

SECTOR

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

5.1 Allocation of responsibilities

(i) Argyll and Bute Council

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy.

(ii) Argyll and Bute Council

- approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Lead Councillor for Finance

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

(iv) Performance Review and Scrutiny Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- Reviewing the Annual Strategy Quarterly and the Annual Reports.

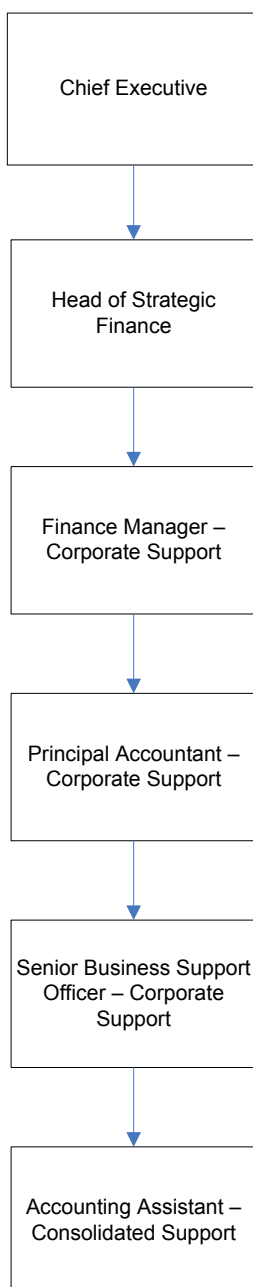
5.2 Principles and Practices Concerning Segregation of Duties

5.2.1 The following duties must be undertaken by separate officers: -

Dealing	Negotiation and approval of deal. Receipt and checking of brokers confirmation note against loans diary. Reconciliation of cash control account. Bank reconciliation
Accounting Entry	Production of transfer note. Processing of accounting entry
Authorisation/Payment of Deal	Entry onto system. Approval and payment.

5.3 Treasury Management Organisation Chart

Argyll and Bute Council - Treasury Management Structure



5.4 Statement of the treasury management duties/responsibilities of each treasury post

5.4.1. The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Head of Strategic Finance and is also the S95 officer. This person will carry out the following duties: -

- a) recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- b) submitting regular treasury management policy reports
- c) submitting budgets and budget variations
- d) receiving and reviewing management information reports
- e) reviewing the performance of the treasury management function

- f) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- g) ensuring the adequacy of internal audit, and liaising with external audit
- h) Recommending the appointment of external service providers.

- i) The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
- j) The responsible officer may delegate his power to borrow and invest to members of his staff. The Treasury Manager, the Senior Officer Treasury Management Team or the Accountancy Assistants Treasury Management Team must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave/sickness. All transactions must be authorised by at least two of the named officers above.
- k) The responsible officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
- l) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to 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
- m) It is also the responsibility of the responsible 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. Finance Manager Corporate Support

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 counterparties 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
- h) opportunities for improved practices

5.4.3. The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

- a) Ensuring that the system is specified and implemented
- b) Ensuring that the responsible officer reports regularly to the full Council

5.4.4. The Monitoring Officer – the Head of Legal Services

The responsibilities of this post will be: -

- a) Ensuring compliance by the responsible 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 responsible officer when advice is sought.

5.4.5. Internal Audit

The responsibilities of Internal Audit will be: -

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

5.5 Absence Cover Arrangements

In treasury matters, the cover for the Head of Strategic Finance will be provided by the Finance Manager Corporate Support. Where the Finance Manager Corporate Support is already providing cover within the Treasury Function the cover for the Head of Strategic Finance will be provided by the Principal Accountant Corporate Support.

The Finance Manager Corporate Support will provide cover when both the Principal Accountant Corporate Support and the Senior Business Support Officer Corporate Support are absent.

5.6 Dealing Limits

The following posts are authorised to deal: -

- Head of Strategic Finance
- Finance Manager Corporate Support
- Principal Accountant Corporate Support
- Senior Business Support Officer Corporate Support

5.7 List of Approved Brokers

A list of approved brokers is maintained within the Treasury Team and a record of all transactions recorded against them. See TMP 11.1.2.

5.8 Policy on Brokers' Services

It is this Council's policy to rotate business between brokers.

5.9 Policy on Taping of Conversations

It is not this Council's policy to tape brokers conversations

5.10 Direct Dealing Practices

The Council will consider dealing direct with counterparties if it is appropriate and the Council believes that better terms will be available. At present, most deals are arranged through brokers. There are certain types of accounts and facilities, however, where direct dealing is required, as follows;

- Business Reserve Accounts:
- Call Accounts:
- Money Market Funds.

5.11 Settlement Transmission Procedures

A formal letter signed by an agreed cheque signatory setting out each transaction must be sent to the local authority's bankers where preliminary instructions have been given by telephone. For payments a transfer will be made through the Council's banking system to be completed by 2.00 pm on the same day.

5.12 Documentation Requirements

For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

5.13 Arrangements Concerning the Management of Third-Party Funds.

The Council holds a number of trust funds. The cash in respect of these funds is held in the Council's bank account but transactions are separately coded. Interest is given on credit balances at the average rate for internal balances for the year.

TMP 6 Reporting Requirements and Management Information Arrangements

6.1 Annual programme of reporting

- a) Annual reporting requirements before the start of the year: -
 - a) review of the organisation's approved clauses, treasury management policy statement and practices
 - b) strategy report on proposed treasury management activities for the year comprising of the Treasury management strategy statement and Annual Investment Strategy
- b) Quarterly Reports
- c) Annual review report after the end of the year

6.2 Annual Treasury Management Strategy Statement

1. The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted The Council for approval before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy Statement 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, this 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 Statement is concerned with the following elements:
 - a) Prudential and Treasury Indicators
 - b) current Treasury portfolio position
 - c) borrowing requirement
 - d) prospects for interest rates
 - e) borrowing strategy
 - f) policy on borrowing in advance of need
 - g) debt rescheduling
 - h) investment strategy
 - i) creditworthiness policy
 - j) policy on the use of external service providers
 - k) any extraordinary treasury issue
4. The Treasury Management Strategy Statement 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.

6.3 The Annual Investment Strategy Statement

At the same time as the Council receives the Treasury Management Strategy Statement it will also receive a report on the Annual Investment Strategy. This report will set out the following: -

- a) whether the CIPFA Treasury Management Code and the CIPFA Prudential Code have been adopted in full, or if not, provide an explanation
- b) The Council's risk appetite in respect of security, liquidity and optimum performance
- c) The definition of high credit worthiness
- d) Which instruments the Council will use (permitted investments) separately identified as relating to Common Good and other
- e) Limits (by sum of money or percentage of the local authority's total investments) for each permitted investment relating to the Common Good. Alternatively an investment may be 'unlimited'
- f) The objectives of each type of investment
- g) The different types of risks that each permitted investment is exposed to
- h) The controls in place for limiting those risks
- i) Explanations for an unlimited categorisation
- j) Whether they will be used by the in house team, external managers or both (if applicable)
- k) The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- l) Which credit rating agencies the Council will use
- m) How the Council will deal with changes in ratings, rating watches and rating outlooks
- n) Limits for individual counterparties and group limits
- o) Country limits
- p) maximum value and maximum periods for which funds may be prudently invested
- q) Levels of cash balances and investments over the same time period (as a minimum) as the authority's capital investment plans and how the use of internal borrowing and borrowing in advance will influence those levels
- r) Interest rate outlook
- s) Budget for investment earnings
- t) Procedures for reviewing the holding of longer term investments
- u) Details of how policies and practices will be scrutinised before being accepted and how they will be monitored and changed
- v) Use of a cash fund manager (if applicable)
- w) Policy on the use of external service providers
- x) Details as to where policies referred to in the Strategy may be obtained

6.4 Policy on Prudential and Treasury Indicators

1. The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
2. The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the full Council

6.5 Quarterly review

The Council will review its treasury management activities and strategy on a six monthly basis. This review will consider the following: -

- a) activities undertaken
- b) variations (if any) from agreed policies/practices
- c) interim performance report
- d) regular monitoring
- e) monitoring of treasury management indicators for local authorities.

6.6 Annual Review Report on Treasury Management Activity

An annual report will be presented to The Council 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) performance report – see TMP2.1.3
- b) compliance report on agreed policies and practices, and on statutory/regulatory requirements
- c) report on compliance with CIPFA Code recommendations

6.7 Publication of Treasury Management Reports

The Annual Strategy, Annual Report and Quarterly reports will be made available to the public through the papers available to the public for Council meetings.

TMP 12 Corporate Governance

12.1.1 List of Documents to be Made Available for Public Inspection

- a. The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.
- b. It has adopted the CIPFA Code of Practice on Treasury management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.
- c. The following documents are available for public inspection: -

Treasury Management Policy Statement
Treasury Management Strategy Statement including the Annual Investment Strategy
Annual Treasury Management Review Report including the Annual Investment Report
Treasury Management monitoring reports (quarterly)

Annual accounts and financial instruments disclosure notes
Annual budget
3 Year Capital Plan

Minutes of Council meetings

Schedule of all external funds managed by the Council on behalf of others and the basis of attributing interest earned and costs of these investments.