



# **WILTSHIRE FIRE & RESCUE SERVICE**

**Wiltshire and Swindon Fire Authority**

## **Treasury Management Policy Statement & Practices** (incorporating TMP Schedules & Annual Investment Strategy)



**2008 - 2009**

# CONTENTS

<b>1</b>	<b>INTRODUCTION</b>	<b>4</b>
1.1	BACKGROUND	4
1.2	TREASURY MANAGEMENT REPORTING	4
1.3	DELEGATED RESPONSIBILITY	4
<b>2</b>	<b>TREASURY MANAGEMENT POLICY STATEMENT</b>	<b>5</b>
<b>3</b>	<b>TREASURY MANAGEMENT PRACTICES</b>	<b>5</b>
3.1	INTRODUCTION	5
3.2	TMP1 - RISK MANAGEMENT	5
3.2.1	<i>Liquidity Risk Management</i>	6
3.2.2	<i>Interest Rate, Exchange Rate and Inflation Risk Management</i>	6
3.2.3	<i>Credit and Counterparty Risk Management</i>	6
3.2.4	<i>Refinancing Risk Management</i>	6
3.2.5	<i>Legal and Regulatory Risk</i>	7
3.2.6	<i>Fraud, Error and Corruption, and Contingency Management</i>	7
3.2.7	<i>Market Risk Management</i>	7
3.3	TMP2 - BEST VALUE AND PERFORMANCE MEASUREMENT	7
3.4	TMP3 - DECISION MAKING AND ANALYSIS	8
3.5	TMP4 - APPROVED INSTRUMENTS, METHODS AND TECHNIQUES	8
3.6	TMP5 - ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS	8
3.7	TMP6 - REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS	9
3.8	TMP7 - BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS	9
3.9	TMP8 - CASH AND CASH FLOW MANAGEMENT	10
3.10	TMP9 - MONEY LAUNDERING	10
3.11	TMP10 - STAFF TRAINING AND QUALIFICATIONS	10
3.12	TMP11 - USE OF EXTERNAL SERVICE PROVIDERS	10
3.13	TMP12 - CORPORATE GOVERNANCE	11
<b>4</b>	<b>TREASURY MANAGEMENT SCHEDULES</b>	<b>12</b>
4.1	INTRODUCTION	12
	TMP 1 RISK MANAGEMENT	13
	<i>Liquidity Risk</i>	13
	<i>Interest Rate, Exchange Rate and Inflation Risk Management</i>	13
	<i>Credit and Counterparty Risk Management</i>	13
	<i>Refinancing Risk Management</i>	13
	<i>Legal and Regulatory Risk</i>	13
	<i>Fraud, Error and Corruption and Contingency Management</i>	14
	<i>Market Risk Management</i>	14
	TMP 2 BEST VALUE AND PERFORMANCE MEASUREMENT	15
	<i>Internally Invested Funds</i>	15
	TMP 3 DECISION-MAKING AND ANALYSIS	16
	TMP 4 APPROVED INSTRUMENTS, METHODS & TECHNIQUES	17
	<i>Internally Managed Funds:</i>	17
	<i>Specified &amp; Non Specified Investments</i>	17
	TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS	19
	<i>The Authority</i>	19
	<i>Finance Director</i>	19
	<i>Treasury Manager – Principal Financial Accountant)</i>	20
	<i>Accountancy Assistant)</i>	20
	<i>Internal Audit (Swindon Borough Council) (as agent to the Authority)</i>	20
	TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS	21
	<i>Finance Director Reporting</i>	21
	<i>Treasury Manager - Principal Financial Accountant</i>	21
	TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS	22
	<i>Budgeting</i>	22
	<i>Accounting Arrangements</i>	22
	<i>Audit Arrangements</i>	22

TMP 8 CASH AND CASH FLOW MANAGEMENT .....	23
<i>Standard Operating Procedures</i> .....	23
TMP 9 MONEY LAUNDERING .....	26
TMP 10 STAFF TRAINING AND QUALIFICATIONS .....	25
TMP 11 USE OF EXTERNAL SERVICE PROVIDERS .....	26
<i>Internally Invested Funds</i> .....	26
<i>Externally Invested Funds (Not currently relevant)</i> .....	26
TMP 12 CORPORATE GOVERNANCE.....	28
 APPENDIX A - ANNUAL INVESTMENT STRATEGY .....	 28

# **1 INTRODUCTION**

## **1.1 Background**

The fire authority has had a formally adopted Treasury Management Policy Statement for a number of years, which has complied with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) "Treasury Management in Local Authorities: Code of Practice 1996".

This code has now been fully revised and the purpose of this document is to outline those procedures that cover the whole range of treasury management activities, and has been prepared within the revised guidelines of the "Treasury Management in the Public Services Code of Practice" published by CIPFA. As such, the authority will adopt the key recommendations of the code.

Accordingly, the authority will create and maintain, as the cornerstones for effective treasury management:

- ◆ A treasury management policy statement, stating the policies and objectives of its treasury management activities;
- ◆ Suitable treasury management practices (TMPs), setting out the manner in which the authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

## **1.2 Treasury Management Reporting**

The Authority will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in the TMPs.

The Annual Strategy required by this code will also incorporate the requirements of the "Guidance on Local Government Investments" issued by the former Office of the Deputy Prime Minister (ODPM). This document requires that a Local Authority draw up an Annual Investment Strategy for the following financial year.

The Annual Investment Strategy will be produced as Appendix A to this document, and updated and varied from time to time, as appropriate.

## **1.3 Delegated Responsibility**

This authority delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Finance Review Committee and for the execution and administration of treasury management decisions to the Finance Director, who will act in

accordance with the Authority's policy statement and TMPs and CIPFA's *Standard of Professional Practice on Treasury Management*.

## **2 TREASURY MANAGEMENT POLICY STATEMENT**

Treasury Management is concerned with the management of the organisation's cash flows, its banking, money markets and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

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 implications for the organisation.

The 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.

## **3 TREASURY MANAGEMENT PRACTICES**

### **3.1 Introduction**

The Code of Practice recommends that an authority adopts a number of Treasury Management Practices (TMPs) to reflect its treasury management powers and the scope of its treasury management activities. The TMPs relevant to Wiltshire & Swindon Fire Authority are outlined in the rest of the section and are supported by the schedules in Section 4, which explain the present arrangements.

The TMPs:-

### **3.2 TMP1 - Risk Management**

The Finance Director will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the authority's objectives in this respect. This will be done 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 that seek to ensure compliance with these objectives are set out in the schedule to this document.

### **3.2.1 Liquidity Risk Management**

The Authority 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 levels of funds available to it which are necessary for the achievement of its business/service objectives.

### **3.2.2 Interest Rate, Exchange Rate and Inflation Risk Management**

The Authority 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 amended in accordance with *TMP6 Reporting requirements and management information arrangements*.

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

The effects of varying levels of inflation, insofar as they can be identified as impacting directly on its treasury management activities, will be controlled by the organisation as an integral part of its strategy for managing its overall exposure to inflation.

It will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but 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, exchange rates or inflation. The above are subject at all times to the consideration, and, if required, approval of any policy or budgetary implications.

### **3.2.3 Credit and Counterparty Risk Management**

The Authority regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investments activities to the instruments, methods and techniques referred to in *TMP4 Approved instruments, methods and techniques* and listed in the schedule to this document. It 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.

### **3.2.4 Refinancing Risk Management**

The Authority 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 favourable to the authority as can be reasonably achieved in the light of market conditions prevailing at the time.

It will 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.

### **3.2.5 Legal and Regulatory Risk**

The Authority 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[5] -*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 authority, particularly with regard to duty of care and fees charged.

The Authority 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.

### **3.2.6 Fraud, Error and Corruption, and Contingency Management**

The Authority will ensure that it has identified the 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.

### **3.2.7 Market Risk Management**

The Authority 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

## **3.3 TMP2 - Best Value and Performance Measurement**

The Authority 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 policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the authority'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 criteria set out in the schedule to this document.

### **3.4 TMP3 - Decision Making and Analysis**

The Authority 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 the schedule.

### **3.5 TMP4 - Approved Instruments, Methods and Techniques**

The Authority will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in *Risk Management*.

### **3.6 TMP5 - Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements**

The Authority considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle 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, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when this authority intends, as a result of lack of resources or other circumstances, to depart from these principles, the Finance Director 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 Finance Director will ensure that there are clear written statements of the responsibilities of each post engaged in treasury management,

and the arrangements for absence cover. The present arrangements are detailed in the schedule to this document.

The Finance Director will ensure that there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegations of the Finance Director in respect of treasury management are set out in the schedule to this document. The Finance Director will fulfil all such responsibilities in accordance with the Authority's policy statement and TMPs, constitution, and, if a CIPFA member, the "*Standard of Professional Practice on Treasury Management.*"

### **3.7 TMP6 - Reporting Requirements and Management Information Arrangements**

The Authority will ensure that regular reports are prepared and considered in the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the Authority 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 affects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Authority's treasury management policy statement and TMPs.

### **3.8 TMP7 - Budgeting, Accounting and Audit Arrangements**

The Finance Director will prepare, and the Authority will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all 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 *Best value and performance measurement* and TMP4 *Approved instruments, methods and techniques*. The Finance Director will exercise effective controls over this budget, and will report upon and recommend any changes in accordance with TMP6 *Reporting requirements and management information requirements*.

The Authority 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 Authority 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 fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

### **3.9 TMP8 - Cash and Cash Flow Management**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Authority will be under the control of the Finance Director, 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 Finance Director will ensure that these are adequate for the purposes of monitoring compliance with TMP1[1] *liquidity risk management*.

### **3.10 TMP9 - Money Laundering**

The Authority 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.

### **3.11 TMP10 - Staff Training and Qualifications**

The Authority 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 Finance Director will recommend and implement the necessary arrangements.

### **3.12 TMP11 - Use of External Service Providers**

The Authority 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 that will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value is assessed are properly agreed and documented, and subjected to regular review. It 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 and re-tender arrangements, legislative requirements will be observed. The monitoring of such arrangements rests with the Finance Director.

### **3.13 TMP12 - Corporate Governance**

The Authority is committed to the pursuit of proper corporate governance throughout its business 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.

This Authority has adopted and has 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 Finance Director will monitor and, if necessary, report upon the effectiveness of these arrangements.

## **4 TREASURY MANAGEMENT SCHEDULES**

### **4.1 Introduction**

The schedules outlined in this section present the current arrangements in place at Wiltshire & Swindon Fire Authority, in respect of its treasury management function. They are provided in support of the treasury management practices (TMPs) outlined in Section 3.

## **TMP 1 Risk Management**

### ***Liquidity Risk***

Key schedules/points of reference:

- i) Schedule of Known Payments and Receipts 2008/09  
*- compiled at the beginning of the year and updated through the year for any changes to the cashflow, including investments fixed to dates where known payment must be made.*
- ii) Weekly Cashflow Forecast  
*- completed on a daily basis with bank balance figures taken from HSBC and known payments and receipts for that day. Action is then taken to either invest or recall funds depending on whether there is a surplus or a shortfall of funds.*
- iii) Overdraft Arrangement  
*- the Authority has an overdraft limit of £1,000,000 at an interest rate of 1% above base rate up to £500,000, and 2% above base rate for amounts over £500,000 .*

### ***Interest Rate, Exchange Rate and Inflation Risk Management***

Key schedules/points of reference:

- i) Budgeted investment income and reserves 2008/09
- ii) Bank charges budget (incl. Interest) 2008/09
- iii) Prudential Indicators for 2008/09

### ***Credit and Counterparty Risk Management***

Key schedules/points of reference:

- i) Approved lending list 2008/09  
*- the lending list is agreed annually and lists financial institutions with which W&SFA can invest funds. The institutions included on the list are split into different ranges of maximum investment, in accordance with their credit ratings.*

### ***Refinancing Risk Management***

There are no specific schedules for this item.

### ***Legal and Regulatory Risk***

There are no specific schedules for this item.

## ***Fraud, Error and Corruption and Contingency Management***

Key schedules/points of reference:

- Insurance Policy documents detailing the Fidelity Guarantee Insurance Policy

## ***Market Risk Management***

There are no key schedules for this risk

## **TMP 2 Best Value and Performance Measurement**

### ***Internally Invested Funds***

A spreadsheet is kept which details the daily outstanding investments and the Local Authority Seven-Day Rate.

The target for returns on internal investments is therefore the average daily interest receivable, using the average Local Authority Seven-Day rate for a period.

Funds are monitored on a quarterly basis in a report to the Finance Director, from the Principle Financial Accountant.

### **TMP 3 Decision-making and Analysis**

On a daily basis a cashflow forecast is completed, taking bank balance figures from HSBCnet and any known payments and receipts for each day.

At the end of each week, the cashflow forecast is printed as a record of the cashflow and investment decisions taken in that week. Once printed, the cashflow forecast spreadsheet is overwritten with the following week's entries.

As a general rule, the balance at the end of the day should be as near to £0.00 as possible, in order to maximise investment interest, whilst not incurring unnecessary costs due to being overdrawn.

However, it must be borne in mind that to invest smaller sums will cost the Authority more in CHAPS fees than it would receive in investment interest.

## **TMP 4 Approved Instruments, Methods & Techniques**

The TMP should be read in conjunction with the Annual Investment Strategy, a copy of which is attached as Appendix A.

### ***Internally Managed Funds:***

#### **Specified & Non Specified Investments**

The Authority may use the following types of investment for internally managed investments:

Fixed Term Deposits  
On Call Deposits

#### **Definition of Approved Organisations for Investment**

The Authority may lend funds to the following organisations:

Other Local Authorities;  
Major clearing banks incorporated in the UK and their subsidiaries;  
UK Building Societies;  
British Merchant Banks and Securities House Association members;  
the secondary banking sector.  
Foreign Banks with an F1+ Rating

With the exception of Other Local Authorities, the Authority may invest with these bodies to the extent that they have “high” credit ratings<sup>1</sup>, which have been defined by the Authority in the following section.

#### **Internal Investment Policy**

The following limits apply on the amount of money that can be invested with any one of the institutions mentioned in 2.4 above at any one time, by the internal team:

Highest Quality Financial Institutions	£5M
Other Local Authorities	£1M
100% Owned Subsidiaries of Clearing Banks	£1M
F1/AA Rated building societies	£1M
Top 10 Building Societies (Butlers Guide List)	£1M
F1/A Rated building societies	£0.5M
F1/A Rated merchant or secondary banks	£0.5M

---

<sup>1</sup> Draft “Guidance on Local Government Investments”

The highest quality financial institutions must have a minimum short-term Fitch IBCA rating of F1+ and long-term rating of AA-. This criterion is used in conjunction with the lending lists maintained by the fund managers and only institutions on these lists will be used.

The Authority shall review the above list of institutions and limits attached thereto at least annually as part of the overall strategy review. Authority is delegated to the Finance Director to vary the list and the limits applying as circumstances dictate, such variations to be reported to the Authority at the earliest opportunity.

## **TMP 5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements**

The Authority's Treasury Management function is managed with the Service headed by the Finance Director. The various responsibilities of the Treasury Management function shall be allocated as follows:

### ***The Authority***

- Approval of the initial Treasury Management Policy Statement
- Determination of the annual borrowing limit, the annual temporary borrowing limit, and the maximum level of borrowing on which variable interest is payable
- Approval of amendments to and reviews of the Authority's adopted clauses, treasury management policy statement and treasury management practices
- Budget consideration and approval
- Agreement of the annual treasury management strategy
- Annual review of treasury activity
- Agreement of the division of Treasury Management responsibilities

### ***Finance Director***

- Variations to approved investment institutions and associated lending limits
- Approval of leasing transactions and other credit arrangements
- Approval of all longer-term borrowing and lending transactions (over 364 days).
- Obtaining confirmation of the legality of proposed actions and instruments to be obtained
- Report to elected members and advise the monitoring officer when appropriate
- Review and Amendments of the Treasury Management Strategy and Policy Statement for approval by Finance Review Committee
- Organisation of the Treasury Management function
- Approval of the use of all new brokers
- Monitoring and implementation of the Treasury Management Policy and Strategy Reports to Finance Review Committee on future treasury management strategies and performance reviews
- Review of the Performance of the Treasury Management Function
- Regular review of the Treasury Systems documentation
- Ensuring that all Treasury Management staff are aware of and have access to a copy of the Bank of England's latest version of the "London Code of Conduct".
- Prepare and implement the Treasury Systems document
- Ensure compliance with policies, limitations and directions
- Manage the overall treasury function
- Ensure appropriate division of duties

### ***Treasury Manager - Principal Financial Accountant***

- Execution of transactions
- Adherence to agreed policies and practices on a day-to-day basis
- Maintaining relationships with third parties and external service providers
- Supervising treasury management staff
- Monitoring performance on a day to day basis
- Submitting management information reports to the responsible officer
- Identifying and recommending opportunities for improved practices
- Produce regular performance reports to the Treasurer/Finance Director
- Monitor the performance of brokers and recommend new ones as appropriate

### ***Accountancy Assistants***

- To carry out the daily cashflow forecast and arrange any investment or recalling of funds as necessary
- To perform monthly reconciliations of treasury management records with the information recorded on the General Ledger in Agresso
- To assist the Treasury Manager with other general treasury management duties

### ***Internal Audit (Swindon Borough Council) (as agent to the Authority)***

- Review compliance with approved policies and procedures
- Review division of duties and operational practice
- Undertake probity audit of the Treasury function

## **TMP 6 Reporting Requirements and Management Information Arrangements**

### ***Finance Director Reporting***

**Exception reporting** – The Finance Director will report to Authority and the Authority’s Monitoring Officer if irregularities occur which require this.

**Prudential Indicator Report** - The Finance Director should recommend borrowing limits required by Local Government Act 2003 and the Prudential Code of Practice, to the Authority in time to enable these matters to be approved by Authority prior to the commencement of the relevant financial year.

**Annual Treasury Strategy Report** - The Finance Director should report to the Authority before each year on the proposed Treasury Strategy for the ensuing year.

**Annual Report on Treasury Management** - The Finance Director should report on the activities of the Treasury Management Function by 30th September after the year-end of the year in question. This report will include reference to the original strategy, and a comparison of performance.

**Exceptional Items** - The Finance Director should also report on any other unusual treasury activity, and on any changes made to the strategy, or to other items of policy brought about by exceptional circumstances.

### ***Treasury Manager – Principal Financial Accountant***

The Principal Financial Accountant will be responsible for the preparation of quarterly monitoring statements for the Finance Director including loans and investments made, interest rate movements, treasury activities in general and recommendations for the ensuing quarter. The report will also include any unusual items or concerns.

## **TMP 7 Budgeting, Accounting and Audit Arrangements**

### ***Budgeting***

As part of the annual budget setting process, budgets for investment interest and bank charges are set. Examples of these budgets can be found in the schedules to TMP 1 under 'Liquidity Risk'.

### ***Accounting Arrangements***

The accounting arrangements in place for the Treasury Management function have been constructed in accordance with the Local Authority SORP 2003. Also, in accordance with the Best Value Accounting Code of Practice (BVACOP) the following codes are in place on the Authority's main accounting system (Agresso):-

<b>Account</b>	<b>Cost Centre Detail</b>	<b>Description</b>
----------------	---------------------------	--------------------

(To be inserted)

### ***Audit Arrangements***

The Authority has a three-year, risk-based internal audit plan 2006-07 to 2008/09, which was managed and implemented by agreement by Kennet District Council (and for 2008/09 Swindon Borough Council). The Treasury Management function is considered to be a high-risk area and is therefore audited on an annual basis.

Internal Audit reports on Treasury Management will be issued to the following:-

- Treasurer
- Finance Director
- Principal Financial Accountant

## **TMP 8 Cash and Cash Flow Management**

### ***Standard Operating Procedures***

Standard operating procedural documentation detailing the operational procedures and responsibilities are maintained (reviewed regularly) and are readily accessible to all relevant staff within Wiltshire Fire & Rescue Service. These include:-

- Obtaining bank balances off HSBCnet
- Preparing the Daily Cashflow Forecasts
- Making Investments
- Recalling Investments
- CHAPS Payments
- Reconciling Investments

## **TMP 9 Money Laundering**

The Authority's Anti-Fraud and Corruption Strategy contains a section relating to money laundering and the controls in place to prevent this at Wiltshire and Swindon Fire Authority.

## TMP 10 Staff Training and Qualifications

Staff currently involved in the Treasury Management Function have the following relevant qualifications:-

<b>Position</b>	<b>Name</b>	<b>Qualifications</b>
Treasurer	Frank Marshall	BA, CPFA
Finance Director	Phil Chow	BSc, CPFA
Principal Financial Accountant	Martin Platt	MA, CPFA
Principal Accountant – Systems & Development	Vacant	
Senior Accountancy Assistant	Mavis Maulkerson	
Accountancy Assistant	Jo Walsh	MAAT
Financial Systems Manager	Graham Howard	BA, CIMA(part)

## **TMP 11 Use of External Service Providers**

### ***Internally Invested Funds***

#### **Policy on the use of Brokers**

The Authority employs a number of brokers who must demonstrate adherence to the London Code of Conduct for principals and broking firms.

The policy is to use at least three firms to promote competitiveness and allow comparisons of service provided, and to avoid any accusations of favouritism. The firms most commonly used by the Authority at present are as follows:

- Prebon Yamane
- Inter Capital Bank (Formally Exco)
- Sterling Brokers
- Tradition UK (Formerly City Deposit Brokers)

If a broker's service falls short of expected standards, or gives grounds for concern, then a new broker will be substituted.

#### **Policy on Dealing Direct**

The Authority will not only deal through Brokers. In some instances the Authority will deal with organisations directly with the expectation that better rates will be achieved by dealing in this way.

### ***Externally Invested Funds (Not currently relevant)***

#### **Fund Managers General**

The Authority may use external fund managers should the level of funds available for investment become too large for the in-house appointed staff to manage. No one fund manager will have funds greater than £20M at the time funds are placed and the performance of the managers will be reviewed at least every 3 years.

The objective of the funds managed by external fund managers would be to achieve a maximum rate of return consistent with minimum capital risk.

Fund managers will agree to be bound by the Authority's Treasury Management Policy Statement unless the Authority determines to alter the Treasury Management Policy Statement on their advice.

## **Fund Manager Performance Review**

Fund Managers performance will be judged against a set standard return based on market rates, and regular reports would be made to the Finance Director who would report the results annually to the Authority, or more often when exceptional circumstances require this.

## **Fund Manager Selection Process**

The process of selection of Fund Managers will involve the creation of a long-list, with responses to an Expression of Interest Questionnaire being used to reduce this number to a shortened long-list. Following presentations to officers, a final short-list will be produced, and candidates will be expected to carry out presentations to Members after which final selection will be made.

## **TMP 12 Corporate Governance**

There are no specific schedules for this item. All other schedules for TMPs 1 to 11 are in place to ensure proper corporate governance within the Treasury Management Function of the Authority.

## WILTSHIRE & SWINDON FIRE AUTHORITY ANNUAL INVESTMENT STRATEGY

### 1. INTRODUCTION

When deciding the treasury management policies and strategies, the Authority will give priority to the security and liquidity of the investments, rather than to the yield of the investments. The general policy objective is that the authority should prudently invest the temporarily surplus funds held on behalf of the community. The strategy laid down in this document has been prepared in accordance with these objectives.

The strategy will also be consistent with Authority's Treasury Management Statement and in particular, TMP 4 Approved Investments, Methods and Techniques.

The strategy should be read in conjunction with TMP 4, which explicitly outlines those types of investment that may be used, the organisations that may be used and also details the Authority's definition of "*high credit rating*". The Authority has adopted a policy whereby the definition of "*high credit rating*" differs between those investments managed internally and those managed externally.

### 2. SPECIFIED INVESTMENTS

Specified Investments are those investments made either with the UK Government or other UK Local Authority, or with a body that has been awarded a high credit rating. In addition, the investment must have a period of majority of no longer than 1 year. Specified investments exclude the acquisition of share capital or loan capital in a body corporate (e.g. Corporate Bonds).

Those funds managed and invested internally by the Authority may only be invested in Specified Investments and in line with the requirements of TMP 4.

The Authority may use the following categories of investment (where the maturity is for no longer than 1 year):

- Fixed Term Deposits
- On Call Deposits

These investments may be made with the following organisations:

- Other UK Local Authorities
- Major Clearing banks incorporated in the UK and their subsidiaries
- UK Building Societies
- British Merchant Banks and Securities House Association Members
- The Secondary Banking Sector
- Foreign Banks

TMP 4 provides details of the credit ratings that each of these organisations must have in order for the Authority to invest with them.

### **3. NON-SPECIFIED INVESTMENTS**

Non-specified investments are those investments which do not meet the criteria for specified investments. In particular, this would include investments with a maturity of more than one year.

In deciding which categories of non-specified investments the Authority may prudently use, the following procedures should be used:-

- a) Seek the advice of the Authority's externally appointed specialists;
- b) Evaluate the category of investment with regard to the Authority's policy of maximising the security and liquidity of its investments.
- c) Make recommendations based on the information obtained in a) and b), to Members, agree that the category of investment may be added to the list of non-specified investments that may be used by the Authority.

### **4. LIQUIDITY OF INVESTMENTS**

The Authority acknowledges the importance of the liquidity of its investments when determining its investment strategy. Therefore, the following guidelines have been agreed:

- All internally managed funds (100%) are to be invested in specified investments that have a period to maturity of no more than 1 year;

In determining the liquidity guidelines of the Authority's investments, the following points should be borne in mind:-

- The cash flow requirements of the authority
- Is the category of investment negotiable (i.e. can it be freely bought and sold on the markets)

### **5. TREASURY MANAGEMENT STRATEGY**

#### **5.1 Cash Flow Management and Internally Managed Investments**

The Authority's Internal Investment Strategy for the forthcoming twelve months is as follows:

- 5.1.1 To invest surplus funds, in specified investments, to achieve maximum liquidity and security and minimum risk.
- 5.1.2 To invest the Authority's surplus funds to achieve maximum returns whilst fulfilling short-term cash flow requirements.

## 5.2 Short Term Borrowing Strategy

The Authority's strategy for the forthcoming twelve months will be as follows:

- 5.3.1 The Authority will only borrow short-term (up to twelve months) for the purpose of maintaining sufficient cash flow.
- 5.3.2 The limit set on the total amount of outstanding borrowing at any time in 2008/09 will be an Operational Boundary of £6,460,500 and an Authorised Boundary of £7,460,500.

## 5.3 Long Term Borrowing Strategy

The Authority's strategy for the forthcoming twelve months will be as follows:

- 5.4.1 To carry out long-term borrowing for the purposes of financing capital expenditure, as approved by the Authority. However, the Authority may consider using financing means other than operating leases in respect of its vehicle replacement policy (this may mean that such funding is classified as borrowing for the purposes of the Prudential Code of Practice)
- 5.4.2 The limit set on the total amount of outstanding borrowing (including short-term borrowing) will be an Operational Boundary of £6,460,500 and an Authorised Boundary of £7,460,500.

## 5.4 Interest Rate Exposure

The net interest receipt for the forthcoming twelve months will be as follows:

Upper Limit – Fixed Rates	100%
Upper Limit – Variable Rates	10%