Management Practices – Principles & Practices

Procedures For Evidencing the Council’s Powers / Authorities To Counterparties

The Council’s powers to borrow and invest are contained in legislation as follows:

Investing: Local Government Act 2003, section 12
Borrowing: Local Government Act 2003, section 1

In addition:

- a) The Scheme of Delegation of treasury management activities which is contained in the Council’s Constitution which states which officers carry out these duties
- b) A separate document sets which officers are the authorised signatories

Required Information from Counterparties Concerning their Powers / Authorities

Lending shall only be made to counterparties on the Council's Approved Lending List. This list has been compiled using advice from the Council's treasury advisers based upon credit ratings supplied by various credit agencies and Sectors own data.

Statement on the Council's Political Risks and Management of these Risks

The Chief Financial Officer shall take appropriate action with the Council, the Chief Executive and the Leader of the Council to respond to, and manage appropriately, political risks such as a change of the majority Group, in the Leader of the Council or a change of Government.

Monitoring Officer

The monitoring officer is the Assistant Director (Legal Governance). The duty of this officer is to ensure that the treasury management activities of the Council are lawful.

Chief Financial Officer/ S151 Officer

The Chief Financial Officer and S151 Officer is the Corporate Director (Finance & Governance). The duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if s/he has concerns as to the financial prudence of its actions or its expected financial position.

The Deputy S151 Officer is the Assistant Director (Finance and Resources), who can deputise fully for the S151 Officer.

7. Fraud, Error and Corruption, and Contingency Management

Dacorum Borough Council will ensure that it has identified any circumstances that may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

Fraud, error and corruption risk is the risk that the Council may fail to employ adequate systems, procedures and other arrangements which identify and prevent losses through such occurrences. The Council will therefore:

- a) seek to ensure that an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks
- b) fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are
- c) staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision
- d) records will be maintained of all treasury management transactions so there is a full audit trail and evidence of the appropriate checks being carried out.

Details of Systems and Procedures to be Followed, Including Internet Services

Authority

The Council's Financial Regulations sets out the Council's delegation arrangements with regard to Treasury Management. These are also summarised in *TMP5: Organisation, clarity and segregation of responsibilities, and dealing arrangements*.

Investment and Borrowing Transactions

Adequate and effective cash flow forecasting records are maintained on the Council's Investments system to support any decisions made to place investments. Records are also kept for each investment recording the reasoning behind the duration to maturity chosen for that investment.

A detailed register of all investments is maintained within the Council's Investments system. This system includes full details of counterparty limits, along with investment amounts, value and maturity dates, interest rates, gross interest receivable etc.

All transactions placed through brokers or via direct dealing are confirmed showing details of the transaction. Written confirmation is received from both broker and borrower and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Technical Accounting Manager for resolution. The Council does not currently send any confirmations of its own.

Regularity and Security

All lending, for investment purposes, is only made to counterparties on the Council's Approved Lending List. This list provides individual authorisation limits for each counterparty.

The Investments system prompts the Assistant Accountant - or whoever else undertakes the Council's investment functions on any particular day (The Council's Investments system can only be accessed by a password) – that money borrowed or lent is due to be repaid. It also provides a warning if the basic cash flow forecast for the day suggests that either a short-term deposit or an investment is to be made, but the appropriate details have yet to be recorded

Investments are paid direct into the appropriate counterparty's bank account (as advised by the broker or counterparty as appropriate), and investments are repaid direct from the counterparty into the Council's General Account.

Counterparty limits are set for every institution that the Council invests with.

Brokers have been provided with a list of named Council officials who are authorised to place investments on the Council's behalf.

The Council's Bank holds a list of Council officials who are authorised signatories. The list of authorised bank account signatories has previously been agreed with the Council's current bankers, and updates of this list are notified to the bank as appropriate when current authorised signatories leave, or new signatories join, the Council.

Notification of amendments are only accepted by the bank if they are signed by an existing (non-departing) authorised signatory. The only member of the treasury management team that is an authorised signatory is the Team Leader. There is a separation of duties in the section between the officer

placing the deals and the officer checking counterparty confirmations. In addition, if an authorising officer were to create a payment transaction online, the transaction would still need the usual approval by one/two other authorising officers.

All investments are paid by CHAPS instruction through the online banking system. This is undertaken by two of the authorised bank account signatories, but the officer agreeing an investment cannot be one of the signatories for that particular investment.

Checks

The investment system balances are proved to the balance sheet ledger codes at the end of each month and at the financial year-end. The Investment system includes comprehensive reconciliation checks back to the Council's banking system to ensure that all investments transactions are correctly recorded and processed.

An investment income listing is produced every month and summarised on a monthly report so that a review may be undertaken against the budget for interest earnings

Emergency and Contingency Planning Arrangements

All computer files are backed up on the server to enable files to be accessed from remote sites.

The Council's Investments system is installed on several PC's, and all program and data files are stored on the Council's network. This network is backed up daily, with the backup being stored at a remote site.

The banking system and girobank system are internet based so can be accessed from any site or pc, subject to the user having the appropriate access, security information, and security key.

Insurance Cover Details

The Council has 'Fidelity' insurance cover with Chartis. This policy covers the loss of cash by fraud or dishonesty of employees. The total limit of indemnity provided is £5,000,000, a policy excess of £25,000 each and every claim applies.

The Council also has Officials Indemnity cover with Chartis. This provides cover in respect of the Council's legal liability to pay claimant's damages and costs for financial losses arising as a result of the negligent acts or accidental errors and omissions of Council employees, occurring in the course of their duties. The limit of indemnity is £5,000,000, a policy excess of £5,000 each and every claim applies.

The Council also has Business Interruption cover as part of its property insurance with Zurich Municipal. This provides cover in respect of additional cost of working and loss of revenue if an insured event occurs.

Positive Pay

The Council makes use of the Councils Bankers online system for the immediate identification of fraudulent cheques/cheques incorrectly processed. This system allows the Council to upload cheque information (payee, amount and cheque number) and from this receives daily reports identifying cheques which do match the details uploaded. This enable the Council to query/dispute cheques within a day of presentation.

8. Market Risk Management

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

Market risk is the risk that, through adverse market fluctuations in the value of principal sums, the Council borrows and invests, that its stated policies and objectives are compromised, against which it had failed to protect itself adequately.

The Council does not currently have exposure to investments whose capital may fluctuate (gilts, Corporate Deposits), and will only undertake such activities on discussion with the S151 Officer and Portfolio Holder (Finance & Resources), and if the current Investment Strategy allows such investments.

Treasury Management Practice 2

Performance Management

Dacorum Borough Council is committed to the pursuit of best value in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Strategy.

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

Methodology to be Applied for Evaluating the Impact of Treasury Management Decisions

The Council has an ongoing programme of review of service plans, and Treasury Management is incorporated within this programme as part of the Financial Services service plan.

Treasury Management is also subject to an annual review through the Council's Service and Financial Planning process, and all of the key procedures followed are subject to annual examination from both the Council's internal and external auditors.

The Council is also a member of CIPFA's Treasury Management Club, which provides comparison of the Council's interest returns with those of a large number of other Local Authorities across the country.

Dacorum also receives ongoing investment guidance and advice from its external treasury consultants.

Should the Council appoint external Fund Manager, its treasury management consultants will assist the Council with quarterly and annual reviews of the performance of these external managers.

Policy Concerning Methods for Testing Best Value in Treasury Management

Frequency and Processes for Tendering

Tenders are normally awarded on a 3-yearly basis, with the option to extend for one or two further years if approved by Cabinet. The process for advertising and awarding contracts will be in line with the Council's Standing Orders and Financial Regulations.

Banking Services

Dacorum's current contract began on 1st September 2011. This is a 5-year contract (with a further 2-year option if this is mutually agreeable). It is anticipated that this contract will then be re-tendered every 5 to 7 years as appropriate.

A basic duration for this contract of 5 years has been chosen because of the considerable effort that is involved in changing the Council's banking contractor. Were such a change to be undertaken every 3 years, the costs of transition would significantly erode any savings achieved as a result of the tender process.

Money-Broking Services

Dacorum Borough Council does not have a list of approved money brokers. This is because the Council does not enter into contractual relationships with brokers because, as the Council operates in the market solely as a lender (borrowing undertaken by the Council has been with the PWLB), brokers do not charge the Council for their services.

Records are kept for all investments placed by the Council of which broker (if any) assisted the Council.

Consultants' / Advisers' Services

Dacorum Borough Council employ external treasury management consultants.

Policy on External Managers

The Council does not currently employ any external Fund Managers and the approval of Cabinet will be sought should the Chief Financial Officer consider it to be in the Council's best interests to employ one or more Fund Managers.

Methods to be Employed for Measuring the Performance of the Council's Treasury Management Activities

Performance Measured Against Annual Treasury Strategy Statement Targets

The annual Treasury Management Strategy does not include specific targets for the appropriate forthcoming year. However, it does provide a description of the intended approach for the year, and the reasons for this. The budgeted income from Investments is included within the annual budget report and this is monitored on a monthly basis in the form of a monthly report, and also the use of the Council's performance measurement system CorVu.

The end-of-year Treasury Management Annual Report then describes what actually happened, and explains any key differences between the final reality and what was foreseen in the original strategy.

Compliance with CIPFA's "Treasury Management in the Public Services" Code of Practice

The Council complies with CIPFA's Treasury Management in the Public Services Code of Practice.

All of the documents and practices required by CIPFA's code are open to examination by the Council's internal and external auditors. Consequently, independent verification of compliance with the code of practice should occur at least bi-annually.

Expenses Contained Within Approved Budget

The staffing and daily administration costs of the Treasury Management function are included within the costs of the Council's Accountancy service. Consequently, budget monitoring for the Treasury Management function takes place as part of the Council's monthly and quarterly processes, within the umbrella of the Accountancy and Treasury Management as a whole.

Certain specific costs, such as payments made to the Council's external treasury advisers, are separately identified within the Council's general ledger, and hence these items are monitored throughout the year.

Review of CIPFA's Benchmarking Club Data

Benchmarking data is submitted quarterly. The data supplied by the Club is reviewed by the Team Leader (Regulatory and Financial Accounting) but no formal reports are presented to Cabinet.

Benchmarks and Calculation Methodology

Debt Management

Borrowing is monitored on a monthly basis, comparing rates of current borrowing to new rates available.

Investment

The Council's (in-house) investment returns are compared with the average Bank of England Base Rate each year.

The first of these targets is included entirely due to historic precedent within the Authority. Should performance in an entire financial year ever under-perform the Bank of England Base Rate, a clear explanation of the reasons for this will be included within the Treasury Management Annual Report. Also, if appropriate, changes will be described in the report with a view to avoiding a repetition of this under-performance.

Treasury Management Practice 3
Decision Making and Analysis

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

Funding, Borrowing, Lending, and New Instruments / Techniques

Records

The Council's Treasury Management section uses a computerised Investments system. This system includes records of all of the following:

- Daily cash flow forecasts;
- Rate quotations received;
- Historic interest rates;
- Full details of the Council's Approved Lending List, and changes thereof;
- Investment details, including principal, value / maturity dates, interest rate, gross interest broker (if any), and bank authorisation / security details;

A paper copy of all appropriate details is also kept for each investment, and all confirmations received from brokers / counterparties are checked against these details and then filed with the original documentation for that investment.

All of the above records will be retained for at least a period of 6 financial years plus the current year. Where records relate to a specific investment, the above period will only commence from the date of maturity of the investment.

Processes to be pursued

Cash Flow Analysis

The Council's Investments system includes details of all key items that impact on the Council's short and medium term cash flow. This includes items such as (please note this is not a comprehensive list):

- Direct Debit income for Council Tax, NNDR and Housing Rents;
- Receipt of DSS Benefits Income
- Precept Payments to HCC / HPA
- Net payments to ODPM re NNDR
- Monthly payment of salaries to Council employees
- Estimates of cash receipts for miscellaneous income, Council Tax, Housing and Customer Accounts

In addition, the Assistant Accountant is made aware of any ad-hoc large cash flows which are incorporated into the investments system. These include, (but are not limited to):

- right to buy receipts (notified by Legal Services)
- purchase/sale of property (notified by the appropriate Group Manager through the Service Accountant).

Maturity Analysis

The Council's Investments system ensures that the Assistant Accountant is aware of all forthcoming maturities. This ensures that plans can be made in advance regarding the management of forthcoming liabilities, and the investment of surplus funds.

Ledger Reconciliations

Comprehensive ongoing reconciliations ensure that all Treasury Management transactions are fully and accurately processed and recorded.

Collation of Monthly Performance Summary

At the end of each month, the Assistant Accountant provides an investments summary for the current financial year to the:

- Resources Portfolio Holder;
- Chief Financial Officer;
- Deputy Chief Financial Officer;
- Group Manager – Financial Services;
- Team Leader – Regulatory & Financial Accounting;
- Team Leader – Financial Planning & Analysis
- Accountant (Financial Strategy)

This summary includes (but not limited to):

- Interest to date and forward forecasts
- Money Market Fund Comparisons
- Borrowing Comparisons
- Market Updates
- Updates to the approved lending list

Issues to be Addressed

In respect of every decision made the Council will:

- Above all be clear about the nature and extent of the risks to which the Council may become exposed;
- Be certain about the legality of the decision reached, the nature of the transaction, and that all authorities to proceed have been obtained;
- Be content that the documentation is adequate to deliver the Council's objectives, protect its interests, and deliver good housekeeping;
- Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded;
- Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

Should the Council find itself in the position of having to borrow monies, it will:

- Evaluate the economic and market factors that might influence the manner and timing of any decision to fund;
- Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships;
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use;
- Consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets.

When making investment decisions, the Council will:

- Consider the optimum period of investment, in the light of cash flow availability and prevailing market conditions;
- Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital.

Treasury Management Practice 4

Approved Instruments, Methods & Techniques

Dacorum Borough Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in this document, and within the limits and parameters defined in TMP1 Risk Management.

Approved Activities of the Treasury Management Function

- Lending;
- Managing the underlying risks associated with the Council’s capital financing and surplus funds activities;
- Managing cash flow;
- Banking activities;
- Consideration, approval, and use of, new financial instruments and treasury management techniques;
- Borrowing;
- Debt repayment and rescheduling;
- Managing the underlying exchange rate risk associated with the Council’s business activities.

Approved Instruments for Investments

All investments will comply with the Local Authorities Capital Finance Approved Investment Regulations 1990 SI 426 and subsequent amendments. The instruments used will be outlined in the Treasury Management Strategy.

Approved Techniques

The primary method to be used when placing investments will be standard fixed-term deposits. However, callable deposits and forward dealing will also be employed as and when this is considered appropriate and allowable in the Treasury Management Strategy.

Approved Methods and Sources of Raising Capital Finance

Should the Council need to undertake borrowing in the future to finance capital expenditure, this finance will only be raised in accordance with the Local Government and Housing Act 1989 (or subsequent legislation where appropriate). This Act offers the Council a number of approved methods and sources of raising capital finance:

On Balance Sheet	Fixed	Variable
<i>PWLB</i>	●	●
<i>EIB</i>	●	●
<i>Market (Long-Term)</i>	●	●
<i>Market (Temporary)</i>	●	●
<i>Market (LOBOs)</i>	●	●
<i>Stock Issues</i>	●	●
<i>Local Temporary</i>	●	●
<i>Local Bonds</i>	●	
<i>Overdraft</i>		●

TMP 4: Approved Instruments, Methods and Techniques

<i>Negotiable Bonds</i>	●	●
<i>Internal (Capital Receipts & Revenue Balances)</i>	●	●
<i>Commercial Paper</i>	●	
<i>Medium Term Notes</i>	●	
<i>Leasing (not Operating Leases)</i>	●	●
<i>Deferred Purchase</i>	●	●

Other Methods of Financing

Government and EC Capital Grants
Lottery Monies
PFI / PPP
Operating Leases

All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Chief Financial Officer has delegated powers in accordance with Standing Orders, Financial Regulations, the Scheme of Delegation to Officers and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

TMP 5: Organisation, Clarity, Segregation of Duties and Dealing Arrangements

Treasury Management Practice 5

Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

Dacorum Borough Council considers it essential for the:

- *purposes of the effective control and monitoring of its treasury management activities,*
- *reduction of the risk of fraud or error,*
- *pursuit of optimum performance*

that these activities are structured and managed in a fully integrated manner, and that there is at all times clarity of treasury management responsibilities.

The principles on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the:

- *execution and transmission of funds*
- *recording and administering of treasury management decisions*
- *audit and review of the treasury management function.*

If and when Dacorum Borough Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting Requirements and Management Information Arrangements, and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. .

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

The responsible officer will fulfil all such responsibilities in accordance with the organisation's Treasury Management Strategy, Treasury Management Practices and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

Limits to Responsibilities / Discretion at Member / Executive Levels

The Cabinet will receive, review and approve (as appropriate) the following reports:

- Treasury Management Strategy;
- Treasury Management mid-year Performance Report;
- Treasury Management out-turn Report.

The key responsibilities of the Chief Financial Officer regarding Treasury Management are to:

- Review and approve the above reports, and present them to Cabinet;
- Ensure that all of the Council's borrowing and investment activities are made in accordance with the relevant legislation, codes of practice, associated requirements, and the Council's Financial Regulations. Should this fail to be the case, the Chief Financial Officer will notify members as soon as is reasonably possible;
- Ensure that the Council complies with the requirements of The Non-Investment Products Code for principals and broking firms in the wholesale markets;

TMP 5: Organisation, Clarity, Segregation of Duties and Dealing Arrangements

- Ensure that sufficient staff resources, with adequate skills, are employed in the Treasury Management function;
- Approve and monitor the segregation of duties;
- Ensure that adequate control and accounting systems are in place to adequately control the activities of the Treasury Management function;
- Receive and review external audit reports and act upon any recommendations that may be received;
- Approve, in accordance with Financial Regulations, the selection of external service providers such as treasury consultants, Fund Managers and Money Market Funds.

Principles and Practices Concerning Segregation of Duties

The key responsibilities of the Assistant Accountant and Accountant (Financial Strategy) regarding Treasury Management are to:

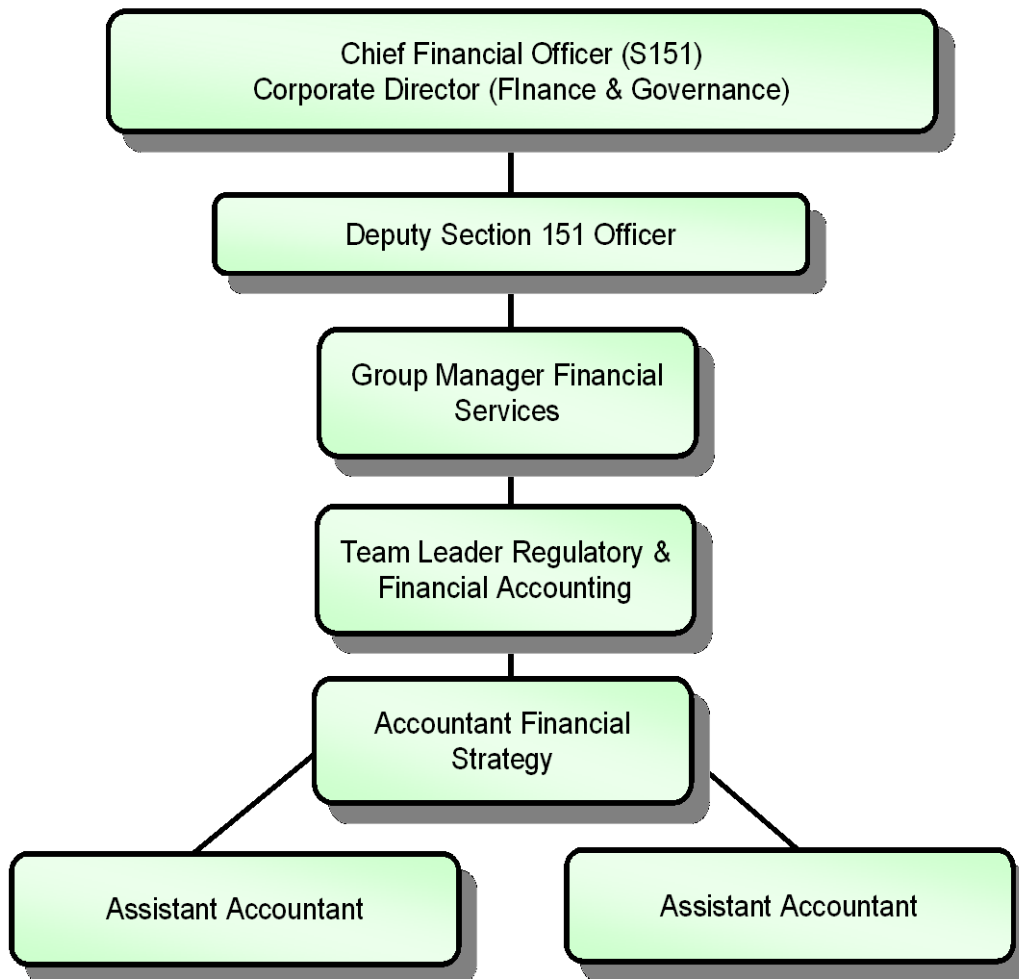
- Assist the Chief Financial Officer with the production of the reports listed above;
- Implement the Council's borrowing and investment strategy on a day-to-day basis;
- Conduct, in accordance with this strategy, all of the Council's money market dealings;
- Produce monthly reports reviewing the Council's investments performance;
- Identify and recommend opportunities for improved practices;
- Maintain relationships with third parties and external service providers.

All new investments (or borrowing) must be approved by two of the Council's approved bank account signatories. If an investment is placed by an approved signatory, this individual cannot also be one of the two approvers of the deal.

The approval described above must be given by two bank account signatories, because the Council's bankers require (as instructed by the Council) that all payments above £40,000 in value must be approved by two approved signatories.

The key reconciliations for Treasury Management are undertaken by the Accountant (Financial Strategy). The Senior Accountancy Assistant is responsible for most of the day-to-day cash flow management and investments. The general ledger processing of investment transactions is an automated process and if the general ledger totals differ from those expected by the Council's Investments system, this will show up in the reconciliations.

Treasury Management Organisation Chart



Statement of Duties / Responsibilities of Each Treasury Post

Chief Financial Officer (and Deputy Section 151 Officer)

The key responsibilities of the Chief Financial Officer are described in section 5.1 above.

The Chief Financial Officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.

The Chief Financial Officer may delegate her power to borrow and invest to members of his staff. The Senior Accountancy Assistant, or any member of the Accountancy & Treasury Management team who has been approved by the Chief Financial Officer, must conduct all dealing transactions. These arrangements will provide sufficient flexibility in the event of staff leave or sickness.

TMP 5: Organisation, Clarity, Segregation of Duties and Dealing Arrangements

Team Leader Regulatory & Financial Accounting

The responsibilities of this post will be: -

- Adherence to agreed policies and limits.
- Managing the overall treasury management function.
- Supervising treasury management staff.
- Ensuring appropriate segregation of duties
- Submitting management information reports to the Chief Financial Officer.
- Review of Reconciliations

Accountant Financial Strategy

The responsibilities of this post will be: -

- Adherence to agreed policies and limits.
- Supervising Assistant Accountants.
- Completion of Reconciliations
- Preparing management information reports to the Chief Financial Officer.

Assistant Accountant

The key responsibilities of the Assistant Accountant will be:

- Assist the Chief Financial Officer with the production of the reports listed above;
- Implement the Council's borrowing and investment strategy on a day-to-day basis;
- Conduct, in accordance with this strategy, all of the Council's money market dealings;
- Produce monthly reports reviewing the Council's investments performance;
- Identify and recommend opportunities for improved practices;
- Maintain relationships with third parties and external service providers.

Chief Executive

The key responsibility of the Chief Executive is to ensure that the Chief Financial Officer reports regularly to Cabinet on Treasury Management's policy, activity and performance.

Assistant Director (Legal Governance) - in the role of Monitoring Officer

The responsibilities of this post will be to:

- Ensure compliance by the Chief Financial Officer with the Treasury Management Strategy (TMS)
- Be satisfied that any proposal to vary the TMS complies with law or any code of practice;
- Give advice to the Chief Financial Officer when advice is sought.

Internal Audit

The responsibilities of Internal Audit will be to:

- Review compliance with the approved Treasury Management policy and procedures;
- Review segregation of duties and operational practice;

TMP 5: Organisation, Clarity, Segregation of Duties and Dealing Arrangements

- Assess value for money from treasury activities;
- Undertake probity audit of the Treasury Management function.

Absence Cover Arrangements

The post-holders listed below are fully competent in the daily administration of the Council's cash flow and investments:

- Assistant Accountant x 2

In the absence of both the Assistant Accountants the Accountant (Financial Strategy) can undertake the download of data and cash flow management, but cannot place investments.

In the absence of all three staff, the Team Leader can undertake the whole function, but this would require two separate authorised officers to authorise any investments placed, and the reconciliation for the period would need review by the Group Manager.

In the event that the above officers are unavailable on a particular day, the ultimate responsibility for ensuring that the Council's Treasury Management functions are completed lies with the Chief Financial Officer.

Dealing Limits

The officers listed individually authorised to undertake all Treasury Management dealings required by the Council. There is not a specific limit on the amount of such activity that may be undertaken on any one day, but all dealings are expected to comply in full with the requirements of the various schedules contained within this document.

List of Approved Brokers

The Council's brokers are:

- Sterling International Brokers;
- Intercapital Europe;
- Tradition.

Because the Council does not enter into any contractual obligations with any of its brokers, no formal approval has been, or will be, obtained with regard to these brokers.

Should changes to the list of brokers used by the Council be considered appropriate, these will be introduced as required.

Whenever a broker is used in agreeing a money market deal, this is recorded within the Council's Investments system.

Policy on Brokers' Services

TMP 5: Organisation, Clarity, Segregation of Duties and Dealing Arrangements

The Council does not have a formal policy regarding the use of broker's services.

In practice, most of the Council's business is split roughly evenly between the brokers listed above.

Policy on Taping of Conversations

The Council does not tape conversations with brokers, and it has no 'taping' policy.

Direct Dealing Practices

These relationships generally offer slightly higher rates than can be obtained through brokers. Also, some of these relationships enable access to counterparties who do not accept Council investments via brokers, because of the relatively small amounts involved.

Where an investment has been dealt direct, this fact is recorded on the Council's Investments system.

Settlement Transmission Procedure

For each investment agreed by the Council, the payment details are entered on the Council's Bankers online banking system. This is then approved by account signatories using their individual logins and security keys.

Documentation Requirements

For each investment that is undertaken, the following details are both stored electronically and kept on a paper record:

- Investment Reference
- Counterparty
- Broker
- Principal
- Value Date
- Maturity Date
- Interest Rate
- Counterparty Sort-Code
- Counterparty Bank Details
- Counterparty Account Number
- Gross Interest
- Interest Analysed by Financial Year

The paper version of the above details is signed by the dealing officer. It is also signed by the two authorised signatories who sign the CHAPS form.

In addition to the above, up to four (basic) reasons regarding the duration of each investment are recorded electronically by the dealing officer.

Arrangements Concerning the Management of Third-Party Funds

The Council does not manage any third-party funds.

TMP 6: Reporting Requirements and Management Information Arrangements

Treasury Management Practice 6

Reporting Requirements and Management Information Arrangements

Dacorum Borough Council will ensure that regular reports are prepared and considered on the:

- *implementation of its treasury management policies*
- *effects of decisions taken and the transactions executed in pursuit of those policies*
- *implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities*
- *performance of the treasury management function.*

As a minimum, the organisation (i.e. the Full Council) will receive:

- *An annual report on the strategy and plan to be pursued in the coming year*
- *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 Treasury Management Practices.*

Annual Treasury Management Strategy Statement

The Treasury Management Strategy sets out the expected treasury activities for the appropriate forthcoming financial year. The strategy will be submitted to Cabinet for approval before the commencement of each financial year, usually along with the Budget Setting Report.

The formulation of the annual Treasury Management Strategy involves determining the Council's borrowing and investment decisions in the light of anticipated movements in interest rates. For example, the Council may decide to place longer-term investments if it is anticipated that future interest rate movements will demonstrate current longer-term interest rates to be higher than would be achieved by rolling-over shorter term investments.

The Strategy will propose guiding principles for the forthcoming financial year, but it will also describe potential alternative courses of action given the occasional volatility of the money markets. Should major variations from the central strategy prove necessary, the Portfolio Holder (Finance & Resources) will be kept fully informed of these changes.

In preparing and reporting the proposed strategy, all appropriate sources of information will be used, including independent interest rate forecasts and guidance from the Council's external treasury advisers.

The Treasury Management Strategy is concerned with the following elements:

- The current Treasury portfolio position;
- The prospects for interest rates;
- The limits placed by the Council on treasury activities;
- The expected borrowing strategy (if this becomes appropriate in the future);
- The strategy for the year for the Council's investments;
- Borrowing requirements (if appropriate);
- Any extraordinary treasury issues.

Policy on Interest Rate Exposure

The Council approves before the beginning of each financial year the following treasury limits:

- The amount of the overall borrowing limit which may be outstanding by way of short term borrowing;
- Where borrowing is envisaged, the maximum proportion of interest on borrowing which will be subject to variable rate interest.

The Chief Financial Officer is responsible for incorporating these limits into the annual Treasury Management Strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Chief Financial Officer will submit the changes to Cabinet for approval.

The Treasury Management Strategy describes the Council's policy for each financial year regarding exposure to changes in interest rates for the investment portfolio.

Annual Report on Treasury Management Activity

An annual report will be presented to Cabinet 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 review for the financial year of all treasury policies, activities and results;
- A summary of the interest returns achieved (including comparison with standard benchmarks) and the impact of these returns on the Council's revenue budget;
- An assessment of the degree of compliance with the original strategy, and an explanation of any deviations;
- An overview of the potential impact of any Treasury Management decisions (e.g. long-term investments) taken during the year that may impact materially on future years;
- Notification, and explanation, of any breaches of the Council's Treasury Management Policy, Treasury Management Practices, or Approved Lending List;
- A report on compliance with CIPFA recommendations in its "Treasury Management in the Public Services" Code of Practice.
- Prudential Indicators

Management Information Reports

A management information report will be prepared at the end of each month by the Assistant Accountant. This report will be sent to the Portfolio Holder (Finance & Resources), the Corporate Director (Finance & Governance), the Group Manager (Financial Services), the Team Leader (Regulatory & Financial Accounting) and the Team Leader (Financial Planning & Analysis)

The report will contain the following information:

- Interest to date and forward forecasts
- Money Market Fund Comparisons
- Borrowing Comparisons
- Market Updates
- Updates to the approved lending list

TMP 6: Reporting Requirements and Management Information Arrangements

Should the Council appoint external fund managers, the above reports will consider funds managed internally and externally separately, before comparing the returns achieved and reporting the combined impact of these returns upon the Council.

Periodic Reports to Cabinet

Each year, Cabinet will receive and consider (as a minimum) the following Treasury Management reports:

- An annual Treasury Management Strategy before the commencement of the new financial year;
- A mid-year review by the end of December of each year.
- An annual Treasury Management Activity Report within six months of the financial year-end.

Treasury Management Practice 7

Budgeting, Accounting and Audit Arrangements

The responsible officer will prepare, and the Council will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1: Risk Management, TMP2: Performance Measurement, and TMP4: Approved Instruments, Methods and Techniques.

The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6: Reporting Requirements and Management Information Arrangements.

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

The Council will ensure that its auditors and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfillment of their roles. Such information and papers will demonstrate compliance with external and internal policies and approved practices.

Statutory / Regulatory Requirements

The Council's accounts are drawn up in accordance with the "Code of Practice on Local Authority Accounting" ('the code') and the "Service Reporting Code of Practice". This code of practice is recognized by statute as representing proper accounting practices.

Accounting Practices and Standards

Due regard is given to the International Accounting Standards as they apply to Local Authorities in Great Britain, as defined by the code. The Council adopts in full the principles set out in CIPFA's "Treasury Management in the Public Services" Code of Practice, together with specific recommendations within the accompanying "Guidance Notes for Local Authorities" that are relevant to the Council's treasury management activities.

Sample Budgets / Accounts

The staffing and daily administration costs of the Treasury Management function are included within the costs for the Council's Accountancy service. This budget is prepared by the Financial Planning and Analysis (FPA) team in advance of each financial year, and then approved by Full Council.

Given the above, budget monitoring for the Treasury Management function takes place as part of the Council's monthly and quarterly processes within the umbrella of the Accountancy service as a whole.

Certain specific costs, such as payments made to the Council's external treasury advisers, are separately identified within the Council's general ledger, and hence these items are monitored throughout the year.

List of Information Requirements of External Auditors

- Verification with counterparties of investments and loans at year-end;
- Reconciliation between the Council's Investments system and its general ledger of principal and interest amounts received during the year, and accrued at year-end;
- Verification of receipt of previous year accruals;
- A copy of the year-end Treasury Management Annual Report.
- Should it become appropriate in the future, external fund manager(s) valuations including investment income schedules and movement in capital values.

Monthly Budget Monitoring Report

Section 6 describes the monthly reporting arrangements for the Council's investment and borrowing portfolio, whilst section 7 describes the arrangements for monitoring the costs of the Treasury Management service within the Council.

Budget Setting Exercise

All budgets for Treasury Management, including both returns achieved and running expenses incurred, are prepared annually by the FPA team in conjunction with the Treasury Management team, and then approved by Full Council.

Treasury Management Practice 8

Cash and Cash Flow Management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of Dacorum Borough Council will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 Liquidity Risk Management.

Arrangements for Preparing and Submitting Cash Flow Statements

As part of the Council's budget and medium term financial plan processes, revenue and capital budgets for the next 5 years are prepared. This process identifies key expenditure and income flows that are expected in forthcoming years, and any major items that need to be considered when long-term investment decisions are made.

Detailed day-by-day cash-flow projections are produced before the start of each financial year. These projections are produced using the Council's Investments system, and are calculated using a variety of sources of income and expenditure.

Content and Frequency of Cash-Flow Budgets, and Sources of Information

Examples of items included in the cash flow, and basis of amount included are shown below.

Income

Direct Debit Income (CT, NNDR, Housing Rents)

Monthly receipt on the 1st of the month, or the first working day thereafter *Previous Year + Appropriate Increase*

Housing Benefit Subsidy Received from the DSS (via BACS)

Monthly receipt on the 15th of the month, or the first working day thereafter *DSS Schedule>Returns*

Miscellaneous Cash (CT, NNDR, Housing Rents, Customer Accounts)

Daily *Based on prior year trends*

Ad-hoc and Right to Buy Receipts

Ad-hoc *Information provided by services and Service Accountants*

Expenditure

Precept Payments to HCC / HPA (HCC-Originated BACS)

Approximately 10 payments per year are made, roughly once every 5 weeks. *Schedule Received from HCC*

NNDR Payments to the Government (ODPM-Originated BACS)

Approximately 25 payments per year are made, roughly once a fortnight. *Schedule Received from ODPM*

Payments to Sundry Creditors (By BACS/Cheque)

BACS runs clear Tuesdays and Thursdays. *Approximate figure of £1.2m; varies each week*

Salaries Payments to Employees (via BACS to Aylesbury Vale DC)

Monthly payment on the 25th of the month, or the last working day preceding this. *Previous Year + Pay Rise*

Income Tax / NI Payments to the Inland Revenue (DBC-Originated CHAPS)

Monthly payment on the 22th of the month, or the last working day preceding this. *Previous Year + Pay Rise*

In addition to the above, all investment payments and maturities (including interest) are automatically added to the cash flow diary as appropriate.

Bank Statement Procedures

All bank statement data is exported daily from the computer system provided by the Council's bankers into an in-house MS-Access based system.

Some of the entry types listed above result from processing undertaken in other Council systems. As such, the Council's banking system simply records the fact that these particular transaction types have occurred. However, it should be noted that all entries are reconciled as part of the ongoing bank reconciliation procedures.

Other entry types shown above require entries to be passed through to the Council's general ledger system. This involves the Assistant Accountant assigning one or more ledger codes to the appropriate payment or receipt, and then confirming that the entry is ready for processing. These transactions are then batched at the end of the day, and processed through to the Council's general ledger system.

Payment Scheduling and Agreed Terms of Trade with Creditors

All of the Council's invoices are paid by a central Creditors team. This team currently produces two BACS runs and (a maximum of) one cheque run for Creditors per week, and all invoices due that have been received by the team in advance of their weekly deadline will be paid at this time.

Invoices are paid in accordance with their due date. The Council will seek to pay all undisputed invoices within the Payment terms. The Council also seeks to pay all undisputed invoices within 30 days of receipts.

Arrangements for Monitoring Debtors / Creditors Levels

The monthly key controls report details arrears levels by type of debtor. This analysis also includes an 'Aged Debt Analysis'.

Other than the weekly control totals that are maintained for reconciliation purposes, no standard reports are currently produced with regard to the payment of creditors. However, the calculation of the performance indicator is updated monthly.

Procedures for Banking of Funds

Most funds received by the Council that require banking are received either at one of the Council's Offices, or at an income-taking location such as a Car Parking Centre. All such receipts are collected between daily and weekly (depending on the location) by the Council's Cash Collection contractor, and are then passed by this contractor to the Council's bank.

Where money is received by an officer whom does not work in any of the locations mentioned above, these receipts will be aggregated by the appropriate officer and then passed to the Central Admin Team or the Customer Service Centre. These receipts are then processed in the usual way.

Treasury Management Practice 9

Money Laundering

Dacorum Borough Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

Procedures for Establishing Identity / Authenticity of Lenders

Should the Council need to undertake borrowing in the future, this will only be undertaken in consultation with the Council's external treasury advisers. Furthermore, loans will only be undertaken with either:

- The PWLB
- Other Local Authorities;
- Authorised Institutions under the Banking Act 1987 (as shown on the Financial Services Authority's register of authorised institutions).

Methodologies for Identifying Sources of Deposit

When lending money for Treasury Management purposes, the Council will only place investments with counterparties who appear on its Approved Lending List. This list is subject to stringent criteria in its construction, as detailed in section 1.

Counterparty bank details are maintained on the Council's Bankers website and the in house system. A separate list is reviewed, authorised and laminated to prevent tampering.

Treasury Management Practice 10

Staff Training and Qualifications

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

The responsible officer will ensure that the Council Members tasked with Treasury Management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with Governance recognize their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

Details of Approved Training Courses

There are no formally recognised training courses for the Council's Treasury Management staff. However, basic courses are offered periodically by the Council's external treasury advisers and also, at a charge, by the money market brokers. In addition CIPFA provide an accredited course on Treasury Management. These courses are utilised if and when appropriate so as to ensure that all Treasury Management staff have a solid grounding to underpin their treasury duties.

Records of Training Received by Treasury Staff

No formal records are maintained specifically for treasury purposes.

However, all Council employees complete a Training Log as part of their appraisal process. This process includes an annual Appraisal Interview, part of which reviews progress (including training) during the previous 12 months, and then identifies future training requirements. The record of this interview is signed by both parties to confirm its accuracy, and to demonstrate commitment to fulfilling the training needs etc. that have been identified.

Career Development / Succession Arrangements

Within the Accountancy service, all staff are actively encouraged to continually develop their skills. However, there are no formal arrangements regarding career development or succession arrangements; tasks are transferred between staff from time-to-time with a view to developing staff.

If specific posts become available, internal staff can apply for them if they wish. However, external applicants are also welcome, and the decision of whom to appoint is based solely upon consideration of who should best be able to do the job.

Approved Qualifications for Treasury Staff

There are no Treasury Management qualifications that have been formally approved by the Council for its staff. However, employees are encouraged to take professional accountancy qualifications.

Secondment of Staff

Various secondments are undertaken within the Council from time-to-time. Given that there are always at least two, and usually three, staff who are familiar with the daily Treasury Management procedures, the secondment of a member of the Treasury Management team would not materially impact on the daily undertaking of treasury duties.

Treasury Management Practice 11

Use of External Service Providers

Dacorum Borough Council recognises that the responsibility for Treasury Management decisions remain with the Council at all time. It recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The Council will also ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer.

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

Banking Services

The Council's current bankers are The Co-operative Bank.

The contract for this service is a 5-year contract starting on 1st September 2011, with the option for a further 2 year extension after this.

The Council's account balances are consolidated each night, but no sweeping takes place. Interest on credit and debit balances is applied in line with the contract.

Money-Broking Services

The Council's money market brokers are:

- Sterling International Brokers
- Intercapital Europe
- Tradition

No contractual obligations exist between the Council and any of these brokers. Consequently, the Council is free to change the brokers it uses without providing any notice, or in any way compensating, the existing brokers.

Consultants' / Advisers' Services

The Council does not employ any external Fund Managers.

The Council's external treasury management consultants are:

Sector Treasury Services Limited
17 Rochester Row
London
SW1 1QT

The Council's current contract with Sector is a 3-year contract starting on April 1st 2009 with an option for a one year extension.

Other consultants may be employed on short term contracts as and when required.

Procedures and Frequency for Tendering Services

With the exception of the banking contract, which is for 5 years, tenders are normally awarded on a 3-yearly basis, with the option to extend for one or two further years if approved by Cabinet. The process for advertising and awarding contracts will be in line with the Council's Standing Orders and Financial Regulations.

Treasury Management Practice 12

Corporate Governance

Dacorum Borough Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

Dacorum Borough Council has adopted and implemented the key recommendations of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

List of Documents to be Made Available for Public Inspection

The following core financial documents are available to the public:

- Annual Budget Book (Upon Demand);
- Statement of Accounts (Upon Demand and on Website);
- Auditors Opinion (Upon Demand and on Website);
- Auditors Management Letter (Upon Demand and on Website);
- Capital Strategy (Upon Demand and on Website).

In addition to the above, all key treasury management reports to members (Policy, Practices, Strategy and Annual Report) are available to the public upon demand.

Procedures for Consultation with Stakeholders

The Council undertakes a series of consultation methods to inform members of the views of the public when making their key budget and Council Tax decisions. These methods include:

- Questionnaires;
- Public events;
- Highlighting the main budget issues on the Council's website, and inviting feedback;
- Direct contact with the Council's many partners.