Agenda Item

Report

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Report to:	**Finance and Information Technology Resources**
Date of Meeting:	**13 September 2011**
Report by:	**Chief Executive**

Subject:	**Treasury Management Activity and Prudential Code Indicators for 2010/11**

1. Purpose of Report

1.1. The purpose of the report is to:-

- provide an overview of the treasury management activity and interim prudential code indicators for 2010/11.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

(1) that the treasury management activity for 2010/2011 is noted
(2) that the interim 2010/2011 Treasury Management and Prudential Indicators are noted
(3) that the report is referred to the Executive Committee.

3. Background

3.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management requires Councils to prepare an annual report on their treasury management activities.

3.2. The introduction of the Prudential Framework in April 2004 also requires Councils to prepare a series of financial indicators that demonstrate affordability, prudence and sustainability with regard to capital financing decisions. Estimates of these indicators are reported to the Finance and Information Technology Resources Committee at the start of each year, with selected indicators then reported on an actual basis at the end of the year.

3.3. The Council's capital programme includes, within its funding package, planned borrowing. The Prudential Code provides a framework to assist the management of the financial implications and helps to demonstrate that the borrowing is both affordable and prudent.

3.4. The full report on the Council's treasury management activities in 2010/2011 is attached at Appendix 1. The Treasury Management and Prudential Code indicators are attached at Appendix 2.

3.5. The figures contained within this report are taken from or calculated from South Lanarkshire Council's Annual Accounts for 2010/2011. It should be noted that the Annual Accounts are still being audited and, therefore, some of the figures may be subject to change. Significant changes to the indicators resulting from the audit will be reported back to Committee at a later date.

4. Treasury Management Activity

4.1. The Council ended the year with debt of £706.132m with fixed rate loans from the Public Works Loans Board (PWLB) making up 96.48% of the debt. Fixed rate loans help to build in certainty to the calculation of future loan charges which forms a significant element of the Council's long term revenue budget strategy.

4.2. The Council's pooled interest rate for 2010/2011 was 4.93% (5.69% in 2009/10), with an expenses rate of 0.06%. The overall cost of borrowing will increase as debt levels increase to fund the capital programme, however, the pooled interest rate is expected to reduce as new borrowing is available at lower interest rates in the longer term.

4.3. Total deposits at the end of the year totalled £114.407m with the level varying throughout the year due to the timing of expenditure and receipts. All deposits were managed in line with the Council's approved counterparty policy with the security of the deposit being the main priority over yield. The level of investment return was £0.827m.

4.4. In 2010/2011, the Council secured £202.000m of long term borrowing from the PWLB at a weighted average rate of 2.21%. This borrowing contributed to the funding requirements of the capital investment programme.

5. Treasury Management and Prudential Code Indicators

5.1. The Council is required by the Prudential Code to report the actual prudential indicators after the closure of the financial year. Appendix 2 lists the indicators reported to Committee.

5.2. The General Fund Capital Expenditure for 2010/2011 was £118.285m which is £18.509m less than the estimate reported to Finance and Information Technology Resources Committee in February 2011. This is mainly due to slippage on various projects and expenditure in areas where the required accounting treatment differs from accepted monitoring arrangements (such as PPP land transactions and improvement grants).

5.3. The HRA capital spend in 2010/2011 was £40.628m which is £0.347m less than the estimate reported to Finance and Information Technology Resources Committee in February 2011.

5.4. The Council's net borrowing position for 2010/11 was £958.582m which is less than the capital financing requirement of £1,049.733m, which represents the Council's underlying need to borrow to fund capital expenditure. This difference is mainly due to the level of usable reserves held by the Council.

5.5. The Capital Financing Requirement for the General Fund is £25.049m less than forecast. This is due to capital expenditure being lower than forecast and loans fund repayments and repayment of the PPP Finance Lease liability being higher than forecast.

5.6. The net borrowing is £15.178m less than forecast, primarily due to the fact that the full borrowing requirement for 2010/2011 was not taken and reserve balances used in lieu of borrowing.

5.7. During 2010/2011, the Council remained within the operational boundary and authorised limit for gross debt. The operational boundary is the expected borrowing position, but it can vary due to changes in the cash flow and temporary breaches are acceptable. In contrast, the authorised limit represents the maximum level of debt the Council can afford and should not be breached.

6. Employee Implications

6.1. There are no employee implications.

7. Financial Implications

7.1. In 2010/2011, the loan charges for the general fund totalled £57.432m. HRA loan charges totalled £10.613m. These costs were met from within revenue budgets.

7.2. £86.466m of internal borrowing from the Council's loans fund was made to fund the capital programme, mainly the Primary Schools' Modernisation Programme. The HRA borrowed £19.877m to fund the ongoing Home Happening project. The ongoing revenue implications from this will be met from future revenue budgets.

8. Other Implications

8.1. The Council has complied with all of the relevant statutory and regulatory requirements which limit the levels of risk associated with its treasury management activities. In particular, its adoption and implementation of both the Prudential Code and the CIPFA Treasury Management Code of Practice means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.

9. Equality Impact Assessment and Consultation Arrangements

9.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.

9.2. There is no requirement to undertake any consultation in terms of the information provided in this report.

Archibald Strang
Chief Executive

15 August 2011

Link(s) to Council Objectives/Improvement Themes/Objectives

- Accountable, effective and efficient

Previous References

- Finance and IT Resources Committee 10 February 2010

List of Background Papers

- CIPFA publication "The Prudential Code for Capital Finance in Local Authorities"

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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Appendix 1

Treasury Management Activity Report 2010/11

1. Background

1.1. The Annual Treasury Management Activity Report is a requirement of the Council's reporting procedures and covers 2010/11. The report also includes the Treasury Management Indicators for 2010/11 in accordance with the requirements of the CIPFA Code of Practice for Treasury Management in the Public Sector and actual Prudential Indicators for 2010/11 in accordance with the requirements of the Prudential Code.

2. Introduction

2.1. The Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance:

2.2. The Local Government in Scotland Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;

- The Act permits the Scottish Ministers to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2009/10);
- Statutory Instrument (SSI) 29 2004, requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities, and therefore to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- This Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code and the above requirements. These require that the prime objective of treasury management activity is the effective management of risk, and that its borrowing activities are undertaken in a prudent, affordable and sustainable basis.

2.3. The CIPFA Code of Practice requires reports to be made on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.

2.4. This report will cover:

- A summary of the strategy agreed for 2010/11;
- The Council's treasury position at 31 March 2011;
- Economic Background for 2010/11;
- Actual Performance During 2010/11;
- Risk Management;
- Treasury Management and Prudential Indicators (see Appendix 2)

3. The Strategy Agreed for 2010/11

3.1. At the time of determining the strategy for 2010/11 the base rate was expected to remain low to help the economy recover from recession.

3.2. Gilt yields were expected to show volatility around a steadily increasing path, with yields on shorter dated gilts benefiting more from the expectation of low interest rates in money markets and remaining lower than yields on long dated gilts.

3.3. The differential between investment earnings and debt costs was expected to remain high throughout 2010/11. This "cost of carrying" meant that there was no benefit in taking long term borrowing before it was required.

3.4. The uncertainty over future interest rates resulted in the Council adopting a cautious borrowing strategy. The Director of Finance, under delegated powers, would take the most appropriate form of borrowing depending on the prevailing interest rates at the time.

3.5. The main consideration when investing surplus funds was to be the security of the transaction. Liquidity would then be considered and investments would only be made for prudent time periods. Only after considering security and liquidity would the yield to be gained from the investment be considered.

3.6. During the continued period of uncertainty in the banking sector, the Executive Director (Finance and IT Resources) would apply appropriate restrictions to the Council's counterparty list to ensure the security of deposits.

3.7. Following the introduction of investment regulations by the Scottish Government an annual investment strategy was presented to this committee on 1 June 2010 and subsequently approved by South Lanarkshire Council. This strategy set out the permitted investments that South Lanarkshire Council could use and the controls and limits that would be put in place to mitigate any risk associated with each type of investment.

3.8. It is a requirement of the investment regulations that an annual investment activity report is presented to full Council. The report is being presented separately to Finance and IT Resources Committee for scrutiny.

4. Treasury Position at 31 March 2011

4.1. The Treasury Position at the 31 March 2011 compared with the previous year is shown in table 1 below:

Table 1 – Treasury Position as at 31 March 2011

	31 March 2011		31 March 2010	
	Principal	**Average Rate**	**Principal**	**Average Rate**
Fixed PWLB	£733.4m	4.95%	£551.1m	6.04%
Fixed Market	£18.0m	9.92%	£18.0m	9.92%
Total Fixed Rate Debt	**£751.4m**	**5.07%**	**£569.1m**	**5.89%**
Market	£8.0m	5.09%	£8.0m	5.09%
Temporary	£0.2m	1.08%	£28.5m	0.50%
Internal	£0.6m	4.68%	£0.7m	4.69%
Total Variable Rate Debt	**£8.8m**	**4.99%**	**£37.2m**	**1.56%**
Total Debt	**£760.2m**	**5.07%**	**£606.3m**	**5.88%**
Total Deposits	**£114.4m**	**0.61%**	**£29.3m**	**0.61%**

4.2. The gross debt position rose by £153.9m from 2009/10, accounted for by increases in PWLB (£182.3m), decreases in Temporary Loans (-£28.3m) and maturing Internal Loans (-£0.1m).

4.3. The Council's pooled cost of borrowing is measured on an equated debt basis which takes account of how the Council's capital expenditure was funded throughout the year. The pooled interest cost together with the expenses rate for 2010/11 and the previous two years is shown in Table 2 below:

Table 2 – Pooled Cost of Borrowing

Year	Loans Fund Pooled Rate	Loans Fund Expenses Rate
2010/11	4.93%	0.06%
2009/10	5.69%	0.06%
2008/9	6.10%	0.38%

4.4. The pooled interest rate should continue to reduce as new borrowing is taken at historically low rates to fund the Council's capital programme.

5. Economic Background for 2010/11

5.1. The growth that had began in the final quarter of 2009 continued through 2010/11. The economy grew by 1.3% in 2010 and by 0.5% in the first quarter of 2011.

5.2. Higher commodity, energy and food prices and the increase in VAT to 20% all contributed to Consumer Price Index reaching 4% in March 2011.

5.3. In order to stimulate growth, the Bank of England maintained the Bank Rate at 0.5% throughout the year.

5.4. The credit crisis moved from banks to European sovereign states. The ratings of Ireland and Portugal were downgraded to 'triple-B' category whilst the rating of Greece was downgraded to sub-investment grade. The sovereign rating of Spain was also downgraded but remained in the 'double-A' category.

5.5. The results from the EU Bank Stress Tests, co-ordinated by the Committee of European Banking Supervisors, highlighted that only 7 out of the 91 institutions failed the 'adverse scenario' tests. The main UK banks (Barclays, HSBC, Lloyds and RBS) all passed the tests.

5.6. Gilts benefited from the Comprehensive Spending Review (CSR) plans as well as from their relative 'safe haven' status in the face of European sovereign weakness. However yields rose in the final quarter across all gilt maturities on concern that higher inflation would become embedded and greatly diminish the real rate of return for fixed income investors.

5.7. Despite gilts benefiting from the CSR, there was to be no benefit to local authorities as HM Treasury were instructed to increase the margin on PWLB rates to 1% above the corresponding gilt yield, making borrowing from the PWLB more expensive.

5.8. Details of significant interest rates during 2010/2011 are shown in Table 3 below

Table 3 – Significant Interest Rates

	Base Rate	**1 Year PWLB**	**5 Year PWLB**	**10 Year PWLB**	**20 Year PWLB**	**30 Year PWLB**	**40 Year PWLB**	**50 Year PWLB**
High	0.50%	1.99%	3.84%	5.00%	5.50%	5.55%	5.53%	5.48%
Average	0.50%	1.19%	2.78%	4.04%	4.71%	4.78%	4.78%	4.76%
Low	0.50%	0.60%	1.81%	3.05%	3.82%	3.93%	3.93%	3.92%

6. Actual Performance during 2010/11

6.1. Capital expenditure for the year was £158.913m. During 2009/10, no long term borrowing was taken to fund capital expenditure or maturing debt. During 2010/11 £202.000m of long term borrowing was secured from the PWLB. This borrowing was to replenish reserve balances that had been used in lieu of borrowing during 2009/10 and to fund 2010/11 capital expenditure and maturing debt.

6.2. Details of the long term borrowing taken during 2010/11 are shown in the table below.

Table 4 – Borrowing 2010/10

Date	Principal £m	Type	Interest Rate	Period (Years)	Average PWLB Rate 01/04/10 – 31/3/11
29/04/2010	£11.000	Fixed Maturity	3.30%	6	3.12%
29/04/2010	£11.000	Fixed EIP	2.93%	9½	2.78%
10/05/2010	£10.000	Fixed Maturity	3.08%	6	3.12%
10/05/2010	£10.000	Fixed EIP	2.72%	9½	2.78%
01/09/2010	£20.000	Fixed Maturity	2.17%	6	3.12%
01/09/2010	£20.000	Fixed EIP	1.87%	9½	2.78%
01/09/2010	£20.000	Fixed EIP	1.87%	9½	2.78%
01/09/2010	£20.000	Fixed Maturity	2.18%	6	3.12%
10/09/2010	£15.000	Fixed EIP	1.83%	9	2.69%
10/09/2010	£15.000	Fixed Maturity	2.23%	6	3.12%
13/09/2010	£25.000	Fixed EIP	1.91%	9	2.69%
13/09/2010	£25.000	Fixed Maturity	1.99%	5	2.78%
Total	£202.000	Weighted Average	2.21%		

6.3. The Council's investment policy was approved by Finance and IT Committee on 3 May 2005. In November 2009 CIPFA released the revised Code of Practice for Treasury Management in the Public Services and accompanying Guidance Notes.

6.4. Following the adoption of the revised CIPFA Code of Practice the investment policy was updated and approved by Finance and IT Committee on 11 February 2010.

6.5. On 1 April 2010 Scottish Ministers issued the Local Government Investments (Scotland) Regulations. This required the production of an Annual Investment Strategy which was presented to Finance and IT Committee on 1 June 2010 and approved by full Council on 23 June 2010.

6.6. This strategy set out the permitted investments that South Lanarkshire Council could use and the controls and limits that would be put in place to mitigate any risk associated with each type of investment.

6.7. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties. The Council maintained an average balance on deposit of £87.02m and received an average return of 0.50%. The comparable performance indicator is the average 7 day LIBID (London Inter-bank bid) rate, which was 0.43%.

6.8. At 31 March 2011, outstanding deposits totalled £114.407m.

7. Risk Management

7.1. The Council has complied with all of the relevant statutory and regulatory requirements which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the CIPFA Treasury Management Code of Practice means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.

7.2. **Investment Risk**

7.2.1. The main consideration when investing surplus funds is the security of the transaction. Through adoption on the CIPFA Code of Practice and through the Councils Annual Investment Strategy the Council mitigates risks associated with all our permitted investments.

7.3. **Interest Rate Risk**

7.3.1. The Council is currently part way through a significant capital programme funded in part by borrowing. Consideration has always been given to the optimum time to borrow funds to ensure cash flow is maintained, and also that any risks of increasing borrowing interest rates are minimised.

8. Treasury Management and Prudential Indicators

8.1. The Treasury Management and Prudential Indicators are detailed in Appendix 2 to this report.

Appendix 2

Treasury Management and Prudential Indicators 2010/11

1. Treasury Management Indicators 2010/11

1.1. The revision to the Treasury Management Code has resulted in four prudential indicators now becoming Treasury Management Indicators which are to be reported alongside the Treasury Strategy.

1.2. The purpose of these is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. The indicators are detailed below.

2. Upper Limit on fixed and variable rate exposure

2.1. Setting an upper limit on fixed and variable rate exposures identifies a limit for exposure to fixed and variable rates of interest. The purpose of this indicator is to provide a measure of stability against the adverse effects of market fluctuations

	2010/11 Actual £ m	**2010/11 Estimate £ m**
Upper limit of fixed rate exposures	125.91%	180%
Upper limit of variable rate exposures	6.65%	30%

2.2. The actual fixed rate exposure is assessed by comparing the amount of Net Debt (which is borrowing less investments) we hold at a fixed rate to the Total Net Debt (both fixed and variable) of the Council. The same will be calculated for variable rate exposure.

2.3. An illustration of this calculation is shown below:-

	£m			**£m**	
Total Debt	760.2				
Total Investments	(114.4)				
Total Net Debt	**645.8**				
Fixed Net Debt			**Variable Net Debt**		
Fixed Debt	751.4		Variable Debt	8.8	
Fixed Investments	(0)		Variable Investments	(114.4)	
Fixed Net Debt	**751.4**		**Variable Net Debt**	**(105.6)**	
Exposure	**116%**		**Exposure**	**(16%)**	
(Fixed Net Debt / Total Net debt)			(Variable Net Debt / Total Net debt)		

3. Maturity Structure of Borrowing

3.1. By setting limits on the maturity structure of fixed rate borrowing, the exposure to large concentrations of fixed rate debt needing to be replaced at the same time in the future at currently unknown rates can be limited. This effectively places a limit on exposure to longer term interest rate movement.

Maturity structure of borrowings for 2010/11		
	Maximum	**Limit**
Under 12 months	2.33%	10%
12 months and 24 months	3.81%	20%
24 months and 5 years	10.48%	50%
5 years and 10 years	28.22%	50%
10 years and 20 years	6.89%	60%
20 years and 30 years	8.11%	70%
30 years and 40 years	1.10%	80%
40 years and 50 years	60.12%	90%
50 years +	0.00%	90%

4. Total Principle Sums Invested for Greater Than 364 days

4.1. The investment regulations introduced by the Scottish Government allowed the Council to invest for periods in excess of 364 days. The Treasury Management Code requires local authorities to set an upper limit for each forward financial year period for investments longer than 364 days. The purpose is to contain the exposure to the possibility of loss that might arise as a result of having to seek early repayment of principal sums invested.

4.2. South Lanarkshire Council set a limit restricting investments for periods in excess of 364 days to no more than £10m and for no more than 5 years.

4.3. No investment was made during 2010/11 for a period in excess of 364 days.

5. Prudential Code Indicators 2010/11

5.1. The Prudential Code enables Councils to take responsibility for deciding an affordable level of borrowing to fund capital expenditure. This moves away from the previous regime through which central government gave Councils consent to borrow defined amounts for capital expenditure

5.2. To meet the objectives of the Code, the Council is required to report a number of indicators, use those to demonstrate the affordability and sustainability of our capital plans and to show that good treasury management practice is adhered to.

6. Capital Expenditure and Borrowing Requirement indicators

6.1. **Capital Expenditure**

6.1.1. This indicator shows the capital expenditure for 2010/11. The 2010/11 estimate is also shown.

	2010/11 Actual £ m	**2010/11 Estimate £ m**
General Fund Capital Expenditure (Including Hamilton Ahead and Fairer Scotland Fund)	118.285	136.794
HRA Capital Expenditure	40.628	40.975

6.1.2. In General Fund the movement from the 2010/11 estimate was £18.509m. This is mainly due to slippage on various projects and expenditure in areas where the required accounting treatment differs from accepted monitoring arrangements (such as PPP land transactions and Improvement grants).

6.1.3. The HRA capital spend in 2010/11 was £40.628m which is £0.347m less than the estimate reported to Finance and IT Committee in February 2011.

6.2. **Councils Borrowing Requirement (the Capital Financing Requirement)**

6.2.1. The Council's Capital Financial Requirement (CFR) is the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow for past and present capital expenditure.

6.2.2. The Council is required to pay off an element of the accumulated balance of borrowing every year through a charge to the revenue account.

6.2.3. Over the medium term borrowing net of investments should only be for a capital purpose. Net borrowing should not, except in the short term, exceed the CFR for 2010/11 plus the expected changes to the CFR over 2011/2012 and 2012/2013. The table below highlights that the Council has complied with this requirement.

	31 March 2011 Actual £ m	**31 March 2011 Estimate £ m**
General Fund Capital Financing Requirement	882.704	907.753
HRA Capital Financing Requirement	167.029	169.769
Total Capital Financing Requirement	**1,049.733**	**1,077.522**
Treasury Position as at 31 March 2010		
Borrowing	760.132	797.352
PPP Finance Lease Liability	266.307	269.640
Total Debt	**1,026.439**	**1,066.992**
Investments (The Prudential Code requires that in calculating the net borrowing position, adjustments are made to the investment figure shown elsewhere in this report (£114.4m) in respect of bank reconciliation items (£34m))	80.415	93.232
Net borrowing Position	**946.024**	**973.760**

6.2.4. The net borrowing is £27.736m less than forecast, primarily due to the fact that the full borrowing requirement for 2010/11 was not taken and reserve balances used in lieu of borrowing.

6.3. **Limits to borrowing Activity**

6.3.1. The Operational Boundary for external debt is based on the expected maximum external debt that could be faced in the course of the year. It is set to accommodate the borrowing requirements, and also includes sufficient scope to allow for changes to the capital programme throughout the year. This limit may be breached during the year, and this will be reported in the Prudential report presented to Committee after year end.

6.3.2. The Authorised Limit for External Debt represents a limit beyond which external debt is prohibited. It represents the level of external debt which could be afforded in the very short-term, but is not sustainable in the longer term without consideration to revenue budgets. This limit would not be breached without the Finance and Information Technology Resources Committee being advised.

6.3.3 It must be noted that the future for public sector funding remains uncertain and that this is a position which will require continual review.

	2010/11 £ m
Original Indicator - Operational Limit for external debt	1,090.000
Original Indicator - Authorised Limit for external debt	1,110.000
Maximum borrowing position during the period (including highest liability relating to PPP Finance Lease)	1,085.203
Minimum borrowing position during the period (including lowest liability relating to PPP Finance Lease)	1,081.870

6.3.4. The table demonstrates that during 2010/11 the Council maintained its gross borrowing within its Authorised Limit and Operational Boundary.

7. Affordability Indicators

7.1. **Ratio of Financing Costs to Net Revenue Stream**

7.1.1. This indicator focuses on the extent to which the Council's net revenue budget is used for servicing debt. This is shown for both General Fund and HRA.

	2010/11 Actual £ m	**2010/11 Estimate £ m**
General Fund Ratio of Financing Costs to Net Revenue Stream (expressed as %)	8.17%	8.99%
HRA General Fund Ratio of Financing Costs to Net Revenue Stream (expressed as %)	12.65%	10.85%

7.2. **Estimates of the Incremental impact of General Fund capital investment on Council Tax**

7.2.1. This indicator shows the likely impact of new General Fund capital investment and the subsequent servicing of additional borrowing will have on the Council Tax.

	2010/11 Actual £ m	2010/11 Estimate £ m
Incremental impact on Council tax band D	£0.00	£0.00

7.3. **Estimates of the Incremental impact of HRA capital investment on Council house rents.**

7.3.1. As the financial consequences of borrowing to fund the Housing Investment Programme will be met from existing resources there is no impact on Council House rents.

	2010/11 Actual %	2010/11 Estimate %
Incremental impact on council house rents	1.00%	1.00%

8. Treasury Management Indicators

8.1. **Adherence to the CIPFA Treasury Code of Practice**

8.1.1. South Lanarkshire Council adopts the CIPFA TM code through which assurance is given that the Council has formal treasury objectives, policies and practices; that priority is given to identifying and controlling risk, and that proper reporting arrangements are established.