

TREASURY MANAGEMENT SERVICES**Report of the Treasurer**

1. Purpose of the Report

- 1.1 To agree the Treasury Management Services which are provided by the Treasurer under powers delegated by the Authority.

2. Background

- 2.1 The Treasurer has delegated powers to carry out Treasury Management Services on behalf of the Police Authority. For the purpose of this report, Treasury Management Services are the same as those described in the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Authority Treasury Management Code of Practice, as follows:-

"The management of the Authority's cashflows, its bankings, money market and capital transactions. The effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks".

- 2.2 Given the current position, where banking arrangements for the Authority are combined with those of Gateshead Council for the reasons outlined in this report and a report considered by the Authority on 24 April 2002, the Treasury Management Service is provided by Gateshead Council under the direction of the Treasurer.
- 2.3 The Authority's borrowing and investment strategy is detailed in the Annual Treasury Strategy Statement approved by the Authority on 24 March 2004. In addition, all borrowing will be carried out within the affordability and sustainability parameters set as part of the Prudential Code as approved by the Authority on 18 February 2004.
- 2.4 Members will recall that the Audit Commission, in its 2002/03 Annual Audit Letter, expressed the need to formally document and agree the treasury management arrangements that are provided to the Police Authority by Gateshead Council. This report outlines the arrangements in the Treasury Management Services Agreement, which is attached as Appendix 1 to this report.

3. Treasury Management Services Agreement

- 3.1 The Authority has a bank account to receive payments of Police Grant and other government grants. The balances on this account are then 'pooled' with those of Gateshead Council a single bank account for treasury management purposes. All administration is undertaken and performed by the Treasurer of the Police Authority/Strategic Director, Finance and ICT, Gateshead Council, in accordance with the financial regulations of each organisation under delegated powers.
- 3.2 These procedures are operated to take advantage of economies of scale, provide a single point of control, provide coherence of treasury activities, facilitate pooling of expertise, and allow effective communication. This is reflected in the sharing of financial systems.
- 3.3 The Authority's investments are 'pooled' with those of Gateshead Council to ensure that economies of scale are achieved in terms of the costs associated with arranging and administering investments, the achievement of favourable rates of return, and the growing reluctance of many banks to accept smaller investment sums.
- 3.4 Investment interest is paid to the Authority from Gateshead Council at the Local Authority Average 7 day rate of interest, as published in the Financial Times. This is an industry benchmark figure for returns that can be achieved on funds invested for 7 days. This allows greater flexibility in terms of cash flow at a time when the Authority is seeking to undertake major investment in its estate. In addition, the agreement provides for the Authority's 7 day rate to be guaranteed even when the actual rate of return achieved on pooled balances drops below the average 7 day rate.
- 3.5 The Authority's borrowing requirements are also pooled with those of Gateshead Council. This is necessary to ensure that sufficient funds are available to cover cash flows within the joint bank account. Again, efficiency savings are gained by pooling these arrangements via cost savings associated with identifying and arranging the most appropriate forms of borrowing.
- 3.6 The interest costs associated with borrowing are pooled and apportioned to the Police Authority based on the average rate of interest on borrowing (pool rate) applied to the Authority's credit ceiling.
- 3.7 The agreement also includes the requirement for the Authority to receive a summary report on performance of the Treasury Management Service by 30 September each year.



4 Financial Implications

The Treasurer confirms that there are no financial implications arising directly from the contents of this report.

5 Human Rights Implications

Nil

6 Equal Opportunities Implications

Nil

7 Recommendations

The Authority is requested to approve the Treasury Management Services agreement as set out in appendix 1.

NORTHUMBRIA POLICE AUTHORITY

Treasury Management Services Agreement

The service provided by Gateshead Council under the direction of the Treasurer will include but not be exclusively restricted to:-

General Objectives

- The management of the Police Authority's cashflows, it's bankings, money market and capital transactions. The effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.
- The provision of all such services to be carried out in accordance with CIPFA's Treasury Management Code of Practice, the Prudential Code, ODPM's Investment Guidance and the 2003 Local Government Act.

Cash Management

- Provision of all necessary working capital to enable the operational requirements of the Police Authority to be met.
- Ensuring all necessary procedures are in place to provide for efficient management of the Police Authority's cashflow.

Banking

- The opening of all necessary bank accounts in accordance with the operational requirements of the Police Authority, including such Petty Cash accounts as determined by the Police Authority.
- Ensuring that all banking and petty cash transactions are only carried out with due authorisation.
- Carrying out all necessary reconciliations and controls as required by the Police Authority.
- Maintenance and provision for access to all necessary records.

Investment

- Prudent investment of the Police Authority's surplus cash balances in line with the Authority's annual investment strategy.
- Provision of an effective investment management service which meets the Police Authority's requirements in respect of growth, risk and liquidity.
- Maintenance of comprehensive records in respect of all investment transactions.
- Allocation of investment interest to the Police Authority, paid at the Local Authority average 7 day rate (as published in The Financial Times).

Borrowing

- Arranging the most appropriate form of borrowing on behalf of the Police Authority, taking into account the implications of the Prudential Code.
- Allocating the cost of borrowing to the Police Authority based on the pool rate of interest applied to the Authority's credit ceiling.

General

- Effectively managing risk on behalf of the Police Authority in the pursuit of optimum performance, consistent with the Authority's Treasury Management Practices.
- Setting, monitoring and reporting inclusive Prudential Indicators to allow the Police Authority to take advantage of the freedoms and flexibilities afforded by the Prudential Code.

Reporting

- Treasury Strategy Statement (including Prudential Indicators) by 31 March each year.
- Annual report on Treasury Management by 30 September each year.