APPENDIX A

NORTH YORKSHIRE COUNTY COUNCIL

TREASURY MANAGEMENT POLICY STATEMENT

1.0 BACKGROUND

1.1 The County Council has adopted the **CIPFA Code of Practice on Treasury Management in the Public Services (2001).** This Code sets out a framework of operating procedures to reduce treasury risk and improve understanding and accountability regarding the Treasury position of the County Council.

1.2 The CIPFA Code of Practice on Treasury Management requires:

(a) a strategic **Treasury Management Policy Statement** (TMPS) stating the County Council's policies and objectives for its treasury management activities

(b) a framework of **Treasury Management Practices** (TMPs) setting out the manner in which the County Council will seek to achieve the policies and objectives set out in (a) and prescribing how it will manage and control those activities. The Code recommends 12 TMPs

1.3 The subsequent **CIPFA Prudential Code for Capital Finance in Local Authorities**, and the terms of the **Local Government Act 2003**, establish further requirements in relation to treasury management matters, namely

(a) the approval, on an annual basis, of a set of **Prudential Indicators**

(b) the approval, on an annual basis, of an **Annual Treasury Management Strategy** and **Annual Investment Strategy** with an associated requirement that both are monitored on a regular basis with a provision to report as necessary both in-year and at the financial year end

1.4 This current Treasury Management Policy Statement (TMPS) was approved by County Council on 20 February 2008.

2.0 TREASURY MANAGEMENT POLICY STATEMENT (TMPS)

2.1 Based on the requirements detailed in **paragraph 1.2(a)** above a TMPS stating the County Council's policies and objectives of its treasury management activities is set out below.

2.2 The County Council defines the policies and objectives of its treasury management activities as follows:

(a) treasury management is the management of the County Council’s cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks

(b) the successful identification, monitoring and control of risk will be the prime criteria by which the effectiveness of the treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the County Council

(c) effective treasury management will provide support towards the achievement of the business and service objectives of the County Council as expressed in the Council Plan. The County Council is committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management

3.0 TREASURY MANAGEMENT PRACTICES (TMPs)

3.1 As referred to in **paragraph 1.2(b)** above the CIPFA Code of Practice on Treasury Management requires a framework of Treasury Management Practices (TMPs) which:

(a) set out the manner in which the County Council will seek to achieve the policies and objectives set out in **paragraph 2.2** above; and

(b) prescribe how the County Council will manage and control those activities

3.2 The CIPFA Code of Practice recommends 12 TMPs and these were approved by Members on 23 March 2004. These TMPs will be reviewed as and when necessary in the light of regulatory and/or local policy changes.

3.3 A list of the 12 TMPs is as follows:

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 providers

TMP 12 Corporate governance

4.0 PRUDENTIAL INDICATORS

4.1 The Local Government Act 2003 underpins the new Capital Finance system introduced on 1 April 2004 and requires the County Council to "have regard to" the **CIPFA Prudential Code for Capital Financial in Local Authorities**. This Code requires the County Council to set a range of Prudential Indicators for the next three years

(a) as part of the annual Budget process, and

(b) before the start of the financial year

to ensure that capital spending plans are affordable, prudent and sustainable.

4.2 The Prudential Code also requires appropriate arrangements to be in place for the monitoring, reporting and revision of Prudential Indicators previously set. These arrangements were agreed by the County Council on 18 February 2004.

4.3 The Prudential Indicators are as follows

- Estimated ratio of Capital Financing costs to the net revenue budget
- Estimates of the incremental input of capital investment decisions on the Council Tax
- Capital Expenditure Actual and Forecasts
- Capital Financing Requirement and Forecast
- Authorised Limit for External Debt
- Operational Boundary for External Debt
- Actual External Debt
- Adoption of the CIPFA Code of Practice for Treasury Management
- Interest Rate Exposures
- Maturity Structure of Borrowing
- Total Principal Sums Invested for periods longer than 364 days

4.4 The County Council will approve the Prudential Indicators for a further three year period alongside the annual Revenue Budget/Medium Term Financial Strategy at its February meeting each year.

5.0 ANNUAL TREASURY MANAGEMENT AND INVESTMENT STRATEGY

5.1 A further implication of the Local Government Act 2003 is the requirement for the County Council to set out its Treasury Management Strategy for borrowing and to approve an Annual Investment Strategy (which sets out the County Council's policies for managing its investments and for giving priority to the security and liquidity of those investments).

5.2 The Government's guidance on Annual Investment Strategies issued on 12 March 2004 states that authorities can combine the Treasury Management Strategy Statement and Annual Investment Strategy into one report. The County Council has adopted this combined approach.

5.3 The County Council's Annual Treasury Management and Investment Strategy will therefore cover the following matters:

- treasury limits in force which will limit the treasury risk and activities of the County Council
- Prudential Indicators
- the current treasury position
- the Borrowing Requirement and Borrowing Limits
- Borrowing Policy
- prospects for interest rates
- Borrowing Strategy
- Minimum Revenue Provision Policy
- capping of capital financing costs
- review of long term debt
- Annual Investment Strategy
- other treasury management issues

5.4 The County Council will approve this combined Annual Strategy alongside the annual Revenue Budget/Medium Term Financial Strategy at its February meeting each year.

6.0 REVIEW OF THIS POLICY STATEMENT

6.1 Under Financial Procedure Rule 14, the Corporate Director – Finance and Central Services is required to periodically review this Policy Statement and all associated documentation. A review of this Statement, together with the associated annual strategies, will therefore be undertaken annually as part of the Revenue Budget process and at such other times during the financial year as considered necessary by the Corporate Director – Finance and Central Services.

28 January 2008