



Notice of meeting of

Executive Member For Corporate Services and Advisory Panel

To:	Councillors Macdonald (Executive Member), Scott (Chair), Looker (Opposition Spokesperson), Moore and R Watson
Date:	Tuesday, 25 July 2006
Time:	5.30 pm
Venue:	The Guildhall

AGENDA

Notice to Members - Calling In:

Members are reminded that, should they wish to call in any item on this agenda, notice must be given to Democracy Support Group by:

10:00 am on Monday 24 July 2006, if an item is called in *before* a decision is taken, *or*

4:00 pm on Thursday 27 July 2006, if an item is called in *after* a decision has been taken.

Items called in will be considered by the Scrutiny Management Committee.

1. **Declarations of Interest**

At this point, members are asked to declare any personal or prejudicial interests they may have in the business on this agenda.

2. Minutes (Pages 1 - 4)

To approve and sign the minutes of the meeting of the Executive Member for Corporate Services and Advisory Panel held on 13 June 2006.

3. Public Participation

At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the Executive Member's remit can do so. The deadline for registering is Monday 24 July 2006, at 10.00 am.

4. Forward Plan Update (Pages 5 - 12)

To receive an update on the Resources Directorate items which are listed on the Forward Plan.

Executive Member to consider the advice of the Advisory Panel upon the following items of business and to make a decision on those items or to note the information as required:

ITEMS FOR DECISION

5. The Guildhall - Future Investment (Pages 13 - 18)

This report seeks to update Members on recent observations made in respect of facilities at the Guildhall and the possibility of a case for future investment.

6. Transfer of the Social Care Welfare Benefits Function from Resources Directorate to Housing and Adult Social Services Directorate (Pages 19 - 24)

This report seeks approval for the transfer of management responsibility for the social care welfare benefits function from the Resources Directorate to the Directorate of Housing & Social Services.

7. Treasury Management Annual Report & Review of Prudential Indicators (Pages 25 - 86)

This report updates the Executive Member on Treasury Management performance for 2005/06, covering short-term investments, long-term borrowing, the venture fund, outturn and including a review of the Prudential Indicators. It also seeks approval of a revised Treasury Management Policy Statement and Practices, following a recent review of the Treasury Management in the Public Services Code of Practice by the Chartered Institute of Public Finance and Accountancy (CIPFA) and subsequent recommendations that local authorities update their policy statements and practices.

URGENT BUSINESS

8. Any Other Matters which the Executive Member decides are urgent under the Local Government Act 1972.

Democracy Officer:

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For more information about any of the following please contact the Democracy Officer responsible for servicing this meeting:

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details are set out above.

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City of York Council

Minutes

MEETING	EXECUTIVE MEMBER FOR CORPORATE SERVICES AND ADVISORY PANEL
DATE	13 JUNE 2006
PRESENT	COUNCILLORS MACDONALD (EXECUTIVE MEMBER), SCOTT (CHAIR), LOOKER (OPPOSITION SPOKESPERSON), MOORE AND R WATSON

PART A - MATTERS DEALT WITH UNDER DELEGATED POWERS**1. Declarations of Interest**

The Chair invited Members to declare any personal or prejudicial interests which they might have in the business on the agenda.

No interests were declared.

2. Minutes

RESOLVED: That the minutes of the meeting of the Executive Member for Resources and Advisory Panel held on 20 March 2006 be approved and signed by the Chair and the Executive Member as a correct record, with the following amendments:

- (i) To minute 84 (National Non-Domestic Rates, Sundry Debtors, Council Tax and Overpaid Housing Benefit Accounts Submitted for Write-Off) to add the following wording, "It was agreed that an issue raised by a Member relating to an individual case be looked into by officers";
- (ii) To minute 85 (Proposed Managed Workspace Scheme, Amy Johnson Way, Clifton Moor), point (v) of the advice of the Advisory Panel, to read, "That a written explanation be provided to the ward member as to why ward members had not been briefed and consulted on this item before the agenda was published".

3. Public Participation

It was reported that there had been no registrations to speak at the meeting under the Council's Public Participation Scheme.

4. Forward Plan Update

Members received an update on the Resources Directorate items which were listed on the Forward Plan.

Officers were asked to brief ward members on the report on "Land at Manor Lane, Rawcliffe".

Advice of the Advisory Panel

- (i) That the Executive Member be advised to note the update on the Forward Plan.

Decision of the Executive Member

RESOLVED: That the advice of the Advisory Panel be accepted and endorsed.

REASON: To inform the Executive Member of the update of the Forward Plan.

5. 2005/6 Outturn Report - Finance & Performance

Members received a report which presented the service and financial performance of the Resources Directorate at outturn 2005/6.

It was reported that Resources had underspent the directorate revenue budget by £994k during 2005/06. This represented a 1.7% variance on the expenditure budget of £56.9m. A detailed list of significant variances on Resources budgets was shown in Annex 1 of the report and a list of carry forward requests totalling £721k was included in Annex 2.

Paragraph 4.7.2 of the report explained that Resources had a total underspend on capital schemes of £773k, of which the two main elements were:

- A £901k underspend on the Property Services capital programme, partly due to restricting expenditure in order to address the underachievement of capital receipts in 2005/06, as some works had been moved into 2006/07 in order to release the pressure on funding the capital programme. In order to ensure that the Property schemes could be completed it was necessary to slip the full £901k into 2006/07.
- An overspend of £115k against the capital budget of £500k for the purchase of IT equipment. This budget was added to the capital programme in September 2005 and was an estimate. The actual spend on IT equipment had been £615k. The cost was being funded by prudential borrowing and the additional revenue costs of borrowing the extra £115k were being financed by a corresponding underspend on IT lease budgets.

Within the Directorate considerable achievements had been made in improving key Performance Indicators (PI's), such as significantly reducing staff sickness, significantly improving disabled access to Council buildings, improving staff satisfaction, and good Customer First statistics. In addition

there were significant improvements in processing Benefits claims, and Council Tax arrears were reduced for the first time in many years. Both Council Tax and Business Rate collection improved, although in year collection was still below target and further efforts were needed to improve these PI's further.

Members noted that the figures in paragraph 4.10.2, relating to the staff survey, only showed the percentage increase in performance, not the actual level of performance, and requested that additional information be circulated to put them in context.

Members also requested a progress report on the Disability Discrimination Act (DDA) access works.

Advice of the Advisory Panel

That the Executive Member be advised:

- (i) That the outturn draft financial position be noted;
- (ii) That the Executive be recommended to approve the revenue carry forward bids included in Annex 2 of the report and the capital slippage outlined in paragraph 4.7.2;
- (iii) That the outturn performance achievements and comments be noted.

Decision of the Executive Member

RESOLVED: That the advice of the Advisory Panel be accepted and the above suggested decisions endorsed.

REASON: In accordance with budgetary and performance monitoring procedures.

6. Information Management Annual Report 2005/06

Members received a report which informed them about activity in the area of Information Management during 2005/06.

The report set out details of activity relating to the following:

- Personal privacy: the Data Protection Act 1998 (DPA);
- Data audit;
- Public information rights: the Freedom of Information Act 2000 (Fol);
- Regulation of Investigatory Powers Act 2000 (RIPA);
- The Staff Warning Register;
- Advice and training
- The Information Management Workplan

Members expressed the view that they needed to have access to details on the Staff Warning Register relating to their wards and requested that a report be brought to the September meeting setting out arrangements for providing this access.

Advice of the Advisory Panel

That the Executive Member be advised:

- (i) That the report be noted;
- (ii) That a report be brought to the September meeting of the Executive Member for Corporate Services and Advisory Panel (EMAP) setting out arrangements for Members to use the Staff Warning Register.

Decision of the Executive Member

RESOLVED: That the advice of the Advisory Panel be accepted and the above suggested decisions endorsed.

- REASON:
- (i) To demonstrate continuing recognition of records and information management as a corporate function in accordance with the Records Management Code of Practice;
 - (ii) To improve the physical safety of Members carrying out their duties.

Q MACDONALD
Executive Member

D SCOTT
Chair of Advisory Panel
The meeting started at 5.00 pm and finished at 6.10 pm.

CITY OF YORK COUNCIL - RESOURCES FORWARD PLAN

	TITLE OF REPORT	RESPONSIBLE DIVISION/ REPORT AUTHOR	FIRST DEADLINE FOR REPORTS TO DIRECTOR & CHAIR OR EARLIEST DISTRIBUTION DATE	RMT/QCG	DATE	CMT	EMAP	EBS	EXEC	COMMENTS/ GENERATED BY
1	Transfer of Social Care Welfare Benefits to Housing & Adult Social Services	Public Services James Drury	06/07/06				Corporate EMAP 25 July 2006			Deferred from June EMAP Meetings & Workshops are taking place and a joint Resources/Community Services will be brought to
2	Treasury Management Annual Report and Prudential Indicators 2005/06	Finance Tom Wilkinson	06/07/06				Corporate EMAP 25 July 2006			Business Cycle
3	Future Investment in the Guildhall	Property Services Neil Hindhaugh/ Elizabeth Ellis	06/07/06				Corporate EMAP 25 July 2006			Requested by Report Author
4	Clifton Family Centre Disposal of Facility	Property Services David Baren	05/07/06			QCG 11/07/2006		EBS 18/07/2006	EXEC 25/07/2006	Requested by Report Author
5	Land Transfer at Manor School	Property Services Neil Hindhaugh & Philip Callow	05/07/06			QCG 11/07/2006		EBS 18/07/2006	EXEC 25/07/2006	Requested by Report Author
6	Lendal Bridge Sub-Station Wellington Row Sale of Freehold	Property Services John Urwin	05/07/06			QCG 11/07/2006		EBS 18/07/2006	EXEC 25/07/2006	Requested by Report Author
7	Efficiency Programme	Finance Steve Morton	04/06/06			CMT 26/07/2006				Requested by Report Author
8	Budget Update	Finance Peter Steed	19/07/06			CMT 26/07/2006				CMT only
9	Area Asset Management Planning Tang Hall	Property Neil Hindhaugh	25/08/06				Corporate EMAP 12 September 2006			Deferred to allow for a further meeting with Ward Members
10	DDA Access Works Update	Property Philip Callow	25/08/06				Corporate EMAP 12 September 2006			Deferred as further financial work is required in order to put a programme together for next year
11	Review of City of York Council's Fraud and Prosecution Policy	Audit & Risk Mgt Max Thomas	25/08/06				Corporate EMAP 12 September 2006			Deferred to allow time for further consultation

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12	Accounts Submitted for Write Off	Public Service Jenny Smithson	25/08/06				Corporate EMAP 12 September 2006			Business Cycle
13	First Resources Performance & Finance Monitor	Sian Hansom/ Jon Pike	25/08/06				Corporate EMAP 12 September 2006			Business Cycle (To also include first Treasury Management Monitor)
14	Access to the Staff Warning Register for Members	Public Services Robert Beane	25/08/06				Corporate EMAP 12 September 2006			Requested by Members
15	2008 Pension Reforms Government Proposals for Changes to the Local Government Pension Scheme	Finace Louise Dixon	25/08/06				Corporate EMAP 12 September 2006			Requested by Report Author
16	Monk Bar Garage Future Use of Site	Property Services John Urwin	19/08/06			QCG 29/08/2006		EBS 05/09/2006	EXEC 12/09/2006	Deferred from May in order to consider further development options
17	To Consider the Sale of 3-4 Patrick Pool	Property Services David Baren	19/08/06			QCG 29/08/2006		EBS 05/09/2006	EXEC 12/09/2006	Deferred from June. Awaiting external planning advice.
18	Capital Strategy Document 2006-09	Property Services Neil Hindhaugh/ Tom Wilkinson	19/08/06			CMT 23/08/2006		EBS 05/09/2006	EXEC 12/09/2006	Deferred from the Executive in May Further consultation with CAPMOG is required
19	New Capital Resource Allocation Model (CRAM)	Property Services Neil Hindhaugh/ Tom Wilkinson	19/08/06			CMT 23/08/2006		EBS 05/09/2006	EXEC 12/09/2006	Requested by Report Author
20	Strategic Risk Register - Annual Report and update on Risk Management Strategy	A&RM David Walker	13/08/06			CMT 23/08/2006		EBS 05/09/2006	EXEC 12/09/2006	Business Cycle
21	Information Management Strategy	Public Services Robert Beane	13/08/06			CMT 23/08/2006		EBS 05/09/2006	EXEC 12/09/2006	Report at Request of Report Author
22	Update Report on Admin Accommm Project	Property Services Maria Wood				CMT 20/09/2006				Requested by CMT

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23	Corporate Asset Management Plan	Property Services Neil Hindhaugh/ John Reid/ Philip Callow	07/05/06		CMT 06/09/2006		EBS 19/09/2006	EXEC 26/09/2006	Deleted from the Executive on 30/05/2006 in order for feedback from departments to be implemented. Business Cycle
24	Report to Those Charged with Governance	Audit & Risk Management Simon Wiles/Rachel Lindley	07/05/06		CMT 06/09/2006	Audit & Governance Committee 04/10/2006	EBS 19/09/2006	EXEC 26/09/2006	Report at Request of Report Author
25	The Report of the District Auditor - Barbican	Simon Wiles/Rachel Lindley	24/09/06			Audit & Governance Committee 04/10/2006			Report at the Request of Members
26	Breaches & Waivers of Financial Regulations	Audit & Risk Management Liz Ackroyd/ Richard Smith	24/09/06			Audit & Governance Committee 04/10/2006			Business Cycle
27	Money Laundering	Audit & Risk Management Max Thomas	24/09/06			Audit & Governance Committee 04/10/2006			Report at Request of Report Author
28	The Role of Audit & Governance in Monitoring the Implementation of Risk Management	Audit & Risk Management David Walker	24/09/06			Audit & Governance Committee 04/10/2006			Report at Request of Report Author
29	The Role of Audit & Governance in Monitoring the Implementation of the Fraud Prosecution Policy	Audit & Risk Management Max Thomas	24/09/06			Audit & Governance Committee 04/10/2006			Report at Request of Report Author
30	Consultation and Shaping Session on the IAS Strategic Audit Plan	Audit & Risk Management Liz Ackroyd/ Max Thomas	24/09/06			Audit & Governance Committee 04/10/2006			Business Cycle
31	Mid Point Follow Up Review of Implementation of IAS Audit Recommendations (Jan 06 - June 06 Audits)	Audit & Risk Management Richard Smith	24/09/06			Audit & Governance Committee 04/10/2006			Business Cycle
32	First Corporate Finance & Performance Monitor	Finance/Janet Lornie PIT/Peter Lowe	16/09/06		CMT 26/09/2006 (CMT & Executive Joint Monitoring)		EBS 03/10/2006	EXEC 10/10/2006	Business Cycle
33	Progress Report on IT Strategy 2002-2007	IT&T Tracey Carter/ Jane Collingwood	10/09/06		CMT 20/09/2006		EBS 03/10/2006	EXEC 10/10/2006	Requested by Report Author

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34	Data Protection Policy	Public Services Robert Beane	10/09/06		CMT 20/09/2006		EBS 03/10/2006	EXEC 10/10/2006	Requested by Report Author
35	First Capital Monitor	Finance Tom Wilkinson	01/10/06		CMT 27/09/2006		EBX 17/10/2006	EXEC 10/10/2006	Business Cycle
36	Finance Strategy Update	Finance Peter Steed	08/10/06		CMT 18/10/2006				CMT only
37	Risk Management Development	Audit & Risk Management David Walker	11/10/06			Corporate EMAP 31/10/2006			Requested by Report Author
38	Corporate Procurement Strategy	Audit & Risk Management Liz Ackroyd/Martin Gough	01/10/06		CMT 11/10/2006	Corporate EMAP 31/10/2006	EBS 14/11/2006	EXEC 21/11/2006	Requested by Report Author
39	IT Development Plan 2007/08	IT&T Jane Collingwood	22/10/06		CMT 01/11/2006		EBS 14/11/2006	EXEC 21/11/2006	Business Cycle
40	Second Resources Finance and Performance Monitor	Sian Hansom/ Jon Pike	24/11/06			Corporate EMAP 12/12/2006			Business Cycle (To also include second Treasury Management Monitor)
41	Resources Budget 2007/08 to 2009/10	Sian Hansom	24/11/06			Corporate EMAP 12/12/2006			Business Cycle
42	Budget Update	Finance Peter Steed	05/12/06		CMT 13/12/2006				CMT only
43	Second Corporate Performance & Finance Monitor	Finance/Janet Lornie PIT/Peter Lowe			CMT 03/01/2006		EBX 09/01/2007	EXEC 16/01/2007	Business Cycle
44	Second Capital Monitor	Finance Tom Wilkinson			CMT 03/01/2006		EBX 09/01/2007	EXEC 16/01/2007	Business Cycle

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45	IAS Mid Term Monitor	Audit & Risk Management Max Thomas	21/01/07				Audit & Governance Committee 31/01/2007			Business Cycle
46	Fraud Mid Term Monitor	Audit & Risk Management Max Thomas	21/01/07				Audit & Governance Committee 31/01/2007			Business Cycle
47	OGG Mid Term Monitor	Simon Wiles/ Liz Ackroyd	21/01/07				Audit & Governance Committee 31/01/2007			Business Cycle
48	Managing the SIC Process in 2007/08	Audit & Risk Management Max Thomas	21/01/07				Audit & Governance Committee 31/01/2007			Business Cycle
49	Revenue Budget 2007/08 to 2009/10	Finance Peter Steed	14/01/07			CMT 03/01/2007		EBS 09/01/2007	EXEC 16/01/2007	Council 21/02/2007
50	Capital Budget 2007/08 to 2009/10	Finance Tom Wilkinson	14/01/07			CMT 03/01/2007		EBS 09/01/2007	EXEC 16/01/2007	Council 21/02/2007
51	Trrasury Management Policy 2007/08 to 2009/10	Finance Tom Wilkinson	14/01/07			CMT 03/01/2007		EBS 09/01/2007	EXEC 16/01/2007	Council 21/02/2007
52	Lyons Report on Local Government Funding	Simon Wiles	30/01/07			CMT 06/02/2007				Requested by Report Author
53	Update Report on Admin Accommm Project	Property Services Maria Wood				CMT 20/09/2006				Requested by CMT
54	Council Tax Resolution	Finance Janet Lornie								Council 21/02/2007
55	Accounts Submitted for Write Off	Public Service Jenny Smithson	03/03/07				Corporate EMAP 20/03/2007			Business Cycle

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56	IT Strategy 2007-2012	IT&T Tracey Carter/ Jane Collingwood	25/02/07			CMT 07/03/2007		EBS 20/03/2007	EXEC 27/03/2007	Requested by Report Author
57	The Action Plan Arising from the Annual Letter of the District Auditor	Audit & Risk Management Liz Ackroyd					Audit & Governance Committee April 2007			Business Cycle
58	The Annual Audit & Inspection Plan (Audit Commission)	Audit & Risk Management Liz Ackroyd/ Audit Commission					Audit & Governance Committee April 2007			Business Cycle
59	The Annual Internal Audit Plan	Audit & Risk Management Max Thomas					Audit & Governance Committee April 2007			Business Cycle
60	The Annual Outturn Report of OGG (Progress against annual work Plan)	Simon Wiles/ Liz Ackroyd					Audit & Governance Committee April 2007			Business Cycle
61	Mid Point Follow Up Review of Implementation of IAS Audit Recommendations (July 2007- December 2007 Audits)	Audit & Risk Management Richard Smith					Audit & Governance Committee April 2007			Business Cycle
62	The Annual Report of the Chief Internal Auditor	Audit & Risk Management Liz Ackroyd					Audit & Governance Committee June 2007			Business Cycle
63	The Statement of Accounts	Finance Janet Lornie/Peter Steed					Audit & Governance Committee June 2007			Business Cycle
64	The Statement of Internal Control	Audit & Risk Management Max Thomas					Audit & Governance Committee June 2007			Business Cycle
65	Breaches & Waivers of Financial Regulations	Audit & Risk Management Liz Ackroyd/ Richard Smith					Audit & Governance Committee September 2007			Business Cycle
66	Mid-point Review of the Implementation of Internal Audit Service Recommendations (Jan 07 - June 07 Audits)	Audit & Risk Management Richard Smith					Audit & Governance Committee September 2007			Business Cycle

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67	Consultation & Shaping Session on the IAS Strategic Audit Plan	Audit & Risk Management Max Thomas				Audit & Governance Committee September 2007			Business Cycle
68	IAS Mid Term Monitor	Audit & Risk Management Max Thomas				Audit & Governance Committee January 2008			Business Cycle
69	Fraud Mid Term Monitor	Audit & Risk Management Max Thomas				Audit & Governance Committee January 2008			Business Cycle
70	OGG Mid Term Monitor	Simon Wiles/Liz Ackroyd				Audit & Governance Committee January 2008			Business Cycle
71	Managing the SIC Process in 2008/09	Audit & Risk Management Max Thomas				Audit & Governance Committee January 2008			Business Cycle
72	The Action Plan Arising from the Annual Letter of the District Auditor	Audit & Risk Management Liz Ackroyd				Audit & Governance Committee April 2008			Business Cycle
73	The Annual Audit & Inspection Plan (Audit Commission)	Audit & Risk Management Liz Ackroyd/ Audit Commission				Audit & Governance Committee April 2008			Business Cycle
74	The Annual Internal Audit Plan	Audit & Risk Management Max Thomas				Audit & Governance Committee April 2008			Business Cycle
75	The Annual Outturn Report of OGG (Progress against annual work Plan)	Simon Wiles/ Liz Ackroyd				Audit & Governance Committee April 2008			Business Cycle
76	Mid Point Follow Up Review of Implementation of IAS Audit Recommendations (July 2007- December 2007 Audits)	Audit & Risk Management Richard Smith				Audit & Governance Committee April 2008			Business Cycle

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**Executive Member for Corporate Services
and Advisory Panel**25th July 2006

Report of the Head of Civic, Democratic and Legal Services

The Guildhall – Future Investment**Summary**

1. This report seeks to update Members on recent observations made in respect of facilities at the Guildhall and the possibility of a case for future investment

Background

2. The Guildhall is central to the City Council's accommodation and offers an impressive venue for up to two hundred people.
3. The building is available for hire by internal city council departments as well as external hirers and is used for a diverse range of community activities from awards ceremonies, to concerts and a number of antique fairs.
4. Due to its city centre location and the reasonable rate of hire the Guildhall is a very popular venue and demand for hire far surpasses availability. It is also important to point out to Members that in the conditions of hire the Council holds the right to cancel any event if the Council requires use of the venue for an important City Council event. For example a number of external hires have recently been cancelled due to use of the Guildhall for public inquiries.
5. The Guildhall annual income target for 2006/07 is £16K and if this target has been over achieved in the past then this has been re-invested in the hall to purchase essential items of equipment. New chairs were supplied in 2004/05 and a new laptop and panel partitions purchased in 2005/06. It is anticipated that new trestle tables will be purchased in the current financial year.
6. Without doubt the Guildhall has a number of shortfalls but it also should be recognised that this is a Grade 1 Listed Building and therefore refurbishment may be difficult. Briefly these shortfalls are as follows:
 - Toilet facilities inadequate in that there are only two toilets for this part of the Guildhall and one of these being on the first floor
 - A poor heating system which in winter is totally inadequate for a hall of this size
 - The maximum power that can be supplied from the Guildhall is only 4kw in total

- There is no permanent hearing loop only a temporary loop is available which does not work well with the acoustics of the hall
 - No public address system
 - There are no facilities for catering. The basement area is unsuitable for food preparation as it frequently floods and the hygiene levels are unsatisfactory
7. The Food and Drink Festival used the Guildhall for a number of events in September 2005 and as a result of this the Director of the festival on behalf of First Stop York has written to the Chief Executive making a number of observations regarding the facilities at the hall and putting forward a case for investment. These observations can be found at Annexe A.
8. The Council is in the process of implementing an administrative accommodation strategy to rationalise it's current property portfolio from 16 buildings down to just 4. The strategy includes the retention of the Guildhall as the historical centre of the authority and in the short to medium term it is envisaged that the majority of member facilities will continue to be located here
9. As part of the overall strategy the future layout and use of the Guildhall will form part of a study to determine the future accommodation needs of the council. The outcome of the study will inform the overall design brief for the council's future accommodation which will include a new headquarters building at Hungate.
10. The study is scheduled to be completed at the end of 2006 when the future use of the Guildhall and any associated works will be identified and included as part of the entire accommodation project.

Options

- 11 **Option One** - Members may decide that no future investment in the Guildhall is appropriate
- 12 **Option Two** – Members may ask the Corporate Landlord to consider investment options for the Guildhall in response to this report as part of the administrative accommodation review.

Consultation

- 13 No further consultation has taken place other than with specialist Officers as mentioned later in the report

Analysis

- 14 Future investment at this stage may prove to be inappropriate until the accommodation review is completed

- 15 A full study of the Guildhall and associated uses will provide a sound way forward for future investment

Corporate Priorities

- 16 The proposals relate to the following Corporate Priority - Improve the actual and perceived condition and appearance of city's streets, housing estates and publicly accessible spaces

- 17 **Financial Implications** – Any acceptable proposals for the Guildhall as a result of a future feasibility study would require a bid to be made by the Corporate Landlord through the Capital Resource Allocation Model (CRAM) process.

- 18 **Human Resources Implications** – there are no human resource implications linked to this report

- 19 **Equalities** – A full disability access audit of the Guildhall would be desirable to address the major issues:

- Installation of a suitable hearing loop/infra red hearing system
- Improving access for people with mobility impairments to the first floor, toilets and around the hall
- Improving lighting and clarity of signage

- 20 **Legal** – there are no legal implications linked to this report

- 21 **Crime and Disorder** – there are no crime and disorder implications linked to the report

- 22 **Information Technology** – there are no IT implications

- 23 **Property** – The cost model for the implementation of the administrative accommodation review has included within it a relatively small sum of money to be spent on repair, maintenance and general upgrade of the Guildhall complex to support future use of these buildings as part of the wider accommodation solution. If more significant investment is required in the Guildhall to extend its use and cater for a wider and more demanding audience, this would require a rigorous feasibility study and option appraisal. Any proposal would be constrained by its Grade 1 listing and referral to English heritage. Should an acceptable proposal be found a bid would need to be made by the Corporate Landlord through the Capital Resource Allocation Model (CRAM) process alongside all other demands for limited capital resources.

- 24 **Risk Management** – In compliance with the Councils risk management strategy. There are no risks associated with the recommendations of this report.

Recommendation

25 That the Advisory Panel advise the Executive Member to approve Option Two and ask the Corporate Landlord to consider investment options for the Guildhall in response to the report as part of the administrative accommodation review.

26 **Reason** – To ensure future development is sound and good value

Contact Details

Author:
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Electoral and Civic services
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Chief Executives Department
Tel: 01904 551051

Chief Officer Responsible for the report:
Suzan Hemingway
Head of Civic Democratic and Legal
Services

Report Approved **Date** 7th July 2006

Specialist Implications Officers:
Julian Horsler – Equalities Officer
Neil Hindhaugh – Head of Property Services
Patrick Looker – Finance Manager
Wards Affected: None

All

For further information please contact the author of the report

Background Papers

None

Annexes

Annexe A – York Hospitality Association Observations

Annexe A – Observations of York Hospitality Association

A Case for Capital Investment in York Guildhall

The Guildhall has a huge potential for presentations, exhibitions, dinners, concerts etc. We have spoken with staff members at the Hall and members of the Council, who both have expressed regret that the Hall is a fantastic venue but that it does not attract the range of prestigious public events that it might. We found the staff at the Guildhall to be highly approachable and helpful. However our discussions with other users, both within CYC and outside it, suggest that the lack of facilities deters bookings.

Among those who are not deterred, and these are often branches of the local authority, there are considerable additional expenses needed to meet the standard requirements of any hirer.

The proposal of this paper therefore is that some investment in the Hall's facilities would make it a more useable, and consequently saleable, venue. Equally, given that many current and potential users are other City of York Council departments / projects, investment would ultimately save the City money.

These observations are written in the light of the 2005 York Festival of Food and Drink. Although the Festival has a Director drawn from the private sector, the brand and its liabilities belong to the City of York Council. Ultimately, the Festival's expenses are a drain upon the public purse.

The principle observations are:

The PA system in the Hall is antiquated and of poor quality. The equipment should be replaced with modern alternatives.

The power supply to the Hall is inadequate. A superficial inspection of the Hall suggests that it is full of power points. Unfortunately they are all spurs drawn from the same source. Collectively they have the power to run 2 or 3 electric kettles before blowing the fuses in the surrounding offices and committee rooms.

The tressle tables are of very poor quality. Even for very humble events the users will feel obliged to provide their own tables or supply tablecloths.

Signage of the Hall from St Helen's Square is virtually non-existent.

Many hirers (including the Food Festival) needed to supply additional **pole and panel partitions**. Additional panels (there is one red five panel set in the Hall) would provide or allow the hall a better ability to screen off when staff and members need to access the committee rooms.

Heating: Is generally inadequate, although not during the Food and Drink Festival, because the cooking equipment used generates waste heat.

Toilet facilities: for a hall which can hold 180 people there are only two toilets at that side of the hall and this of course can cause major problems for events especially when comfort breaks are timed.

Security: Currently the areas external to the hall cannot be secured at night. The staff of the Hall have to contend with rough sleepers and drug use in the alleyways around the Hall. A solution is needed that is compatible with emergency fire evacuation from the surrounding buildings.

Audio Visual equipment: This would represent a more substantial investment. However many other conference venues in the city, the Royal York and University for example, have their own facilities available 'in house', which gives them a considerable advantage selling their venues. A solution has been implemented at the National Centre for Early Music which has proved perfectly compatible with the historic building and can be operated by staff without any particular technical expertise.

Costs

The various items outlined here will vary substantially in cost, although some can clearly be achieved fairly cheaply. Others, like the electrical situation would need a technical report for cost to be accurately established.

This paper establishes that there is a strong case for further investigation. It is proposed that the City Council commission a more thorough report on the potential costs and benefits of investment.



CS2245

**Meeting of the Executive Members for
Housing and Adult Social Services and
Advisory Panel**

17 July 2006

**Meeting of the Executive Member for
Corporate Services and Advisory Panel**

25 July 2006

Joint Report of the Director of Resources and the Director of Housing and Adult Social Services

**Transfer of the Social Care Welfare Benefits Function from
Resources Directorate to Housing and Adult Social Services
Directorate**

Summary

1. This report seeks approval for the transfer of management responsibility for the social care welfare benefits function from the Resources Directorate to the Directorate of Housing & Social Services. This follows the first stage of a review of the discretionary charging system undertaken jointly by the two Directorates.

Background

2. The system for administering discretionary charging was introduced initially in 1998 and reviewed with the introduction of the 'Fair Charging Policy' in 2003. The introduction of Fair Charging Policy by the Department of Health was a national policy directive and within the policy there was a requirement on local authorities to offer all individuals in receipt of social care a welfare benefits check and advice as part of their financial assessment. That commitment was undertaken in York through the establishment of 5 whole time equivalent posts of welfare benefit advisor and 0.5 administrative post. These posts were funded through Adult Social Care budgets and managed by the Resources Directorate within the benefit advice section.
3. The discretionary charging process has two other key components apart from the welfare benefits checks, advice and gathering information for making financial assessments. These components are managed separately within the Directorate of Housing and Adult Social Services. The finance section of Corporate Services manages the financial assessments. The Charging unit within Adult Services reconciles the level of provision with the assessed charge in order to

send invoices to customers. As well as being separately managed each component utilises different information and data systems.

4. A formal review of the charging process has been initiated jointly by the Heads of Service responsible for the three sections involved. This review is being undertaken because of:
 - an internal audit undertaken last year which identified weaknesses in the charging system.
 - Increasing management costs of the welfare benefits component of the charging process
 - Concern over the complexity of the process and potential for developing a more efficient and effective system
5. The review sets out to create service improvements in the whole process. These are:
 - Streamline the process.
 - Improving the communication between teams/officers
 - Improving customer service and using council resources more effectively.
 - Improve performance information and targets
 - Income maximisation & reduction of debt to the authority.
 - Benefit maximisation.
 - Accountability and management support
 - Cost of administering the process
6. The review has identified that further work is required to analyse and improve the process. However this further work should be preceded by a rationalisation of the structure within which the discretionary charging system operates. Single management is recommended, to be achieved by the transfer of the welfare benefits component to the Directorate of Housing and Adult Services and within that directorate for the Finance section to manage all three components.

Consultation

7. The proposal has been made following the review involving the managers and leads within each section. Staff from each of the affected sections are aware of the proposals and formal consultation has commenced. As this proposal relates to internal processes to the Council no further consultation has been undertaken.

Options

8. Three options were considered when arriving at the conclusion that the creation of a single entity covering all three components would be most appropriate. These were:

Option 1

To retain the status quo in the structure and concentrate solely on process improvement.

Option 2

All functions being undertaken within one unit (with or without co-location of all sections).

Option 3

A combining of the charging and financial assessment functions but to retain the benefits advice function within the Resources Directorate.

Analysis

Option 1 Retaining the current structure

9. It is considered that many of the improvements outlined in paragraph 5 could be achieved although probably not to the extent of other options. It would not achieve the following:
- Accountability and management support
 - Cost of administering the process (Management overheads)

Option 2 Managing all components in one section

10. It is considered that all of the improvements outlined in paragraph 5 would be achievable and to a greater extent than the other options

The only potential disadvantage would be if, in the future, the Council developed a partnership with the Department of Works & Pensions to provide a joint visiting team. This may require more complex working arrangements than if options one or three were selected.

Option 3 Combining Financial Assessment and Charging Functions

11. It is considered that many of the improvements outlined in paragraph 5 could be achieved although probably not to the extent of other options. It would overcome the disadvantage of option 2 covered in paragraph 10.

Corporate Priorities

12. The current proposals will support the following Corporate priorities when approved.
- Improving our organisational effectiveness
Improve leadership at all levels to provide clear, consistent direction to the organisation

Financial Implications

13. The transfer of management responsibility will be contained within the existing budgetary provision for the service.

Legal Implications

14. There are no legal implications to this proposal.

Human Resources Implications

15. Consultation with staff and representatives has commenced in relation to the change in management. Any further changes to working practices or the location of the sections will follow the more detailed analysis of the discretionary charging process.

Equalities Implications

16. This proposal will not have any impact on the equalities objectives of the authority.

Crime and Disorder Implications

17. There are no implications within this report

Information and Technology (IT) Implications

18. The proposals will not require any significant changes to current IT systems. The management of the three components within one section of the Directorate of Housing and Adult Social care will enable access to improved communication and management information.

Property/Other Implications

19. Not Applicable

Risk Management

20. Identified below are the risks of the proposal not being implemented.;
 - Current management structure continues with current additional costs
 - Complex working practices continue with cost implications
 - Additional cost pressures on adult services budgets that are already stretched
 - Discretionary charging process will not be strengthened as required by the internal audit
21. Identified below are potential risks following the agreement of the proposals within this report;
 - There is a risk the advantages gained by linking the welfare benefit function of the discretionary charges with the council Resources Team responsible for benefit advice
 - Potentially there would be a need for more complex arrangements if a formal partnership with the Department of Works & Pensions is required in future.

It is felt that the impact of the risks are higher and more likely to happen, if the proposal is not agreed, any potential risks can be managed through contingency planning.

Recommendation

22. Following the analysis and appraisal that has been undertaken, it is recommended that option 2 is approved with the resulting transfer of the management of the benefits advice function from the Resources Directorate to Housing and Adult Social Services Directorate.

Reason: To improve the efficiency and effectiveness of the service.

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Report Approved **Date** 28 June 2006

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Wards Affected: *List wards or tick box to indicate*

All

For further information please contact the author of the report

Background Papers: None

Annexes: None

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**Executive Member for Corporate
Services and Advisory Panel**

25th July 2006

Report of the Director of Resources

Treasury Management Annual Report & Review of Prudential Indicators

Summary of Report

1. This report updates the Executive Member on Treasury Management performance for 2005/06 compared against the budget report taken to Council on 22nd February 2005. The report highlights the economic environment of the last year and in this context reviews treasury management performance covering:
 - short-term investments,
 - long-term borrowing,
 - venture fund,
 - treasury management outturn and
 - the Prudential Indicators.
2. The Treasury Management in the Public Services Code of Practice has recently been reviewed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and recommends that Local Authorities update their Treasury Management Policy Statement and Practices. These have been updated and are attached in Annexes E and F.

Consultation

3. The majority of this report is for information and reporting on the performance of the treasury management function. The budget process sets the level of budget and performance expected from the Council's treasury management function as decided by Members.

Options/Analysis

4. This majority of this report is for information, however the Executive Member is requested to formally adopt the Treasury Management Policy and Practices as set out in Annexes E and F, as required by CIPFA in its Treasury Management in the Public Services Code of Practice. This is seen to be best practice and failure to adopt will result in an adverse Comprehensive Performance Assessment (CPA) score.

Corporate Priorities

- Effective treasury management is concerned with the management of the 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. In doing this the Council will meet its priority to "Improve efficiency and reduce waste to free-up more resources".

Economic Background

- The council's short term investment and long term borrowing decisions have been affected by the following economic conditions.
 - Bank of England base rates began 2005/06 at 4.75% following a number of increases from the 20 year low of 3.5% recorded between August and November 2003. Since then there has been only one change, a 25 basis points reduction to 4.5%. Figure 1 shows the actual base rate movements since 2003/04 with, predictions from economic commentators for 2006/07.

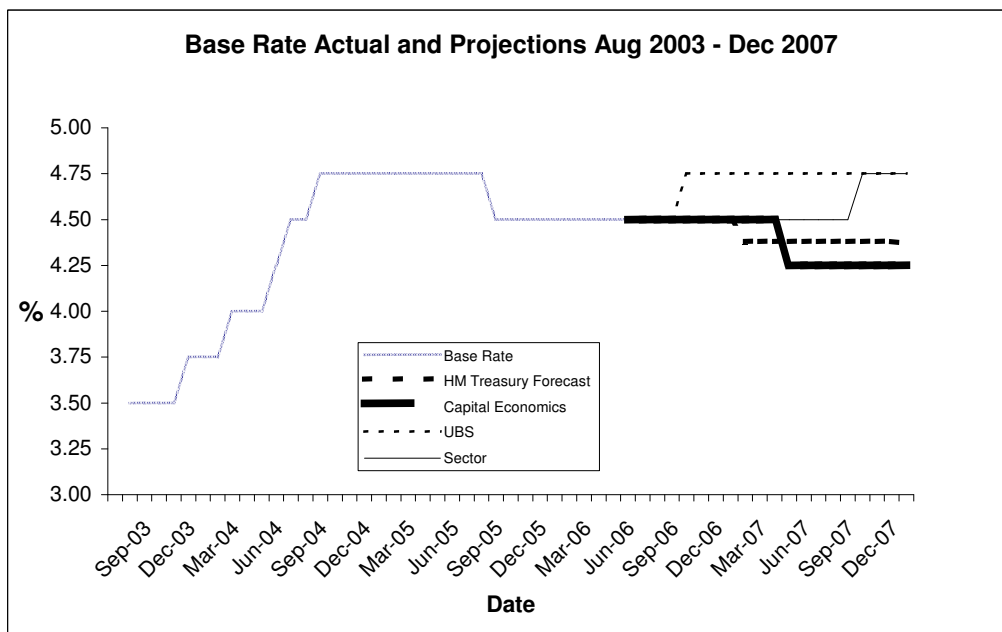


Figure 1 – Base Rates 2003-2007 as at May 2006

- In general the market opinion was predicting no changes with rates expected to stay at 4.75% for the foreseeable future. The reduction in August 2005 surprised the market, with the MPC¹ decision to reduce rates taken after a 5-4 vote in favour of the reduction. Rates have continued to remain at 4.5% with a mix of market opinion on the direction of the next movement. Our treasury management advisors, Sector, are now predicting that rates remain on hold until September 2007, when a 0.25% increase is expected. There is now a consensus that rates are likely to remain on hold at 4.5% with a risk of a 0.25% increase at some stage over the next 18 months.

¹ Monetary Policy Committee (of the Bank of England)

- Long term borrowing was affected by two main factors during 2005/06. The introduction, by the Public Works Loans Board (PWLB), of 50 year loan terms allowed Councils to take advantage of spreading the maturity profile of their debts, and the demand of insurance companies for long term gilt edged securities (Treasury debt) drove longer term rates to historic lows. Further detail is given in paragraph 11.

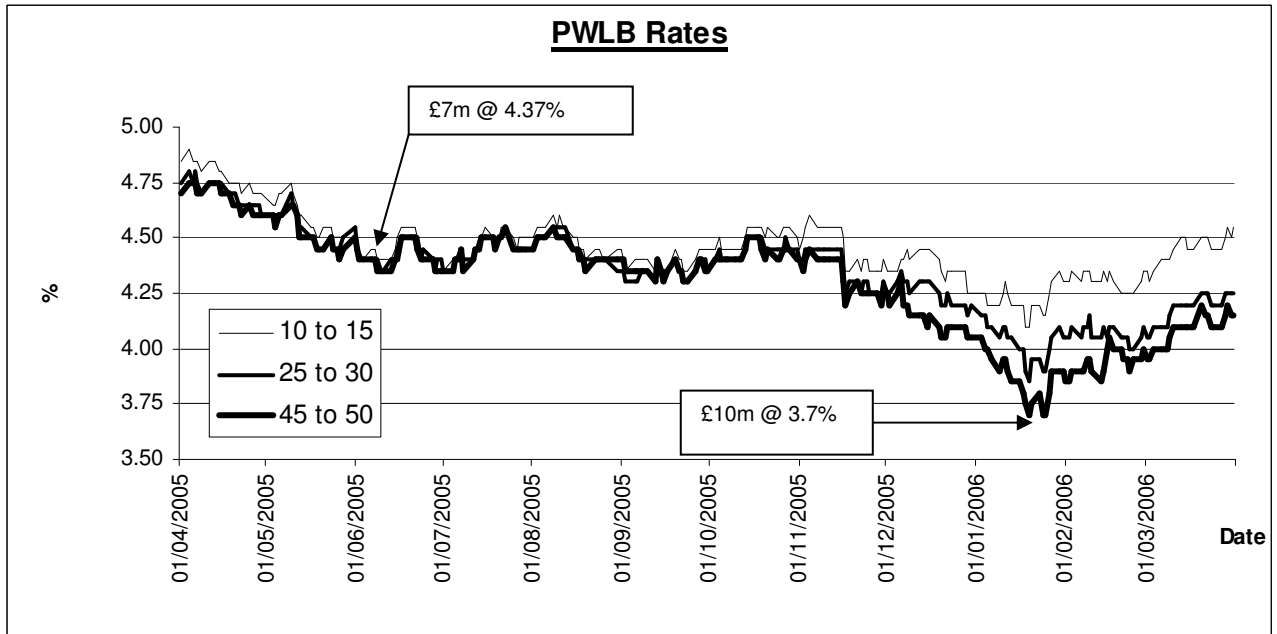


Figure 2 – PWLB rates 2005/06

- Money Market rates for short-term investments (overnight to 3 months) have generally been poor throughout the year. Longer term rates (3 months to 364 days) have been more volatile and have allowed the opportunity for favourable investments to be made.
- A number of institutions have been offering competitive interest rates on business call accounts, paying at least base rate on balances held with them. The poor short term money market rates has meant that the Council has been taking advantage of the business call accounts and actively operates 4 accounts:
 - The Abbey continues to be the best performing call account, offering 0.09% above base rate.
 - Bank of Scotland 7 day base plus notice account – pays 0.01 to 0.13% above the base rate on a rate that is set weekly,
 - Bank of Scotland Call Account – pays base rate.
 - Anglo Irish Bank – pays base rate.
- These accounts are the most competitive on the market with the Treasury Management team actively seeking the best deals available with authorised counterparties.

Short Term Investments

7. The council's average balance available for investment has dropped slightly from £29.2m in 2004/05 to £27.6m in 2005/06. The reasons for this are:

- The capital receipts target was not achieved reducing the level of investment cash.
 - This was offset by borrowing in advance of 2006/07 in order to take advantage of favourable long term borrowing rates.
8. The daily cash balances varied in relation to the council's receipts and payments cycles. Cash balances reduce at the end of each month due to the payroll run and increase at the beginning of the month with the receipt of Council Tax and Non Domestic Rates. Annex C shows the movement in daily cash balances over the year. Surplus cash was invested in accordance with the Council's Treasury Policy Statement with major financial institutions. Trading activity during the year generated an excess of £1.293m of interest earned over interest payable, equivalent to a 4.69% rate of return. This is 0.15% better than the average 7 day London Inter-Bank Bid Rate (LIBID) of 4.54%, the standard benchmark for short term cash management.
9. Taking into account the direct costs of dealing, the in-house team achieved a net trading surplus of £1.274m. This is equivalent to a return of 4.62%, which is 1.04% above the average rate (one per cent below bank base rate) paid by the bank on credit balances held in the Council's accounts, as shown in Annex A. In simple terms, the value added by the Council's money market trading activities is estimated at £0.287m.
10. During the year, the council has made 132 investments, compared with 110 in 2004/05. This increase is due to the short term money rates often beating the rates offered by the business reserve accounts and more proactive management of the Council's investments. The overall investment pattern has changed slightly with 53% of investments now being made into the business reserve accounts compared with 75% in 2004/05, this reflects a more lively money market compared to last financial year, when business reserve accounts rates were often better than money market rates. This is illustrated by figure 3:

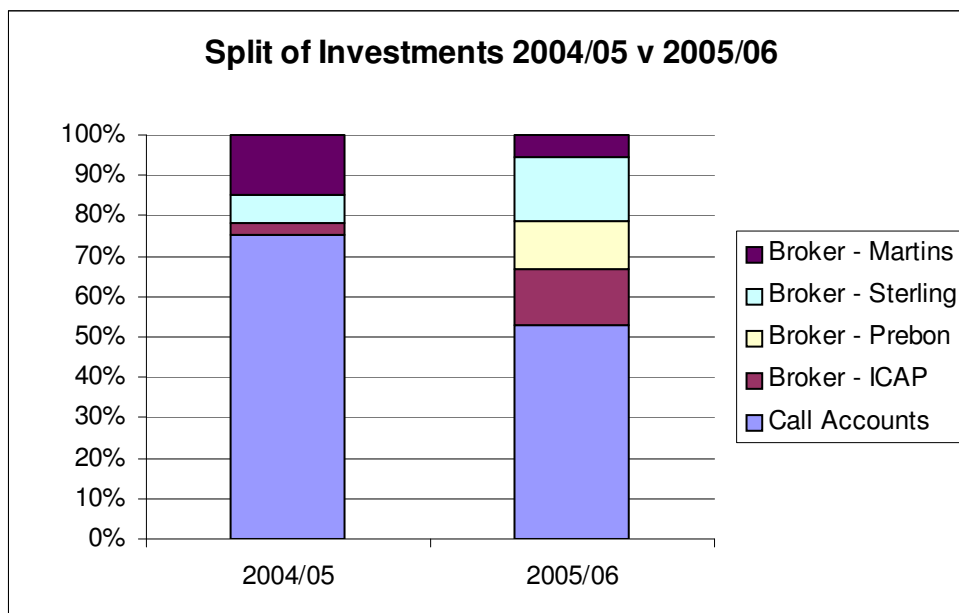


Figure 3 – Investment Split in 2005/06 and 2004/05

11. Additional information is provided in Annex B about the scale of money market activities for 2005/06 and the relative uses made of different types of lending institution and the various Council brokers.
12. The Council has made 62 investments with money market institutions during 2005/06. Of these 40 have been for a week or less and only 5 have been for over 3 months. Table 1 gives details of investments greater than 3 months.

Financial Institution	Base Rate at time	Rate Achieved	Value	Start Date	Maturity
Nationwide BS	4.50%	4.55%	£2m	21/10/05	364 days
Irish Intercontinental Bank	4.50%	4.63%	£1.5m	3/11/05	364 days
Irish Intercontinental Bank	4.50%	4.56%	£1.8m	17/11/05	120 days
Irish Intercontinental Bank	4.50%	4.53%	£1.3m	23/01/06	364 days
Irish Intercontinental Bank	4.50%	4.60%	£1.5m	26/01/06	364 days

Table 1 – Investments for 3 months or greater

13. In addition to these deals one forward deal has been entered in to. A forward deal is when the Council enters in to an agreement to invest a specified sum of money on a specified future date for a specified length of time. The decision to make this forward deal has been made by considering key economic data and projections and through the use of the recently developed 3 year cashflow model which assists with taking such investment decisions by ensuring that the Council maximises the return on its money market investments. Table 2 illustrates the investment.

Financial Institution	Base Rate Projection	Rate	Value	Start Date	Maturity
Irish Intercontinental Bank	4.0 –4.5%	4.70%	£3m	08/09/06	364 days

Table 2 – Forward Market Investments

14. Due to a relatively low number of deals this year, it has been decided not to complete a full annual review of the brokers. Informal feedback from the dealing team indicate that all brokers continue to provide a good service to the council supplying rates on a consistent basis, but since rates have been poor throughout the market this has inevitably led us to invest in the business reserve accounts. It is intended to retain the services of all four brokers. The split of investments between brokers remains fairly even.

Long Term Borrowing

15. The majority of Council borrowing is funded by the government through the Revenue Support Grant (RSG), which provides the Council with revenue funding to allow it to meet the interest and repayment costs of the borrowing. The introduction of the Prudential Code in April 2004 gives the council more flexibility in respect of how much and when it borrows. Under the Prudential Code, councils are free to borrow as much as they like provided that it is prudent, affordable and sustainable and within their prudential indicators.

16. The council's borrowing strategy is to borrow when the Public Works Loans Board (PWLB) rates are low and hold back on borrowing when rates are high following advice from its treasury advisors. The council set a trigger point for taking long term borrowing of 4.50% during 2005/06. Long term borrowing rates started the year at around 4.75%, but quickly dropped in the 1st quarter to between 4.25 – 4.50% during quarters 2 and 3 before falling to an historic low of 3.7% in January. Rates have since risen and ended the financial year at 4.25%.
17. The Councils long term borrowings started the year at £80.4m, with two tranches of £2m been repaid in August and February. Two additional loans totaling £7m were taken in June achieving rates of 4.35% and 4.4% respectively, with a final loan of £10m taken in February, at the historically low rate of 3.7%. Total long term borrowing at the end of the year was £93.4m. Table 3 summarises the movement in total council borrowings during the year.

	Date	£	Prevailing Base Rate	Weighted %	Year of Maturity
Total Debts as at 1/4/05		80,364,956	4.75%	4.828%	
Plus New Loans	9 June 2005	4,000,000	4.75%	4.350%	2007/08
	9 June 2005	3,000,000	4.75%	4.400%	2012/13
	23 Jan 2006	10,000,000	4.5%	3.700%	2046/47
Less Loans repaid	28 Aug 2005	(2,000,000)	4.5%	4.375%	2005/06
	28 Feb 2006	(2,000,000)	4.5%	4.375%	2005/06
Total Debts as at 31/3/06		93,364,956	4.5%	4.692%	

Table 3 – Movement in Long Term Borrowing 2005/06

18. The first loan for £4m is to replace 2 loans which mature during 2005/06 at an average rate of 4.375%. The second loan for £3m is for the remaining amount the council requires to fund the 2005/06 capital programme. The council required £10.2m worth of borrowing for the capital programme as detailed in the Budget report on 22nd February 2005. Borrowing of £7m was made in December 2004 for the 2005/06 capital programme so the £3m represents the remainder. This borrowing was taken below the borrowing trigger point rate of 4.50%, as advised by Sector, our treasury management advisors. The additional £10m taken out in January 2006 was to respond to the historically low interest rate of 3.7% and has been taken in advance of the 2006/07 capital programme and the Council's Administrative Accommodation needs.
19. All of the new borrowing decisions were taken in light of the maturity structure of the Council's current long term borrowing. Prudential indicator 9 sets the permitted maturity structure of borrowing. The £4m and £3m loans were taken over relatively short periods to smooth the maturity profile, with the £10m loan taken over 41 years which allowed the most competitive rate to be gained and to reflect the long term

nature of the capital assets that it would be financing, namely the new Civic building. Table 4 illustrates the 2005/06 and 2006/07 maturity profiles of the Council's borrowing.

Years to Maturity	2005/06		2006/07	
	£	Maturity Profile	£	Maturity Profile
<1	4,000,000	5%	0	0%
1-2	0	0%	4,000,000	4%
2-5	9,000,000	11%	13,000,000	14%
6-10	4,000,000	5%	5,000,000	5%
11-15	16,500,000	21%	14,500,000	16%
16-20	22,314,956	28%	24,314,956	26%
21-25	10,350,000	13%	8,350,000	9%
26-30	14,200,000	18%	14,200,000	15%
31-35	0	0%	0	0%
36-40	0	0%	0	0%
41-45	0	0%	10,000,000	11%
Total	80,364,956	100%	93,364,956	100%

Table 4 – Debt Maturity Profile 2005/06 vs 2006/07

20. As a result of the borrowings made in-year, the average rate of interest on the Council's long term borrowing has fallen from 4.83% in 2005/06 to 4.69%. This is 1.08% lower than the latest available² average long term borrowing rate for unitary authorities of 5.75%. The long term borrowing rate is expected to reduce further in 2006/07 with longer term rates expected to be below trend for the majority of the year.

Debt Restructure

21. No debt restructures occurred during 2005/06. The council is still benefiting from restructures made in previous years which have considerably lowered our average debt interest rate in comparison with other unitary authorities.

22. The anticipated restructure of the £10m club loan did not take place during 2005/06. This is a loan from the Royal Exchange Trust Company which was taken out by York in conjunction with 2 other local authorities. In order to restructure this loan the agreement of all partners is necessary. All parties met in March to discuss the possibility of restructuring, but it was apparent that one of the local authority partners is reluctant because of the negative impact that it would have on their Housing Revenue Account (HRA). The Council are continuing to have discussions with this partner to see if this can be resolved.

Venture Fund

23. The Venture Fund is used to provide short to medium term investment for internal projects which provide a robust new revenue stream or recognisable budget reductions and contribute to operational benefits or policy objectives. The movements on the Venture Fund in the year are shown in table 5.

² 2004/05 Treasury Management Statistics from ODPM

	£'000
Balance at 1 April 2004	1,467
New Loan Advances	(174)
Loan Repayments Received	1,016
Net Interest Received	13
Transfer to fund capital programme	(1,470)
Balance at 31 March 2005	852

Table 5 – Venture Fund

24. New loan advances were made in 2005/06 for the benefits take up campaign and towards set up the procurement team. Repayments were received in relation to 16 schemes.
25. The slippage of a number of high value capital receipts resulted in a shortfall in the available funding available to finance the capital programme. The Council had an option to borrow to fund the shortfall, however, taking this option would increase the level of borrowing and as a result increase the amount of funding that has to be set aside for the repayment of debt (the minimum revenue provision – MRP) during 2006/07. It would cost the Council £45k in additional MRP costs if the venture fund were not to be used in this way. There are more than £10m of capital receipts due to be received by the end of June from which the venture fund can be replenished.

Financial Implications – Budget Outturn

26. Treasury Management activity is contained within the Corporate Budget, which is currently approved at £2,526k for 2005/06. The outturn is £2,628k, which results in a small overspend of £102k. The principal elements that contribute to this deficit are shown in Table 6 and are compared to the previous monitor.

	Previous Forecast £(000)	Provisional Outturn £(000)
<u>Decrease in average balances</u> The delay in the capital receipts has resulted in an impact on the Council's cash flow, which has had a knock on effect on the treasury management budget. As a result of the underachievement of capital receipts against the anticipated plan the Council is using its existing cash balances to fund the capital programme, resulting in a significant drop in the average core general fund cash balances available for investment.	+597	+502
<u>Investment interest</u> Interest rates were reduced in August 2005 to 4.5%, which was slightly later than budgeted for. This, with the interest from Harewood Whin being received and a number of market beating investments has resulted in a better than forecast interest return.	-109	-189
<u>Venture Fund Interest</u> There have been a number of changes to the repayment profiles on the venture fund, including a number of deferrals which has result in interest earned being more than budgeted for.	-44	-51

<u>Minimum Revenue Provision (MRP) decrease</u> There has been a reduction in MRP because the opening balance for 2005/06 on the Capital Financing Requirement is lower than expected. This is because under the Prudential System it is no longer necessary for the HRA to make a set-aside payment, and so this payment was not made in 2004/05.	-83	-47
<u>Business Rates Refund Interest</u> The Council has received backdated interest on a number of the large rating revaluations that took place in 2004/05. This income was unbudgeted for and therefore lowers the overall overspend.	-	-187
<u>Club Loan Debt Restructure</u> Negotiations to restructure the Council's £10m have been hampered by one of the partner authorities reluctance to reschedule. However, around the table negotiations are set to resume in December and it is hoped for a successful outcome in the new year. It is unlikely that the £80k saving forecast will be achieved in this financial year though.	+80	+80
<u>Miscellaneous</u> Small variances were also incurred.	+9	-6
TOTAL	+450	+102

Table 6 –Treasury Management Outturn 2005/06

Review of the Prudential Indicators

27. In accordance with the Prudential Code, the Prudential Indicators set by Full Council on 22nd February 2005 must be reviewed. Full detail on the indicators are given in Annex D, but some of the key points are:

- Size of the Capital Programme (Indicator 1) – The indicator set for the size of the 2005/06 Capital Programme was an estimate of £44.4m and the outturn recorded was £36.2m. Although this represents a £5.9m underspend against the original planned budget it is the Council's largest ever capital spend which was activity slowed towards to the end of the financial year in response to the delay in achieving key capital receipts that fund the programme.
- Net Revenue Stream (Indicator 2) – This indicator estimates how much borrowing for the capital programme will cost when compared with the total revenue budget/outturn. The General Fund indicator is 3% compared to 2.52%, with the increase mainly due to the level of capital receipts being lower than anticipated, thereby increasing net debt. The HRA version is much lower being 2.58% as opposed to 4.45%. The reduction in the HRA indicator is mainly because HRA cash balances are higher than anticipated, caused by a reduced revenue contribution to the capital programme and the decision not to make a set aside to repay HRA debt.
- Capital Financing Requirement (CFR) (Indicator 5) – The council's CFR (underlying need to borrow) has increased by £10.6m as a result of the 2005/06 capital programme to £83.5m at 31 March 2006. Anticipated level of the CFR as predicted

in February 2005 is however, different because of 2004/05 year end changes to the opening balance of the CFR.

- Authorised Limit / Operational Boundary (Indicator 6) – The council took out additional debts of £17m, and repaid £4m, increasing its overall long term borrowing by £13m. The total level of debt currently stands at £93.4m. Consequently the council's long term borrowing did not exceed either the Authorised Limit of £112.5m or the Operational Boundary of £95.6m. These limits have been reviewed as part of the 2006/07 budget process with the Authorised Limit for 2006/07 now standing at £165.7m and the Operational Boundary at £144.2m. The large increase is to accommodate the building of the new Civic Building and to give the Council sufficient flexibility to take advantage of historically low borrowing rates
- Comments on the remaining indicators are given in Annex D.

Human Resources Implications

28. There are no HR implications as a result of this report.

Equalities Implications

29. There are no equalities implications as a result of this report.

Legal Implications

30. Treasury Management activities have to conform to the Local Government Act 2003, which specifies that the Council is required to adopt the CIPFA Prudential Code and work to its Treasury Management Policy and Treasury Management Practices. As a result the Council can only invest and borrow from approved institutions as set out in sections 1 and 12 of the Act.

Crime and Disorder Implications

31. There are no crime and disorder implications as a result of this report.

Information Technology Implications

32. There are no IT implications as a result of this report.

Property Implications

33. There are no property implications as a result of this report.

Risk Management

34. The treasury management function is a high risk area because of the volume and level of large money transactions. As a result of this there are strict procedures set out as part of the Treasury Management Practices statement, attached in Annex F

Recommendations

35. Members are requested to advise the Executive Member to:

- Note the performance of the Treasury Management activity 2005/06, movements on the Venture Fund and the Treasury Management Outturn;
- Note review of the movements in the Prudential Indicators;
- Approve the revised treasury management policy and practices statement as per annexes E and F.

In order to comply with the CIPFA Treasury Management in the Public Services Code of Practice

Contact Details

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Report Approved ✓ **Date** 26/06/06

Wards Affected: None

Specialist Implication Officers:

None

For further information please contact the author of the report

Background Papers:

Cash-flow Model, Investment Register, PWLB Debt Register, Budget monitoring 0506, Capital Financing requirement 0506 outturn, Venture Fund 0506, Prudential Indicators 0506.

Annexes

Annex A - Surplus on Money Market Trading Activity 2005/06

Annex B - Money Market Trading Statistics 2005/06

Annex C – 2005/06 Cash Balances

Annex D – 2005/06 Prudential Indicators

Annex E – Treasury Management Policy Statement

Annex F – Treasury Management Practices

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Surplus on Money Market Trading Activity for 2005/06

	£	Rate of Return %
Interest received from trading	1,292,688	
Less: Interest paid on temporary borrowing	0	
 Gross trading surplus	 1,292,688	 4.69%
Less: Estimated direct running costs		
- Staff	13,024	
- IT Equipment	700	
- Brokers fees	0	
- Subscriptions	4,000	
- Bank Charges	728	
Total	18,452	
 Net Trading Surplus	 1,274,236	 4.62%
 Less: Added value adjustment for notional Bank interest	 987,107	 3.59%
 Notional Value Added by Trading	 287,128	 1.04%
 Average Balance for the period	 £27,561,213	
 Average 7 day LIBID		 4.54%

Note: The added value adjustment reduces the net trading surplus by the amount that would have been achieved if the daily cash balance had simply been invested with the bank.

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**Money Market Trading Statistics
Financial Year 2005/06**

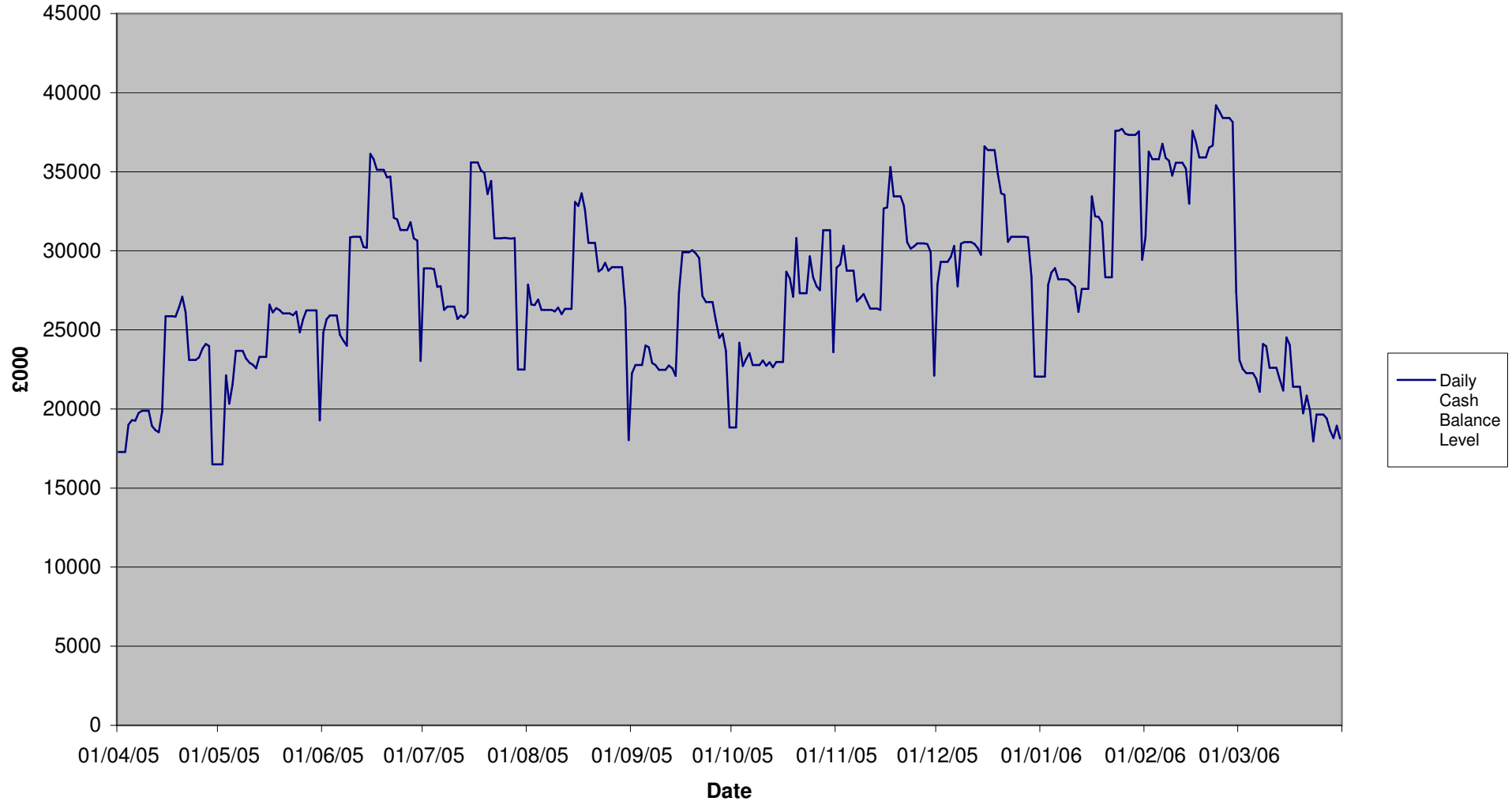
2004/05		Institutions Lent To		2005/06	
No of Deals	Value Weighted %			No of Deals	Value Weighted %
82	60%	<i>UK Banks</i>		70	51%
3	24%	<i>Building Societies</i>		1	7%
0	0%	<i>Local Authorities</i>		0	0%
24	16%	<i>International Institutions</i>		61	42%
109	100%	<i>All Institutions</i>		132	100%

2004/05		Brokers Used		2005/06	
No of Deals	Value Weighted %			No of Deals	Value Weighted %
3	21%	<i>Garban Intercapital</i>		18	8%
0	0%	<i>Prebon Yamane</i>		16	10%
8	21%	<i>Sterling Brokers</i>		21	13%
16	3%	<i>Martins</i>		7	19%
82	55%	<i>Direct Dealing</i>		70	51%
109	100%	<i>All Brokers</i>		132	100%

2004/05		Maturity of Deals		2005/06	
No of Deals	Value Weighted %			No of Deals	Value Weighted %
16	1%	<i>Overnight</i>		32	1%
4	1%	<i>up to 1 week</i>		8	1%
2	1%	<i>1 week - 1 month</i>		11	5%
2	7%	<i>1 month - 3 months</i>		5	10%
3	37%	<i>over 3 months</i>		6	32%
82	53%	<i>Business Reserve</i>		70	51%
109	100%	<i>All Deals</i>		132	100%

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2005/06 Cashflow Balances



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Indicator 1 : Size of the Total Capital Programme for 2005/06 to 2007/08

1. This indicator considers the size of the Capital programme and the incremental size of any amendments or changes. Table A provides a comparison between the budget position as approved by Full Council on 22nd February 2005 and the final outturn position. The figures for 2005/06 and 2006/07 are taken from the Capital Outturn report, the figures for 2007/08 and 2008/09 from the budget report.

	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000
Estimate per Budget (Feb 05)	44,154	30,728	26,492	17,742
Outturn / Revised Budget	40,199	52,978	37,276	34,875
Variance	- 3,955	22,250	10,784	17,133

Table A – Size of the Capital Programme

2. The outturn recorded was £40.2m which represents an underspend of £4m when compared to the start budget. The main reason for this was an over optimistic budget projection and a number of scheme redesigns as a result on high construction price inflation. Latterly officers were also trying to slow the spend on the capital programme as a result of the delays in the achievement of key capital receipts that are used to fund the programme.
3. Since the indicators were set there has been the 2006/07 budget round and the approval of the Administrative Accommodation project which has seen an increase to the 2006/07 to 2008/09 capital programme

Indicator 2: Ratio of Financing Costs to Net Revenue Stream

4. This indicator will estimate how much borrowing to pay for the capital programme will cost when compared with the total revenue budget. Separate indicators have been provided for the HRA and General Fund elements.

This indicator has been calculated as follows:

$$\frac{(\text{Debt Interest} + \text{MRP}^1 + \text{other revenue implications of Capital borrowing})}{\text{Net Revenue Stream}^2}$$

5. Table B provides a comparison between the indicator set in February 2005 and the position reported at outturn.

¹ MRP = Minimum Revenue Provision

² Net Revenue Budget – the element which is funded by the Revenue Support Grant, Business Rates paid from the national pool and Council Tax

	2005/06	2006/07	2007/08
General Fund			
Budget	2.52%	2.91%	3.25%
Outturn	3.00%	5.91%	6.19%
Variance	0.47%	3.00%	2.94%
HRA			
Budget	4.45%	4.22%	4.54%
Outturn	2.58%	2.51%	2.56%
Variance	-1.86%	-1.71%	-1.98%

Table B – Net Revenue Stream

6. The General Fund indicator is 3% compared to 2.52%, with the increase mainly due to the level of capital receipts being lower than anticipated, thereby increasing the level of net debt. The HRA version is much lower being 2.58% as opposed to 4.45%. The reduction in the HRA indicator is mainly because HRA cash balances are higher than anticipated, caused by a reduced revenue contribution to the capital programme and the decision not to make a set aside to repay HRA debt.

Indicator 3: Incremental Cost of the Capital Programme in terms of a band D council tax increase

7. This calculation takes the borrowing costs and the loss of interest when capital receipts are used to pay for capital expenditure and divides this by the council tax base. The figure relates to how much of the council tax is used in financing the capital programme and any related revenue implications that flow from it. Table C provides a comparison between the original indicator and the outturn position.

	2005/06	2006/07	2007/08
General Fund			
Estimate at 2005/06 budget (22 Feb 05)	15.11	14.98	11.56
Outturn Position (2005/06)	15.28	22.46	17.57
Variance	0.18	7.48	6.01

Table C – Council Tax Increase

The 2005/06 position within 20 pence per band D equivalent of the target. The higher than anticipated position in 2006/07 and 2007/08 is because of a high capital receipts target on which interest is lost by spending on the capital programme.

Indicator 4: Incremental Cost of the Capital Programme in terms of a HRA rent increase

8. In calculating this indicator the Director of Resources assumes that the Major Repairs Allowance will be spent in full for the next three years, and therefore does not impact the indicator. It is the HRA capital expenditure funded other than from the Major Repairs Allowance that is relevant.
9. The Housing Revenue Account 2005/06 capital spend is based on the government's approved borrowing limit. Because this borrowing is "supported" by government

there is no impact on HRA rents. There was no borrowing for 2005/06 over this supported amount, which may have impacted on rents. Currently, average rents for City of York Council tenants are above the government's target rents and the HRA is required to implement rent restructuring in order to match actual rents to target rents by 2011/012. There are no plans therefore to use borrowing to finance any of the Housing capital programme because of the impact this may have on Housing rents.

Indicator 5: Estimate of Capital Financing Requirement

10. The capital financing requirement represents that Council's underlying need to borrow to fund the creation or purchase of fixed assets. Table D compares the estimated Capital Financing Requirement in February 2005 with the outturn position.

Capital Financing Requirement	31/03/2005	31/03/2006	31/03/2007
General Fund	£m	£m	£m
Estimate at 2005/06 budget (22 Feb 05)	73,585	83,820	93,630
Outturn Position (2005/06)	72,880	83,511	92,591
Variance	-705	-309	-1,039
HRA	£m	£m	£m
Estimate at 2004/05 budget (23 Feb 04)	13,296	14,035	14,769
Outturn Position (2004/05)	13,646	14,669	15,669
Variance	350	634	900

Table D – Capital Financing Requirement

The council's CFR has increased by £10.6m to £83.5m at 31 March 2006 which is slightly less than the estimate CFR of £83.8m. The HRA CFR has increased because the HRA has not made a set aside as stated in paragraph 25 of the main report.

Indicator 6: Authorised Limit and Operational Boundary for External Debt

Authorised Limit

11. The council set the Authorised Limit for its total external debt, gross of investments for 2005/06 at £112m. This limit must not be breached under any circumstances. External debt as at 31st March 2006 amounted to only £93.4m. The authorised limit for 2006/07 was revised at full Council on 22nd February 2006 to £165.7m as part of the setting of Prudential Indicators for 2006/07 to 2008/09. The main reason for the large increase is because of the approval of the administrative accommodation project and to give sufficient flexibility to take advantage of low interest rates.

Operational Boundary

The Operational Boundary is a measure of the most money the Council would normally borrow at any time during the year. There are circumstances when the Operational Boundary might be exceeded temporarily, but a sustained or regular pattern of borrowing above this level should be avoided. The external debt amounted to £93.4m on 31 March 2006. The council has not breached the Operational Boundary of £95.1m for 2005/06. In view of the administrative accommodation review the Operational Boundary for 2006/07 has been revised in February 2006 to £144.2m.

	2005/06	2006/07	2007/08	2008/09
	£m	£m	£m	£m
Authorised Limit Jan 05	112.0	130.9	139.0	not set
Authorised Limit March 06	103.4	165.7	179.7	194.0
Change	-8.6	34.8	40.7	n/a
Operational Boundary Jan 05	95.1	114.0	122.1	not set
Operational Boundary March 06	103.4	144.2	158.2	180.8
Change	8.3	30.2	36.1	n/a

Table E Operational Boundary and Authorised Limits

Indicator 7: Adoption of the CIPFA Code of Practice for Treasury Management in Public Services

12. The Council has followed the CIPFA Code of Practice for Treasury Management in the Public Services in 2005/06 and will continue to do so in 2006/07. Treasury Management Practices (TMPs) have been established by the Director of Resources in line with the advice of Sector Treasury Services and are kept up to date regularly see attached.

Indicator 8: Exposure to Variable & Fixed Interest Rates

13. Indicator 8 required the council to set limits of its exposure to fixed and variable interest rates. The limits set for 2005/06 compared to the position as at 31st March 2006 are shown in Table E.

Fixed Rate	2005/06	2006/07	2007/08	2008/09
	£m	£m	£m	£m
Fixed rate debt	93.4	144.2	95.3	95.3
Fixed rate investment	11.3	25	13.1	13.1
Variable Rate Investment	9.8	30	16.3	16.3
Variable Rate Debt	0	0	0	0
Net Debt	72.3	89.2	65.9	65.9
Fixed Rate Indicator	114%	134%	125%	125%
Upper Limit	150%	150%	150%	150%

Variable Rates	Upper Limit	Outturn
2005/06	20%	-14%
2006/07	20%	20%
2007/08	20%	20%

Table F – Interest Rate Exposure Indicator

14. The fixed rate indicator shows fixed rate debt less fixed rate investments as a proportion of net debt. The Council takes out most of its borrowings at a fixed rate so as to provide certainty on repayments and to minimise annual exposure to fluctuations in interest rates. For cash flow purposes a proportion of investments are held in variable rate bank accounts. As a result it is possible to have fixed rate exposures at greater than 100%. A breach of the limit of 150% would suggest that

the Council has too much of its investment portfolio held in variable rate accounts and is therefore over exposed to fluctuations in interest rates.

15. The variable rate indicator measures exposure to variable rate debt. Currently the Council does not have any variable debts, but holds variable rate investments for cash flow purposes. A breach of the limit would suggest that the Council has an over exposure to variable rate debt meaning that fluctuations in interest rates could have an adverse impact on the Council's revenue budgets.

Indicator 9: Prudential Limits for the Maturity Structure of borrowing

16. The Council sets limits for the maturity structure of borrowing. This is done to optimise the cashflow position and to minimise the risk of interest rate fluctuations in the future when loans are maturing the Council has set limits so that long term loans mature in different periods spreading the risk. The limit on the amount of the Council's debt portfolio that matures in a period is expressed as a percentage. Table H gives a comparison between the council's current maturity profile and the upper and lower limits.

Period (Years)	As at 31st March 2006	Lower Limit	Upper Limit
Under 12 months	0%	0%	25%
1 year to 2 years	4%	0%	25%
2 years to 5 years	14%	0%	25%
5 years to 10 years	5%	0%	25%
10+ years	77%	20%	90%

Table G – Maturity Profile & Limits

17. Table G shows that the council has not breached the upper and lower limits for the maturity structure of debt for any of periods indicated. This is illustrated in Figure 1.

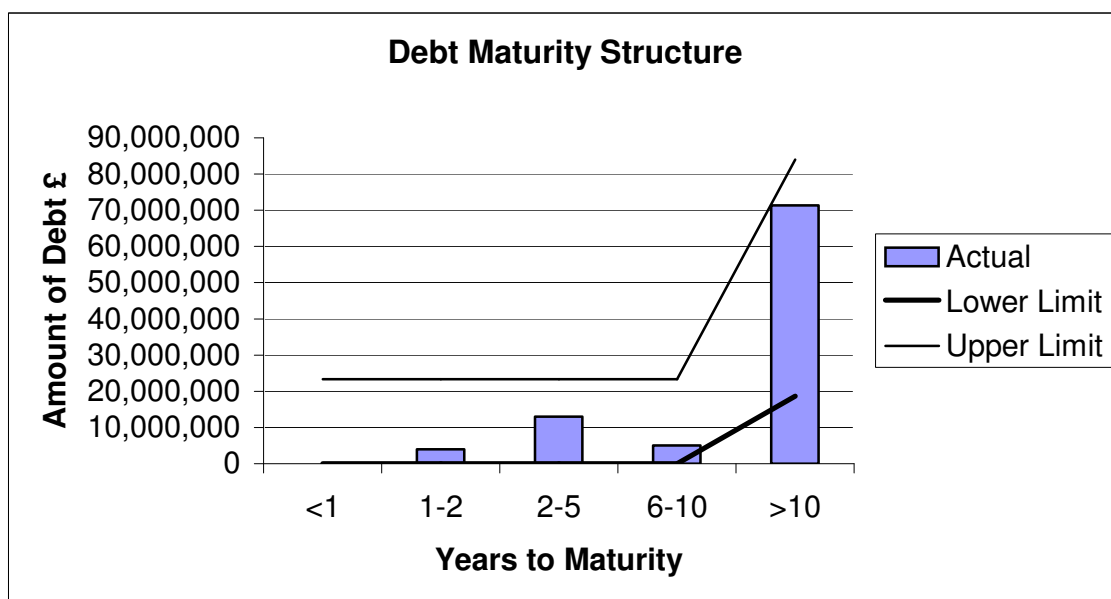


Figure 1 – Debt Maturity Structure as at 31st March 2006**Indicator 10: Investments beyond 364 days**

18. The Council amended its indicator to allow it to invest for periods of greater than 364 days at the meeting of the Council on 1st March 2006. The Council entered in to a forward deal to start on 8th September for 364 days on 8th March 2006, which is a commitment to invest 18 months in advance of maturity.

TREASURY MANAGEMENT POLICY STATEMENT

The Council has adopted the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice 2001 as described in section 4 of that Code.

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

- a treasury management policy statement (TMPS), stating the policies and objectives of its treasury management activities.
- suitable treasury management practices (TMP), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

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

The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Executive Leader – Corporate, Economic Development & Financial Affairs, and for the execution and administration of treasury management decisions to the Director of Resources who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

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

1. The Council defines its treasury management activities as:

The management of the 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.

2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.
3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

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**TREASURY MANAGEMENT
PRACTICES**

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

	Page
TMP 1 Treasury risk management	5
TMP 2 Best value and performance measurement	12
TMP 3 Decision-making and analysis	14
TMP 4 Approved instruments, methods and techniques	16
TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements	18
TMP 6 Reporting requirements and management information arrangements	22
TMP 7 Budgeting, accounting and audit arrangements	24
TMP 8 Cash and cash flow management	25
TMP 9 Money laundering	26
TMP 10 Staff training and qualifications	28
TMP 11 Use of external service providers	29
TMP 12 Corporate governance	31

TMP1 RISK MANAGEMENT

1.1 LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that cash not be available when it is required. This can jeopardise the ability of the Council to carry out its functions or disrupt those functions being carried out in the most cost effective manner. The Council will therefore have sufficient stand by facilities to ensure that there is always sufficient liquidity to deal with unexpected occurrences. It will also seek to ensure that its cash flow forecasting gives as accurate a picture as possible of the ebbs and flows in income and expenditure and the resulting residual daily cash balances.

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

The Treasury Management section shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day . Borrowing or lending shall be arranged in order to achieve this aim.

1.1.2 Details of:

a. Standby facilities

At the end of each financial day any unexpected surplus funds are retained in the Council's main bank account. The bank contract pays a favourable rate of 1% below base rate for credit balances should they arise. No more than £250k should be held in the account with overdraft at no more than £250k.

b. Bank overdraft arrangements

A £2m overdraft at 1% over base rate has been agreed as part of the banking services contract. The overdraft is assessed on a group basis for the Council's accounts.

c. Short-term borrowing facilities

The Council accesses temporary loans through approved brokers on the London money market. The approved borrowing limit for short term debt is £21.5m, this is the difference between the Authorised Limit and the Operational Boundary for External Debt.

d. Insurance/guarantee facilities

There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

e. Special payments

Notice to be given to the Corporate Finance Manager for all special payments above £100,000 to be transferred on the day of notification.

1.2 INTEREST RATE RISK MANAGEMENT

Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council will seek to minimise this risk by seeking expert advice on forecasts of interest rates from treasury management consultants and agreeing with them its strategy for the coming year for the investment and debt portfolios. It will also determine appropriate limits and trigger points as set out below. These limits and strategy are set out in the annual Treasury Management Strategy Statement . This strategy will be periodically reviewed during the relevant year to see whether any modifications are required in the light of actual movements in interest rates.

1.2.1. Details of approved interest rate exposure limits (Performance Indicator 8)

1.2.2 Trigger points and other guidelines for managing changes to interest rate levels (contained in the annual Treasury Management Statement)

1.2.3 Upper limit for fixed interest rate exposure (Performance Indicator 8 - 150%)

1.2.4 Upper limit for variable interest rate exposure (Performance Indicator - 20%)

1.2.5 Policies concerning the use of instruments for interest rate management.

- a. forward dealing
Consideration will be given to dealing from forward periods dependant upon market conditions. When forward dealing with a maturity of more than 2 years forward then the approval of the Director of Resources is required.
- b. callable deposits
The Council will use callable deposits as part as of its Annual Investment Strategy (AIS). The credit criteria and maximum periods are set out in the Authorised Counterparties for Temporary Investment list. The list is a live document that is updated for changes in credit ratings as advised by the Council's Treasury Management Advisors. The list can be found in daily cash flow sheets folder. The borrowers option should also be taken to prevent the lock in on rates.
- c. LOBOS (borrowing under lender's option/borrower's option)
Use of LOBOs are considered as part of the annual borrowing strategy. Any LOBO borrowing must be explicitly approved by the Director of Resources.

1.3 EXCHANGE RATE RISK MANAGEMENT

Exchange rate risk is the risk that unexpected changes in exchange rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council has a minimal exposure to exchange rate risk as it has no powers to enter into loans or investments in foreign currency for treasury management purposes. It will also seek to minimise what risk it does have by using the below policies.

1.3.1 Approved criteria for managing changes in exchange rate levels

The Council from time to time may receive or pay a transaction in a foreign currency. The sums involved are minimal. Currently in the case of both receipts and payments the Council takes no risk in the transaction with a sterling equivalent either requested or paid. If in the future there are regular income and expenditure flows in the same foreign currency a specific foreign currency account facility will be negotiated with the main bank contract.

1.4 INFLATION RISK MANAGMENT

Inflation risk is the risk that unexpected changes in inflation expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council has minimal exposure to inflation risk as inflation has not been at high levels for the last decade and is not currently expected to return to such levels in the foreseeable future.

1.4.1. Details of approved inflation exposure limits for cash investments/debt - During the current period of low and stable worldwide inflation there is little requirement for an active consideration of the impact of inflation. The key consideration is that investments reap the highest real rate of return, with debt costing the lowest real cost, consistent with other risks mentioned within this section.

1.5 CREDIT AND COUNTERPARTY RISK MANAGMENT

Credit and counter-party risk is the risk of failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially one due to deterioration in its creditworthiness, which causes the Council an unexpected burden on its capital or revenue resources.

As a holder of public funds, the Council recognises its prime responsibility to always put first the preservation of the principal of the sums which it invests. Consequently, it will optimise returns

commensurate with the management of the associated risk. The Council adopts Sectors Counterparties schedule as its approved Authorised Counterparties for Temporary Investment list.

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

The Council will determine through its Annual Investment Strategy the credit criteria for various investment instruments in the 'Specified' and 'Non-Specified' Investments categories.

1.5.2. APPROVED METHODOLOGY FOR CHANGING LIMITS AND ADDING / REMOVING COUNTERPARTIES

Credit ratings for individual counterparties can change at any time. The dealing desk officer is responsible for applying approved credit rating criteria for selecting approved counterparties.

1.5.3. FULL INDIVIDUAL LISTINGS OF COUNTERPARTIES AND COUNTERPARTY LIMITS AS AT 01/04/2006 is attached at Appendix A

1.6 REFINANCING RISK MANAGEMENT

Refinancing risk is the risk that when loans or other forms of capital financing mature, that they cannot be refinanced where necessary on terms that reflect the assumptions made in formulating revenue and capital budgets.

1.6.1. DEBT/OTHER CAPITAL FINANCING, MATURITY PROFILING, POLICIES AND PRACTICES

The Council will establish through its Prudential Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- a) the generation of cash savings at minimum risk;
- b) to reduce the average interest rate;
- c) to amend the maturity profile and /or the balance of volatility of the debt portfolio.

Rescheduling will be reported to the Executive Member for Resources as part of the half yearly treasury management update following its action.

1.6.2. PROJECTED CAPITAL INVESTMENT REQUIREMENTS

The Director of Resources will prepare a three year plan for capital expenditure for the Council. The capital plan will be used to prepare a three year revenue budget for all forms of financing charges.

Under the new capital financing system, the definition of capital expenditure and long term liabilities used in the Prudential Code will follow recommended accounting practice (SORP).

1.6.3. POLICY CONCERNING LIMITS ON AFFORDABILITY AND REVENUE CONSEQUENCES OF CAPITAL FINANCING.

In considering the affordability of its capital plans, the Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax *and (in the case of the HRA)*, housing rent levels. It will also take into account affordability in the longer term beyond this three year period. (Note: paragraph 30 of the Prudential Code gives examples of matters relevant to the consideration of affordability, although this is not an exhaustive list.)

The Council will use the definitions provided in the Prudential Code for borrowing (83), capital expenditure (84), debt (86), financing costs (87), investments (88), net borrowing (89), net revenue stream (90), other long term liabilities (91).

1.6.4 CAPITAL RECEIPTS GENERATED BY THE HRA

75% of capital receipts generated by the Housing Revenue Account will be pooled, i.e. paid to the Secretary of State, with the exception of 'qualifying disposals' (e.g. large and small scale voluntary transfers of housing to social registered landlords).

1.6.5 PFI, Partnerships, ALMOs and guarantees

The Council entered in to a 30 year Schools PFI deal with Sewell Education York Limited in January 2005. Under the terms of the contract any refinancing is at the discretion of the provider, with any financial benefits been shared equally between the Council and Sewell.

1.7 LEGAL AND REGULATORY RISK MANAGEMENT

Legal and regulatory risk is the risk that either the Council, or a third party which it is dealing with in its treasury management activities, acts outside of its legal powers or regulatory requirements and as a result the Council incurs loss.

1.7.1. REFERENCES TO RELEVANT STATUTES AND REGULATIONS

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. These are:

- CIPFA Prudential Code for Capital Finance in Local Authorities
- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- Guidance on Investments ODPM 12.3.2004
- Guidance on Housing Capital Receipts Pooling ODPM 23.3.2004
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Allocation of financing costs to the HRA – annual determination by Secretary of State
- Definition of HRA capital expenditure - Local Government and Housing Act 1989 section 74 (1)
- CIPFA's Treasury Management Codes of Practice 2001 and 1996
- CIPFA Guide for Chief Financial Officer on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 1995
- LAAP Bulletin 55 CIPFA's Guidance on Local Authority Reserves and Balances
- The Non Investment Products Code (NIPS) - (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
- Financial Services Authority's Code of Market Conduct
- SORP – Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice

- PWLB annual circular on Lending Policy
- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations
- The Council's Scheme of Delegated Functions

1.7.2. PROCEDURES FOR EVIDENCING THE COUNCIL'S POWERS/AUTHORITIES TO COUNTERPARTIES

The Council's powers to borrow and invest are contained in legislation as set out below:

Investing: Local Government Act 2003, section 12

Borrowing: Local Government Act 2003, section 1

In addition, it will make available on request the following: -

- a. the scheme of delegation of treasury management activities which is contained in the Financial Regulations which states which officers carry out these duties
- b. the document which sets which officers are the authorised signatories.

REQUIRED INFORMATION ON COUNTERPARTIES

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Council's treasury advisers (Sector) based upon credit ratings supplied by credit rating agencies, Moody's and Fitch.

1.7.3 STATEMENT ON THE COUNCIL'S POLITICAL RISKS AND MANAGEMENT OF SAME.

1.7.3.1 Director of Resources

The Director of Resources shall take appropriate action with the Council, the Chief Executive and the Leader of the Council to respond to and manage appropriately political risks such as change of majority group, leadership in the Council, change of Government etc.

1.7.3.2 Monitoring Officer

The monitoring officer is the Head of Democratic and Legal Services; the duty of this officer is to ensure that the treasury management activities of the Council are lawful.

1.7.3.3 Chief Financial Officer

The Chief Financial Officer is the Director of Resources; the duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if he has concerns as to the financial prudence of its actions or its expected financial position.

1.8 FRAUD, ERROR AND CORRUPTION, AND CONTINGENCY RISK MANAGEMENT

Fraud, error and corruption risk is the risk that the Council may fail to employ adequate systems, procedures and other arrangements which identify and prevent losses through such occurrences. The Council will therefore:-

- a) seek to ensure an adequate division of responsibilities and maintenance at all times an adequate level of internal check which minimises such risks.
- b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
- c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.
- d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

DETAILS OF SYSTEMS AND PROCEDURES TO BE FOLLOWED, INCLUDING INTERNET SERVICES

Authority

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans and investments are negotiated by the Director of Resources
- Loan procedures are defined in the Council's Financial Regulations.

Procedures

- Electronic banking procedures (Instructions for Dealers Procedure File – Treasury Management)
- Procedures for making CHAPS payments. (CHAPS/Hexagon Payment File – Treasury Management)

Investment and borrowing transactions

- A detailed register of all loans and investments is maintained in the Investment Register and Debt Register (PWLB) – Location: Capital & Treasury\ Dealing Desk\ Cash flow\ 0607\ IR0607 & Capital & Treasury\ LT Debt\ PWLB Royal Debt\ PWLB.
- A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the organisation.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the Corporate Finance Manager for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Corporate Finance Manager for resolution.

Regularity and security

- Lending is only made to institutions on the Approved List of Counterparties.
- The Cash Flow Model and Investment Register system prompts the dealing officer that money borrowed or lent is due to be repaid.
- All loans raised and repayments made go directly to and from the bank account of approved counterparties.
- Counterparty limits are set for every institution that the Council invests with.
- Brokers have a list of named officials authorised to agree deals..
- There is a separation of duties in the section between dealers and the checking and authorization of all deals.
- The Council's bank holds a list of Council officials who are authorised signatories for treasury management transactions.
- No member of the treasury management dealing team is an authorised signatory.
- The Cash Flow model and Investment Register system is backed up daily .
- There is £5m single transaction insurance cover for employees involved in loans management and accounting.

Checks

- The bank reconciliation is carried out quarterly from the bank statement to the financial ledger.
- The Cash Flow Model, Investment Register and Debt Register system balances are proved to the balance sheet ledger codes at the end of each month and at the financial year end.
- Budget monitoring is produced every quarter when a review is undertaken against the budget for interest earnings and debt costs.

Calculations

- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Cash Flow Model/ Investment Register.

- The Debt Register calculates periodic interest payments of PWLB and other long term loans. This is used to check the amount paid to lenders.
- Average weighted capital loans fund interest rates are calculated by the Debt register and Investment register.
- These interest and expense rates are then used to calculate the principal, interest and debt management expense charges to the Loans Fund and the Housing Revenue Account recharge.

1.8.1. EMERGENCY AND CONTINGENCY PLANNING ARRANGEMENTS

Disaster Recovery Plan

The authority has in place procedures for continued operations in the event of offices being unusable or the event of the Electronic Banking System failing. These can be found in Instructions for Dealers Procedure File – Treasury Management.

Daily cash flow management can take place from a remote terminal using either the HSBCnet online banking facility or by contacting HSBC by telephone. All members of the treasury management team are familiar with this plan and new members will be briefed on it.

All computer files relating to the daily cash flow management are backed up on the server, onto compact disk and periodically to a separate memory key to enable files to be accessed from remote sites.

1.8.2. INSURANCE COVER DETAILS.

Fidelity insurance

The Council has 'Fidelity' insurance cover with Zurich. This covers the loss of cash by fraud or dishonesty of employees.

This cover is limited to £5m for any one event with no excess.

Professional Indemnity Insurance

The Council also has a 'Professional Indemnity' insurance policy with Zurich which covers loss to the Council from the actions and advice of its officers which are negligent and without due care. This cover is limited to £1m for any one event with an excess of nil for any one event.

1.9 MARKET VALUE OF INVESTMENTS RISK MANAGEMENT

Market risk is the risk of fluctuations in the principal value of the Council's investments.

1.9.1. DETAILS OF APPROVED PROCEDURES AND LIMITS FOR CONTROLLING EXPOSURE TO INVESTMENTS WHOSE CAPITAL VALUE MAY FLUCTUATE (GILTS, CDS, etc.)

These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Treasury Management Strategy Statement. CYC does not enter into investments where capital values may fluctuate.

TMP 2 BEST VALUE AND PERFORMANCE MEASUREMENTS

2.1 EVALUATION AND REVIEW OF TREASURY MANAGEMENT DECISIONS

The Council has a number of approaches to evaluating treasury management decisions: -

- a. Fortnightly tactical reviews and forward looking meetings carried out by the treasury management team
- b. biannual reviews with our treasury management consultants
- c. quarterly budget monitoring
- d. annual review as reported to committee
- e. comparative reviews
- f. strategic, scrutiny and efficiency best value reviews
- g. quarterly Member reports

2.1.1 Periodic reviews during the financial year

The senior dealing officer holds a treasury management review meeting with the treasury management dealing team every two weeks to review actual activity against the Treasury Management Strategy Statement and cash flow forecasts. This will include :

- (a) Total debt (both on-and off balance sheet) including average rate and maturity profile
- (b) Total investments including average rate and maturity profile
- (c) Changes to the above from the previous review and against the TMSS.
- (d) Projected cash balances and planned activity

The minutes of the meetings are produced and circulated to all relevant staff.

2.1.2 Reviews with our treasury management consultants

The treasury management team holds reviews with our consultants every 6 months to review the performance of the investment and debt portfolios.

2.1.3 Annual Review after the end of the financial year

An Annual Treasury Report is submitted to the Council each year after the close of the financial year which reviews the performance of the debt and investment portfolios. This report contains the following: -

- a. total debt and investments at the beginning and close of the financial year and average interest rates
- b. borrowing strategy for the year compared to actual strategy
- c. investment strategy for the year compared to actual strategy
- d. explanations for variance between original strategies and actual
- e. debt rescheduling done in the year
- f. actual borrowing and investment rates available through the year
- g. comparison of return on investments to the investment benchmark
- h. compliance with Prudential Indicators

2.1.4 Comparative reviews

When data becomes available, comparative reviews are undertaken to see how the performance of the authority on debt and investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential Indicators are locally set). Data used will be sourced from: -

- CIPFA Treasury Management statistics published each year for the last complete financial year
- CIPFA Benchmarking Club

2.2 BENCHMARKS AND CALCULATION METHODOLOGY:

2.2.1 Debt management

- Average rate on all external debt
- Average rate on external debt borrowed in previous financial year

- Average rate on internal borrowing
- Average period to maturity of external debt
- Average period to maturity of new loans in previous year

2.2.2 Investment.

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

- a. in house investments
 - i) 7 day LIBID un compounded
 - ii) 3 month LIBID compounded quarterly

Performance will also be measured against other local authority funds with similar benchmark and parameters managed by other fund managers every six months.

2.3 POLICY CONCERNING METHODS FOR TESTING BEST VALUE IN TREASURY MANAGEMENT,

2.3.1 Frequency and processes for tendering

Tenders are normally awarded on a 3 year basis with the option to extend for 2 years, if approved by the Executive Member for Resources. The process for advertising and awarding contracts will be in line with the Council's Contract Standing Orders.

2.3.2 Banking services

The Council's banking arrangements are to be subject to competitive tender every 4 years with an option to extend for 2 further years if approved by Corporate Services unless it is considered that there will be changes in the volume of transactions in the foreseeable future which renders a shorter period appropriate. If tendering is not considered appropriate a specialist banking company must be appointed to ensure that the terms offered represent value for money.

2.3.3 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 is established which takes account of both prices and quality of services. The Council currently has 4 brokers on its approved list.

2.3.4 Consultants'/advisers' services

This Council's policy is to appoint full-time professional treasury management and leasing consultants and separate leasing advisory consultants.

2.3.5 Policy on External Managers (Other than relating to Superannuation Funds)

The Council's policy is not to appoint external investment fund managers.

TMP 3 DECISION-MAKING AND ANALYSIS

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

3.1.1 Records to be kept

The Treasury section has a spreadsheet based cash flow model system in which all investment and loan transactions are recorded. Full details of the system are covered in the user manual. The following records will be retained : -

- Daily cash balance forecasts
- Money market rates obtained by telephone from brokers
- Dealing slips for all money market transactions
- Brokers' confirmations for investment and temporary borrowing transactions
- Confirmations from borrowing /lending institutions where deals are done directly
- PWLB loan confirmations
- PWLB debt portfolio schedules.
- Certificates for market loans, local bonds and other loans

3.1.2 Processes to be pursued

- Cash flow analysis.
- Debt and investment maturity analysis
- Ledger reconciliation
- Review of opportunities for debt restructuring
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer best value)
- Performance information (e.g. monitoring of actuals against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns, etc).
- Breakeven sensitivity analysis.

3.1.3 Issues to be addressed.

3.1.3.1. *In respect of every treasury management 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 Council will:

- a) Evaluate economic and market factors to form a view on future interest rates so as to determine the manner and timing of decisions to borrow;
- b) Consider the sources of borrowing, alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use;
- c) Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships to minimise costs and risks;
- d) Consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets;
- e) Seek to reduce the overall level of financing costs / smooth maturity profiles through debt restructuring.

3.1.3.3 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;
- c) Determine appropriate credit policy limits and criteria to minimise the Council's exposure to credit and other investment risks.

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;
- leasing.

4.2 APPROVED INSTRUMENTS FOR INVESTMENTS

The Annual Investment Strategy details the approved instruments for investments

4.3 APPROVED TECHNIQUES

- Forward dealing
- LOBOs – lenders option, borrower's option borrowing instrument
- The use of structured products such as 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:

On Balance Sheet	Fixed	Variable
PWLB	●	●
EIB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Leasing (not operating leases)	●	●
Deferred Purchase	●	●
Other Methods of Financing		
Government and EC Capital Grants		
Lottery monies		
PFI/PPP		
Operating leases		

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Director of Resources has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers

Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

4.5 INVESTMENT LIMITS

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument (see also Sector Treasury Management counterparties list and investment matrices).

4.6 BORROWING LIMITS

See the Treasury Management Strategy Statement and Prudential Indicators.

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

5.1 LIMITS TO RESPONSIBILITIES / DISCRETION AT COUNCIL/EXECUTIVE LEVELS

- a) The full Council will set the Prudential Indicators and revise them as and when necessary.
- b) The Executive and then the full Council will receive and review reports on treasury management policies, practices and activities, the annual treasury management strategy and annual report on debt rescheduling.
- c) The Director of Resources will be responsible for amendments to the Council's adopted clauses, treasury management policy statement and treasury management practices.
- d) The Executive will consider and approve the Treasury Management Budget.
- e) The Executive will approve the segregation of responsibilities.
- f) The Director of Resources will receive and review external audit reports and put recommendations to the Audit Committee.

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

	Director of Resources		
	I		Authorisation <£15m
	Head of Finance		
	I		
	Corporate Finance Manager		Authorisation <£8m
	I		
	Corporate Accountant		<u>Dealing</u>
	I		
Financial Analyst	Senior Accounting Technician	Trainee Accountant	

5.4 STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST**5.4.1. Director of Resources**

The Director of Resources will:

- a) Submit budgets and budget variations in accordance with Financial Regulations and guidance.
- b) In setting the prudential indicators, the Director of Resources will be responsible for ensuring that all matters are taken into account and reported to the Council so as to ensure the Council's financial plans are affordable, prudent and sustainable in the long term.
- c) Establish a measurement and reporting process that highlights significant variations from expectations.
- d) Submit treasury management reports as required the Executive and to full Council.
- 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 on appointment of external service providers in accordance with council standing orders.

1. The Director of Resources 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.
2. The Director of Resources 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 Director of Resources to act as temporary cover for leave/sickness. All transactions over the value of £5m must be countersigned by at least two signatories.
3. The Director of Resources 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.
4. Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Director of Resources 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
5. It is also the responsibility of the Director of Resources 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 Head of Finance

The Head of Finance will:

- a) Make reports to the Council under S114 of the Local Government Finance Act 1988 if the Director of Resources considers the Council is likely to get into a financially unviable situation.
- b) Recommend clauses, treasury management policy / practices for approval, reviewing the same on a regular basis, and monitoring compliance.

5.4.3 Corporate Finance Manager

The responsibilities of this post will be: -

- a) Execution of transactions and conduct of other day to day activities in accordance with the Treasury Management Practices.
- b) Adherence to agreed policies and limits.
- c) Managing the overall treasury management function.
- d) Supervising treasury management staff.

- e) Ensuring appropriate segregation of duties
- f) Monitoring performance on a day-to-day basis.
- g) Submitting management information reports to the Head of Finance and Director of Resources.
- h) Maintaining relationships with third parties and external service providers and reviewing their performance.

5.4.4 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 Director of Resources reports regularly to the full Council on treasury policy, activity and performance.

5.4.5 The Monitoring Officer – the Head of Legal Services

The responsibilities of this post will be: -

- a) Ensuring compliance by the Director of Resources 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 Director of Resources when advice is sought.

5.4.6 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

The Council establishes the dealing desk work plan in advance and currently has 4 officers fully trained to deal. In the event of the person due to be dealing being off one of the 3 other officers can cover. At any one time there are two dealing officers in on a given day.

5.6 DEALING LIMITS

The following posts are authorised to deal: -

- Simon Wiles (£15m)
- James Drury (£15m)
- Peter Steed (15m)
- Tom Wilkinson (£8m)
- Janet Lornie (£8m)
- Steve Morton (£8m)

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 providing the best deal is taken i.e if two brokers are offering the same rate.

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 CHAPS system to be completed by 3.00 pm on the same day. The Council uses the CHAPS system supplied by HSBC, authorized limits are set up in line with authorized signatory limits with the bank.

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 ARRANGMENTS

6.1 ANNUAL TREASURY MANAGEMENT STRATEGY STATEMENT

6.1.1 The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Executive and then to the full Council for approval before the commencement of each financial year.

6.1.2 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, 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.

6.1.3 The Treasury Management Strategy Statement is concerned with the following elements:

- Prudential Indicators
- current treasury portfolio position
- borrowing requirement
- prospects for interest rates
- borrowing strategy
- investment strategy
- debt rescheduling
- any extraordinary treasury issue

6.1.4 The Treasury Management Strategy Statement will establish an interest rate position based on the view of future interest rate movements (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

6.2.1 The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential Indicators.

6.2.2 The Director of Resources 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 Director of Resources shall submit the changes for approval to the full Council

6.3 ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY

An annual report will be presented to the Executive member and to the full Council at the earliest practicable meeting after the end of the financial year, but in any case by the end of June. 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, prudential limits, 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 organization;
- h. measurements of performance;
- i. report on compliance with CIPFA Code recommendations.

6.4 MANAGEMENT INFORMATION REPORTS

Management information reports will be prepared every 3 months by the Corporate Finance Manager and will be presented to the Director of Resources.

These reports will contain the following information: -

- a) A summary of transactions executed and their revenue effect (current effects);
- b) measurements of performance including effect on loan charges/investment income;
- c) degree of compliance with original strategy and explanation of variances.
- d) Any non compliance with Prudential limits or other treasury management limits.

6.5 PERIODIC MONITORING COMMITTEE REPORTS

The Executive Member Corporate Services will receive and consider a half yearly review of treasury management activities during the period including details of any debt rescheduling undertaken.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 STATUTORY/REGULATORY REQUIREMENTS

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices. The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Council's treasury management activities.

7.2 ACCOUNTING PRACTICES AND STANDARDS

Due regard is given to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in Great Britain.

7.3 SAMPLE BUDGETS / ACCOUNTS / PRUDENTIAL INDICATORS

The Corporate Finance Manager will prepare a three year medium term financial plan with Prudential Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Corporate Finance Manager will exercise effective controls over this budget and monitoring of performance against Prudential Indicators, and will report upon and recommend any changes required in accordance with TMP6.

7.4 LIST OF INFORMATION REQUIREMENTS OF EXTERNAL AUDITORS.

- Reconciliation of loans outstanding in the financial ledger to Treasury Management records
- Maturity analysis of loans outstanding
- Certificates for new long term loans taken out in the year
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges from the Investment Register and Debt Register.
- Calculation of CFR and adjustment A
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential Indicators
- Review of observance of limits set by Prudential Indicators
- Calculation of the Minimum Revenue Provision

7.5 Budget Monitoring Report

In addition to the quarterly budget monitoring stats presented to the Director of Resources (as set out in section 6.4) the authority produces the following reports:

- three Corporate Monitoring Reports in line with the Corporate Monitoring Cycle
- Half yearly and outturn report on Treasury Management Performance

These reports are intended to highlight any variances between budgets and spend in order that the Council can assess its financial position. Details of treasury management activities are included within this report.

TMP 8 CASH AND CASH FLOW MANAGEMENT

8.1 ARRANGEMENTS FOR PREPARING/SUBMITTING CASH FLOW STATEMENTS

Cash flow projections are prepared annually (for three full financial years), monthly and daily. The annual and monthly cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

8.2 BANK STATEMENTS PROCEDURES

The Council receives a daily download of account balances and key transactions from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc.

Balances are checked daily with a formal bank reconciliation to the ledger being undertaken on a quarterly basis by the senior accounting technician.

8.3 PAYMENT SCHEDULING AND AGREED TERMS OF TRADE WITH CREDITORS

Our policy is to pay creditors within 30 days of the invoice date and this effectively schedules the payments in order to comply with BVPI 8.

8.4 ARRANGEMENTS FOR MONITORING DEBTORS / CREDITORS LEVELS

The exchequer manager is responsible for monitoring the levels of debtors and creditors. Details are passed to the treasury team on a monthly basis to assist in updating the cash flow models. Daily details of payment runs are also provided.

8.5 PROCEDURES FOR BANKING OF FUNDS

All money received by an officer on behalf of the Council will without unreasonable delay be passed to the Chief Cashier to deposit in the Council's banking accounts. The Chief Cashier will notify the dealing desk officer each morning of cash and cheques banked the previous day so that the figures can be taken into account in the daily cash flow.

8.6 PRACTICES CONCERNING PREPAYMENTS TO OBTAIN BENEFITS

The Council has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the Director of Resources following a cost benefit appraisal of prepayment proposals. For material sums a formal report would be taken to the Executive.

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, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FSA website on www.fsa.gov.uk.

When repaying loans, the procedures in 9.2 will be followed to check the bank details of the recipient.

9.2 METHODOLOGIES FOR IDENTIFYING DEPOSIT TAKERS

In the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that are on its approved lending list. These will be authorised deposit takers under the Financial Services and Markets Act 2000. The FSA register can be accessed through the FSA website on www.fsa.gov.uk.

All transactions will be carried out by CHAPS for making deposits or repaying non PWLB loans. PWLB loan repayments are taken via Direct Debit on specified dates.

9.3 PROCEEDS OF CRIME ACT 2002 (POCA)

Please find below an explanation of the current responsibilities of local authorities:-

The Proceeds of Crime Act 2002 imposes an obligation on any person or other body that undertakes a regulated activity as defined by the Act to report any incident that leads them to suspect that an individual or other body is making transactions with the proceeds of any criminal activity. This is an extension of the obligations previously imposed principally on financial services organisations and employees under money laundering legislation. The money laundering legislation, as reinforced by the FSA guidance, made it clear that an organisation had to nominate a money laundering reporting officer, MLRO, through whom suspicious transactions had to be reported and it was incumbent on the MLRO to decide if these transactions had to be reported to the National Criminal Investigation Service (NCIS), being the police body charged with dealing with these matters.

The question therefore arises as to whether organisations now caught under the provisions of the Proceeds of Crime Act (POCA) have to also nominate a MLRO. There is nothing that states that an MLRO has to be nominated and indeed, a number of organisations that are caught by POCA would not have a direct regulator to notify. However, it is equally clear that such organisations must have a process in place whereby employees can alert management of activities that may fall under POCA and that process must make it clear to whom an internal report has to be made. Therefore, whether called an MLRO or not, under their internal processes organisations need to appoint a senior officer (F.D., Treasurer, Head of Legal) to whom suspicions must be reported and who is responsible for deciding whether to pass the report to NCIS.

NCIS

PO BOX 8000

LONDON SE11 5EN

www.ncis.co.uk

The Corporate Finance Manager is conversant with the requirements of the Proceeds of Crime Act 2002 and will train the following staff in being diligent to be alert for suspicious transactions: -

- treasury management
- other as appropriate

The Council has appointed Chief Monitoring Officer to be the responsible officer to whom any suspicions that transactions involving the Council may include a party who is involved in criminal activity. Suspicious transactions will be investigated as far as the Council is in a position to do so or it is appropriate for the Council to do so, and if doubts remain, these transactions will then be reported to the National Criminal Investigation Service.

TMP 10 STAFF TRAINING AND QUALIFICATIONS

The Council recognises the importance that all treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a Professional Development Review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the Corporate Finance manager to ensure that all staff under his / her authority receive the necessary training.

10.1 DETAILS OF APPROVED TRAINING COURSES

Treasury management staff will go on courses provided by our treasury management consultants, CIPFA, money brokers etc.

10.2 RECORDS OF TRAINING RECEIVED BY TREASURY STAFF

The Corporate Finance Manager will maintain records on all staff and the training they receive.

10.3 STATEMENT OF PROFESSIONAL PRACTICE (SOPP)

1. Where the Director of Resources is a member of CIPFA, there is a professional need for the Director of Resources 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 is the HSBC Bank.
- b) The branch address is:
13 Parliament Street
York
Tel :- Chris Bennett 08455849498
- c) Contract commenced January 2004 and runs for 4 years until December 2007.
- d) Cost of service is variable depending on schedule of tariffs and volumes
- e) Payments due monthly

11.1.2 Money-broking services

The Council will use money brokers for temporary borrowing and investment and long term borrowing.

It will seek to give an even spread of business amongst the approved brokers wherever possible.

The performance of brokers is reviewed by the Director of Resources every quarter to see if any should be taken off the approved list and replaced by another choice and will make appropriate recommendations to change the approved brokers list to the Corporate Finance Manager.

Name of broker	address and tel. no.
Garban Inter-Capital	02075323550
Prebon-Marshall Yamane	02072007393
Martin Brokers	01312267401
Sterling	02074072593

11.1.3 Consultants'/advisers' services

Treasury Consultancy Services

The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to remove/put on its approved lending list etc.

The performance of consultants will be reviewed by the Corporate Finance Manager every 6 months to check whether performance has met expectations.

- a) The name of the supplier of this service is Sector Treasury Services Limited
- b) The address is:
Innovation Court
New Street
Basingstoke
Hampshire
RG21 7JB
Tel: 0870 1916800
- c) Contract commenced 01/04/2004 and runs for 3 years 31/03/2007.
- d) Cost of service is £12,500.00 per year.
- e) Payments due one year in arrears on 31st March.

Leasing Consultancy Services

- a) The name of the supplier of this service is Sector Treasury Services Limited.
- b) The address is:

Innovation Court
New Street
Basingstoke
Hampshire
RG21 7JB
Tel: 0870 1916800

- c) Contract started on the 27th July 2004 and will run until 30th March 2009.
- d) Fee is agreed at 0.5% of the capital cost of drawdown.

11.1.6 Credit rating agency

b. The Council receives a credit rating service through its treasury management consultants, the costs of which is included in the consultant's annual fee

11.2 PROCEDURES AND FREQUENCY FOR TENDERING SERVICES

Procedures for tendering are in line with the Councils Financial Regulations 2006.

TMP 12 CORPORATE GOVERNANCE

12.1 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 [includes Prudential Indicators and Annual Investment Strategy/
 - Annual Treasury Report
 - Annual accounts
 - Annual budget
 - 3 Year Capital Plan
 - Minutes of Council / Cabinet / committee meetings

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**LIST OF FINANCIAL INSTITUTIONS AUTHORISED AS
COUNTERPARTIES FOR TEMPORARY INVESTMENT**

The EMAP for Resources has authorised investment with the following institutions:

- UK/European Banks and UK Building Societies rated as meeting Sector Treasury Services Limited's suggested credit criteria, up to one year for main banks/building societies.
- Local authorities, with the exception of Welwyn and Hatfield Council.

As at the date at the foot of this letter, the list of main banks and building societies comprises the institutions which follow.

COUNTRY	INSTITUTION	Additional Information	Rating Colour Code	MAXIMUM PERIOD
			See Current Matrix for amount limit	
UK - Bk	Abbey plc	A group entity with the Spanish bank - Santander Central Hispano	Red	364 days
	Abbey National Treasury Services plc	W/O Sub of Abbey Nat	Red	364 days
UK - Bk	Alliance & Leicester plc		Green	3 months
UK - Bk	Bank of New York Europe Limited		Green	3 months
UK - Bk	Bank of Scotland plc	W/O Sub of HBOS	Red	364 days
UK - Bk	Barclays Bank plc		Red	364 days
UK - Bk	Bradford & Bingley		Green	3 months
UK - Bk	Bristol & West plc	Owned by Bank of Ireland	Red	364 days
UK - Bk	Cheltenham and Gloucester plc	W/O Sub of Lloyds TSB	Green	3 months
UK - Bk	CIBC World Markets plc	W/O Sub of CIBC Canada	Green	3 months
UK - Bk	Citibank International plc		Green	3 months
UK - Bk	Clydesdale Bank plc		Red	364 days
UK - Bk	Co-operative Bank plc		Green	3 months
UK - Bk	Credit Suisse First Boston International	W/O Sub of CSFB	Green	3 months
UK - Bk	Egg Banking PLC		Green	3 months
UK - Bk	Halifax plc	W/O Sub of HBOS	Red	364 days
UK - Bk	HBOS Treasury Services plc	Previously Bank of Scotland Treasury Services	Red	364 days
UK - Bk	Heritable Bank Ltd		Green	364 days
UK - Bk	H.S.B.C. Bank plc	W/O Sub HSBC Holdings plc	Red	364 days
UK - Bk	Lloyds TSB Bank plc		Red	364 days
UK - Bk	MBNA Europe Bank Ltd		Red	364 days
UK - Bk	Merrill Lynch International Bank Ltd		Green	3 months
UK - Bk	National Westminster Bank plc	W/O Sub of Ryl Bnk of Scotland	Red	364 days
UK - Bk	Northern Rock plc		Green	3 months

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UK - Bk	Royal Bank of Scotland plc		Red	364 days
UK - BK	Ulster Bank Ltd	Parent - Royal Bank of Scotland Group	Red	364 days
UK – BS	Britannia BS		Green	3 months
UK - BS	Chelsea BS		Green	3 months
UK - BS	Coventry BS		Green	3 months
UK – BS	Leeds BS		Green	3 months
UK - BS	Nationwide BS		Red	364 days
UK – BS	Newcastle BS		Green	3 months
UK – BS	Portman BS		Green	3 months
UK - BS	Principality BS		Green	3 months
UK - BS	Skipton BS		Green	3 months
UK – BS	West Bromwich BS		Green	3 months
Austria	Bank Austria Creditanstalt AG		Green	3 months
Austria	Raiffeisen Zentralbank Osterreich AG		Green	3 months
Belgium	Dexia Bank		Red	364 days
Belgium	Fortis Bank NV		Red	364 days
Belgium	KBC Bank NV		Red	364 days
Denmark	Danske Bank AS		Red	364 days
Finland	Nordea Bank Finland PLC	Part of Nordea Group	Red	364 days
France	Banque Palatine	60% controlled by Caisse Nationale des Caisse d'Epargne	Green	3 months
France	Caisse Nationale des Caisses d'Epargne et de Prevoyance		Green	3 months
France	Credit Agricole SA		Red	364 days
France	Credit Industriel et Commercial (CIC)		Red	364 days
France	CALYON corporate & investment bank		Red	364 days
France	Dexia Credit Local	Sub of Dexia	Red	364 days
France	Natexis Banque Populaires		Green	3 months
France	Societe Generale		Red	364 days
Germany	Commerzbank AG		Green	3 months
Germany	Deutsche Bank AG		Red	364 days
Germany	Deutsche Postbank		Green	3 months
Germany	Dresdner Bank AG		Green	3 months
Germany	DZ Bank AG Deutsche Zentral – Genossenschaftsbank		Green	3 months
Germany	Eurohypo AG		Green	3 months
Germany	HSH Nordbank		Green	3 months
Germany	Landwirtschaftliche Rentenbank		Red	364 days
Germany	Rheinhyp Rheinische Hypothekenbank AG		Green	3 months
Germany	SEB AG (name changed from BfG Bank AG)		Green	3 months
Ireland	Allied Irish Bank plc		Red	364 days
Ireland	Anglo Irish Bank Corporation plc		Green	3 months

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Ireland	Bank of Ireland		Red	364 days
Ireland	First Active		Red	364 days
Ireland	Irish Intercontinental Bank Ltd	W/O by KBC Bank Belgium	Red	364 days
Ireland	Irish Life & Permanent plc		Green	3 months
Italy	Banca Cassa di Risparmio di Torino SpA (Banca CRT)		Green	3 months
Italy	Banca Intesa		Green	3 months
Italy	Banca Monte dei Paschi di Siena		Green	3 months
Italy	Banco Popolare di Verona e Novara		Green	3 months
Italy	Cariverona Banca SpA		Green	3 months
Italy	Sanpaolo IMI SpA		Red	364 days
Italy	Unicredito Italiano Spa		Green	3 months
Luxembourg	Banque et Caisse d'Epargne de l'Etat		Green	3 months
Luxembourg	Banque Generale du Luxembourg SA	53% owned by Fortis Belgium	Red	364 days
Luxembourg	Clearstream Banking		Green	3 months
Luxembourg	Dexia Banque Internationale a Luxembourg SA	Sub of Dexia	Red	364 days
Netherlands	Bank Nederlandse Gemeenten		Red	364 days
Netherlands	Friesland Bank NV		Green	3 months
Netherlands	ING Bank NV		Red	364 days
Netherlands	Rabobank International (Cooperative Centrale Raiffeison Boerleenbank BA)		Red	364 days
Netherlands	SNS Bank NV		Green	3 months
Norway	DNB NOR Bank		Red	364 days
Portugal	Banco BPI SA		Red	364 days
Portugal	Banco Commercial Portugues SA		Red	364 days
Portugal	Banco Espirito Santo a Comercial de Lisboa (BES)		Red	364 days
Portugal	Banco Santander Totta SA	A group entity with the Spanish bank - Santander Central Hispano & Abbey UK	Red	364 days
Spain	Banco Bilbao Vizcaya Argentaria		Red	364 days
Spain	Banco de Credito Local de Espana		Red	364 days
Spain	Banco Popular Espanol		Red	364 days
Spain	Banco de Sabadell SA		Green	3 months
Spain	Banco Santander Central Hispano	A group entity with the UK bank - The Abbey	Red	364 days
Spain	Caja de Ahorros de Galicia (Caixa Galicia)		Green	3 months
Spain	Confederacion Espanola de Cajas de Ahorros		Red	364 days
Sweden	Nordea Bank AB		Red	364 days
Sweden	ForeningsSparbanken AB (publ) (name changed from SwedBank)		Red	364 days
Sweden	Skandinaviska Enskilda Banken AB (publ)		Red	364 days
Sweden	Svenska Handelsbanken AB (publ)		Red	364 days

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Switzerland Credit Suisse
Switzerland Union Bank of Switzerland AG

Red 364 days
Red 364 days