WYPCC – Decision

From: Sophie Abbott, Assistant Chief Financial Officer

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Timing:	The Treasury Management Strategy including the Investment Strategy must be approved prior to the start of each financial year.
Purpose:	Decision
Cleared by:	Judith Heeley

SUBJECT OF ADVICE Approval of the Treasury Management Policy Statement, Treasury Management Strategy Statement, Prudential Indicators, Investment Strategy and Minimum Revenue Provision calculation policy for 2014/15.

Summary: The PCC is required by the Chartered Institute of Public Finance and Accountancy Code of Practice on Treasury Management to approve the above documents prior to the start of each financial year.

An initial paper was considered by the Joint Independent Audit Committee on 6 December 2013, and members of the Committee recommended that the PCC approve the proposals contained within it.

Although the substance of the paper presented today remains the same, the information has been updated to reflect the proposed budget, current economic conditions and treasury position.

Recommendation: That the PCC approves the proposals contained within the attached paper.

Consideration: As set out in the attached paper.

Affordability: As set out in the attached paper.

Handling: The documents are for internal use by officers of the PCC and Wakefield MDC, which provides treasury services through a service level agreement.

Risks/Legal Opinion: As set out in the attached paper.

Supporting and dissenting views: The Joint Independent Audit Committee endorsed the proposals set out in the attached paper.

APPENDIX A: Treasury Management Report and Annexes.

TREASURY MANAGEMENT STRATEGY

PURPOSE OF REPORT

1. To provide a summary of treasury management activity to date during 2013/14, and to seek approval of the following documents in relation to 2014/15. The documents below have been updated to reflect the proposed budget.

   - Treasury Management Activity 2013/14 (Annex A)
   - Treasury Management Policy Statement (Annex B)
   - Treasury Management Strategy Statement (Annex C)
   - Prudential Indicators (Annex D)
   - Investment Strategy (Annex E)
   - Minimum Revenue Provision (MRP) calculation policy (Annex F)
   - Treasury Management Practices (Annex G)

KEY INFORMATION

2. Treasury management activity to date during 2013/14 is attached for information at Annex A.

3. The proposed Treasury Management Policy Statement for 2014/15 is shown at Annex B and covers the definition of treasury management activities and the key principles underpinning all treasury management activities. The definition includes the investment of surplus cash and the sourcing of external borrowing. The PCC's average daily cash surplus, projected to be around £84.9m, is made up of the amounts held in balances, reserves and provisions, usable capital receipts, unapplied capital grants and temporary cash flow surpluses.

4. The proposed treasury management strategy statement for 2014/15 is attached at Annex C. This continues to focus on economy and stability, to achieve the lowest net interest rate costs recognising the risk management implications, and protect the annual revenue budget from short term fluctuations on interest rates.

5. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities introduced new requirements for the manner in which capital spending plans are to be considered and approved. The Code was revised in November 2011 and includes a slight change to one of the key principles along with a requirement to incorporate the PCC's high level policies for borrowing and investments within the Treasury Management Policy Statement. Where relevant the amendments have been included for approval within this report.

6. Prudential Indicators in respect of capital expenditure, external debt and treasury management activity are included at Annex D. This includes the Authorised Limit for external borrowing required under section 3(1) of the Local Government Act 2003.

7. Guidance from the Department of Communities and Local Government (DCLG) requires the PCC to set an annual investment strategy. The proposed strategy is set out at Annex E and has as its primary principle the security of investments.

8. The criterion for choosing counterparties provides a sound approach to investment in “normal” market circumstances. Whilst the PCC is asked to approve this base criteria, under exceptional current market conditions the PCC’s Chief Finance Officer will temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to “normal” conditions. Similarly the time periods for investments will be restricted.

9. The DCLG has also issued statutory guidance setting out options for the way MRP may be calculated. Further background to the guidance and the policy is set out at Annex F.

10. The latest guidance from CIPFA recommends that detailed scrutiny of Treasury Management proposals is undertaken prior to approval, with a view to informing and expediting the formal consideration by the PCC. Independent Audit Committee Members were requested to consider the strategy, and whether any amendments were required on 6th December 2013, prior to submission to the PCC. Members were content with the report, but whilst the substance has remained the same, the report has been updated to reflect the proposed budget, current economic conditions and the current treasury position.

11. One of the cornerstones of effective treasury management is the preparation and implementation of suitable Treasury Management Practices (TMPs), which set out the manner in which the organisation will seek to achieve the treasury management policies and objectives and prescribe how it will manage and control those activities. A summary of the Treasury Management Practices relevant to the PCC is attached at Annex G. Detailed schedules have been prepared which specify the systems and routines that are employed and the records that are maintained.

12. Attention is drawn to the fact that under the Police and Social Reform Act 2011 the PCC continues to have responsibility for the Treasury Management activity of the West Yorkshire Police Group. Whilst the overarching documents outlined in this report are unlikely to change, the underlying ways of working may need to be adapted depending on the outcome of the Stage Two transfer.

Affordability:

13. Balanced Budget Requirement

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 to produce a balanced budget. In particular, Section 32 requires the PCC, as a Local Authority, to calculate his budget requirement for each financial year to include the revenue costs that flow from capital financing decisions.

This means that capital expenditure must be limited to a level where increases in charges to revenue from additional external interest and running costs are affordable within the projected income levels for the foreseeable future.

14. Budget Assumptions

The budget estimates associated with treasury management activity are set out below:

	Original Estimate 2013/14 £000	Revised Estimate 2013/14 £000	Original Estimate 2014/15 £000
Interest Payable	4,143	4,088	4,127
Debt Management Expenses	7	12	12
Interest Receivable	(608)	(515)	(385)
Total	**3,542**	**3,585**	**3,754**

Risks/Legal Opinion:

15. Treasury management activities expose the PCC to a variety of financial risks, the key risks being credit risk, liquidity risk, re-financing risk and market risk. Overall procedures for managing risk include adopting the requirements of CIPFA's Code of Practice (including an approved Treasury Strategy and Investment Strategy), and approving annually in advance prudential indicators for the following three years.

16. The treasury service itself is provided to the PCC by Wakefield MDC through a service level agreement. Additionally, under the service level agreement with Wakefield MDC, the PCC uses Capita Treasury Services (formerly known as Sector) as his external treasury management advisers. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of member reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings/market information service comprising the three main credit rating agencies.

17. It must be recognised that responsibility for treasury management decisions remains with the organisation at all times which will ensure that undue reliance is not placed upon external service providers. Whilst the advisers provide support to the internal treasury function under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the PCC. The PCC will ensure that the terms of the advisor's appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

ANNEX A

TREASURY MANAGEMENT ACTIVITY 2013/14

1. The approved strategy for 2013/14 is set out below

Factors in Formulation of the Strategy

- The PCC has projected average daily surplus funds of £66.3m **(The revised figure as at 31 December is £90.6m)**

- It was anticipated that no long term borrowing would be undertaken during 2013/14. This was due to the fact that internal savings were supporting the cash flow, and utilised to support the capital programme more cheaply than borrowing. Short term borrowing was anticipated to be at 0.6% **(No long term external borrowing is anticipated for 2013/14. Short term borrowing rates have averaged at 0.33%).**

- Investments were estimated to earn 0.92%. **(The revised figure is projected to be 0.57%)**

- At the time of the budget the PCC was expected to be £31.4m underborrowed at the end of 2013/14 (Latest estimate £17.5m). Due to a healthy cash flow position, and the current poor economic climate, it was not considered prudent to undertake external borrowing. A capital financing reserve of £1.935m was created in 2012/13 to align the underborrowing with future debt charges, and a further £3.924m has been added to it in 2013/14.

Objectives of the Strategy

- ECONOMY: to achieve the lowest net interest rate costs, whilst recognising the risk management implications

- STABILITY: to prevent the need for excessive borrowing in future years when rates may be unfavourable and to protect the annual revenue budget from short term fluctuations in interest rates.

The Strategy

- To borrow sufficient funds to meet the requirements of the Capital Programme, to replace maturing debt, and to meet any short term cash flow requirements.

- To monitor fixed and variable interest rates and if it is considered appropriate to have up to the level of investable funds on variable rates of interest.

- To consider debt restructuring either through premature repayments, conversions or debt rescheduling. Any restructuring will be done in accordance with the policy on maturity profiles and only where savings can be achieved.

- To observe the prudential indicators for maturity profile.

- To maintain a spread of maturity dates for investments.

2. There was no expected borrowing requirement in 2013/14, and the year end under borrowing position was estimated at £31.4m.

3. As at 31 March 2013 the capital financing requirement (underlying need for long term borrowing) stood at £114.983m in comparison with total external debt of £93.167m Capital expenditure of £1.642m was slipped from the 2012/13 programme into 2013/14, and the programme was subsequently reviewed and reprofiled. Coupled with increases in direct revenue financing, the borrowing requirement for 2013/14 has decreased to £17.5m.

4. No borrowing has been undertaken in 2013/14 to date and savings of £267,000 are likely to arise as a result. Additional savings are predicted of £270,000 in relation to the minimum revenue provision (MRP) due to increased direct revenue financing. Consequently a capital financing reserve has been agreed within the Medium Term Financial Forecast. This reserve comprises the interest and MRP savings on previous years capital programmes as a result of the utilisation of internal cash flows as opposed to borrowing. It is intended that the reserve will be utilised in later years to finance the underborrowing once it is taken.

5. The PCC's long term external borrowing is therefore estimated to have decreased from £93.2m at 31 March 2013 to £92.9m at 31 March 2014, as no new borrowing has been taken, and there has been a reduction for the natural repayment of principal on existing loans.

6. The debt portfolio now consists of fixed rate loans ranging from 2.76% to 9.5% and one variable rate loan currently at 0.56% (Average 4.37%), and has a likely current year cost for interest payable of £4.088m.

7. The original estimate for interest receivable (for period and overnight investment of surplus funds) was £0.608m; the revised estimate being £0.515m and this is mainly due to a decrease in bank interest rates.

8. As at 10 February 2014 a total of 82 investments amounting to £380.3m had been made with approved institutions, for periods ranging from one day (money market funds) to 24 months and interest rates ranging from 0.25% to 2.25%.

9. During October 2008 a number of Icelandic banks went into Administration. At that time the West Yorkshire Police Authority had £6m invested in Icelandic Banks, £3m in each of the Heritable and Landsbanki Banks. Claims were transferred to the PCC as at 22 November 2012.

Latest information is as follows:

a. Heritable

A fourteenth dividend of £509,615 was received in August 2013, bringing total payments to date to £2.862m. This equates to 94.02% of the claim. The administrators of Heritable have indicated that they are seeking further clarity around the wind down, and will provide further information as it becomes available.

b. Landsbanki Islands Lf (LBI)

The claim against the insolvent estate of LBI was sold on 27 January 2014, through a competitive auction process. The price at which the claim sold was based on a reserve price set by the PCC, on the basis of legal advice received from Bevan Brittan, and financial advice procured by the Local Government Association. The proceeds of sale were paid in cash in Pounds Sterling and have already been received. The sale means that 96% of the amount originally deposited in LBI has been recovered.

TREASURY MANAGEMENT POLICY STATEMENT

1. The PCC defines his treasury management activities as:

   “The management of the PCC’s and Chief Constable’s cash flows, banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

2. The key principles underpinning treasury management activities are as follows:

2.1 The PCC, along with his Chief Finance Officer, retains the responsibility for Treasury Management activity relating to the whole of the West Yorkshire Police Group.

2.2 The PCC regards the successful identification, monitoring and control of risk to be the prime criterion by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the PCC, and any financial instruments entered into to manage these risks.

2.3 The PCC acknowledges that effective treasury management will provide support towards the achievement of group business and service objectives. He is therefore committed to the principles of achieving best value in treasury management, and employing suitable performance measurement techniques, within the context of effective risk management.

2.4 The PCC’s high level policies for borrowing and investments are:

Borrowing

- If it was felt that there is a significant risk of a sharp fall in long and short term rates, then long term borrowing will be postponed, and potential rescheduling from fixed rate funding into short-term borrowing will be considered.

- If it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

Investments

- The PCC’s investment strategy has as its primary objective safeguarding the re-payment of the principal and interest of investments on time first, with ensuring adequate liquidity second and investment return third. In the current economic climate there is over-riding risk consideration, that of counterparty security. As a result of these underlying concerns officers are implementing an operational investment strategy which tightens the controls already in place in the approved investment strategy.

  The PCC will continue to favour quality counterparties when placing funds, even if this involves a yield sacrifice.

ANNEX C

POLICE AND CRIME COMMISSIONER FOR WEST YORKSHIRE

TREASURY MANAGEMENT STRATEGY STATEMENT

2014/15

1. **Approved Activities of Treasury Management.**

2. **Formulation of Treasury Management Strategy.**

3. **Proposed Strategy.**

1. APPROVED ACTIVITIES OF TREASURY MANAGEMENT

Treasury Management encompasses the following:

a) Raising loans to fund capital payments, to refinance maturing debt and to cover any temporary short-term cash flow deficits.

b) Arranging other financial instruments and credit arrangements.

c) Debt restructuring to improve portfolio efficiency.

d) Investment of the PCC's long term and short term cash surpluses.

e) Managing the PCC's cash flow.

f) Arranging leasing finance (excluding land and buildings) on behalf of the PCC.

g) Dealing with financial institutions and brokers.

2. FORMULATION OF TREASURY MANAGEMENT STRATEGY

This involves a consideration of the following:

a) General objectives when financing capital expenditure.

   i) To minimise the net revenue costs of debt.

   ii) To optimise the use of borrowing, usable capital receipts, capital grants, operating leases and revenue resources.

   iii) To comply with all statutory controls and professional guidelines relating to treasury management.

b) The prospects for interest rates - General commentary

   - Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth rebounded in quarter 1 and 2 of 2013 to surpass all expectations. Growth prospects remain strong looking forward, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. One downside is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent.
   - A rebalancing of the economy towards exports has started but as 40% of UK exports are to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.
   - The current economic outlook and structure of market interest rates and government debt yields have several key treasury mangement implications:

- Counterparty risks remain elevated due to Eurozone sovereign debt difficulties, and there are major concerns as to how these will be managed over the next few years as levels of government debt, in some countries, continue to rise to levels that compound existing concerns. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2014/15 and beyond;
- Borrowing interest rates have risen significantly during 2013 and are on a rising trend. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed in the near future to avoid incurring even higher borrowing costs, which are now looming ever closer, where authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

ii) Interest rates are currently as follows:

Short Term		**Long Term**	
Base Rate	0.50%	5 year	2.70%
3 month	0.40%	10 year	3.82%
12 months	0.80%	25 year	4.39%

The PCC employs Capita to advise on treasury management and their view of the expected interest rates is as follows:

Annual Average %	**Bank Rate**	**Money Rates**		**5-year PWLB**	**25-year PWLB**	**50-year PWLB**
		3 Month	**1 Year**			
	%	**%**	**%**	**%**	**%**	**%**
2013/14	0.50	0.40	0.80	2.70	4.50	4.50
2014/15	0.50	0.50	0.80	2.90	4.80	4.90
2015/16	0.50	0.50	1.00	3.30	5.10	5.20
2016/17	1.25	1.00	1.80	3.40	5.10	5.20

c) Borrowing and Debt Strategy

i) The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the PCC will take a cautious approach to its treasury strategy:

- If it was felt that there is a significant risk of a sharp fall in long and short term rates, then long term borrowing will be postponed, and potential rescheduling from fixed rate funding into short-term borrowing will be considered.

- If it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

- The PCC's Chief Finance Officer, under delegated powers, will take the most appropriate form of borrowing, taking into account the risks identified in the forecast above. This may include borrowing in advance of future years requirements to the extent allowed within CLG guidance.

ii) Where borrowing is taken in advance of need:

- Borrowing will only be taken up to 1 year in advance of expenditure

- Excess funds, as a result of taking borrowing in advance of need, will be invested with high quality counterparties as set out in the annual investment strategy

iii) The estimated borrowing requirement for 2014/15 is £24.51m. This is due to underborrowing from previous years, as it is intended that direct revenue financing will be used to fund the 2014/15 capital programme, and therefore no prudential borrowing is necessary. In addition, it is anticipated that £5m of debt due to mature 31 March 2015 will not be replaced. It is anticipated that borrowing will be postponed for as long as possible during 2014/15 for as long as is practicable under the current economic conditions. Borrowing may be required, however, dependent upon the cashflow. The interest on this borrowing will be funded via the capital financing reserve.

iv) Maturity Profile

- It is considered good practice to have a reasonably even spread of maturity dates for outstanding loans, thereby avoiding the need to replace a large proportion of total borrowings in a single year.

- The PCC's current policy is to observe the Prudential Indicators for maturity profile.

- The maturity limit will continue to be reviewed as the PCC strives to achieve the best practice requirements of the Prudential Code.

d) Investment Strategy

i) The PCC's investment strategy has as its primary objective safeguarding the re-payment of the principal and interest of its investments on time first, with ensuring adequate liquidity second and investment return third. In the economic climate outlined above, there is over-riding risk consideration, that of counterparty security. As a result of these underlying concerns officers are implementing an operational investment strategy which tightens the controls already in place in the approved investment strategy.

ii) Expectations on shorter-term interest rates, on which investment decisions are based, show likelihood of the current Bank Rate of 0.5% remaining flat but with a rise not predicted until mid 2016. The PCC's investment decisions are based on comparisons between the rises priced into market rates against the PCC's and advisors own forecasts.

iii) There continue to be operational difficulties relating to the current eurozone crisis. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty creditworthiness suggests shorter dated investments would provide better security.

iv) The PCC will continue to favour quality counterparties when placing funds, even if this involves a yield sacrifice.

v) The criteria for choosing counterparties set out in Annex E provide a sound approach to investment in "normal" market circumstances. Whilst the PCC is asked to approve this base criteria, under the exceptional current market conditions the PCC's Chief Finance Officer will temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly the time periods for investments will be restricted.

vi) Examples of these restrictions would be use of the Debt Management Deposit Account Facility (DMADF – a Government body which accepts local PCC deposits), Money Market Funds, and guaranteed deposit facilities. The investment criteria reflect these facilities.

vii) With the PCC having average estimated surplus funds of £84.9m it is likely that a mix of all the options available to the PCC will be undertaken. Interest rates will be monitored on an ongoing basis and investment decisions taken accordingly.

viii) All investments will be made in accordance with the PCC's investment policies and prevailing legislation and regulations. The PCC's Proposed Investment Strategy is attached at Annex E.

e) Risk Benchmarking

i) Yield benchmarks are currently widely used to assess investments' performance. The application of liquidity and security benchmarking are more subjective in nature and the application of indicators and benchmarks have been developed by officers in conjunction with the PCC's treasury advisors to ensure the system is robust and appropriate.

ii) These benchmarks are simple preferred restrictions (not strict limits) and so the actual position may from time to time be over these benchmarks, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend positions, and feedback from the monitoring analysis may amend the day to day operational strategy. For instance if the counterparty risk position worsens any new investments would be made with stronger counterparties to compensate.

iii) The broad benchmark indicators which officers will monitor are:

Security - The PCC's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.03% historic risk of default when compared to the whole portfolio.

Liquidity – In respect of this area the PCC seeks to maintain:

- Bank overdraft - £0.1m
- Liquid short term deposits of at least £10m available with a week's notice.
- Weighted Average Life benchmark is expected to be 150 days, with a maximum of 1 year.

Yield - Local measures of yield benchmarks are:

- Investments – Internal returns above the 1 Month LIBID rate

And in addition that the security benchmark for each individual year is:

	1 year	2 years	3 years
Maximum	0.04%	0.10%	0.20%

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

f) Cash flow

i) Estimates are made of the PCC's cash flow on an annual, weekly and daily basis.

ii) Daily cash flows will be monitored to achieve minimum utilisation of bank overdraft facilities.

g) Leasing

i) With the borrowing freedoms introduced in the new Prudential Framework the future utilisation of leasing, as a way of acquiring assets, will be reviewed to ensure that the most economical option is chosen.

h) Budgetary Constraints

i) The PCC's net interest budget is made up of interest paid on external borrowing offset by income on interest earned on investments. Any treasury management decisions must therefore take into account the impact on the net position.

3. PROPOSED STRATEGY

The following Treasury Management strategy is proposed for 2014/15.

i) To undertake approved prudential borrowing in order to support the capital programme, together with maturing loans. Borrowing will only be undertaken where absolutely necessary, or if there is likely to be a sharp increase in interest rates.

iii) To consider debt restructuring either through premature repayments, conversions or debt rescheduling. Any restructuring will be done in accordance with the policy on maturity profiles and only where savings can be achieved.

iv) To manage the PCC's debt maturity profile in accordance with the Prudential Indicators.

v) To maintain a spread of maturity dates for investments.

Factors in Formulation of the Strategy

- The PCC has projected average daily surplus funds of £84.9m.
- New borrowing is not predicted, however, should the need arise the cost of borrowing is projected to be 4.5% for long term funds and 0.4% for short term. Investments are estimated to earn 0.45%.
- Due to the minimum revenue provision exceeding the additional requirement for Prudential borrowing, it is not anticipated that the PCC will need to borrow during 2014/15 as a result of the capital programme. It is anticipated that the PCC will be underborrowed by £17.9m at the end of the 2013/14 financial year, and as a result some of this borrowing may be taken during 2014/15. Budgetary provision for the whole of the underborrowing has been made through the debt charges reserve.

Objectives of the Strategy

- ECONOMY: to achieve the lowest net interest rate costs, whilst recognising the risk management implications, and consistent with
- STABILITY: to prevent the need for excessive borrowing in future years when rates may be unfavourable, and to protect the annual revenue budget from short term fluctuations in interest rates.

The Strategy

- To borrow sufficient funds to meet the requirements of the Capital Programme, to replace maturing debt, and to meet any short term cash flow requirements.
- To monitor fixed and variable interest rates and if it is considered appropriate to have up to the level of investable funds on variable rates of interest.
- To consider debt restructuring either through premature repayments, conversions or debt rescheduling. Any restructuring will be done in accordance with the policy on maturity profiles and only where savings can be achieved.
- To observe the prudential indicators for maturity profile.
- To maintain a spread of maturity dates for investments.

PRUDENTIAL INDICATORS
2013/14 – 2016/17

Capital Expenditure

The actual capital expenditure incurred in 2012/13 and the estimates of capital expenditure included within the capital forecast are:

2012/13 £000 Actual	2013/14 £000 Estimate	2014/15 £000 Estimate	2015/16 £000 Estimate	2016/17 £000 Estimate
31,043	13,429	14,528	9,089	8,134

Please note that the figures above do not include the PFI scheme.

Ratio of Financing Costs to Net Revenue Stream

Estimates of the ratio of capital financing costs to net revenue stream for the current and future years, and the actual figures for 2012/13 are:

2012/13 % Actual	2013/14 % Estimate	2014/15 % Estimate	2015/16 % Estimate	2016/17 % Estimate
1.92	1.90	2.00	1.84	1.90

Capital Financing Requirement

	2012/13 £000 Actual	2013/14 £000 Estimate	2014/15 £000 Estimate	2015/16 £000 Estimate	2016/17 £000 Estimate
General	114,981	110,783	112,093	111,014	108,537
PFI	104,401	102,579	100,641	98,488	96,235
Total:	**219,382**	**213,362**	**212,734**	**209,502**	**204,772**

The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the PCC's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the PCC's borrowing requirement, these types of scheme include a borrowing facility and so the PCC is not required to separately borrow for these schemes.

In accordance with best professional practice, the PCC does not associate borrowing with particular items or types of expenditure.

The PCC has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The PCC has, at any point in time, a number of cashflows both positive and negative, and manages his treasury position in terms of borrowings and investments in accordance with the approved treasury management strategy and practices.

In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the PCC and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the PCC's underlying need to borrow for a capital purpose.

CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following as a key indicator of prudence:
"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the PCC should ensure that 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 PCC's Chief Finance Officer reports that the PCC had no difficulty meeting this requirement in 2012/13, nor are any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans and the proposals in this budget report.

Borrowing: Gross Debt and the CFR

Within the prudential indicators there are a number of key indicators to ensure that the PCC operates activities within well defined limits. One of these is that the PCC needs to ensure that gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

	2013/14 £000 Revised Estimate	2014/15 £000 Estimate	2015/16 £000 Estimate	2016/17 £000 Estimate
Gross Market and PWLB Debt	92,887	87,580	87,242	86,872
Temporary Borrowing	6,108	10,400	10,400	10,400
Other Long term Liabilities (PFI)	104,401	102,579	100,641	98,488
Total Borrowing	**203,396**	**200,559**	**198,283**	**195,760**
CFR – Capital Programme	110,783	112,093	111,014	108,537
CFR – PFI	104,401	102,579	100,641	98,488
Total CFR	**215,184**	**214,672**	**211,655**	**207,025**
Gross over/ (under) borrowing	**-11,788**	**-14,113**	**-13,372**	**-11,265**

Authorised Limit for External Debt

It is recommended that the PCC authorises the following limits for his total external debt gross of investments for the next three financial years, and agrees the revised reduced limit for the current year.

	2013/14 £000 Revised Estimate	2014/15 £000 Estimate	2015/16 £000 Estimate	2016/17 £000 Estimate
Borrowing	133,000	134,000	133,000	130,000
Other long term liabilities (PFI)	115,000	114,000	112,000	109,000

The limits separately identify borrowing and other long term liabilities such as finance leases. Other long term liabilities,' relate mainly to the PFI Scheme. The figures above are early indications of the likely liability taken from the PFI financial model. The model may alter in subsequent years as further progress is made and this will have a consequential impact on the indicator.

The PCC is asked to approve these limits and to give consent to the Chief Constable, in consultation with the PCC's Chief Finance Officer, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities, in accordance with option appraisal and best value for money for the PCC. Any such change made will be reported to the PCC at the earliest opportunity.

The PCC's Chief Finance Officer and Force Assistant Chief Officer report that these authorised limits are consistent with the PCC's current commitments, existing plans and the proposals in this budget report for capital expenditure and financing, and with its approved treasury management policy statement and practices. The PCC's Chief Finance Officer and Force Assistant Chief Officer confirm that they are based on the estimate of most likely, prudent but not worst case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Plans for capital expenditure, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes have been taken into account.

The PCC is asked to note that the authorised limit determined for 2014/15 will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

Operational Boundary for External Debt

The PCC is also asked to approve the following operational boundary for external debt for the same time period. The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the PCC's Chief Finance Officer's and Force Assistant Chief Officer's estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate.

The operational boundary represents a key management tool for in year monitoring by the PCC's Chief Finance Officer. Within the operational boundary, figures for borrowing and other long term liabilities are separately identified. The PCC is asked to delegate authority to the Chief Constable, in consultation with the PCC's Chief Finance Officer, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long term liabilities, in a similar fashion to the authorised limit. Any such changes will be reported to the PCC at the earliest opportunity.

	2013/14 £000 Revised Estimate	**2013/14 £000 Estimate**	**2014/15 £000 Estimate**	**2015/16 £000 Estimate**
Borrowing	118,000	113,000	112,000	109,000
Other long term liabilities (PFI)	105,000	103,000	101,000	99,000

Impact of Capital Expenditure Proposals on Precept

The estimate of the incremental impact of capital investment decisions proposed in 2013/14 and the forecast for 2014/15 to 2016/17 over and above capital investment decisions that have previously been taken by the PCC are:

	2013/14 £ p Estimate	**2014/15 £ p Estimate**	**2015/16 £ p Estimate**	**2015/16 £ p Estimate**
Impact on Band D Council Tax (excluding PFI)	8.59	8.31	0.45	0.02

Adoption of the CIPFA Code of Practice for Treasury Management in the Public Services

The PCC has adopted this code as shown in Financial Regulation 3002.

Interest Rate Exposures

The PCC must set for the forthcoming financial year and the following two financial years upper limits to its exposures to the effects of changes in interest rates. The indicators relate to both fixed interest rates and variable interest rates.

(i) Upper Limit on Fixed Interest Rates

The PCC's upper limit for fixed interest exposure for the period 2013/14 – 2014/15 is **£5.0m p.a.**, based on the anticipated fixed interest payments net of any anticipated fixed income over the period.

(ii) Upper Limit on Variable Interest Rate Exposures

The PCC's upper limit for variable interest exposure for the period 2013/14 – 2014/15 is **£2.0m p.a**., based on the anticipated variable interest payments net of any anticipated variable income over the period.

Maturity Structure of Borrowing

The PCC must set for the forthcoming financial year both upper and lower limits with respect to the maturity structure of its borrowing. The indicator identifies the amount of projected borrowing that is fixed rate and maturing in each period expressed as a percentage of total projected fixed rate borrowing. The percentages are shown below over the specified periods.

	Upper Limit %	**Lower Limit %**
Under 12 Months	30	0
12 Months and within 24 Months	40	0
24 Months and within 5 Years	60	0
5 Years and within 10 Years	80	0
10 Years and within 20 Years	100	0
20 years and within 30 Years	100	0
30 Years and within 40 Years	100	0
40 Years and within 50 Years	100	0
50 Years and above	100	0

Total Principal Sums invested for periods longer than 364 days

If the PCC invests or plans to invest for longer than 364 days he has to set an upper limit for each financial year for the maturity of such investments.

	2014/15 £m	**2015/16 £m**	**2016/17 £m**
Total Principal Sum invested to final maturities beyond the period end	15	15	15

West Yorkshire Police and Crime Commissioner

Proposed Investment Strategy

1. Overview

1.1 The Secretary of State has issued revised guidance, in accordance with powers contained in the Local Government Act 2003, in respect of investments and the Police and Crime PCC is required to have regard to this guidance.

1.2 The Secretary of State recommends that the Police and Crime PCC should approve the strategy before the start of the financial year. The strategy may be varied at any time during the year, again with the approval of the Police and Crime PCC.

1.3 The key requirements of the guidance are to set an annual investment strategy covering the identification and approval of the following:

- Strategy guidelines for decision-making
- Liquidity issues: The guidance recommends that priority should be given to security and liquidity. It is however appropriate to seek the highest rate of return consistent with the proper levels of security and liquidity.
- Specified investments policy
- Non-specified investments policy

1.4 The general policy is that the PCC should invest surplus funds prudently.

1.5 It is also recommended that the initial Strategy, when approved, should be made available to the public free of charge. This can be in print or on-line.

2. INVESTMENT STRATEGY 2014/15– 2016/17

2.1 Strategy Guidelines

The primary principle governing the PCC's investment criteria is the security of his investments, although the yield or return on the investment is also a key consideration. Secondary to the satisfaction of the primary principle the PCC will also ensure: -

- There is sufficient liquidity in his investments. For this purpose he will set out procedures for determining the maximum periods for which funds may prudently be committed
- He maintains a policy covering the categories of investment types he will invest in, and the criteria for choosing and monitoring counterparties and

the adequacy of their security. This is set out below in the sections dealing with specified and non-specified investments.

2.2 Investment Counterparty Selection Criteria

2.2.1 The PCC's Chief Finance Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to PCC as necessary. This criteria is separate to that which chooses Specified and Non-specified investments as it provides an overall pool of counterparties considered high quality which the PCC may use rather than defining what the investments are.

2.2.2 The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) is:

Banks 1 - Good Credit Quality – the PCC will only use banks which:

Are UK banks; and/or

Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AAA from 2 out of 3 agencies, provided the third is no lower than AA+

And have, **as a minimum**, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):

Short Term – F1

Long Term – A

Viability Rating/ Financial Strength – Fitch / Moody's only. Non-UK banks BB+/C

Support – 3 (Fitch only)

Banks 2 – Part Nationalised UK banks – Lloyds Banking Group and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above**.**

Banks 3 – **In addition the PCC will use**:

The PCC's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.

Building Societies – the PCC will only use Building Societies which meet the ratings for banks outlined above

Money Market Funds – Long-term credit rating AAA

UK Government (the DMADF)

A local authority, Police and Crime PCC, fire authority, parish authority or community authority

2.2.3 A limit of £30m will be applied to the use of non-specified investments.

2.2.4 Country and Sector Considerations

Due care will be taken to consider the country, group and sector exposure of the PCC's investments. In part the country selection will be chosen by the credit rating of the Sovereign state in Banks 1 above. In addition:

- No more than £10m will be placed with any non-UK country at any time;
- Limits of £10m will apply to Banking Groups.
- Sector limits will be monitored regularly for appropriateness.

2.2.5 Use of additional information other than credit ratings

Requirements under the Code of Practice now require the PCC to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

2.2.6 Time and Monetary Limits applying to Investments

The time and monetary limits for institutions on the PCC's Counterparty List are as follows (these will cover both Specified and Non-Specified Investments):

	Fitch (or equivalent)		**Money Limit**	**Time Limit**
	Short Term	**Long Term**		
Banks 1	F1+	AA	£5m	3yrs
Banks 1	F1+	AA-	£3m	3yrs
Banks 1	F1	A+	£5m	2yrs
Banks 1	F1	A	£5m	364 days
Building Societies	F1	A	£5m	364 days
Other Institution Limits (Other Local Authorities)	-	-	£5m	2yrs
Banks 2 – Part nationalised UK Banks	-	-	£5m	Up to 1 year while they continue to be part-nationalised or as for Banks 1 if they meet the minimum credit criteria
Banks 3 The PCC's own Banker			If it does not meet the minimum credit criteria for specified investments, to be kept within the Non-Specified limit.	If it does not meet the minimum credit criteria for specified investments, the monetary value to be kept to a minimum
MMFs (Money Market Funds)	-	AAA	£5m	364 days
DMADF (Debt Management Account Deposit Facility)	-	-	Unlimited	364 days

Within any of the limits above the maximum amount to be invested in any one institution at any time is £10m (excluding own banker and DMADF).

The maximum total amount which can be invested in periods longer than 364 days is £15m (maximum of £10m in 2 to 3 year period).

2.3 Liquidity of Investments

2.3.1 In the normal course of the PCC's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short-term investments.

2.3.2 The use of longer-term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the PCC's liquidity requirements are safeguarded. This will also be limited by the longer-term investments limits.

2.4 Specified Investments

2.4.1 An investment is a specified investment if:

- It is sterling denominated.
- It is not a long-term investment (i.e. due to be repaid within 12 months of the date on which the investment was made, or one which the PCC may require to be repaid within that period).
- The making of the investment is not defined as capital expenditure.
- The investment is made with a body or in an investment scheme of *'high credit quality'* or is made with any one of the following public sector bodies:

  - The United Kingdom Government.
  - A Local Authority in England and Wales or a similar body in Scotland or
  - Northern Ireland (including Police & Crime PCC and Fire Authorities).
  - A Parish Council or Community Council.

2.4.2 The following ratings (provided by the credit rating agencies) are the minimum the PCC will use to determine that a body has "high credit quality" as required by the CLG guidance. Investments will not be made below these levels except where allowed for elsewhere in the Investment Strategy:

Agency	Long Term	Short Term
Fitch IBCA	AAA, AA+, AA, AA-, A+, A	F1+, F1
Moody's	Aaa, Aa1, Aa2, Aa3, A1, A2	P-1
Standard & Poor's	AAA, AA+, AA, AA-, A+, A	A-1+, A-1

Determining the ratings at this level for the placing of investments means that the ratings would have to be reduced by at least two levels before causing concern.

The rating criterion uses the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the PCC's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the PCC's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the revised CIPFA Treasury Management Code of Practice.

The lowest common denominator will not apply to Sovereign ratings for non UK domiciled banks where the bank is rated AAA by two out of the three agencies and the third rating is no lower than AA+.

2.4.3 The list of specified investments for West Yorkshire Police PCC is as follows:

All less than 364 days
INSTITUTION / INSTRUMENT
• The UK Government (including the Debt Management Office and UK Treasury Bills). • A local Authority, police & crime PCC, fire authority, parish authority or community authority • Pooled investment vehicles (such as money market funds) that have been awarded a high long term credit rating by a credit rating agency (AAA being the highest rating provided by credit rating agencies) • A body that is considered of a high credit quality (such as Banks and Building Societies).

2.4.4 It is acknowledged within the financial markets that a short-term credit rating determines an Institutions' ability and willingness to honour its obligations within a time horizon of less than 13 months and takes account of the banks liquidity. In order to allow more flexibility short-term investments can be made by reference to the short-term investment criteria only.

2.5 Non-Specified Investments

2.5.1 Non-specified Investments are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are below.

2.5.2 The PCC will review the categories of non–specified investments on an annual basis and amend the categories appropriately.

2.5.3 The current policy is that the PCC will utilise the same categories of institutions for both specified and non – specified investments. The only difference being:

- The timescale – non-specified investments are in most cases for more than 364 days.

2.5.4 The current list of non – specified investments is set out below:

- Part nationalised UK banks – where they do not meet the basic credit criteria.
- The PCC's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.
- A local Authority, police and crime PCC, fire Authority, parish Council or community Council

2.5.5 Within the limits set out in paragraphs 2.2.6 and 2.5.4, excluding those for UK government, and the PCC's own banker, the maximum amount that may be invested in any one institution at any one time, taking specified and non specified investments together, is £10m.

2.5.6 The maximum amount which can be invested in periods longer than 364 days is £15m.

2.6 Monitoring Credit ratings

2.6.1 The credit ratings of counterparties are monitored on a weekly basis using credit rating information received from our Treasury Consultants on all active counterparties that comply with the above criteria. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are received from our treasury consultants almost immediately after they occur and this information is used to review the counterparty list before dealing. The information provided includes the credit ratings and potential changes to credit ratings of counterparties with whom the PCC has current investments.

2.6.2 If a rating is downgraded on an institution with which the PCC has an existing investment then the following action is taken:

- If it goes below the minimum criteria the PCC has established (with all Agencies with whom the Counterparty is rated), the risk implications are discussed with the external advisors and, if it is deemed appropriate, a request is made to return the investments (It should be noted however that the general position taken by Investment Counterparties is not to return wholesale term deposits before the maturity date).

- If it remains within the investment criteria then the risk implications are discussed with our external advisors and the position monitored.

2.6.3 Any counterparty failing to meet the minimum criteria is immediately removed from the investment list and will not be considered for new investments.

2.6.4 Where ratings are upgraded, new counterparties are added to the list when they meet the minimum criteria.

2.6.5 The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst the PCC is asked to approve this base criteria, under the exceptional current market conditions the PCC's Chief Finance Officer may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to “normal” conditions. Similarly the time periods for investments will be restricted.

2.6.6 Examples of these restrictions would be use of the Debt Management Deposit Account Facility (DMADF – a Government body which accepts local PCC deposits), Money Market funds and guaranteed deposit facilities.

2.7 External Service Providers

2.7.1 Treasury Management Providers - The PCC uses Capita (formerly known as Sector) as its treasury management consultants through its Service Level Agreement with Wakefield MDC. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of member reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings/market information service comprising the three main credit rating agencies;

Whilst the advisers provide support to the internal treasury function through the Service Level Agreement, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the PCC. This service is subject to regular review.

Software Providers – The PCC uses Treasurynet Ltd as its provider of cashflow software through its Service Level Agreement with Wakefield MDC. The software is used to maintain loan and investment records along with daily cashflow transactions in order to inform borrowing and investment decisions.

2.8 PCC and Officer Training

2.8.1 The increased consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for officers.

Officer Training – Regular Intermediate and Advanced Treasury Management training is undertaken by key members of staff. The majority of this training is provided by Capita, however, staff are encouraged to undertake other relevant training as it becomes available.

Training for the Police and Crime PCC and members of the Independent Audit Committee is available through the regular Treasury Management courses provided by Capita as part of the Service Level Agreement.

MRP POLICY

1. All expenditure incurred by the PCC must be charged to the revenue account in the year it is incurred, with the exception of items which can be capitalised in accordance with proper accounting practice – in essence items which have an expected life of more than one year.

2. Capital expenditure on such items (land, buildings, IT, vehicles and equipment) can be resourced in a number of ways. In the case of capital grant, capital receipts, and contributions from the revenue budget, the expenditure is effectively paid for as it is incurred by application of those resources.

3. In the case of capital expenditure financed by borrowing, the expenditure is paid for from the revenue budget by making an annual prudent provision known as a Minimum Revenue Provision (MRP) using one of the options set out in the Statutory Guidance issued by DCLG.

4. The Guidance requires an annual statement of the policy adopted in calculating the MRP to be agreed by the PCC prior to the start of each financial year.

5. The intention of the guidance is to ensure that the repayment to revenue is made over a period bearing some relation to that over which the asset continues to provide a service.

6. The recommended MRP Statement is as follows:

   a. For capital expenditure incurred before 1 April 2008 or which will in the future be Supported Capital Expenditure (i.e. the amount which attracts revenue support grant through the Capital Financing Block), the MRP policy will be:

      Based on 4% of the Capital Financing requirement.

   b. From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

      Asset Life Method – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations based on either the equal instalment method or the annuity method.

7. The PCC's policy is to finance shorter lived assets from capital receipts, grants and revenue contributions, with borrowing generally reserved for land and buildings with an expected life in excess of 25 years.

ANNEX G

TREASURY MANAGEMENT PRACTICES

TMP1: Treasury risk management:

1. Credit and counterparty risk
   The risk of failure of a third party to meet their contractual obligations under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness.

2. Liquidity risk
   The risk that cash will not be available when needed.

3. Interest rate risk
   Fluctuations in the levels of interest rates create an unexpected or an unbudgeted burden on an organisation's finances against which it has failed to protect itself adequately.

4. Exchange rate risk
   The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on an organisation's finances.

5. Refinancing risk
   The risk that maturing borrowings, capital, project or partnership financing cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and revenue.

6. Legal and regulatory risk
   The risk that the organisation fails to act in accordance with its powers or regulatory requirements.

7. Fraud error, corruption and contingency management
   The failure to employ suitable systems and procedures and to maintain effective contingency management arrangements to these ends.

8. Market risk
   The risk that through adverse market fluctuations in the value of the principal sums an organisation invests, it's stated policies and objectives are compromised.

TMP2: Performance measurement

- The process designed to calculate the effectiveness of the portfolio's or manager's investment returns or borrowing costs and the application of the resulting data for the purposes of comparison with the performance of other portfolios or managers, or with recognised industry standards or market indices.

TMP3: Decision-making and analysis

- Consideration of key aspects such as risk, legality, creditworthiness and competitiveness.

TMP4: Approved instruments, methods, and techniques

- Consideration of the types of investment instruments the organisation is legally able to deal in and also the level of competences available within the organisation to allow effective decisions to be taken.

TMP5: Organisation, clarity and segregation of responsibilities and dealing arrangements.

- Clear organisational and decision making lines, clearly laid down division of responsibilities, proper internal control procedures in place.

TMP6: Reporting requirements and management information requirements.

- Covering reporting lines and frequencies.

TMP7: Budgeting, accounting, and audit arrangements

- Covering manpower costs, debt and financing costs, bank and overdraft charges, brokerage commissions, external advisor's and consultants' costs.

TMP8: Cash and cash flow management

- The preparation of cash flow management forecasts and 'actuals' to determine acceptable levels of cash balances, the adequacy of overdraft facilities and the optimum arrangements for investing and managing surplus cash.

TMP9: Money laundering

- Making Treasury staff aware of the provisions of the Money Laundering Regulations 2007 and associated legislation such as the Terrorism Act 2000 and the Proceeds of Crime Act 2002, and ensuring (as far as possible) that adequate procedures are in place to ensure effective compliance with them.

TMP10: Staff training and qualifications

- Ensuring the staff training and development regime is in place and that staff are competent to operate within a treasury environment.

TMP11: Use of external service providers

- Ensuring that correct appointment and renewal procedures are followed.

TMP12: Corporate governance

- The code requires a commitment to the principles of corporate governance, which will embrace the TPS itself, treasury policies, procedural guidelines and defined responsibilities, dealings with counter parties and external bodies.