

**Appendix 2**

# **TREASURY MANAGEMENT PRACTICES**

**2023/24**

## TREASURY MANAGEMENT PRACTICES

This section contains the schedules, which set out the details of how the Treasury Management Practices (TMPs) are put into effect by this organisation.

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## **TMP1 TREASURY RISK MANAGEMENT**

The responsible officer 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. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out below.

### **1.1 Credit and Counterparty Risk Management**

Credit and counterparty risk is the risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

The council 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.

#### **1.1.1 Policy on the use of credit risk analysis techniques**

The council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the council to determine the suggested duration for

investments. The council will therefore use counterparties within the following durational bands: -

- Yellow 5 years (only Local Authorities)
- Dark Pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light Pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or part-nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour Not to be used

1. A weekly colour coded Credit Listing is provided by email from our Treasury Management consultants and this is supplemented with emails regarding all changes in credit ratings as and when they occur. These documents are saved within the Cash flow folder.
2. These documents will be reviewed by treasury management staff in line with the policy on criteria for selection of counterparties for use by the responsible officer making investments on a daily basis.
3. Ratings will not be the sole determinant of the quality of an institution. In addition to the credit ratings the assessment will also take account of information that reflects the opinion of the markets. Other information sources will include:
  - The financial press
  - Share price
  - Information pertaining to the banking sector

Sole reliance will not be placed on the use of these external sources. The council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

4. Diversification: this organisation will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following:
  - Maximum amount to be placed with any one institution – higher of £6m or 20% of investment balances.
  - Group limits where a number of institutions are under one ownership – maximum of £6m or 25% of investment balances, whichever is higher.
  - Country limits – excluding UK, a minimum sovereign rating of AA- from Fitch (or equivalent) is required.

5. Investments will not be made with counterparties that do not have a credit rating in their own right, except for Local Authorities. As part of our Treasury Management Consultants credit methodology UK Local Authorities are assigned a colour band 'yellow' (5 years).
6. Maximum maturity periods and amounts to be placed in different types of institutions are in Schedule 1 as follows:

## TMP 1 SCHEDULE 1 – SPECIFIED AND NON SPECIFIED INVESTMENTS

The Guidance and CIPFA TM Code distinguishes between specified and non-specified investments, as follows:

- **Specified Investments:** All such investments will be sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' quality criteria (organisations included with the following colour codings on Link's weekly Credit List also available online) where applicable.
- **Non-specified Investments:** These are investments which do not meet the Specified Investment criteria.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

Organisation	Minimum credit criteria / colour band	Max. Amount per Institution	Max. maturity Period
Term deposits with UK Clearing Banks and UK Building Societies	Purple	£6m or **	Up to 2 years
	Blue	£6m or **	Up to 1 year*
	Orange	£6m or **	Up to 1 year
	Red	£6m or **	Up to 6 months
	Green	£6m or **	Up to 100 days
Term deposits with Other Banks	Orange	£6m or **	Up to 1 year
	Red	£6m or **	Up to 6 months
	Green	£6m or **	Up to 100 days
Certificates of Deposit with UK Clearing Banks and UK Building Societies	Purple	£6m or **	Up to 2 years
	Blue	£6m or **	Up to 1 year*
	Orange	£6m or **	Up to 1 year
	Red	£6m or **	Up to 6 months
	Green	£6m or **	Up to 100 days

\*Part Nationalised banks (per 1.1.1).

\*\*£6m or 20% of investment balance per individual counterparty or 25% per whole counterparty group whichever is higher.

<b>Organisation</b>	<b>Minimum credit criteria / colour band</b>	<b>Max. Amount per Institution</b>	<b>Max. maturity Period</b>
UK Local Authorities	Yellow	£6m or ** £6m or **	Up to 5 years Up to 1 year
Ultra-Short Dated Bond with credit score of 1.25	Dark Pink / AAA	£6m or **	liquid
Ultra-Short Dated Bond with credit score of 1.5	Light Pink / AAA	£6m or **	liquid
Money Market Funds - CNAV, LVNAV or VNAV	AAA	£6m or **	liquid

\*\*£6m or 20% of investment balance per individual counterparty or 25% per whole counterparty group whichever is higher.

## **1.2 Liquidity Risk Management**

This is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will therefore be compromised.

The council 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 council 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 capital programme or to finance future debt maturities.

### **1.2.1 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.

#### **1.2.2 Details of:**

- a) Standby facilities  
The council's bank (NatWest) has a facility whereby at the end of each day any surplus funds are transferred to an Investment Account/Call Account.
- b) Bank overdraft arrangements

The council has reviewed the cost effectiveness of operating an agreed overdraft and has decided not to have such an arrangement in place. If the group bank account does become overdrawn there will be a charge of 4% over the base rate.

**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 £13.452m.

**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.

### **1.3 Interest Rate Risk Management**

There is a risk that fluctuations in the levels of interest rates would create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

The council 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 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.

#### **1.3.1 Details of approved interest rate exposure limits**

The Treasury Indicators for 2023/24 include a figure of £20.1 million for External Debt – Authorised Limit.

#### **1.3.2 Trigger points and other guidelines for managing changes to interest rate levels**

The Treasury Indicators for 2023/24 include a figure of £13.502 million for External Debt – Operational Boundary.

#### **1.3.3 Limits for fixed and variable interest rate exposures**

The Prudential Code, revised in 2021, does not require limits to be set for variable and fixed interest rate exposures. However the council does provide a limit as part of its Treasury Management indicators and this is considered when making new borrowing/investment decisions.

### **1.3.4 Policies concerning the use of instruments for interest rate management**

- a) Forward dealing**  
Consideration will be given to dealing from forward periods dependent upon market conditions. Forward dealing requires the approval of the Corporate Director of Resources.
- b) Callable deposits:**  
The council will not use callable deposits as part of its Annual Investment Strategy.
- c) LOBO's (borrowing under lender's option/borrowers option):**  
Use of LOBO's are not considered as part of the annual borrowing strategy. All borrowing for periods in excess of 364 days requires the approval of the Corporate Director of Resources.

### **1.4 Exchange Rate Risk Management**

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

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

#### **1.4.1 Approved criteria for managing changes in exchange rate levels**

- a)** As a result of the nature of the council's business, the council may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling. The council will eliminate all foreign exchange exposures as soon as they are identified.
- b)** Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange transactions will be considered after taking professional advice. Unexpected receipt of foreign currency income will be converted to sterling at the day's rate on which the currency was received. Where the council has a contractual obligation to make a payment in the same currency at a date in the future, then the currency may be held on deposit to meet this expenditure commitment.

### **1.5 Inflation Risk Management**

The council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole council's inflation exposures.



## **1.6 Refinancing Risk Management**

The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for such refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

The council 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 organisation 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 overreliance on any one source of funding if this might jeopardise achievement of the above.

### **1.6.1 Debt/Other Capital Financing, Maturity Profiling, Policies and Practices**

The council will establish through its Prudential and Treasury 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

All rescheduling will be reported to Cabinet as soon as possible after the debt rescheduling exercise.

### **1.6.2 Projected Capital Investment Requirements**

The responsible officer will prepare a five year plan for capital expenditure for the council. The capital plan will be used to prepare a five year revenue budget for all forms of financing charges.

The definition of capital expenditure and long term liabilities used in the Code will follow recommended accounting practice as per the Code of Practice on Local Authority Accounting.

### **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. It will also take into account affordability in the longer term beyond this four year period. (Section 7 of the Prudential Code gives examples of matters relevant to the consideration of affordability, although this is not an exhaustive list.)

### **1.6.4 Set Aside Capital Receipts**

The council does not have any requirement to set aside a proportion of its receipts. All of the authority's capital receipts may now be used for either the redemption of debt or financing new capital expenditure as an alternative to new borrowing.

## **1.7 Legal and Regulatory Risk Management**

The risk that the council itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

The council 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. In framing its credit and counterparty policy under TMP1 Treasury Risk Management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

The council 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 organisation.

### **1.7.1 Legal and Regulatory Risk Management**

#### **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 as follows:

#### ***Statutes***

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.  
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 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

S.I. 2004 no. 3055 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) (No. 2) Regulations 2004

S.I. 2006 no. 521 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006

S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007

Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP

S.I. 2008 no. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008

S.I. 2009 no. 321 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2009

S.I. 2009 no. 2272 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.2) Regulations 2009

S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009

S.I. 2010 no. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010

Localism Act 2011

S.I. 2012 no. 265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012

S.I. 2012 No. 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012

S.I. 2012 No. 1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012

S.I. 2012 No. 2269 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 4) Regulations 2012

S.I. 2013 No. 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013

S.I. 2015 No. 234 Accounts and Audit Regulations 2015

S.I. 2017 no. 536 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2017

S.I. 2018 no. 1207 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2018

Statutory Guidance on Investments 2018

Statutory Guidance on MRP 2018

2019 No. 394 Exiting the European Union financial services: The Money Market Funds (Amendment) (EU Exit) Regulations 2019

S.I. 2019 no. 396 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2019

## ***Guidance and codes of practice***

CLG Revised Guidance on Investments 2018  
CLG Guidance on minimum revenue provision – Feb 2012 updated 2018  
CIPFA Treasury Management Code of Practice and Guidance Notes 2017  
CIPFA Prudential Code for Capital Finance in Local Authorities 2018  
CIPFA Treasury Management in the Public Services Guidance Notes 2018  
CIPFA Statement 17.10.18 on borrowing in advance of need and investments in commercial properties  
CIPFA Bulletin 02 Treasury and Capital Management Update October 2018  
CIPFA Local Authority Capital Accounting - a reference manual for practitioners 2016 Edition  
CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996  
CIPFA Standard of Professional Practice on Continuous professional Development Revised 2013  
CIPFA Statement of Professional Practice on Ethics 2018  
The Good Governance Standard for Public Services 2004  
LAAP Bulletins  
IFRS - Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice  
PWLB circulars on Lending Policy  
The Non-Investment Products Code (NIPS) - (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.  
Financial Conduct Authority's Code of Market Conduct  
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.  
Investing: Local Government Act 2003, section 12  
Borrowing: Local Government Act 2003, section 1

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

- i. the responsibilities and dealing arrangements in relation to treasury management activities which are contained in TMP5
- ii. the document that states which officers are the authorised signatories.

### **Required Information on Counterparties**

Lending shall only be made to counterparties that comply with the council's Credit Worthiness Policy that is based upon the Link colour coded creditworthiness list and consideration of other market information including Country Sovereign ratings etc.

### **1.7.3 Statement on the Council's Political Risks and Management of Same**

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

### **1.7.4 Monitoring Officer**

The monitoring officer is the Legal Services Manager; the duty of this officer is to ensure that the treasury management activities of the council are lawful.

### **1.7.5 Chief Financial Officer**

The Chief Financial Officer is the Corporate 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 they have concerns as to the financial prudence of its actions or its expected financial position.

## **1.8 Fraud, Error and Corruption, and Contingency Management**

There is a risk that an organisation could fail to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fail to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. This is commonly referred to as operational risk.

The council 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.

The council will therefore:

- a) Seek to ensure an adequate division of responsibilities and maintenance at all times of 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.

## **1.8.1 Details of Systems and Procedures to be followed, including Internet Services**

### **Authority**

- Loan and Investment procedures are defined in the council's Financial Regulations and Financial Procedure Rules.
- The Scheme of Delegation to Officers sets out the authority given to the Corporate Director of Resources in relation to arranging the borrowing and investments of the authority. All loans and investments are negotiated by the Corporate Director of Resources or nominated Officers.

### **Procedures**

- A password and PIN is required to access the Bankline system, which is used to make electronic payments.
- A username and password is required to access the SunGard Money Market Portal along with two factor authorisation.
- Payments can only be authorised by agreed officers having previously been notified to the current provider of our banking services and Money Market Portal.

### **Investment and borrowing transactions**

- A detailed spreadsheet of loans and investments is maintained within the Financial Services team. This is regularly reconciled to the ledger.
- The loans spreadsheet is updated to record all lending and borrowing. This includes the date of the transaction, brokerage fees etc.
- Adequate and effective cash flow forecasting records are maintained on spreadsheets to support the decision to lend or borrow.
- Money borrowed or lent that is due to be repaid is recorded in the cash flow forecast.
- Written confirmation of deals is emailed promptly by the lending or borrowing institution.
- A broker note showing details of the loan arranged confirms all transactions placed through the brokers.
- The SunGard Portal, with emailed acknowledgements, confirms all money market transactions.
- Email acknowledgements confirm all fixed term deposits with banking institutions.

### **Regularity and security**

- All lending is only made to institutions on the Approved List.
- All loans raised and repayments made go directly to and from the institution's bank account.
- Authorisation limits are set for every institution.
- Brokers have a list of named officials authorised to perform loan transactions.

- There is adequate insurance cover for employees involved in loan management and accounting.
- The control totals for borrowing and lending are regularly reconciled with the ledger balance sheet codes by the Financial Services team.
- There is a separation of duties in the Section between the recall of MMF's and its checking and authorisation.
- The council's bank holds a list of council officials who are authorised signatories.
- No member of the Treasury Management team, responsible for borrowing and lending, is an authorised signatory.

## **Checking**

- The bank reconciliation is carried out regularly from the bank statement to the financial ledger.
- Balance Sheet ledger codes are reconciled monthly. Working papers are retained for audit inspection.
- A debt charge/investment income listing is produced every time the debt charge/investment income is recalculated for budget monitoring purposes. A debt charge/investment listing is also produced at the financial year-end and this document is retained for audit inspection.
- The method of accounting for unrealised losses or gains on the valuation of assets within the funds will comply with Accounting Codes of Practice by reflecting the market value of the fund in the balance sheet. This will be agreed with council's external auditors.
- We have complied with the requirements of the Code of Practice on Local Authority Accounting and will account for the funds at Fair Value through Profit or Loss. As a result, all gains and losses and interest (accrued and received) will be taken to the Comprehensive Income and Expenditure Statement.

## **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 Financial Services team.

### **1.8.2 Emergency and Contingency Planning Arrangements Disaster Recovery Plan**

Treasury Management related files (word and excel) are stored on the council's 'J' Drive with arrangements for contingency/back-up. Back up facilities can be accessed off site.

In the event of a 'Bankline System' failure, manual procedures would be followed with information being provided from the council's Bankers by telephone.

All members of the treasury management team are familiar with this plan and new members will be briefed on it.

### **1.8.3 Insurance Cover Details**

The council has 'Fidelity' insurance cover with Zurich Municipal (ZM). This covers the loss of cash by fraud or dishonesty of employees. This cover is limited per transaction as follows:

- 11 designated officers (Corporate Director of Resources, Head of Contact Centre, Head of Governance and Business Support, Legal Services Manager, Head of Finance, Principal Accountant Capital and Treasury, Finance Business Partner x 3, Financial Systems, Transformation and Reporting Manager, and Financial Systems and Reporting Officer x 2) are indemnified for £3m.
- All other employees are indemnified for £250,000.

### **Officials Indemnity Insurance**

The council also has an 'Officials Indemnity' insurance policy with ZM which covers the loss to the council from any actions and advice of its officers, excluding professional services provided under a written contract or agreement, that are negligent and without due care. This cover is currently limited to £1m for any one event with £10,000 excess.

### **Public Liability Insurance**

The council also has 'Public Liability' cover with ZM which covers the loss to the council from any actions or omissions which could give rise to a claim of negligence as a result of third party financial loss. This cover is currently limited to £10m for any one event with a £10,000 excess.

The council will be re-tendering the insurance cover arrangements during 2023. The details are correct at the time of writing and are expected to be the same or comparable under new arrangements.

## **1.9 Price Market Risk Management**

There is a risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

The council 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 principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.



## **TMP 2 PERFORMANCE MEASUREMENT**

### **2.1 Evaluation and Review of Treasury Management Decisions**

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

- a) reviews with our treasury management consultants;
- b) annual review after the end of the year as reported to Council;
- c) half yearly monitoring reports to Council

#### **2.1.1 Reviews with our treasury management consultants**

The treasury management team holds reviews with the Treasury Management consultants every 12 months to review the performance of the investment and debt portfolios.

#### **2.1.2 Annual review after the end of the financial year**

An Annual Report on Treasury Management Activity is submitted to 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 achieved through the year
- g) comparison of return on investments to the investment benchmark
- h) compliance with Prudential and Treasury Indicators

#### **2.1.3 Half Yearly Monitoring Reports**

A half yearly Report on Treasury Management is submitted to Council in November/December which reviews the performance of the debt and investment portfolios. This report contains the same information as the annual report but only includes information for the first 6 months of the year.

### **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.

## **2.2.2 Investment**

The performance of in house investment earnings will be measured against the SONIA rate (Sterling Overnight Index Average).

## **2.3 Policy Concerning Methods for Testing Value for Money in Treasury Management**

### **2.3.1 Frequency and processes for tendering**

Link Asset Services were engaged as the council's treasury advisor. The current contract is for three years until 31 March 2023. The service was most recently benchmarked in March 2020 and a further benchmarking exercise is being conducted prior to renewal to ensure value for money is maintained.

### **2.3.2 Banking services**

Whilst the council has been with NatWest for over 25 years, banking services have traditionally been re-tendered or renegotiated every 3 years to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing.

In April 2021 the banking contract was re-negotiated for a period of three years. A benchmarking exercise is on-going to ensure our banking services continue to deliver 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 has been established which takes account of both price and quality of service.

### **2.3.4 Consultants'/advisors' services**

The council's current policy is to appoint professional treasury management consultants (Link Group) and a benchmarking exercise is conducted prior to the end of the contract to ensure value for money. Separate leasing advisory consultants will be appointed where necessary.

### **2.3.5 Policy on External manager (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 and Techniques:**

#### **3.1.1 Records to be kept**

All loan transactions are recorded on a spreadsheet within the Cash flow folder on the J drive.

The following records will be used as relative to each loan or investment:

- Daily cash projections
- Money market rates obtained via SunGard website, or by telephone from institutions or brokers
- SunGard emails detailing each net trade and authorisation
- Electronic copies of NatWest CHAPS payment transactions
- 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
- Temporary Lending Authorisation forms
- PWLB loan confirmations
- PWLB debt portfolio schedules

#### **3.1.2 Processes to be pursued**

- Cash flow analysis
- Ledger reconciliations
- Review of long-term borrowing requirement as applicable
- Debt and investment maturity analysis
- Monitoring of projected loan charges, interest and expenses costs
- Review of opportunities for debt rescheduling, as applicable
- Collation of a monthly borrowing and lending return

#### **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 relevant due diligence has taken place.

- e) Ensure that third parties are judged satisfactory in the context of the council's creditworthiness policies, and that limits have not been exceeded.
- f) 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) Consider the ongoing revenue liabilities created and the implications for the organisation's future plans and budgets.
- b) Evaluate the economic and market factors that might influence the manner and timing of any decision to finance capital schemes.
- c) Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and external grant providers.
- d) Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

**3.1.3.3 In respect of investment decisions, the council will:**

- a) Consider the risks to capital and returns and the implications for the organisation's future plans and budgets.
- b) Consider the optimum period, in the light of cash flow availability and prevailing market conditions.
- c) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the organisation to changes in the value of its capital.

## **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; and
- Leasing.

### **4.2 Approved Instruments for Investments**

The council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the Annual Investment Strategy and within the limits and parameters defined in TMP1 Treasury risk management.

### 4.3 Approved Techniques

Forward dealing up to 364 days.

### 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:

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB*	●	●
Market (long-term) (Not currently)	●	●
Market (temporary)	●	●
Internal (capital receipts and revenue balances)	●	●
Leasing (finance leases) (Not currently)	●	●
<b>Other Methods of Financing</b>		
Government and Capital Grants		
Lottery monies		
Donations and contributions		
Operating leases (Not currently)		

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 Corporate Director of Resources has delegated powers in accordance with Financial Regulations and Financial Procedure Rules, the Scheme of Delegation to Officers and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

\*Recent changes brought in by the Chancellor introduced a prohibition to deny access to borrowing from the PWLB for any local authority which had the purchase of assets for yield in its three-yield capital programme.

### 4.5 Investment Limits

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

### 4.6 Borrowing Limits

See the Treasury Management and Annual Investment Strategy and Prudential and Treasury Indicators.

### 4.7 MIFID II (Markets in Financial Instruments Directive)

The council has reviewed its classification with financial institutions under MIFID II and is registered as a professional client with the following organisations:

SunGard FIS (Investment Portal)  
RP Martins (Brokers)  
Tradition (Brokers)  
Deutsche Asset Management (MMF)  
Federated (MMF)  
Insight Investment (MMF)

The following organisations have informed us that they do not require the council to be registered as a professional client to invest in their Money Market Funds.

LGIM (MMF)  
Blackrock (MMF)  
Goldman Sachs (MMF)

The council has remained as a retail client with its Treasury Management Consultants Link Asset Services.

The council can chose to opt up from retail to professional status at any point assuming it meets certain criteria and with the agreement of the relevant financial institution.

#### **4.8 Money Market Fund Reform**

New Money Market Fund European regulations came into force on 21 July 2018 and existing funds had to be compliant by 21 January 2019. There are now three structural options of MMF's. These are CNAV, (Public Debt Constant Net Asset Value), LVNAV (Low Volatility Net Asset Value) and VNAV (Variable Net Asset Value). The council can invest in CNAV, LVNAV and VNAV MMF's as included in TMP1 Schedule 1.

### **TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF REPSONSIBILITIES, AND DEALING ARRANGEMENTS**

#### **5.1 Allocation of responsibilities**

##### **Full Council**

- approval of annual strategy
- approval of MRP Policy Statement
- budget consideration and approval
- receive and review the mid-year and annual monitoring report

##### **Cabinet**

- receiving and reviewing reports on treasury management policies, practices and activities
- budget consideration and approval
- approval of the division of responsibilities as reflected in TMP5
- approving the selection of external service providers and agreeing terms of appointment

## Overview and Scrutiny

- effective scrutiny of the treasury management strategy and policies.

## 5.2 Principles and Practices Concerning Segregation of Duties

The Corporate Director of Resources authorises all new long-term borrowing.

Transactions relating to pre-existing agreements are delegated to nominated officers within the Financial Services team.

Short-term borrowing and investment is authorised by the Corporate Director of Resources, Head of Finance, Head of Governance and Business Support, Legal Services Manager, or Principal Accountant Capital and Treasury.

The following duties are undertaken by separate officers:

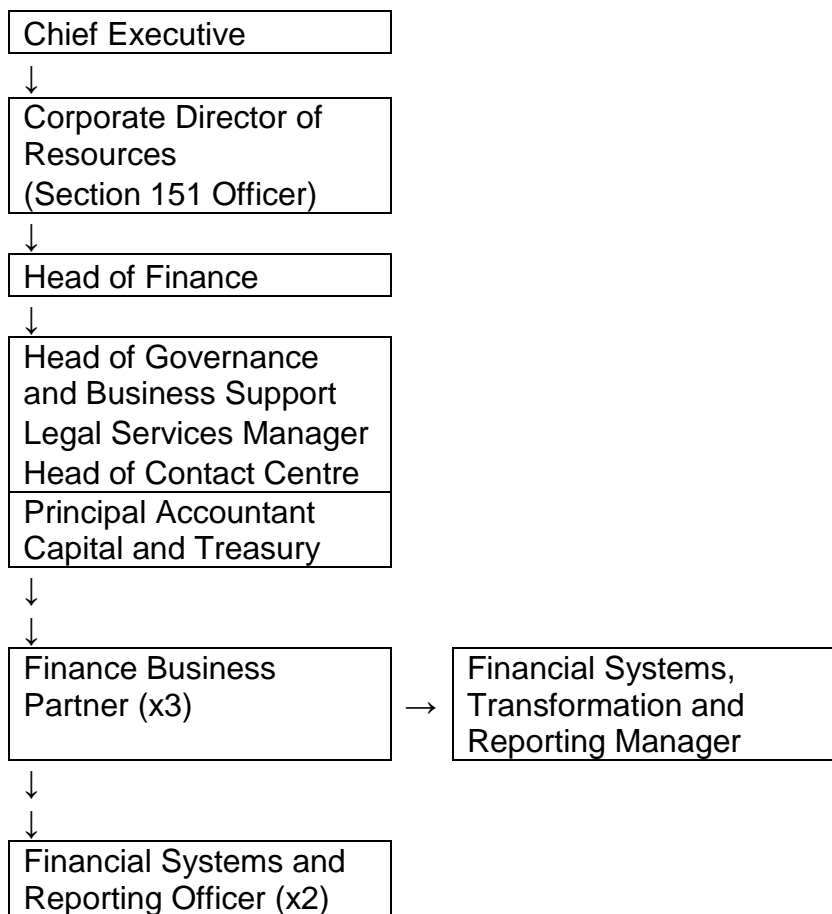
- |                  |   |  |
|------------------|---|--|
| Dealing          | - | negotiating deals  |
|                  | - | receipt and checking of broker's confirmation against loans spreadsheet                  |
|                  | - | reconciliation of control accounts   |
|                  | - | bank reconciliation  |
| Accounting Entry | - | processing the expenditure or income i.e. posting the entries into the accounting system |
| Authorising      | - | approval and payment   |
|                  | - | approval of deals.   |

The table overleaf identifies who performs particular roles within the team.

Function	Chief Executive	Section 151 Officer (Corporate Director Resources)	Head of Finance	Head of Governance and Business Support/ Legal Services Manager Principal Accountant Capital & Treasury	Financial Systems, Transformation and Reporting Manager	Finance Business Partners (x3)	Financial Systems and Reporting Officer (x2)
Adherence to TM Practices, Policies and Strategies	•	•	•				
Ensure regular reports submitted to Cabinet on Treasury Policy, activity and performance	•	•	•				
Revisions of treasury management policy statement, policies and practices		•	•				
Approval of external service providers and agreeing terms of appointment		•	•				
Establishing new banking facilities (e.g. Base Tracker Accounts)		•	•				

Authorisation of Long term borrowing and investing		•	•				
Amending bank mandate		•	•				
Authorisation of short term borrowing and investing		•	•	•			
Bankline - Authorising payments		•	•	•			
Bankline - Creating payments						•	•
SunGard – Authorising transfers		•	•	•			
SunGard – Creating transfers						•	•
Day to day dealing						•	•
Cash flow projections						•	•
Maintenance of loans and investment spreadsheets						•	•
System Administrator (e.g. setting limits, new users)					•		
Responsibility for ensuring Bank Reconciliation performed					•		

### 5.3 Treasury Management Organisation Chart





## 5.4 Statement of Treasury Management Duties/Responsibilities of Each Treasury Post

- 5.4.1 The responsible officer is the person charged with the execution and administration of treasury management decisions acting in accordance with the council's policy statement and TMP's and as a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management. In this council this is the S151 Officer/Corporate Director of Resources or the Head of Finance in their absence, who will carry out the following duties:
- a. Recommend clauses, treasury management policy / practices for approval, reviewing the same on a regular basis, and monitoring compliance.
  - b. Submit treasury management policy reports as required.
  - c. Submit budgets and budget variations in accordance with the Financial Regulations and Financial Procedure rules.
  - d. Receive and review management information reports.
  - e. Review the performance of the treasury management function and promote efficiency 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 liaise with external audit.
  - h. Recommend the appointment of external service providers, where applicable, in accordance with the council's Financial Regulations and Financial Procedure Rules.
  - i. The Corporate 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.
  - j. The Corporate Director of Resources may delegate this power to borrow and invest to certain members of staff as indicated in TMP 5.3 above. All transactions must be authorised by one of the named officers below:
    - Corporate Director Resources (Section 151 Officer)
    - Head of Finance
    - Head of Governance and Business Support
    - Legal Services Manager
    - Head of Contact Centre
    - Principal Accountant Capital and Treasury
  - k. The Corporate Director of Resources will ensure that the Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
  - l. Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Corporate 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 and Financial Procedure Rules.
  - m. It is also the responsibility of the Corporate Director of Resources to ensure that the council complies with the requirements of 'The Non-

Investment Products Code' for principals and broking firms in the wholesale markets.

- n. Prepare a Capital Strategy to include capital expenditure, capital financing and treasury management with a long-term timeframe.
- o. Ensure that the Capital Strategy is prudent, sustainable, affordable and prudent in the long-term and provides value for money.
- p. Ensure that due diligence has been carried out on all investments and is in accordance with the risk appetite of the authority.

#### **5.4.2 Head of Finance (or delegated officer)**

The responsibilities of this post will be:

- a. Execution of transactions.
- b. Adherence to agreed policies and practices on a day-to-day basis.
- c. Maintaining relationships with third parties and external service providers.
- d. Supervising treasury management staff.
- e. Monitoring performance on a day-to-day basis.
- f. Receives management information reports from the responsible officer.
- g. Identifying and recommending opportunities for improved practices.

#### **5.4.3 Chief Executive**

The responsibilities of this post will be:

- a. Ensuring that the Corporate Director of Resources reports regularly to the full council on treasury policy, activity and performance.

#### **5.4.4 The Monitoring Officer (Legal Services Manager) or Deputy Monitoring Officer (Human Resources Manager)**

The responsibilities of this post will be:

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

#### **5.4.5 Internal Audit**

The responsibilities of this post will be:

- a. Reviewing compliance with approved policy and procedures.
- b. Reviewing division of duties and operational practice.
- c. Undertaking probity audit of the treasury function (sampling transactions).

## **5.5 Absence Cover Arrangements**

Refer to the organisation chart at TMP 5.3 above and role responsibilities at TMP 5.4 above.

## **5.6 Dealing Limits**

Persons authorised to deal are identified at TMP 5.3 above and dealing limits are set out in TMP 1.1.1.

## **5.7 List of Approved Brokers**

A list of approved brokers is maintained within the Financial Services team (see TMP 11.1.2) and a record of all transactions recorded against them.

## **5.8 Policy on Brokers' Services**

It is the council's policy to rotate business between brokers in accordance with best practice.

## **5.9 Policy on Taping of Conversations**

It is not council policy to tape broker's 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. There are certain types of accounts and facilities where direct dealing is required as follows:

- NatWest Call Account and 35 and 95 day Notice Account
- Santander Call Account and Fixed Term Deposit
- Handelsbanken 10 and 35 day Notice Account
- Goldman Sachs International Bank via Link Asset Services to access Tranche rates
- Standard Chartered Bank via Link Asset Services to access Tranche rates
- Bank of Scotland 95 day Notice Account and Overnight Account
- Qatar National Bank
- SunGard Money Market Portal – currently authorised to deal with:
  - i. Deutsche Managed Sterling LVNAV Fund – Advisory
  - ii. Federated (PR) Short-Term GBP Prime Fund Class 3
  - iii. Blackrock ICS Sterling LVNAV Fund – core
  - iv. Goldman Sachs Sterling Reserves Fund 630
  - v. LGIM Sterling Liquidity Fund Class 4
  - vi. Insight Sterling Liquidity Fund Class 5
  - vii. Aberdeen GB Liquidity Fund Class K1

### **5.11 Settlement Transmission Procedures**

Instructions are given by email with payments being transferred by 3.30pm on the same day. In the case of SunGard Money Market transactions, instructions are given via the internet and payments are made by 12.30pm for the Deutsche Managed Sterling LVNAV Fund, 1.30pm for the Federated (PR) Short-Term GBP Prime Fund and 1.00pm for all other funds.

**5.12** For each deal undertaken a record should be prepared giving details of the dealer, amount, period, counterparty, interest rate, dealing date, payment date(s) and broker (where applicable).

### **5.13 Arrangements Concerning the Management of Third-Party Funds**

The Authority administers a number of third party funds totalling £98,017 at 31 March 2022. The largest being the North West District Surveyors Association with a balance held of £47,844 and several smaller funds including the Fielden Trust with a balance held of £6,862 at 31 March 2022. The Fielden Trust balance is invested as part of the council's surplus funds and interest is calculated monthly based on council's Natwest Overnight account rate.

## **TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**

### **6.1 Annual Programme of Reporting**

The council 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 implication 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 council will receive:

- a. Annual reporting requirements before the start of the year:
  - i. review of the organisation's approved clauses, treasury management policy statement and practices;
  - ii. prudential and treasury indicators and treasury strategy report incorporating the capital strategy, the minimum revenue provision (MRP), the treasury management strategy and investment strategy.
- b. A mid-year treasury management report
- c. Annual review report after the end of the year

### **6.2 Annual Treasury Management Strategy**

**6.2.1** The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Cabinet and then full council for approval before the commencement of each financial year.

**6.2.2** The formulation of the annual Treasury Management Strategy 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.

**6.2.3** The Treasury Management Strategy is concerned with the following element

- Prudential and Treasury Indicators
- Current Treasury portfolio position
- Borrowing requirement
- Prospects for interest rates
- Borrowing strategy
- Policy on borrowing in advance of need
- Debt rescheduling
- Investment strategy
- Creditworthiness policy
- Policy on the use of external service providers
- Any extraordinary treasury issue (as necessary)
- The MRP policy statement

**6.2.4** The Treasury Management Strategy will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable) and highlight sensitivities to different scenarios.

### **6.3 The Annual Investment Strategy Statement**

At the same time as the council receives the Treasury Management Strategy it will also receive a report on the Annual Investment Strategy which will set out the following:

- a. The council's risk appetite in respect of security, liquidity and optimum performance
- b. The definition of high credit quality to determine what are specified investments as distinct from non-specified investments
- c. Which specified and non-specified instruments the council will use
- d. Whether they will be used by the in house team, external managers or both (if applicable)
- e. The council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties
- f. Which credit rating agencies the council will use
- g. How the council will deal with changes in ratings, rating watches and rating outlooks
- h. Limits for individual counterparties and group limits
- i. Country limits
- j. Interest rate outlook
- k. Budgeted investment return
- l. Use of a cash fund manager (if applicable)
- m. Policy on the use of external service providers (if applicable)

#### **6.4 The Annual Minimum Revenue Provision Statement**

This statement will set out how the council will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Treasury Management and Annual Investment Strategy.

#### **6.5 Policy On Prudential and Treasury Indicators**

**6.5.1** The council approves before the beginning of each financial year a number of treasury limits referred to as the Prudential and Treasury Indicators.

**6.5.2** The Corporate Director of Resources is responsible for incorporating these limits into the Annual Treasury Management Strategy and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Corporate Director of Resources shall submit the changes for approval to full council.

#### **6.6 Mid-Year Review**

The council will review its treasury management activities on a six monthly basis. This review will consider the following:

- a. activities undertaken
- b. variations (if any) from agreed policies/practices
- c. interim performance report
- d. regular monitoring
- e. monitoring of treasury management indicators for local authorities

#### **6.7 Annual report on Treasury Management Activity**

An annual report will be presented to council at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following:

- a. Transactions executed and their revenue effects;
- b. Report on risk implications of decisions taken and transactions executed;
- c. Compliance report on agreed policies and practices and all statutory/regulatory requirements;
- d. Performance Report;
- e. Report on compliance with the CIPFA Treasury Management Code; and
- f. Monitoring of treasury management indicators.

#### **6.8 Management Information Reports**

Management information reports are prepared quarterly and contain the following information:

- a. A summary of transactions executed, brokers used and fees paid and their revenue effect; and

- b. Measurements of performance such as loan charges/investment income.

## **6.9 Publication of Treasury Management Reports**

Reports presented to council are available to view on the council's website [www.wyre.gov.uk](http://www.wyre.gov.uk)

## **TMP7 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 which 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 Sample Budgets / Accounts / Prudential and Treasury Indicators**

The Corporate Director of Resources will prepare a five year medium term financial plan with Prudential and Treasury Management Indicators reflecting the overall budget for the current year and provisional estimates for the following four years. This will include the costs involved in running the function and any associated income. The Head of Finance will exercise effective controls over this budget and monitor performance against Prudential and Treasury Indicators, and will report upon and recommend any changes required in accordance with TMP6.

### **7.3 List of Information Required by the 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 where applicable
- Interest accrual calculation
- Principle and interest charges reports from Civica
- Analysis of any deferred charges where applicable
- Annual Treasury Report
- Treasury Management and Annual Investment Strategy and Prudential and Treasury Indicators

- Review of observance of limits set by Prudential and Treasury Indicators
- Calculation of the MRP

#### **7.4 Budget Monitoring Report**

Year to date and forecast outturn against budget, with variances, are examined in terms of interest and treasury management expenses as part of the council's monthly budget monitoring.

### **TMP 8 CASH AND CASH FLOW MANAGEMENT**

#### **8.1 Arrangements for Preparing/Submitting Cash Flow Statements**

Cash flow projections are prepared annually and daily. The annual 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 payment and receipt 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 Statement Procedures**

The council downloads data daily from its bank. All amounts on downloads are checked to source data from payroll, creditors etc. A formal bank reconciliation is undertaken on a monthly basis.

#### **8.3 Payment Scheduling and Agreed Terms of Trade with Creditors**

In the present economic climate and in line with a request from the Government, we have committed to paying 80% of invoices within 10 days (local performance indicator RES23). In the 2021/22 financial year 72.51% of invoices were paid within 10 days. However payments to individuals, in relation to refunds are immediate.

#### **8.4 Arrangements for Monitoring Debtor/Creditor levels**

Details are passed to the treasury team on a regular basis to assist in updating the cash flow model.

#### **8.5 Procedures for Banking of Funds**

All money received by an Officer on behalf of the council will without unreasonable delay be paid into the council's bank accounts via the Financial Services team. The cashier will notify the Financial Services Officer on Monday and Tuesday of cash and cheques banked on the Friday and Monday 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 arrangements in place. Where such opportunities arise (for example whereby a payment in advance would secure a further discount) the prepayment would be authorised by the responsible officer.

A report went to Cabinet on 15 February 2017 agreeing prepayment of pension contributions in principle and delegating ultimate authority to the S151 officer to make the final decision. The prepayment of three years' pension contributions (commencing April 2012) was made to the Lancashire County Pension Fund in May 2012. The S151 officer (Corporate Director of Resources) has authorised a further prepayment for the 2023/24–2025/26 contribution which will be paid to the pensions fund in May 2023.

## **TMP 9 MONEY LAUNDERING**

### **9.1 Proceeds of Crime Act 2002**

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland.
- being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property
- acquiring, using or possessing criminal property

These apply to any person in the UK in a personal or professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

### **9.2 The Terrorism Act 2000**

This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment.

### **9.3 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (amended in 2019)**

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FCA) are required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions. In June 2017 the UK Government published the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, which replaced the Money Laundering Regulations 2007.

### **9.4 Local Authorities**

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and may commit most of the principal offences under the Proceeds of Crime Act, but are not legally obliged to apply the provisions of the Money Laundering Terrorist Financing and Transfer of Funds Regulations 2017 (amended in 2019). However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, an anti-money laundering regime. Accordingly, this council comply and have an Anti-Money Laundering Policy which is reviewed annually by Audit Committee and most recently in November 2022.

### **9.5 Procedures for Establishing Identity / Authenticity of Lenders**

It is not a requirement under POCA for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, there is a need for due diligence and this will be affected by following the procedures below.

- 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 Financial Conduct Authority website on [www.fca.org.uk](http://www.fca.org.uk).

### **9.6 Methodologies for Identifying Sources of Deposits**

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 local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. (The Financial Services register can be accessed through the FCA website on [www.fca.org.uk](http://www.fca.org.uk).)

All transactions will normally be carried out by BACS/CHAPS for making deposits or repaying loans.

## **TMP 10 TRAINING AND QUALIFICATIONS**

**10.1** The council recognises the importance of ensuring that all relevant individuals involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. There are two categories of relevant individuals:

- a. Treasury management staff employed by the council. All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The council operates a Performance Appraisal Scheme 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 Head of Finance to ensure that all staff under their authority receive the level of training appropriate to their duties. This will also apply to those staff who, from time to time cover for absences from the treasury management team.

All Financial Services Team members responsible for Treasury Management were invited to attend two Treasury Management Training sessions delivered by Link Asset Services on 1 February 2023 and 8 February 2023. Further training will be arranged as required.

- b. Members charged with governance of the treasury management function. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively. All members were invited to attend a Treasury Management training session delivered by Link Asset Services on 24 February 2022 and prior to that training was given to the Overview and Scrutiny Committee on 18 January 2021. Further training will be arranged following the elections in May.

### **10.2 Details of Approved Training Courses**

Treasury management staff will attend courses provided by our treasury management consultants, CIPFA, etc.

### **10.3 Records of Training Received by Treasury Staff**

Records are maintained within the HR21 system and on individual officers' Personal Development Plans.

### **10.4 Approved Qualifications for Treasury Staff**

Staff involved with the day to day treasury management function, have the following incorporated within their job description:

- To manage the council's day to day investment and borrowing requirements in accordance with the Treasury Management Strategy

- To assist with the drafting of the Treasury Management Strategy and associated Member reports.

## **10.5 Statement of Professional Practice (SOPP)**

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO 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.

## **10.6 Member training records**

Records will be kept by Democratic Services of all training in treasury management provided to members.

## **10.7 Members charged with governance**

The Overview and Scrutiny Committee has been nominated as the responsible body for ensuring scrutiny of the treasury management strategy and policies. Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

## **TMP 11 USE OF EXTERNAL SERVICE PROVIDERS**

### **11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants and Advisers**

This council recognises that responsibility for treasury management decisions remains with the Council at all times. It recognises that there is potential value in employing external providers to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest. It will also ensure that the terms of their appointment are subject to regular review.

It will also ensure that the skills of the in-house treasury management team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Treasury management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press
- Market data
- Information on government support
- The credit ratings of that government support

### **11.1.1 Banking Service**

- a. Name of supplier of service: National Westminster Bank  
The branch address is:  
Victoria Square  
Thornton Cleveleys  
FY5 2AL  
0845 3021590
- b. Regulatory status – banking institution authorised to undertake banking activities by the FCA
- c. 3 year contract commencing 01/04/2021
- d. Cost of service is variable depending on schedule of tariffs and volumes
- e. Payments due quarterly

### **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 following approved brokers.

Name of supplier of service:

- a. RP Martin Brokers (UK) Trading name of BGC Brokers LP  
Cannon Bridge House  
25 Dowgate Hill  
London  
EC4R 2BB  
0207 469 9000  
Regulatory Status: BGC Brokers LP FCA Authorised 454814
- b. Tullett Prebon Europe Ltd  
Tullet Prebon Group Ltd  
155 Bishopsgate  
London  
EC2M 3TQ  
020 7200 7000  
Regulatory Status: FCA Authorised 146880
- c. Tradition UK Ltd  
Beaufort House  
15 St. Botolph Street  
London  
EC3A 7QX  
0207 377 0050  
Regulatory Status: FCA Authorised 13900

When undertaking temporary borrowing, the brokers currently charge commission at 1% of interest due. There is no commission charge for undertaking investment transactions.

### **11.1.3 Consultants'/advisors' 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 put on its approved lending list etc.

- a. Name of supplier of service is: Link Asset Services Limited. Their address is :  
6<sup>th</sup> Floor  
65 Gresham Street  
London  
EC2V 7NQ  
0871 664 6800
- b. Regulatory Status: Investment Advisor authorised by the FCA 150403
- c. 3 year contract commenced 01/04/20 (benchmarking exercise are currently being conducted prior to renewal)
- d. Cost of the service is £8,000 per year
- e. Payments due in two instalments in September and March.

### **11.1.4 Leasing Consultancy Services**

The council currently has no requirement for leasing consultancy but previously used Chrystal Consulting. Other Consultancy services may be employed on short-term contracts as and when required.

### **11.1.5 Custodian Facility**

The council will use a Custodian Facility as required when it invests in Certificates of Deposit (CD's).

### **11.1.6 Credit Rating Agency**

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

## **11.2 Procedures and Frequency for Tendering Services**

The banking contract was renegotiated during the pandemic and a further three year contract commencing 01/04/2021 was entered into with NatWest. The treasury consultancy service was renewed for a three year period commencing 1/4/2020 after a favourable benchmarking exercise. The process for advertising and awarding contracts will be in line with the Council's Financial Regulations and Financial Procedure Rules.

## **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:
  - Statement of Accounts
  - Revenue Estimates and Capital Programme
  - Medium Term Financial Plan
  - Treasury Management Policy Statement and Practices
  - Treasury Management and Annual Investment Strategy
  - MRP Policy Statement
  - Annual Treasury Management Report
  - Minutes of Council/Cabinet/Overview and Scrutiny Committee Meetings
  - Capital Strategy