

**Name of Committee
CABINET**

**Directorate: Citizens Governance &
Finance**

**Corporate Manager: Finance & Asset
Management**

Date: 3 July 2006

Report Title

Capital Programme

Key Decision

YES/NO

1. Recommendations

That Councillors approve

- 1. the additional Capital Programme schemes as set out in Appendix 2;**
- 2. that any capital receipts achieved in excess of the target level are used to reduce borrowing; and**
- 3. the associated prudential borrowing limits set out in Appendix3**

2. Summary

This reports sets out the background to the 2006/2007 Capital Programme process, the proposed programme for 2006/2007 and the outturn for 2005/2006.

3. Report Background

- a) The maintenance backlog on general fund operational buildings has been assessed at just over £14M of which approximately £8.5M is capital works related. This backlog has accumulated as a result of providing insufficient funding to maintain existing assets in previous years. In 2005/2006 a capital budget of £0.8M per year was established. This funding was only sufficient to stop the backlog increasing not to begin to address it.**
- b) At its meeting on the 16th February 2006 Cabinet put on hold uncommitted general fund capital schemes pending a review of those schemes in light of corporate priorities and the maintenance backlog. This decision recognised the need to focus first on maintaining the existing assets used to provide services before considering the scope for new developments.**
- c) Subsequent to that meeting Cabinet approved release of Disabled Facilities Grant to match-fund additional grant received from the Government and additional resources for Private Sector Renewal Grants to meet existing commitments. A review has been commenced into future funding of both schemes in order to ensure corporate priorities are met.**
- d) At its meeting on 5th June, Cabinet approved £150k for the refurbishment of the Market Square.**
- e) Appendix 1 Shows the Outturn for 2005/2006 and the existing commitments for 2006/2007. On the basis of existing commitments, there are projected resources of £38k compared to previously estimates of £1,127k over-programming.**
- f) In 2005/2006 over-programming of £1M was also incorporated into original estimates. This was considered a prudent approach given previously experienced slippage levels. Indeed the revised programme for 2005/2006 approved in January and shown in Appendix 1 reflected this level of slippage. The recommendation would be once more to over-programme by this amount.**

4. Options and Evaluation of Options

- a) Corporate Asset Board met to make recommendations as to the Capital Programme in the light of Corporate priorities and the need to maintain key operational buildings.**
- b) The programme recommended by Corporate Assets Board is focussed largely on the need to address the most urgent maintenance backlogs to keep key buildings operational and address health and safety implications.**

- c) The schemes recommended by Corporate Asset Board for approval are set out in Appendix 2.
- d) Going forward the Council will need to review its operational buildings portfolio in the light of the Corporate Plan and service Plans to assess their "fitness for purpose" and future maintenance needs. The financial impact will be built into the Medium Term Financial Strategy to ensure we improve our approach to whole-life costing and our requirements for assets.

5. Resource Implications (including Financial Implications)

- a) It is proposed that the schemes recommended for approval by the Corporate Assets Board are funded as follows:

	£000
Total costs of proposals	3,514
Existing Surplus Resources	-38
Prudential Borrowing	-2,250
Transfer from Risk Management Reserve	<u>-200</u>
Over-programming	1,026

- b) The transfer from the risk management reserve represents elements of the Boundary Walls/Security Fencing schemes that should improve security and reduce future claims.
- c) Prudential Borrowing of £2M will have an ongoing revenue cost of £258k p.a. over the next ten years. In order to minimise this impact, the first call on any additional capital receipts achieved above the target level will be to reduce this level of borrowing.

6. Risk and Opportunity Issues

- a) The proposed programme goes some way towards addressing the key risks to the ongoing business of the Council of failure to address essential maintenance needs of the Councils operational buildings. It should be noted that this only addresses those most urgent issues from the maintenance backlog and by now means addresses it fully.
- b) Some provision is also included to allow the Council to exploit external funding opportunities.
- c) The programme includes provision for PC replacement and existing planned systems upgrades. Future IT re-investment needs will be fully re-evaluated during the year to ensure that future development needs can be met and opportunities for improved business processes exploited.

7. Consultees (Internal and External)

Internal	Improvement Board Corporate Assets Board Senior Corporate Management Team Service Managers (to identify schemes)
External	External consultation as part of the budget consultation exercise.

8. Compliance Issues

A: How Proposals Deliver Priority Outcomes

Recovery Plan
Seeks to address some of the asset utilisation issues by focussing resources on key operational buildings and addressing part of the maintenance backlog. The Capital Programme feeds into the Medium Term Financial Plan.
Corporate Plan
The Capital Programme provides for assets in support of provision of services.

B: Other Implications

Other Strategies
The Capital Programme feeds into the Asset Management Plan and IT Strategy.

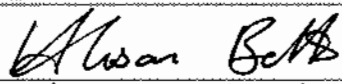
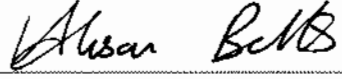
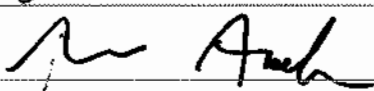
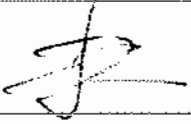
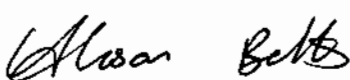
Finance Comments
The financial implications of the proposal are set out above. Additional prudential borrowing of £2M is being proposed in order to address those most immediate maintenance issues and the need to prevent failure of key operational buildings. This assessment of the key maintenance issues and the costs of addressing these has been assessed by reference to condition surveys and detailed cost estimates.
The prudential borrowing is shown as being paid back over a ten year period, as part of the ongoing improvement to the Medium Term Financial Strategy it is intended to look at a proper asset replacement/ maintenance programme for all of the Council's general fund assets to ensure operational service needs are met now and in the future..

Legal Comments

9. Background Papers

Title	Description	Source
Capital Programme 2006/2007 and beyond.	Report to Cabinet 18 th February 2006 on review of the Capital Programme.	Modern.gov
Disabled Facilities Grants and Private Sector Renewal Grants	Report to Cabinet 8th May 2006 on additional funding.	Modern.gov
Market Square Refurbishment	Report to Cabinet 5 th June 2006	Modern.gov

Alison Betts
Corporate Manager Finance & Asset Management
ext. 8718

Name	Signature	Date	Ext.
Author		21/6/06	8718
Corporate Manager		21/6/06	8718
Director		22/6/06	
Monitoring Officer or Deputy (Key decision only)		22/6/06	7334
Section 151 Officer or Deputy (Key decision only)		21/6/06	8718

	March Spend to Date £'000	Approved Programme 2005/06 £'000	(under)/over spend 2005/06 £'000	Carry forward 2005/06 £'000	Jan-06 Approved Programme 2006/07 £'000	Currently Approved Programme 2006/07 £'000
CONTINUE TO IMPROVE HOUSING BENEFITS AND REVENUE SERVICES	2482	2623	-141	463	1604	1604
CREATE AND SUSTAIN AN ATTRACTIVE ECONOMIC ENVIRONMENT FOR INWARD INVESTMENT AND REGENERATION	5917	6639	-722	656	2799	2411
ENSURE THE AVAILABILITY OF DECENT HOMES FOR ALL	10412	13329	-2917	260	9016	8551
IMPROVE THE CLEANLINESS OF THE STREET SCENE IN NORTHAMPTON AND REDUCE ENVIRONMENTAL CRIME	496	1537	-1041	1109	150	150
REDUCE DEPRIVATION IN NORTHAMPTON WORKING WITH OUR PARTNERS	1896	2436	-540	607	646	646
WORK WITH PARTNERS TO REDUCE CRIME AND DISORDER ACROSS	465	426	39	-39	240	200
	21668	26990	-5322	3056	14455	13562

CONTINUE TO IMPROVE HOUSING BENEFITS AND REVENUE SERVICES

RA8	RA	Information Technology	Implementing Electronic Gov. (1)	1232	1229	3	319	871	871
RA11	RA	One Stop Shop	VIC, CRM & Contact Centre	15	55	-40	40	0	0
RA13	RA	Mainframe Migration	System Replacement (3)	1235	1339	-104	104	733	733
				2482	2623	-141	453	1604	1604

CREATE AND SUSTAIN AN ATTRACTIVE ECONOMIC ENVIRONMENT FOR INWARD INVESTMENT AND REGENERATION

CDC1	CDC	Effect of Revenue Budget *		1481	1500	-19		0	0
CDC2	CDC	Mayors Car		9	9	0		0	0
CRS19	CRS	Parks/Open Spaces	Allotment Toilets	4	24	-20	20	33	0
CRS29	CRS	Theatre	Improvements Match Funding	198	100	98		0	0
CRS36	CRS	Abington Museum	Upgrade	0	0	0		125	0
CRS39	CRS	Parks/Open Spaces	New Changing Rooms	11	8	3		1011	1011
CRS63	CRS	Mounts Baths	Jacuzzi	2	59	-57	57	0	0
CRS64	CRS	Mounts/Danes/Lings	Lockers	15	0	15		0	0
CRS65	CRS	Parks/Open Spaces	Security Abington Park	21	20	1		0	0
CRS66	CRS	Parks/Open Spaces	Obelisk Rise Play Equipment	3	3	0		0	0
ES2	ES	Cemetery	Acquisition	0	0	0		200	0
ES2a	ES	Cemetery	Extension Kingsthorpe	199	250	-51	51	0	0
ES4	ES	Westbridge Depot	Upgrade Recycling Facilities	413	500	-87	87	0	0
ES31	ES	Westbridge Depot	Recycling Flats	0	0	0		180	0
ES32	ES	82 Derngate		0	200	-200	200	0	0
RA7	RA	Public Buildings	Disabled Access	110	113	-3		0	0
RA14	RA	Operational System	Development (5)	-12	0	-12	12	0	0
RA15	RA	Mainframe Migration	Infrastructure (2)	495	493	2	-2	300	300
RA16	RA	Information Technology	Refresh Programme (4)	-6	0	-6	6	0	0
RA17	RA	CCTV	Backup Generator	29	39	-10	10	0	0
RA18	RA	Guildhall	Improvements	12	227	-215		0	0
RA20	RA	Corporate Buildings	Maintenance	1012	906	106		800	800
TA2	TA	Investment Property	Refurbishment	23	58	-35		0	0
TA6	TA	Theatre	Royal Roof	150	150	0		150	150
TA7	TA	Investment Property	Delapre Abbey	0	15	-15		0	0
HRT2	HRT	Residuals	Residuals	-2	0	-2		0	0
HRT3	HRT	Investment Property	Blueberry Hill Diner	1750	1965	-215	215	0	0
		Market Square	Market Square Refurbishment	0	0	0	0	0	150
				5917	6639	-722	656	2799	2411

* To be reviewed pending outcome of Phase 1 Route and Branch

March Spend to Date £'000	Approved Programme 2005/06 £'000	(under)/over spend 2005/06 £'000	Carry forward 2005/06 £'000	Approved Programme 2006/07 £'000	Approved Programme 2006/07 £'000
CRS30	CRS	13	14	-1	0
CRS42	CRS	169	163	6	0
ES1	ES	0	157	-157	0
ES18	ES	15	15	0	0
PD2	PD	18	40	-22	0
PD3	PD	186	123	63	0
PD5	PD	0	276	-276	0
PD6	PD	93	150	-57	150
PD7	PD	0	594	-594	0
PD8	PD	2	5	-3	0
		496	1537	-1041	150

IMPROVE THE CLEANLINESS OF THE STREET SCENE IN NORTHAMPTON AND REDUCE ENVIRONMENTAL CRIME

CRS30	CRS	Allotments	Rothersthorpe Rd Fencing		
CRS42	CRS	Parks/Open Spaces	Lake Improvements		
ES1	ES	Public Conveniences	Toilet Imps		
ES18	ES	Westbridge Depot	Graffiti Removal Equipment		
PD2	PD	Heritage Economic Reg Sch	Refurbishment Scheme		
PD3	PD	Urban Enhancement Prog	Envl/Recreational Imp		
PD5	PD	Upper Nene Valley	Country Park		
PD6	PD	Urban Enhancement Prog	2005-2006 Scheme		
PD7	PD	Upper Nene Valley	Community Facilities		
PD8	PD	All Saints Church Portico	Refurbishment Scheme		

REDUCE DEPRIVATION IN NORTHAMPTON WORKING WITH OUR PARTNERS

HGF13	HGF	Refurbishment	Ecton Lane		
CRS1	CRS	Community Centres	Major Repairs		
CRS35	CRS	Moulton Leys	New Community Centre		
CRS51	CRS	Community Centres	Camp Hill		
CSP1	CSP	Voluntary Sector	Building Futures		
0	CRS	Resource Centre	Far Cotton		
			1174	1374	200
			1896	2436	607

WORK WITH PARTNERS TO REDUCE CRIME AND DISORDER ACROSS NORTHAMPTON

ES15	ES	Caspar Projects	Caspar		
CRS22	CRS	Parks & Open Spaces	Bollards Far Cotton Recreation		
			465	426	-39
			0	0	0
			465	426	-39

RESOURCES

BALANCE B/F

Capital Receipts
Section 106 SW District (Country Park)
Section 106 SW District (Country Park)
South West District (Community Facilities)
South West District (Community Facilities)
Capital Reserves
NCC Camp Hill
DWP Funding
Planning Gain

March Spend to Date £'000	Approved Programme 2005/06 £'000	(under)/over spend 2005/06 £'000	Carry forward 2005/06 £'000	Approved Programme 2006/07 £'000	Approved Programme 2006/07 £'000
124	38				0
	64		64		0
	221		221		0
	250		250		0
	55		55		0
	87				0
382	382				0
248	248				0
	35				0
754	1380	0	590	0	0

SUPPORTED BORROWING

UNSUPPORTED BORROWING

MAJOR REPAIRS ALLOWANCE

HRA REVENUE/HRA RESERVE CONTRIBUTION

CAPITAL RECEIPTS

General Fund
Housing (includes £288k transferred to provision adjusted against borrowing)

March Spend to Date £'000	Approved Programme 2005/06 £'000	(under)/over spend 2005/06 £'000	Carry forward 2005/06 £'000	Approved Programme 2006/07 £'000	Approved Programme 2006/07 £'000
2870	1500		212	1000	1000
2529	3000			2500	2500
5399	4500	0	212	3500	3500

SECTION 106

South West District (Community Facilities) EP

EXTERNAL FUNDING /GRANTS

Disabled Facilities Grant
DWP Funding
Implementing Electronic Government
ODPM Ecton Lane
English Heritage
Zurich Insurance Lifts
Invest Northampton Blueberry Diner
Francis Crick Memorial
CASPAR
Scouts Sculpture
IDEA
Football Foundation New Changing Rooms
EMDA & NP/NCC Far Cotton Resource Centre

March Spend to Date £'000	Approved Programme 2005/06 £'000	(under)/over spend 2005/06 £'000	Carry forward 2005/06 £'000	Approved Programme 2006/07 £'000	Approved Programme 2006/07 £'000
293	293			225	324
307	238			0	0
150	150			0	0
379	375			0	0
75	36			0	0
	40			0	0
1750	1965		215	0	0
60	0			0	0
50	0			0	0
3	0			0	0
430	0			0	0
0	0			501	0
1374	1374			500	0
4871	4471	0	215	1226	324

ESTIMATED RESOURCES AVAILABLE

ESTIMATED OUTTURN

RESOURCE GAP

March Spend to Date £'000	Approved Programme 2005/06 £'000	(under)/over spend 2005/06 £'000	Carry forward 2005/06 £'000	Approved Programme 2006/07 £'000	Approved Programme 2006/07 £'000
21666	26701	0	3056	13328	13600
21668	26990	-5322	3056	14455	13562
-2	-289	5322	0	-1127	38

CAPITAL PROGRAMME PROPOSED SCHEMES

Project	Description	Identified Service Planning Need	Cost £000
Market Square Refurbishment – Approved by Cabinet 5 th June	Refurbishment of the Market Square to incorporate new layout and health and safety improvements.	A review of the outdoor market in 2005 highlighted issues with the current market and that without action the vitality and viability of the market was in jeopardy.	150
Royal & Derngate Theatres Approved by Mairi McLean under delegated powers	Landlord Responsibilities relating to Asbestos Removal, Roof Repairs, Damp Penetration and Timber Defects and Flooring Structures. Details set out in report elsewhere on the agenda.	The Royal and Derngate Theatres are Council owned properties which are let to the Northampton Theatres Trust Limited. Under the terms of the present lease, the Council retains responsibility for the repair of the exterior and structure, whilst the Theatres Trust is responsible for the interior and fittings..	344
Air Conditioning Replacement Programme	Feasibility study to assess impact and identify requirements for replacing air conditioning units within corporate buildings to comply with changes in legislation. These currently outlaw the use of R22 refrigerant from 2010.	The delivery of the council's direct and support services are carried out from council buildings that currently have air conditioning units that will be affected by the legislation. It is therefore necessary for a feasibility study to ascertain the extent of the financial impact that this will have on the council and enable effective planning of its financial resources for its replacement within the timescales identified within the legislation.	25
Corporate Buildings – Reduction of Maintenance Backlog	The total maintenance backlog for corporate properties has been identified as £14,250,000. This excludes responsive and planned maintenance (currently £950,000/annum). The backlog has been categorised as £8.5m (capital) and £5.7m (revenue) between 2006/07 and 2007/08.	A review of maintenance backlog information has been carried out and an assessment of requirements has been based on the following criteria: <ul style="list-style-type: none"> Business continuity. Health & safety (legislative requirements). Public safety and risk minimisation. Minimisation of consequential damage to building fabric, structure and services. Individual Schemes are set out in Appendix 3	2,745
Acquisition of Cemetery Land	To provide new burial space for the future provision of Northampton . Though additional space has been identified at Kingsthorpe additional space will be needed in the long term.		200

Project	Description	Identified Service Planning Need	Cost £000
Allotment Toilets	Installation of toilets on allotment sites	The project is being carried out back to back in years 05/06 and 06/07. The toilet units have been ordered with installation planned for April 2006. Final stage of project to take place in 2007/08	33
Recycling in Flats	Provision of receptacles to collect dry recyclables from flats and high rise dwellings in the Borough. Project linked to increasing NBC recycling and composting rate	To meet the statutory 2005/06 recycling target of 36% and part of overall waste strategy implementation plan. To further divert waste from landfill. To further divert waste from landfill (LATs). To comply with the Household Waste Recycling Act 2003. To increase income to Northampton Borough Council. To ensure equality to all customers/residents regardless of the type of property they live in, so that they have the same access to recycling facilities as everyone else. The introduction of this service may also help reduce the amount of fly tipped refuse that occurs alongside flats that are on a black sack waste collection round	180
Abington Museum	The £125K is match funding for a bid to the Heritage Lottery Fund – this investment could bring in around £1 million for the Authority. Approval of the scheme is subject to a business case being produced to show there will be no ongoing implications for the revenue budget and that the improvement is in line with the overall priorities for the Museum Service.	The HLF is looking for projects to fund in Northamptonshire. The timing is important – HLF's priorities are due to change, and the Olympics effect coming on stream will reduce the amount of grant available in the future. There are already external stakeholders, particularly the Regimental Association, who are already raising funds to add to the match-funding pot. If the bid were not to proceed there are issues of floorcovering (Health & Safety), decoration etc. which would need to be addressed at Abington Museum. The project was designed to enable the building to be used more effectively throughout the year (instead of seasonally at present).	125
Disabled Access to Public Buildings (& BVPI 156)	The proposed expenditure to reach our 95% BVPI figure is £69,400.	Since 1st October 2004 service providers have had to make reasonable adjustments to the physical environment to overcome physical barriers to access. In addition BVPI 156 (Disabled Access to Public Buildings) monitors local authorities and the work they are doing to improve the physical barriers to access.	20

Project	Description	Identified Service Planning Need	Cost £000
PC Replacement Programme	To re-instate the ongoing PC Replacement Programme suspended in 2005/2006 as a result of Root and Branch.	To maintain PC capacity in line with capacity requirements of new software and systems.	200

Appendix 3

Costs indicated below are subject to confirmation on completion of feasibility and design stages for each project.

1) Major Projects		
Cliftonville House	Boiler & Air Handling Unit Replacement	£520,000
Cliftonville House	Roof Improvements	£200,000
Westbridge Depot	Water Main Replacement	£200,000
Leisure Centres	Plant & Mechanical Services Replacement	£150,000
Central Museum	Roof and air conditioning replacement	£100,000
Abington Museum	Radon ventilation system	£50,000
Abington Museum		- £50,000 to be funded as part of the overall refurbishment scheme.
2) Boundary Walls / Security Fencing		
Includes: Cemeteries, Allotments, Car Parks, Parks & Open Spaces		£410,000
3) Footpath & Unadopted Roadway Infrastructure		
Includes: Depots, Parks & Open Spaces, car parks, cemeteries, bus station		£480,000
4) Electrical Safety		
(eg) alarms, rewires and emergency lighting £70k funding for a generator to provide back-up to the Council's telephone system following concentration of telephone access at Cliftonville House as a result of the call centre.		£185,000
5) External Envelope		
Urgent works to protect buildings and minimise damage to structure and fabric (eg) roofs, windows, doors		£540,000
6) Decent Homes (Non HRA Properties)		
Currently approved funding		£260,000
		- £800,000
TOTAL		£2,745,000

TREASURY MANAGEMENT POLICY STATEMENT

Part 1: Main Principles

JULY 2006

TREASURY MANAGEMENT PRACTICES

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

TMP 1 Treasury risk management

TMP 2 Best value and performance measurement

TMP 3 Decision-making and analysis

TMP 4 Approved instruments, methods and techniques

TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

TMP 6 Reporting requirements and management information arrangements

TMP 7 Budgeting, accounting and audit arrangements

TMP 8 Cash and cash flow management

TMP 9 Money laundering

TMP 10 Staff training and qualifications

TMP 11 Use of external service providers

TMP 12 Corporate governance

TMP1 TREASURY RISK MANAGEMENT

“The responsible officer 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 Council’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 the schedule to this document.”

[1] Liquidity risk management

“The Council 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 to which are necessary for the achievement of its business/service objectives.”

[2] Interest rate risk management

“The Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with *TMP6 Reporting requirement and management information arrangements*

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. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.”

[3] Exchange rate risk management

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

It will achieve this objective 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 exchange rates. The above is subject at all times to the consideration and, if required, approval of any policy or budgetary implications.”

[4] Inflation risk management

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 this objective 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 inflation. The above is subject at all times to the consideration and, if required, approval of any policy or budgetary implications.”

[5] Credit and counterparty risk management

“The Council 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 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. 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.”

[6] Refinancing risk management

“The 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 organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It 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.”

[7] Legal and regulatory risk management

“The 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 *TMP1.5 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 organisation, particularly with regard to duty of care and fees charged.

The Council 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.”

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

“The Council will ensure that it has identified the circumstances which 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.”

[9] Market risk management

“The 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.”

TMP2 BEST VALUE AND PERFORMANCE MEASUREMENT

“The 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 Policy Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation’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.”

TMP3 DECISION-MAKING AND ANALYSIS

“The 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 the schedule to this document.”

TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

“The Council 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 TMP1, *Risk management*.”

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

“The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, and 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 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, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the 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 present arrangements are detailed in the schedule to this document.

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 present arrangements are detailed in the schedule to this document.

The delegation to the responsible officer in respect of treasury management is set out in the schedule to this document. The responsible officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on treasury management."

TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

"The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and the 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 Executive 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 Council's Treasury Management Policy Statement and TMPs.

The present arrangements and the form of these reports are detailed in the schedule to do this document."

TMP7 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 matter 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 form which this organisation's budget will take is set out in the schedule to this document. 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 present form of this organisation's accounts is set out in the schedule to this document.

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, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed in the schedule to this document.”

TMP8 CASH AND CASH FLOW MANAGEMENT

“Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the 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[1] Liquidity risk management. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

TMP9 MONEY LAUNDERING

“The 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. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule to this document.”

TMP10 STAFF TRAINING AND QUALIFICATIONS

“The 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 present arrangements are detailed in the schedule to this document.”

TMP11 USE OF EXTERNAL SERVICE PROVIDERS

“The Council 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. And it will 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, and details of the current arrangements are set out in the schedule to this document.” which demand specialist skills and resources.

TMP12 CORPORATE GOVERNANCE

The 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.

The Council 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 responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.”

TREASURY MANAGEMENT POLICY STATEMENT

Part 2: Schedules

JULY 2006

TREASURY MANAGEMENT PRACTICES - SCHEDULES

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

TMP 1 Treasury risk management

TMP 2 Best value and performance measurement

TMP 3 Decision-making and analysis

TMP 4 Approved instruments, methods and techniques

TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

TMP 6 Reporting requirements and management information arrangements

TMP 7 Budgeting, accounting and audit arrangements

TMP 8 Cash and cash flow management

TMP 9 Money laundering

TMP 10 Staff training and qualifications

TMP 11 Use of external service providers

TMP1 RISK MANAGEMENT

1.1 LIQUIDITY

1.1.1 Amounts of approved minimum cash balances and short-term investments

The Council will keep at least £5,000,000 available at 24 hours notice.

1.1.2 There is an agreed overdraft facility of £1,000,000 with the Co-operative Bank.

1.2 INTEREST RATE

1.2.1. Minimum/maximum proportions of variable rate debt/interest

the maximum proportion of interest on borrowing which is subject to variable rate interest.	Minimum 0%	Maximum 50%
---	---------------	----------------

1.2.2. Minimum/maximum proportions of fixed rate debt/interest	Minimum 50%	Maximum 100%
---	----------------	-----------------

1.2.3. Policies concerning the use of financial derivatives and other instruments for interest rate management.

- a. forward dealing – the Council will enter into forward deals.
- b. callable deposits (fixed investments for up to 5 years at borrower's option) £1,000,000
- c. LOBOs (borrowing under lender's option/borrower's option) are allowable

1.3 CREDIT AND COUNTERPARTY POLICIES

1.3.1. CRITERIA TO BE USED FOR CREATING/ MANAGING APPROVED COUNTERPARTY LISTS/LIMITS

1. The Chief Finance Officer will formulate a suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising time, type, sector and specific counterparty limits.
2. Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties. The complete list of approved counterparties will be included in the annual report.
3. The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.
4. Credit ratings will be used as supplied from Fitch IBCA.
5. In addition, the Council will use building societies which do not have credit ratings.
6. The minimum level of credit rating for an approved counterparty will be as follows (ratings per Fitch IBCA) :-

Short term	FI
Long term	AA -
Individual	C
Support	5
Max.	£5 m
Individual limit	**

7. The maximum period for specified investments will be 364 days.
8. The maximum period for non-specified investments will be 5 years.
9. The maximum value for any one investment transaction will be £5m.
10. The maximum level of investment with any one group of counterparties will be £5m.

1.3.2 APPROVED METHODOLOGY FOR CHANGING LIMITS AND ADDING / REMOVING COUNTERPARTIES

Credit ratings for individual counterparties can change at any time. The Chief Finance Officer is responsible for applying the stated credit rating criteria in 1.3.1. for selecting approved counterparties, and will add or delete counterparties as appropriate to / from the approved counterparty list when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers.

The Chief Finance Officer will also adjust lending limits and periods when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers in accordance with the criteria in 1.3.1.

1.3.3 FULL INDIVIDUAL LISTINGS OF COUNTERPARTIES AND COUNTERPARTY LIMITS

See Appendix C.

1.3.4 DETAILS OF CREDIT RATING AGENCIES' SERVICES OR OTHER SERVICES WHICH PROVIDE CURRENT CREDIT RATINGS AND UPDATES ON CHANGES

The Council uses credit ratings supplied through Sector from the following credit rating agencies :-

Fitch IBCA

1.4 MARKET VALUE OF INVESTMENTS

- 1.4.1 The Council limits its exposure to investments whose capital value may fluctuate (gilts, CDS etc.).

;

The Council itself does not use these instruments and the limit of its exposure is the amount managed by its fund manager, who use the instruments.

TMP 2 BEST VALUE AND PERFORMANCE MEASUREMENTS

2.1.1 METHODOLOGY TO BE APPLIED FOR EVALUATING THE IMPACT OF TREASURY MANAGEMENT DECISIONS

The following are used by the Council in its evaluation: the impact on revenue, interest rate risk, possible changes in Government regulations, the impact on the Housing Revenue Account and the repayment profile.

2.2 POLICY CONCERNING METHODS FOR TESTING BEST VALUE IN TREASURY MANAGEMENT, e.g.:

2.2.1 Frequency and processes for tendering

2.2.2 Banking services

Banking services will be retendered or renegotiated every 5 years to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends.

2.2.3 Money-broking services

The Council will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them.

An approved list of brokers will be maintained.

2.2.4 Consultants'/advisers' services

The Council uses Sector as its consultants.

2.2.5 External Managers

The new Code of Practice places an obligation on the Council to monitor the performance of the fund managers. The Council has appointed Sector Treasury Services Limited to assist in this respect

2.3 METHODS TO BE EMPLOYED FOR MEASURING THE PERFORMANCE OF THE ORGANISATION'S TREASURY MANAGEMENT ACTIVITIES

2.3.1 BENCHMARKS AND CALCULATION METHODOLOGY:

Debt management

Average rate on all external debt

2.3.2 Investment.

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

- a.** in house investments
7 Day LIBID
- b.** cash fund manager(s)
6 Month LIBID

TMP 3 DECISION-MAKING AND ANALYSIS

3.1.1 FUNDING, BORROWING, LENDING, AND NEW INSTRUMENTS/TECHNIQUES:

3.1.2 Records to be kept

Minutes of weekly and other Treasury Management meetings.

3.1.3 Processes to be pursued

Weekly Treasury Management meetings, reports from advisors, conversations with brokers, information from the internet, the Financial Times and external fund managers.

3.1.4 Issues to be addressed.

3.1.3.1. In respect of every decision made the Council will:

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

3.1.3.2 In respect of borrowing and other funding decisions, the organisation will:

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

In respect of investment decisions, the Council will:

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

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION

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

4.2 APPROVED INSTRUMENTS FOR INVESTMENTS

In accordance with The Local Organisations (Capital Finance) (Approved Investments) Regulations 1990 and subsequent amendments, the instruments approved for investment and commonly used by local organisations are:

- Gilts;
- Treasury Bills;
- Deposits and bonds with banks building societies or local organisations (and certain other bodies) for up to 3 years
- Certificates of deposits with banks or building societies for up to 364 days
- Euro-Sterling issues by certain Supra-national bodies listed on the London and Dublin Stock Exchanges.

4.3 APPROVED TECHNIQUES

- Forward dealing up to 364 days
- Callable deposits

4.4 APPROVED METHODS AND SOURCES OF RAISING CAPITAL FINANCE

Finance will only be raised in accordance with the Local Government Act, 2003, and within this limit the Council has a number of approved methods and sources of raising capital finance. These are :

PWLB
EIB ;
Market (long term, temporary and LOBO's)

Stock Issues
Local Temporary
Overdraft
Negotiable Bonds

All forms of funding will be considered dependant on the prevailing economic climate, regulations and local considerations. The Chief Finance Officer has delegated powers through its Policy and Strategy to take the most appropriate form of borrowing from its approves sources.

4.5 LIMITS

INVESTMENTS

Gilts or Treasury Bills

Deposits

Certificates of deposits

Euro-Sterling.

Forward dealing

Callable deposits

LIMIT

50% of Investec Portfolio

No limits

No limits (Fund Managers only)

No limits (Fund Managers only)

50% of Portfolio

£5m

TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

INDEX OF SCHEDULES

- 5.1 Limits to responsibilities/discretion at committee/executive levels**
- 5.2 Principles and practices concerning segregation of duties**
- 5.3 Treasury management organisation chart**
- 5.4 Statement of duties/responsibilities of each treasury post**
- 5.5 Absence cover arrangements**
- 5.6 List of approved brokers**
- 5.7 Policy on taping of conversations**
- 5.8 Direct dealing practices**

5.1.1 LIMITS TO RESPONSIBILITIES/DISCRETION AT COMMITTEE/EXECUTIVE LEVELS

Council/The Executive/Scrutiny

- a) Receiving and reviewing reports on treasury management policies, practices and activities.

The Executive

- a) Approval of/amendments to the Council's adopted clauses, treasury management policy statement and treasury management practices
- b) Budget consideration and approval
- c) Approval of the decision of responsibilities
- d) Receiving and reviewing external audit reports and acting on recommendations
- e) Approving the selection of external service providers and agreeing terms of appointment.

5.2 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES

Treasury management work is carried out by "The Front Office". Checks on activity daily are carried out by "The Back Office"

5.3 TREASURY MANAGEMENT ORGANISATION CHART

The Front Office

The Chief Finance Officer

Finance Managers

Finance Team Leaders

Accountant (Corporate)

Accountant (Technical)

The Back Office

3 Nominated Accountants

5.3 STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST

5.4.1. Chief Financial Officer

1. The Chief Finance Officer will:

- a) Recommend clauses, treasury management policy / practices for approval, reviewing the same regular, and monitoring compliance
- b) Submit regular treasury management policy reports
- c) Submit budgets and budget variations
- d) Receive and review management information reports
- e) Review the performance of the treasury management function and promote best value reviews
- f) Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- g) Ensure the adequacy of internal audit, and liaising with external audit
- h) Recommend the appointment of external service providers.

2. The Chief Finance Officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to take the most appropriate form of investments in approved instruments.
3. The Chief Finance Officer may delegate his power to borrow and invest to members of their staff. The Chief Finance Officer, Finance Managers and Team Leaders or the Treasury Manager or Deputy must conduct all dealing transactions, or staff authorised by the Chief Financial Officer to act as temporary cover for leave/sickness. All transactions must be authorised by at least two of the named officers above.
4. The Chief Finance Officer and the Monitoring Officer will ensure that the Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
5. Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Chief Finance Officer to be satisfied, by reference to the Monitoring Officer, the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations
6. It is also the responsibility of the Chief Finance Officer to ensure that the Council complies with the requirements of The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

5.4.2. Treasury Manager

The responsibilities of this post will be: -

- a) Execution of transactions
- b) Adherence to agreed policies and practices on a day-to-day basis
- c) Maintaining relationships with third parties and external service providers
- d) Supervising treasury management staff
- e) Monitoring performance on a day-to-day basis
- f) Submitting management information reports to the responsible officer
- g) Identifying and recommending opportunities for improved practices.

5.4.3. Head of the paid service

The responsibilities of this post will be: -

- a) Ensuring that the system is specified and implemented
- b) Ensuring that the Chief Finance Officer reports regularly to the responsible committee/the Council on treasury policy, activity and performance.

5.4.4. Monitoring Officer

The responsibilities of this post will be: -

- a) Ensuring compliance by the Chief Finance Officer with the treasury management policy statement and treasury management practices and that they comply with the law
- b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice
- c) Giving advice to the Chief Finance Officer when advice is sought.

5.4.5. Internal Audit

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and procedures
- b) Reviewing division of duties and operational practice
- c) Assessing value for money from treasury activities
- d) Undertaking probity audit of treasury function.

5.4 ABSENCE COVER ARRANGEMENTS

Accountant (Corporate) is covered by the Accountant (Technical), Finance Managers and Finance Team Leaders. Back Office has three members any one of which carries out checks.

5.5 LIST OF APPROVED BROKERS

Tradition, ICAP and Prebon.

5.6 POLICY ON TAPING OF CONVERSATIONS

All Treasury Management calls are tape recorded.

5.7 DIRECT DEALING PRACTICES

The Council does not deal directly with counterparties.

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGMENTS

6.1 ANNUAL TREASURY MANAGEMENT STRATEGY STATEMENT

1. The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This Strategy will be submitted to the Executive for approval before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, the Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.
3. The Treasury Management Strategy is concerned with the following elements:
 - the prospects for interest rates;
 - the limits placed by this organisation on treasury activities
 - the expected borrowing strategy;
 - the expected investment strategy (including the appointment of fund managers);
 - the current treasury position;
 - the expectations for debt rescheduling;
 - any extraordinary treasury issue (such as the implications of a LSVT or housing company set up).
4. The Treasury Management Strategy will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

6.2 POLICY ON INTEREST RATE EXPOSURE

1. As required by the Local Government Act 2003, the Council must approve before the beginning of each financial year the following treasury limits:
 - the operational borrowing limit £50,000,000
 - the authorized limit £70,000,000
 - the amount of the overall borrowing limit which may be outstanding by way of short term borrowing 50% of the above
2. The Chief Finance 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 Finance Officer shall submit the changes for approval to the Executive before submission to the full Council for approval.

6.3 ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY

An annual report will be presented to the Executive 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. a comprehensive picture for the financial year of all treasury policies, plans, activities and results
- b. transactions executed and their revenue (current) effects
- c. report on risk implications of decisions taken and transactions executed
- d. monitoring of compliance with approved policy, practices and statutory / regulatory requirements
- e. monitoring of compliance with powers delegated to officers
- f. degree of compliance with the original strategy and explanation of deviations
- g. explanation of future impact of decisions taken on the organisation
- h. measurements of performance
- i. report on compliance with CIPFA Code recommendations

6.4 MANAGEMENT INFORMATION REPORTS

Management information reports will be prepared every Quarter by the Treasury Manager and will be presented to the Executive, the Chief Finance Officer and the Head of Financial Strategy.

These reports will contain the following information: -

Treasury Management strategy, transactions carried out (borrowing and investment), outstanding debt and investments, changes to the approved investment list and rescheduling of debt.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 STATUTORY/REGULATORY REQUIREMENTS

Submission of annual policy statement and treasury management strategy statement. Outturn report.

7.2 ACCOUNTING PRACTICES AND STANDARDS

The Council reports investment valuations at book or market price whichever is the lesser.

TMP 8 CASH AND CASH FLOW MANAGEMENT

8.1 ARRANGEMENTS FOR PREPARING/SUBMITTING CASH FLOW STATEMENTS

Projected cashflows are presented weekly at Treasury Management meetings.

8.2 CONTENT AND FREQUENCY OF CASH FLOW BUDGETS

Annual projection at start of the year, daily updates of model.

8.3 LISTING OF SOURCES OF INFORMATION

All departments of the Council and the Co-operative Bank

TMP 9 MONEY LAUNDERING

9.1 PROCEDURES FOR ESTABLISHING IDENTITY / AUTHENTICITY OF LENDERS

The Council does not accept loans from individuals. All loans are obtained from the PWLB or from authorised institutions under the Banking Act 1987: (the names of these institutions appeared on the Bank of England quarterly list of authorised institutions until 1.12.2001 when the Financial Services Authority (FSA) took over the responsibility for maintaining a register of authorised institutions. This register can be accessed through their website on www.fsa.gov.uk).

The Council also takes deposits from counterparties forwarded from our brokers and from local organisations known and supported by the Council.

TMP 10 STAFF TRAINING AND QUALIFICATIONS

It is intended that all treasury management staff be adequately trained for their activities. This is an ongoing arrangement.

10.6 STATEMENT OF PROFESSIONAL PRACTICE (SOPP)

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.
2. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

11.1 DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS, ADVISERS

11.1.1 Banking services

- a) Name of supplier of service – The Co-operative Bank.
- b) Contract will commence April 2004 and runs for 3 years until March 2007.

11.1.2 Money-broking services

Money broking services are provided by Garban, Prebon Yamane and Tradition UK Limited.

11.1.3 Cash/fund management services

- a) Name of supplier of service – Investec
- b) Contracts are on a rolling basis and can be terminated with no notice.
- c) Cost of service - £25,000 for both managers
- d) Payments due quarterly in arrears

11.1.3 Consultants'/advisers' services

- c) Name of supplier of service – Sector Treasury Services
- d) Contract commenced March 2004 and runs for 3 years until March 2007 extended for 2 years until March 2009.
- e) Cost of service - £12,000
- f) Payments due 6 monthly in arrears

**TREASURY MANAGEMENT STRATEGY STATEMENT
AND PRUDENTIAL INDICATORS 2006/2007 – 2008/2009**

1. Introduction

- 1.1 The 2003 Prudential Code for Capital Finance in local authorities introduced requirements for the manner in which capital spending plans are to be considered and approved, and in conjunction with this, the development of an integrated treasury management strategy.
- 1.3 The Prudential Code requires the Council to set a number of Prudential Indicators. This report therefore incorporates the indicators to which regard should be given when determining the Council's treasury management strategy for the next three years.

2. Treasury limits for 2006/07 to 2008/09

- 2.1 It is a statutory duty under S.3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit".
- 2.2 The Council must have regard to the Prudential Code when setting their Affordable Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax/rent levels is "acceptable".
- 2.3 Whilst termed "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate those planned to be financed by both external borrowing and other forms of liability, such as credit arrangements. The affordable borrowing limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years. The Council will borrow beyond the level of Government Supported Borrowing for capital purposes in 2006/7 as set out in its approved capital programme.

3. Current Portfolio Position

- 3.1 The Council's treasury portfolio position as at 31/05/2006 comprised:

Long-term borrowing - Market Loans **£24,600,000**

All the above loans are at fixed rates with maturity dates of up to 60 years. Interest rates vary from **4.85% to 7.03%**.

Temporary borrowing of **£341,500** at variable interest rates, currently averaging **4.26%**.

Loan from English Partnerships **£1,292,312** for **28 years** at **9.25%**.

Other long-term liabilities of **£1,000,000**

Total debt therefore equal **£27,233,812**

The Capital Financing requirement for 2006/7 is estimated at **£13,998,000**.

The Council also has investments at variable rates of **£43,742,533** of which one external fund managers manage **£12,242,533** and **£2,000,000** is in two business reserve bank accounts with instant access with an average interest rate of **4.5%**.

4. Treasury Limits and Prudential Indicators 2006/07

- 4.1 In accordance with the Local Government Act 2003 and Prudential Code for Capital Finance in Local Authorities 2003, the Treasury Limits and Prudential Indicators are recommended to the Council as part of its treasury policy:-

Indicator 1 Estimate of Capital Expenditure

	2005/2006 £,000	2006/2007 £,000	2007/2008 £,000	2008/2009 £,000
HRA	8,678	6,896	7,000	7,000
Non HRA	12,990	10,180	5,200	5,200
Total	21,668	17,076	12,200	12,200

This indicator simply shows the proposed capital expenditure over the current and the next three years.

Indicator 2 Estimate of Capital Financing Requirement

	2006/2007 £,000	2007/2008 £,000	2008/2009 £,000
HRA	-10,712	-10,712	-10,712
Non HRA	24,710	26,070	27,430
Total	13,998	15,358	16,718

This indicator reflects the authority's underlying need to borrow for a capital purpose.

Indicator 3**Estimate of Ratio of Financing to Net Revenue Stream**

Table A	2005/2006 %	2006/2007 %	2007/2008 %	2008/2009 %
HRA	-1.3	-1.3	-0.8	-0.8
Non HRA	2.7	2.6	1.8	1.8

Table B	2005/2006 %	2006/2007 %	2007/2008 %	2008/2009 %
HRA & Non HRA	0.7	0.7	0.7	0.7

These indicators express the net costs of financing as a percentage of the funding receivable from the Government and Council Tax payers.

Indicator 4a**Estimate of the Incremental Impact of Capital Investment Decisions on the Council Tax**

£3.96

Indicator 4b**Estimates of the Incremental Impact of Capital Investment Decisions on Average Weekly Housing Rents**

£00.00

These indicators express the incremental impact of capital investment decisions proposed in the budget report. These indicators do not take account of the revenue effect, such as running costs of the capital programme. As the authority is proposing not to undertake any non supported borrowing the effect on the Council Tax and Housing rents is nil.

Indicator 5**Net Borrowing to Capital Financing Requirement**

The Prudential Code states:-

"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that the net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

The Chief Finance Officer reports that the authority has no difficulty in meeting this rule.

Indicator 6
Authorised Limit

	2006/2007 £,000	2007/2008 £,000	2008/2009 £,000
Authorised Limit	45,500	47,000	48,500

This is a "worst case" limit based on assumptions about potential increases in temporary borrowing, underachievement of capital receipts in year and overspend on the capital programme.

Indicator 7
Operational Boundary

	2006/2007 £,000	2007/2008 £,000	2008/2009 £,000
Operational Boundary	39,000	40,500	42,000

This is the likely maximum indebtedness of the council, including a small contingency sum.

Indicator 8a
Upper Limit for Fixed Rate Exposure

	2006/2007 %	2007/2008 %	2008/2009 %
Upper Limit for Fixed Rate Exposure	100	100	100

Nearly all or debt at present is fixed rate and therefore 100% is the required percentage.

Indicator 8b
Upper Limit for Fixed Rate Exposure

	2006/2007 %	2007/2008 %	2008/2009 %
Upper Limit for Variable Rate Exposure	50	50	50

As a hedge against our variable investment rate it could be useful to change to variable rate borrowing.

Indicator 9**Principal Sums Invested for Periods of Longer than 364 days**

	2006/2007 %	2007/2008 %	2008/2009 %
Principal Sums Invested for Periods of Longer Than 364 Days	75	75	75

75% of investments may be over 364 days. This will be used to limit interest rate risk.

Indicator 10**Upper and Lower Limits on the maturity Structure of Borrowing**

Limits on the Maturity Structure of Borrowing	Upper Limit %	Lower Limit %
Maturity period	100	0
Under 12 months	100	0
12 Months and within 24 months	100	0
2 Years and within 5 years	100	0
5 Years and within 10 years	100	0
10 Years and above	100	0

This will allow us the maximum flexibility for rescheduling and repayment of debt under the new financial regulations.

Indicator 11**Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services**

The Council has customarily considered an annual Treasury Management Statement under the requirement of the CIPFA code of practice on Treasury Management, which has been adopted by this Council.