

Treasury Management Practices (including detailed schedules)

Treasury Management Practices (TMPs) set out the manner in which the Authority will seek to achieve its treasury management policies and objectives and how it will manage and control those activities. Additional detailed information, shown in italics, is provided to illustrate how each practice is managed.

TMP1 Treasury Risk Management

The Treasurer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in *TMP6 Reporting requirements and management information arrangements*.

(i) Credit and Counterparty Risk Management

The authority regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in *TMP4 Approved instruments methods and techniques*. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

The Police Authority's arrangements have been formulated to restrict the exposure to risk by taking account of the credit standing of counterparties, and setting limits to different types of borrowers.

Devon and Cornwall Police Investment Fund and Short Term Deposits

The Police Authority has a Service Level Agreement (SLA) with Devon County Council to provide Treasury Management Services. Under the SLA Devon County Council's Investment Team undertakes day to day cash flow management on behalf of the Authority, provides advice to the Treasurer on investment of the Devon and Cornwall Police Investment fund and arranges any transactions that are agreed by the Treasurer. To do this the Devon County Council Investment manager maintains a lending list (approved list of counterparties) for the Police Authority that complies with criteria as set out in the Police Authority's Annual Treasury Management Strategy. The principles that will be applied in determining and operating the lending list are as follows:

- *The Counterparty list will be approved by the Police Authority as part of the Annual Treasury Management Strategy.*
- *The credit ratings of all three major rating agencies (Fitch, Moody's and Standard & Poor's) will be used to ensure that commercial institutions satisfy the requirements of the current policy. In essence the Police Authority looks for a high rating from banks and building societies and sets lending limits against each one. Banks and UK Building Societies that do not attract these ratings are not considered at all.*
- *Lending to other Local Authorities and Public Bodies is allowed, with differing credit limits according to the type of institution.*
- *The List of Approved Counterparties is kept under close review and is subject to amendment in the light of changes to credit ratings, takeovers and mergers, or changes to the type of institution.*

- *Group Limits will be operated for all counterparties such that the investments in the parent organisation and subsidiaries of that organisations will not exceed the group limit*
- *Approved institutions are placed on the lending list, deposits may not be made to any institution, which does not conform to the requirements of the Lending List, nor is any transaction allowed to be entered into through any money broker not featuring on the approved list.*
- *The financial press and other sources are monitored with a view to discovering cases where an institution on the List is in any difficulty, financial or otherwise. If appropriate, any organisation will be immediately suspended from the list until such time that they demonstrate their creditworthiness. The decision to suspend a counterparty is made by the Devon County Council Investment Manager in consultation with the Police Authority Treasurer, and notified to other officers by the issue of a revised Approved List.*

The Police Authority Treasurer will be responsible for considering the balance of deposits in different countries and sectors with a view to ensuring that there is no over concentration in any particular sector or country. Any action taken to change the balance of investments by sector or country will be reported retrospectively to the Resources Committee.

Changes to the counterparty list will be reported to the Resources Sub Committee at the earliest possible point. Any addition to the Counterparty list after approval of the Annual Treasury Management Strategy by the Police Authority will be approved by the Treasurer after consultation with the Chair of the Resources Committee and the Chair of Corporate Governance Committee.

Changes to the counterparty list and/or the limits for individual counterparties may cause a temporary breach of the new limits if, the limit for a counterparty which the Police Authority has existing deposits with is reduced. Any such breach of the counterparty limits will be reported retrospectively to the Resources Committee and included in the annual report to the Corporate Governance Committee on the operation of the Treasury Management Practices including the detailed schedules.

Funds available to the Police Authority for investment are reasonably substantial, and the current lending policies ensure a balance of there being no difficulty placing funds, whilst at the same time the credit risk is minimised.

Funds Managed by the External Investment Manager

The security of the Fund is of paramount importance and the Manager's priority will be to minimise risk to capital values. The manager's objective will be to optimise investment returns commensurate with the containment of risk.

Investec will use counterparties rated AA- or above. Although this is the minimum, investment will generally be with higher rated counterparties. The credit ratings agency used are Fitch IBCA and Standard and Poors. Investec use other information including credit default swap prices and market information to supplement the use of credit ratings.

Group Limits will be operated for all counterparties such that the investments in the parent organisation and subsidiaries of that organisations will not exceed the group limit.

All investments will be specified investments (as defined in the Local Authority Investment Regulations) with the following exception:

Non-specified investments up to a limit of 30% of their overall portfolio may be used. These must be in UK government bonds with maturity period above one year and/or certificates of deposit with maturity periods between one year and two years and/or supranational bonds. The Treasurer has advised the manager that any trades in supranational bonds must be discussed with him in advance.

The maximum average duration for the portfolio held by the investment manager will be 5 years. The maximum percentage of the portfolio, which the fund manager can invest with any one institution, is 15%.

The external investment manager will maintain a Lending List which will be compiled using the following information:

- *Credit ratings set by Standard and Poor and FITCH*
- *Credit default swap levels*
- *A subjective overlay which reflects the strength of individual counterparties from trading patterns and market information*

The external investment manager may add or delete counterparties from the list subject to compliance with the overall ratings criteria set in the Annual Treasury Management Strategy and any other specific instructions contained in the strategy and reflected in the Investment Management Agreement.

The Police Authority looks for high ratings from banks and building societies. Banks and UK Building Societies that do not attract these ratings are not considered at all.

The Police Authority Treasurer will be responsible for considering the balance of deposits in different countries and sectors with a view to ensuring that there is no over concentration in any particular sector or country and will provide instructions to the external investment managers as appropriate.

Total Exposure to Counter Parties

The same counterparties may be used by the Devon and Cornwall Police Investment Fund and the External Fund Manager. This means that the combined exposure to any given counterparty or group is the sum of the maximum limit for the Devon and Cornwall Police Investment Fund and the External Fund Manager.

(ii) Liquidity Risk Management

The Authority will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

The Authority will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current financial years capital programme or to finance future debt maturities.

Finance Officers within the Force will maintain a detailed cashflow model and provide cashflow forecasts to the Devon County Council Investment Team.

The Police Authority has an overdraft facility with its bankers (Barclays) of £1 million.

All investments of more than 3 months duration will be in the Devon and Cornwall Police Investment Fund. Amounts and duration of deposits in the Fund will be approved by the Treasurer, placing of deposits will be decided by the Devon County Council Investment Team within the criteria set in the Annual Investment strategy .

Deposits of less than three month duration will be decided by the Devon County Council's Investment Team within the criteria set in the Annual Investment strategy.

Daily cash flow is managed by Devon County Council's Investment Team in order to 'smooth' the flow of funds into and out of the Authority, ensuring best returns on surplus funds, whilst minimising borrowing costs on days where there is a shortage. Borrowing and lending is generally undertaken so as to ensure as far as is possible that on no one day should there be a requirement to have to fund shortages in excess of £1 million. Days when it is known that large outflows of money will take place e.g. payroll dates, are obvious dates to ensure there is sufficient liquidity.

Balances that are identified as not being for immediate use, say within the next few months, may be invested for longer periods.

Generally, if the forecast closing balance is less than £100,000 overdrawn, it is not economic to borrow at rates just marginally below the rate payable by having an overdrawn balance. The transaction costs, and the cost of brokerage, will more than outweigh any saving of interest.

Forecast credit balance of anything below £250,000 will not be offered to the 'market', but will be simply kept with Barclays Bank.

Devon and Cornwall Police Investment Fund

No more than the lesser of £10m or 50% of the fund may be invested for more than 364 days

Funds Invested by External Fund Manager

No more than 30% of the fund may be invested for period of more than 364 days

(iii) Interest Rate Risk Management

The authority will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

The level of exposure to Interest Rate Risk depends on the balance of fixed to variable monies. Here the risk is twofold. Being locked in to fixed funding when rates are falling, or failing to take advantage at a time when rates are perceived as low, or are forecast to rise; conversely, being locked into investments when rates are rising, and being unable to take advantage of this situation.

The Authority has had for a number of years the policy of borrowing the fixed rate long-term element of its loans portfolio with loans from the Public Works Loan Board (PWLB). This policy is reassessed annually as part of the adoption of the Treasury Management Strategy.

It is possible to manage the interest rate risk by switching existing loans from fixed to variable or vice versa, or re-scheduling existing debt, i.e. repaying existing debt, and re-borrowing over a shorter, or perhaps longer period. However the existing arrangements operated by the Board of different rates for repaying loans as to those applied to new advances, mean that such changes are often uneconomic. Regard must always be had of the potential costs of any re-scheduling, as often they will attract a premium payable to the lender. This point is also referred to later under 'Re-financing Risk'.

Market Loans, usually in the form of LOBOs (Lenders Option Borrowers Option), offer an alternative from borrowing from the PWLB. Here money is borrowed for an initial period against the issue of a Bond, and gives the Lender the Option of varying the rate at the end of the period. If this Option is taken, the Authority as Borrower can in turn agree to the new rate, or repay the loan without penalty. The flexibility offered by such loans can be a great help in managing this type of risk. The lender, who has the choice to (or not to) exercise the first option, has to be seen as having the greater control of the arrangement.

On the investment side, the use of Call Accounts, Notice Money, Money Market Funds, and Callable Deposits all introduce a degree of flexibility not offered by fixed term investments.

(iv) Exchange Rate Risk Management

The Police Authority will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

It will achieve this objective by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of exchange rates. The above is subject at all times to the consideration and, if required, Authority approval of any policy or budgetary implications.

The risk from fluctuating exchange rates is not substantial as far as the Authority is concerned. Income or expenditure transacted in currencies other than Sterling is limited in value with the exception of transactions in relation to the helicopter purchase. Any specific measures adopted to manage interest rate risk will be contained within the Annual Treasury Management Strategy.

(v) Refinancing Risk Management

The Authority will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Authority as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

External long term funding is arranged by the Treasurer in accordance with the Annual Treasury Management Strategy and Prudential Indicators, which are adopted by the Authority's members before the start of each financial year. All borrowings are with either the Public Works Loan Board or a major bank as lender.

Loans are offered by the Board over periods of one to fifty years and can be either at fixed or variable rates. There are also three methods of repaying loans; Maturity, by Equal Installments of Principal (EIP), or as Annuity loans. The Authority currently uses only the first type, and pays interest half-yearly in November and May. These payments are made by direct debit.

A register is kept of all borrowings so that maturities can be identified. In addition the capital programme and cashflow model identify the requirements for capital funding. New borrowing is arranged to avoid the bunching of maturities.

(vi) Legal and Regulatory Risk Management

The Authority will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities.

The authority recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Authority.

Devon and Cornwall Police Investment Fund and Short Term Deposits

Devon County Council's Investment Manager provides advice to the Treasurer on the lending list. When doing this the Investment manager will make reference to official circulars from the Bank of England and to Credit Agency reports in order to vet potential counterparties. The Authority, if requested, will provide to those institutions, documentation to support the Council's and Authority Officer's powers to enter into any transaction. Annual Accounts, Treasury Management Strategy Statements, and Schemes of Delegation are exchanged with counterparties.

External Investment Manager

The services of the external investment manager are governed by a Discretionary Fund Management Agreement.

Investments will be limited to Approved investments as specified in the Local Authorities (Capital Finance) (Approved Investments) Regulations 1990 and subsequent amendments.

All investments will be specified investments with the following exception:

Non-specified investments up to a limit of 30% of the overall portfolio may be used, these must be in UK government bonds with maturity period above one year and/or certificates of deposit with maturity period between one year and two years and/or supranational bonds.

Any trades in supranational bonds must be agreed with the Treasurer in advance.

(vii) Fraud, Error and Corruption, and Contingency Management

The Authority will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

Devon and Cornwall Police Investment Fund and Short Term Deposits

Devon County Council's Investment Team undertakes the day to day cash flow management on behalf of the Authority, provides advice to the Treasurer on investment of the Devon and Cornwall Police Investment fund and arranges any related transactions. The controls that the Devon County Council Investment Team will operate to reduce the Authority's exposure to fraud corruption and error are set out in the Service Level Agreement with the County Council.

External Investment Manager

The services of the external investment manager are governed by a Discretionary Fund Management Agreement. The manager accepts responsibility for loss to the Police Authority to the extent that the loss is due to negligence wilful default or fraud of itself, or any delegate or that of its or their employees.

(vii) Market Risk Management

The Authority will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principle sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

All lending within the Devon and Cornwall Police Investment Fund and all short term deposits are in the form of cash deposits. The external fund manager may use other instruments whose capital value may fluctuate for example Gilts or Certificates of Deposit (CDs). The security of the Fund is of paramount importance and the Manager's priority will be to minimise risk to capital values.

All investments will be specified investments (as defined in the Local Authority Investment Regulations) with the following exception:

Non-specified investments up to a limit of 30% of their overall portfolio may be used. These must be in UK government bonds with maturity period above one year and/or certificates of deposit with maturity periods between one year and two years and/or supranational bonds. The Treasurer has advised the manager that any trades in supranational bonds must be discussed with him in advance.

TMP2 Performance Measurement

The Authority is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement. Performance is reported to the Resources Committee on a regular basis.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Authority' stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements.

The performance of the treasury management function will be measured using the criteria set out in the Annual Treasury Management Strategy.

TMP3 Decision-making and analysis

The Authority will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

The Service Level Agreements that the Police Authority has in place with Devon County Council and its external fund manager requires that for all transactions there is certainty about the legality of the transaction, and that the transaction helps deliver the organisation's objectives as set out in the Treasury Management Strategy. In addition third parties will have been checked to ensure their credit worthiness and to ensure that limits have not been exceeded. Rates will be fully checked against the market to ensure they are competitive.

With particular regard to borrowing, market and economic factors will influence the timing of any funding, the most appropriate period, and the repayment profile.

TMP4 Approved Instruments, Methods and Techniques

The Authority will undertake its treasury management activities by employing only those instruments, methods and techniques detailed, and within the limits defined in 'TMP1, Risk Management'.

The following are approved activities performed by Devon and Cornwall Police Authority

- Borrowing
- Lending
- Debt repayment and rescheduling
- Consideration, approval and use of new financial instruments and treasury management techniques
- Managing the underlying risk associated with capital financing and surplus funds
- Managing cash flow

There are a number of ways of raising external capital finance, which are set out in Local Government Acts, but the Authority has only used one of these, borrowing from the Public Works Loan Board (see TMP 1 (iii) Treasury Risk Management – Interest Rate Risk for more information).

The Treasurer considers this is the most appropriate form of borrowing, but alternatives to these, which are allowed to Local Authorities, may well be considered in the future.

(Increasingly, there are other potential sources for the funding of capital projects, e.g. Private Finance arrangements, or the use of leasing, but they are not considered here).

A number of types of cash deposits are used.

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

The Authority considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud, error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when this Authority intends, as a result of lack of resources or other circumstances, to depart from these principles, the Treasurer will ensure that the reasons are properly reported in accordance with TMP6 *Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

The Treasurer will fulfil all responsibilities in accordance with the Police Authority's Policy statement, Treasury Management Practices (TMPs) and CIPFA's Standard of Professional Practice on Treasury Management. He will ensure that there are clear written statements of the responsibilities for each post

engaged in treasury management, and that all agreements with outside providers comply with the policy statement and TMPs.

The Treasurer, through the exercise of agreements with outside providers will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

There are a number of bodies and individual with responsibilities in this area.

Police Authority

The Police Authority will receive reports on treasury management policies, practices and activities, including audit reports. The minimum reporting requirements are more fully explained in TMP 6 'Reporting Arrangements'.

The Police Authority is required to approve any amendments to the organisation's adopted Treasury Management Policy Statement, and the selection of external service providers, including agreeing terms of appointment.

Resources Committee

The Resources Committee has responsibility for monitoring the performance of the Annual Treasury Management Strategy. Decisions taken by the Treasurer that significantly affect the overall level of treasury management risk will be reported to the Resources Committee (see TMP 6).

Corporate Governance Committee

The Corporate Governance Committee has responsibility for ensuring effective scrutiny of the treasury management strategy and policies. The Corporate Governance Committee's main focus will be to review the arrangements for the effective identification, monitoring and control of the risks associated with Treasury Management. This will include annual review of the Treasury Practices and the detailed schedules that underpin the practices. The Corporate Governance Committee will bring any matters of concern to the attention of the Police Authority.

The Police Authority Treasurer

The Treasurer is responsible for recommending (changes to) Treasury Management Policies to Members for approval, and for ensuring they receive as a minimum, the three annual reports referred to above. The Treasurer will ensure that Treasury Policies are adhered to, and if not will bring the matter to the attention of Police Authority members as soon as possible.

The Treasurer will approve in year additions to the Counterparty list after consultation with the Chair of the Resources Committee and the Chair of Corporate Governance Committee.

The Treasurer will receive updates from the Devon County Council Investment Team and the external fund manager, both Internal and External Audit, and from other sources regarding performance. It is the responsibility of the Treasurer to consider such reports, and any recommendations arising from them.

Prior to entering into any long term borrowing, lending or investment transaction, it is the responsibility

of the Treasurer to be satisfied that the proposed transaction does not breach any statute, external regulation or the Police Authority's Financial Regulations.

The Treasurer has delegated powers to take the most appropriate form of borrowing from the approved sources, and to take the most appropriate form of investments in approved instruments.

In the absence of the Treasurer the Force Head of Technical Accounting will:

- receive reports from the Devon County Council Investment Team and the external fund manager with regard to the downgrading (or other relevant changes or difficulties) of any counterparty and will (if it is considered appropriate) take action to remove the counterparty from the Police Authority's lending list as a temporary measure pending confirmation by the Treasurer.
- Report any breaches of Treasury Management Policies to the Police Authority members as a matter of urgency

Force Finance Staff

The Head of Technical Accounting will maintain a detailed cashflow model and provide the Treasurer and the Devon County Council Investment team with cashflow forecasts. The Head of Technical Accounting will monitor interest rates and provide the Treasurer with appropriate monitoring information. The Head of Technical Accounting and other members of the Force Finance Department are authorised to arrange loans with the Public Works Loan Board on behalf of the Treasurer.

The Police Authority Internal Auditor

The responsibilities of the Internal Auditor include ensuring compliance with approved policy and procedures, reviewing division of duties and operational practice, assessing value for money from treasury activities, and undertaking probity audit of the treasury function.

TMP6 Reporting Requirements and Management Information Arrangements

The Authority will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum the Authority will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- a mid-year review
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

The Resources Committee will receive regular monitoring reports on treasury management activities and risks. These will include:

- reports of all new borrowing and any lending of more than 3 month duration
- any changes to the counterparty list and the implications of such changes

The Corporate Governance Committee will receive an annual report of the operation of Treasury Management Practices.

The Police Authority has access to information on all investments made on its behalf by the Devon County Council Investment Team via its daily electronic bank reconciliation processes. A monthly statement is received from the County Council setting out current investment and interest received. In addition a monthly statement is received from the external investment manager setting out current investment and interest received.

TMP7 Budgeting, Accounting and Audit Arrangements

The Treasurer will prepare, and the Police Authority will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at a minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 *Risk management*, TMP2 *Performance measurement*, and TMP4 *Approved instruments, methods and techniques*. The Treasurer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangements*.

The authority will account for its treasury management activities, for decisions made, and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

The Treasury Management Budget or supporting papers will identify:

- *Interest and other investment income*
- *Debt and other financing costs*
- *Bank and overdraft charges*
- *Brokerage, commissions and other transaction-related costs*
- *External advisors' and consultants' charges*

The Treasurer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 'Reporting Requirements and Management Information Arrangements'.

TMP8 Cash and Cash Flow Management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Police Authority will be under the control of the Treasurer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Treasurer will ensure that these are adequate for the purposes of monitoring compliance with TMP1(1) *liquidity risk management*. The present arrangement for preparing cash flow projections, and their form, are set out in the schedule to this document.

A Cash Flow model is produced at the start of each financial year, based upon information contained in the published Capital and Revenue Budgets.

Actual receipts and payments are monitored against the forecast, and regular discussions are held with Force staff who are likely to be able to explain the variations. The forecast is updated in the light of them

Cash flow is reviewed weekly by the Head of Technical Accounting and is updated in information is supplied to the Devon County Council Investment Team as appropriate determining investment strategy.

TMP9 Money Laundering

The Authority is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. Reports on attempted money laundering will be considered by the Treasurer and reported to the Corporate Governance Committee.

The source of all monies received by the Authority is required to be identified. Major unbudgeted income or receipts which had not been forecasted are investigated.

The Authority does not accept loans from individuals. All loans are obtained from the Public Works Loan Board or from authorised institutions under the Banking Act 1987. The names of these institutions formerly appeared on the Bank of England's quarterly list of authorised institutions, but in December 2001, the Financial Services Council (FSA) took over many of the Bank's responsibilities in this area, and it is now responsible for maintaining the register.

TMP10 Training and Qualifications

The Authority recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Treasurer will recommend and implement the necessary arrangements.

The Treasurer will ensure that Authority members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The Treasurer will ensure that Police Authority members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

The Treasurer is committed to his professional responsibilities through both personal compliance and by ensuring relevant staff are appropriately trained.

TMP11 Use of External Service Providers

The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have

been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Treasurer.

The Police Authority employs the following external advisers

Devon County Council

The Police Authority has a Service Level Agreement (SLA) with Devon County Council to provide Treasury Management Services. Under the SLA Devon County Council's Investment Team undertakes the day to day cash flow management on behalf of the Authority, provides advice to the Treasurer on investment of the Devon and Cornwall Police Investment fund and arranges any transactions that are agreed by the Treasurer.

The performance of the Devon County Council Investment Team is regularly monitored and reported to the Resources Committee. In addition compliance with the criteria laid down within the Annual Treasury Management Strategy is reviewed on a weekly basis. All investment of more than three months duration will be approved by the Treasurer and reported retrospectively to the Resources Committee.

Investec Asset Management

The Authority employs Investec Asset Management to invest surplus funds. The agreement with the fund manager makes clear that the security of the Fund is of paramount importance and the Manager's priority will be to minimise risk to capital values.

The performance of Investec Asset Management is regularly monitored and reported to the Resources Committee. In addition compliance with the criteria laid down within the Annual Treasury Management Strategy is reviewed on a monthly basis.

TMP12 Corporate Governance

The Authority is committed to the pursuit of proper corporate governance throughout its business and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Authority has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Treasurer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

