

# Treasury Management Practices

**2023/24**

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**Owner:** Treasury Management Officer



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

## Background

CIPFA recommends that an organisation's treasury management practices (TMPs) include those of the following that are relevant to its treasury management powers and the scope of its treasury management activities:

TMP1 Risk management

TMP2 Performance measurement

TMP3 Decision making and analysis

TMP4 Approved instruments, methods and techniques

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

TMP6 Reporting requirements and management information arrangements

TMP7 Budgeting, accounting and audit arrangements

TMP8 Cash and cash flow management

TMP9 Money laundering

TMP10 Training and qualifications

TMP11 Use of external service providers

TMP12 Corporate governance

This section contains the schedules which set out the details of how the Treasury Management Practices (TMPs) are put into effect by the Council. There are no major changes to practices from prior year.

## **TMP1 - RISK MANAGEMENT**

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The Authority regards a key objective of its treasury management and other investments activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures covering all external investments including investment properties.

The Director of Resources (Section 151 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 suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Authority's objectives in this respect, all in accordance with the procedures set out in TMP 6 Reporting Requirements and Management Information arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

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

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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 resources.

The Authority regards a prime 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 organisation's with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP 4 Approved Instruments Method and Techniques and listed in the schedule to this document. 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.

Further details of the Authority's credit and counterparty limits are available within the Authority's Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS).

### **1.2 Liquidity Risk Management**

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

The Authority will ensure it has adequate, 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 is necessary for the achievement of its business service objectives.

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

### **1.2.1 Amounts of approved minimum cash balances and short-term investments**

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

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

**a) Bank overdraft arrangements**

A £1m overdraft at 2.5% over base has been agreed with Barclays Bank as part of the banking services contract. The overdraft is assessed on a group basis for all the Authority's accounts.

**b) Short-term borrowing facilities**

The Authority accesses temporary loans through brokers on the London Money Market, the Authority's own bank, banks and other local authorities.

### **1.3 Interest rate risk management**

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The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Authority's finances, against which the Authority has failed to protect itself adequately. The Authority will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary implications.

- Details of approved interest rate exposure limits;
- Trigger points and other guidelines for managing changes to interest rate levels;
- upper limit for fixed interest rate exposure; and,
- Upper limit for variable interest rate exposure

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

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**a) Forward dealing**

Consideration will be given to dealing from forward periods depending upon market conditions.

**b) Callable deposits**

The Authority will use callable deposits as part of its Annual Investment Strategy (AIS). The credit criteria and maximum periods are set out in the Schedule of Specified and Non Specified Investments appended to the Annual Investment Strategy.

## **1.4 Exchange rate risk management**

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

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

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

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- a) As a result of the nature of the Authority's business, the Authority 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.
- b) Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity.

## **1.5 Refinancing risk management**

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

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

The Authority 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 source of funding if this might jeopardise achievement of the above.

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

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The Authority will establish through the 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 reason 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 balance volatility of the debt portfolio

### **1.5.2 Projected Capital Investment Requirements**

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The Director of Resources (Section 151 Officer) will prepare a five-year plan for capital expenditure for the Authority. The investment plan will be used to prepare a four-year revenue budget for all forms of financing charges. The Director of Resources (Section 151 Officer) will also draw up a capital strategy report which will give a longer-term view.

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

### **1.5.3 Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing**

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In consideration of affordability of its investment plans, the Authority will consider all the resources currently available for the future together with the totality of its investment plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax and housing rent levels. It will also take into account affordability in the longer term beyond the three-year period.

## **1.6 Credit and counterparty risk management**

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

As a holder of public funds, the Authority recognises its prime responsibility to always put first the preservation of the principal of the sums, which it invests. Consequently, it will optimise returns commensurate with the management of the associated risks.

### **1.6.1 Legal and regulatory risk management**

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The risk that the Authority 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 Authority suffers losses accordingly.

The Authority will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties to whom it deals in such activities. In framing its credit and counterparty policy it will ensure that there is evidence of counterparties' power, authority and compliance in respect of the transactions they may effect with the organization, particularly to duty of care and fees charged.

The Authority recognises that future legislative or regulatory changes may impact on its treasury management activities and will seek to minimise the risk of these impacting adversely on the Authority.

The treasury management activities of the Authority shall comply fully with legal statute, guidance, Codes of Practice and the financial regulations of the Authority. These are listed as appendix 1 of this document.

### **1.6.2 Procedure for Evidencing the Council's Powers**

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The Authority's power to borrow and invest are contained in legislation.

- a) Investing: Local Government Act 2003, section 12
- b) Borrowing: Local Government Act 2003, Section 1

In addition, it will make available the scheme of delegation of treasury management activities which states which officers carry out these duties and also a copy of officer's authorised signatories.

Lending shall only be made to counterparties on the Approved Lending list. The list has been compiled using advice from the Authority's treasury advisers based upon credit ratings supplied by Fitch, Moody's and Standard & Poors.

### **1.6.3 Statement on the Council's Political Risks and Management**

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The responsible officer shall take appropriate action with the Council, the Chief Executive Officer and the Leader of the Council to respond to and manage appropriate political risks such as change of majority group, leadership in the Council, change of Government and any other necessary risks.

### **1.6.4 Monitoring Officer**

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The monitoring officer is the Director of Law and Governance; the duty of this officer is to ensure that the treasury management activities of the Authority are lawful.

### **1.6.5 Chief Finance Officer**

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The Chief Finance Officer (Section 151 Officer) is the Director of Resources; the duty of this officer is to ensure that the financial affairs of the Authority are conducted in a prudent manner and to report to Council any concerns as to the financial prudence of its actions or its expected financial position.

## **1.8 Fraud, error and corruption, and contingency management**

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

The Authority will;

- seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimise such risks.
- Staff will not be allowed to take up treasury management activities until they have received training in procedures and are then subject to an adequate and appropriate level of supervision.
- An up to date record of all transactions, limits etc must be maintained by the treasury function.



## **1.9 Details of systems and procedures to be followed**

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The Authority will demonstrate compliance with statutory power and regulatory requirements for all treasury activities, if required to do so, to all parties with whom it deals on such activities.

### **1.9.1 Authority**

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The Scheme of Delegation to Officers sets out the delegation of duties to officers. All loans and investments are negotiated by the responsible officer or authorised persons.

### **1.9.2 Investment and Borrowing Transactions**

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A detailed register of loans and investments is maintained in the treasury section. This is checked to the ledger balances online (Barclays.net).

Cash flow forecasting records are maintained and support the decision to lend or borrow.

Confirmation is received and checked against the dealer's record for the transaction.

Transactions placed through the brokers are confirmed by a broker note showing details of the loan/investment arranged. Written confirmation is received and checked against the dealer's record for the transaction.

The loans register is updated to record all lending and borrowing.

The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Authority internally.

Workbooks maintained and updated by Treasury colleagues for the purpose of PWLB loan management calculates periodic interest payments of PWLB and other long-term loans.

The Treasury Management cashflow workbook prompts the Treasury Officer that money borrowed or lent is due to be repaid.

### **1.9.3 Regularity and Security**

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All lending is only made to institutions on the Approved List of Counterparties.

All loans raised and repayments made go directly to and from the bank account of approved counterparties.

Counterparty limits are set for every institution that the Authority invests with.

There is a separation of duties in the section between dealers and the checking and authorisation of all deals.

The Authority's bank (Barclays Bank) have a list of Council officials who are authorised signatories for treasury management transactions as well as those authorised to contact Barclays.

No member of the treasury team is an authorised signatory.

The on-line banking system can only be accessed by a password and use of an authentication reader.

There is adequate insurance cover for employees involved in loans management and accounting.

### **Checks**

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The bank reconciliation is carried out daily from the bank statement to the financial ledger.

The treasury management workbook balances are proved to the balance sheet ledger codes at the end of each month and at the financial year end.

Working papers are retained for audit inspection.

We have complied with the requirements of the Code of Practice on Local Authority Accounting and will account for the fund as Fair Value through Profit and Loss. As a result, all gains and losses and interest (accrued and received) will be taken to the Comprehensive Income and Expenditure Statement.

### **Calculations**

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The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the treasury management system.

The treasury management workbooks automatically calculate periodic interest payments of PWLB and other long term loans. This is used to check amounts paid to lenders.

Average weighted capital loans fund interest rates and debt management expenses are calculated using information from the financial ledger and treasury management system.

#### **1.8.1. Emergency and contingency planning arrangements**

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Key treasury management colleagues have been provided with business continuity plan (BCP) contingencies.

All computer files are backed up as necessary, the core banking system is accessible remotely as well as without need to access the server.

### **1.8.2. Insurance cover details**

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#### **Fidelity Insurance**

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

### **1.8.3. Market risk management**

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

### **1.8.5 Approved Procedures and Limits for Controlling Exposure to Investments whose Capital Value may Fluctuate**

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These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Investment Strategy.

## **TMP 2 - PERFORMANCE MEASUREMENTS**

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

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The Authority has a number of approaches to evaluating treasury management decisions;

- Periodic reviews carried out by the treasury team
- Reviews of our treasury management advisers
- Annual review at the end of the year as reported to Full Council
- Mid-year Treasury Management monitoring update to Cabinet

### **2.2 Review of our Treasury Management Consultants**

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The treasury management team holds reviews with our consultants every regularly to review the performance of the investment and debt portfolio.

### **2.3 Annual Review after the end of the Financial Year**

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An Annual Treasury Report is submitted to Cabinet each year after the close of the financial year which reviews the performance of the debt/investment portfolios. The report contains the following:

- Total debt and investments at the beginning and close of the financial year and average interest rate
- Borrowing strategy for the year compared to actual strategy
- Investment strategy for the year compared to actual strategy
- Explanation for variance between original strategies and actual
- Debt restructuring done in year
- Actual borrowing and investment rates available through the year
- Compliance with Prudential and Treasury Indicators

### **2.4 Comparative Reviews & Performance Measurement**

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When data becomes available, comparative reviews are undertaken to see how the performance of the Authority on debt and investments compares to other authorities with similar size portfolios.

The Authority are part of Link Asset Services Benchmarking group. The Authority's investment performance is benchmarked against other Local Authorities.

Investment performance is reviewed on a weighted average basis against other Local Authorities.

### **2.5 Policy Concerning Methods for Testing Value for money in Treasury Management**

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#### **2.5.1 Frequency and Processes for Tendering**

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Tenders are normally awarded on a 3-year basis with the option to extend for a further year. The process for advertising and awarding contracts will be in line with the Council's Contract Standing Orders.

### **2.5.2. Banking Services**

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Banking services will be retendered or renegotiated every 5 years with an option to extend for further years.

### **2.5.3. Money-broking services**

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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.

### **2.5.4 Consultants Services**

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The Authority's policy is to appoint professional treasury management consultants.

The Authority has not appointed external investment fund managers.

## **TMP 3 - DECISION-MAKING AND ANALYSIS**

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### **3.1 Funding, Borrowing, Lending and New Instruments/Techniques:**

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

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The treasury section has a transaction register in which all investment and loan transactions are recorded. The following records will be retained;

- Daily cash balances
- Market rates
- Payment documents for all money market transactions
- Brokers confirmation for investment and borrowing transactions
- PWLB borrowing confirmations

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

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- Daily cash flow analysis
- Debt and maturity analysis
- Ledger reconciliation

#### **3.1.3. Issues to be Addressed**

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#### **In respect of every treasury management decision made the Authority will;**

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- Above all be clear about the nature and extent of the risks to which the Authority may become exposed
- Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- Be content that the documentation is adequate both to deliver the Authority's objectives and protect the Authority's interests, and to deliver good practice
- Ensure that third parties are judged satisfactory in the context of the Authority's creditworthiness policies, and that limits have not been exceeded
- Be content that the terms of any transactions have been fully checked against the market and have been found to be competitive.

#### **In respect of borrowing and other funding decisions, the Authority will;**

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- Evaluate the economic and market factors that might influence the manner and timing of any decision to fund;
- Consider the alternative form of funding, interest rate bases available and the most appropriate periods to fund and repayment profiles to use;
- Consider the ongoing revenue liabilities created and the implications for the Authority's future plans and budgets.

#### **In respect of investment decisions, the Authority will:-**

- Consider the optimum period considering cash flow availability and prevailing market conditions;
- Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Authority to changes in the value of its capital;

## **TMP 4 - APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

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### **4.1 Approved Activities of the Treasury Management Operation**

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

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

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Please see the current Annual Investment Strategy. The latest version is available from the Treasury Management Officer.

#### **4.2.1 Implementation of MIFID II Requirements**

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Since 3 January 2018, UK public sector bodies have been defaulted to "retail" status under the requirements of MIFID II. However, for each counterparty it is looking to transact with, (e.g. financial institution, fund management operator, broker), there remains the option to opt up to "professional" status, subject to meeting certain requirements specified by MIFID II and that it has the appropriate level of knowledge and experience and decision making processes in place in order to use regulated investment products.

MIFID II does not cover term deposits so local authorities should not be required to opt up to professional status. However, some non-UK banks do not have the necessary regulatory permissions to deal with retail clients, so opting up to professional status would be required.

For investing in negotiable investment instruments, money market funds and other types of investment funds, which are covered by MIFID II, a schedule is maintained of all counterparties that the treasury management team are authorised to place investments with. This specifies for each investment instrument and for each counterparty, whether the authority has been opted up to professional status.

A file is maintained for all permissions applied for the received for opt ups to professional status specifying name of the institution, instrument, date applied for the and date received.

A separate file is maintained for confirmations that there is an exemption from having to opt up to professional status for the regulated investment.



### 4.3 Approved Techniques

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- The use of structured products such as callable deposits
- Forward dealing
- LOBOs – lenders option, borrower’s option borrowing instrument

### 4.4 Approved Methods and Sources of Raising Capital Finance

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Capital finance will only be raised in accordance with the Local Government and Housing 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)	●	●
Market (temporary)	●	●
Local Authorities	●	●
Overdraft		●
Internal (capital receipts & revenue balances)	●	●
Leasing	●	●
Municipal bond agency	●	●

### Other Methods of Financing

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Government and EC Capital Grants  
 Lottery monies  
 PFI/PPP  
 Operating Leases

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Director of Resources has delegated powers in accordance with Financial Regulations, Standing Orders, and the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.



#### **4.5 Investment Limits**

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

#### **4.6 Borrowing Limits**

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Please see the current Treasury Management Strategy Statement and Prudential and Treasury Indicators.

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

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- 5.1** Treasury Management activities will be properly structured in a clear and open method and a rigorous discipline of segregation of duties will be enforced to ensure effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance.
- 5.2** The principles on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.
- 5.3**
- a) The Council will receive and review reports on treasury management activities, the annual treasury management strategy and the annual treasury management report.
  - b) The Director of Resources will be responsible for amendments to the organisations adopted clauses, treasury management policy statement and treasury management practices.
  - c) The Director of Resources will consider and approve the Treasury Management Budget.
  - d) The Director of Resources will approve the segregation of responsibilities.
  - e) The Director of Resources will receive and review external audit reports and put recommendations to the Audit Committee.
  - f) The Director of Resources in accordance with Financial Regulations will decide approving the selection of external service providers and agreeing terms of appointment.
- 5.4** The Director of Resources has delegated powers to take all decisions on borrowing, investment, financing and banking and all activities in this respect will be carried out by suitably trained staff.

### **5.5 TREASURY MANAGEMENT ORGANISATION CHART**

	<b>Director of Resources (Section 151)</b>	
	Senior Finance Manager	
	Principal Accountant	

	Treasury Management Officer	
	Finance Officer	

- 5.6** The Director of Resources may delegate her power to borrow and invest to members of staff. The Treasury Management Officer will conduct all dealing transactions, the Principal Accountant and Finance Officer will act as temporary cover for leave/sickness.
- 5.7** Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Director of Resources to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.
- 5.8** A list of brokers is maintained within the Treasury Team and a record of all transactions recorded against them.
- 5.9** The Council rotates business between brokers.
- 5.10** It is not Council Policy to record brokers conversations
- 5.11** Preliminary instructions are given by telephone followed by email confirmation, a payment transfer will be made online in Barclays.net to be completed by 1700 on the same day.
- 5.12** For each deal undertaken with brokers, a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

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

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### **6.1 Annual programme of reporting**

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- Annual reporting requirements before the start of the year: -
  - Review of the organisation's approved clauses, treasury management policy statement
  - Treasury Management Strategy report on proposed treasury management statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement
  - Capital/Treasury Strategy to cover the following:-
    - Give a longer-term view of the capital programme and treasury management implications thereof beyond the three year time horizon for detailed planning;
    - An overview of treasury and non-treasury investments to highlight the risks and returns involved in each and the balance between both types of investments;
    - The Authorities risk appetite and specific policies and arrangements for non-treasury investments
    - Schedule of non – treasury investments.
- Mid-year review
- Annual review report after the end of the year

### **6.1 Annual Treasury Management Strategy Statement**

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1. The Treasury Management Strategy sets out the expected treasury activities for the forthcoming financial year. This strategy will be submitted to Cabinet for approval before the commencement of each financial year.
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, this organisation may decide to postpone borrowing if fixed interest rates are expected to fall or borrow early if fixed interest rates are expected to rise.
3. The Treasury Management Strategy Statement is concerned with the following elements:
  - Prudential and Treasury Indicators
  - Current Treasury portfolio position
  - Prospects for interest rates
  - Borrowing requirement
  - Borrowing strategy
  - Policy in borrowing in advance of need
  - Debt rescheduling
  - Investment strategy
  - Creditworthiness policy
  - MRP policy
  - Policy on use of external providers

- Extraordinary treasury issue
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.
  5. The outcome of debt rescheduling undertaken and reported to Cabinet as soon as possible after completion of the exercise.

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

At the same time as the Council receives the Treasury management Strategy Statement it will also receive a report on the Annual Investment Strategy which will set out the following;

- The Council's risk appetite in respect of security, liquidity and optimum performance
- The definition of high credit quality to determine what are the specified investments as distinct from non-specified investments
- What specified and non-specified instruments the Council will use
- The Authority's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthiness counterparties for its approved lending list
- Which credit rating agencies the Authority will use
- How the Authority will deal with the changes in ratings, rating watches and rating outlooks
- Limits of individual counterparties and group limits
- Interest rate outlook

### **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 and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

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

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

The responsible Officer is responsible for incorporating these limits into the Annual Treasury management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to full Council.

## **6.6 Mid-year Review**

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Treasury management activities will be reviewed on a six-monthly basis. This review considers the following;

- Activities undertaken
- Variations from agreed policies
- Interim performance report
- Regular monitoring
- Monitoring of treasury management indicators for local authorities

## **6.7 Annual Review Report on Treasury Management Activities**

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An annual report will be presented to Cabinet at the earliest practicable meeting after the end of the financial year, by the end of September. This report will include the following;

- Transactions executed and their revenue effects
- Report on risk implications of decisions taken and transactions executed
- Compliance on agreed policies and practices, and on statutory/regulatory requirements
- Performance report
- Compliance with CIPFA Code recommendations
- Monitoring of treasury management indicators

## **6.8 Publication of Reports**

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Reports will be published online on the Authority's website in accordance with each meeting agenda.



## **TMP 7 - BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

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### **7.1 STATUTORY/REGULATORY REQUIREMENTS**

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The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices.

The Council has also adopted the principles set out in CIPFA's 'Treasury Management in the Public Services – Code of Practice', together with those of its specific recommendations that are relevant to this Council's treasury management activities.

### **7.2 BUDGETS / ACCOUNTS/PRUDENTIAL AND TREASURY INDICATORS**

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The Principal Accountant will prepare an annual budget for treasury management, which will bring together all the costs involved in running the function, together with associated income.

### **7.4 AUDIT ARRANGEMENTS**

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The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

List of information requirements of External Auditors

- Reconciliation of loans 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
- Interest accrual calculation
- Principal and interest charges report from the treasury management workbooks
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Calculation of Minimum Revenue Provision

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

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### **8.1 ARRANGEMENTS FOR PREPARING/SUBMITTING CASH FLOW STATEMENTS**

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**8.1.1** Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this Council will be under the control of the responsible officer and will be aggregated for the cash flow and investment management purposes.

**8.1.2** Cash flow projections will be prepared on a regular and timely basis. The annual and monthly cash flow projections are prepared from the previous year's daily cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

**8.1.3** The Authority has access to all its daily banking transactions via the online Banking System. All transactions are checked to source data. A formal bank reconciliation is undertaken daily by Income Management colleagues.

## **TMP 9 - MONEY LAUNDERING**

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

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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 all persons in the UK in a personal and 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 Regulations 2012, 2015 and 2017**

Organisations pursuing relevant business are required to do the following;

- Identify and assess the risks of money laundering and terrorist financing
- Have policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing identified through the risk assessments
- appoint a nominated officer
- implement internal reporting procedures;
- train relevant staff in the subject;
- obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken;

- report their suspicions.

#### **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 to POCA but are not legally obliged to apply the provisions of the Money Laundering Regulations 2012, 2015 and 2017. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly, the Authority will do the following;

- i. evaluate the prospects of laundered monies being handled by them;
- ii. determine the appropriate safeguards to be put in place;
- iii. require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
- iv. make all its staff aware of their responsibilities under POCA
- v. appoint a member of staff to whom they can report any suspicions
- vi. in order to ensure compliance is appropriately managed, this Authority will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and method of communicating procedures and other information to personnel
- vii. the officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures shall be a requirement that all services and departments implement this corporate policy and procedures.

#### **9.5 PROCEDURES FOR ESTABLISHING IDENTITY / AUTHENTICITY OF LENDERS**

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The Council is alert to the possibility that it may become the subject of an attempt to involve it in transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this are properly trained. A copy of the Council's anti money laundering policy is available on the Council's intranet site and from Legal Services.

The Authority 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 FCA website on [www.fca.gov.uk](http://www.fca.gov.uk)

When repaying loans, the procedures in 9.6 will be followed to check the bank details of the recipient.

## **9.6 Methodologies for Identifying Deposit Takers**

In the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that are on the 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 FSA register can be accessed through their website on [www.fsa.gov.uk](http://www.fsa.gov.uk).

All transactions will be carried out by BACS or CHAPs for making deposits or repaying loans. Counterparty repayment details will be checked on kept on file.

## **TMP 10 - STAFF TRAINING AND QUALIFICATIONS**

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**10.1** The Authority recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals: -

- a) Treasury management staff employed by the Authority
- b) Members charged with governance of the treasury management function

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

Training may also be provided on the job and it will be the responsibility of the Treasury Management Officer to ensure that all staff receive the level of training appropriate to their duties. This will also apply to staff who from time to time cover for absences from the treasury management team.

Details of staff training needs will be identified, as part of the training needs analysis undertaken during staff Individual Performance Review.

Treasury Management seminars will be attended as appropriate.

### **10.2 Statement of Professional Practices**

Where the Chief Finance 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. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

### **10.3 Members charged with Governance**

Members charged with governance also have a responsibility to ensure that they have the appropriate skills and training for their role. Treasury Management will ensure relevant members have training available regularly.

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

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### **11.1 DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS, ADVISERS**

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The Authority will employ the services of other organisations 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 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 for banks, and
- The credit rating of that government support

#### **11.1.1 BANKING SERVICES**

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- a) Name of supplier of service is Barclays Bank PLC.  
The branch address is:

Newcastle City  
Newcastle upon Tyne  
NE1 7AF

Tel: 0345 734 5345

- b) Contract commenced November 2016 and runs for 5 years full and extension until November 2021. Due to COVID-19 the Authority has exercised an option to extend for up to 24 months from November 2021.
- c) Cost of service is variable depending on schedule of tariffs and volumes
- d) Payments due quarterly/Monthly.

#### **11.1.2 MONEY- BROKING SERVICES**

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The Council will use money brokers for temporary borrowing and investment and long-term borrowing. It will seek to give an even spread of business amongst the approved brokers.

Name of supplier of service:

Martin Brokers (UK) plc  
Tradition UK Limited  
Icap Tullett Probon  
BCG/Sterling  
King & Shaxton  
Imperial Treasury Services

### **11.1.3 CONSULTANTS'/ADVISERS' 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 the approved lending list etc.

#### **Treasury Consultancy Services**

a) Name of supplier of service is Link Treasury Solutions. Their address is:

65 Gresham Street  
London  
EC2V 7NQ

b) Contract commenced January 2018 for 3 years until December 2021 with an option to extend the contract for a further year.

c) Cost of the current service is maintained within the Treasury Team.

#### **Credit Rating Agency**

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



## **TMP 12 - CORPORATE GOVERNANCE**

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

**12.2** The Council has adopted and implemented the key recommendations of the CIPFA Code of Practice on Treasury Management This is considered vital to the achievement of proper corporate governance in treasury management.

**12.3** The following documents are available for public inspection;

- Treasury Management Policy Statement
- Treasury Management Strategy Statement
- Annual Investment Strategy
- Minimum Revenue provision policy statement
- Annual Treasury Review Report
- Annual accounts and financial instruments disclosure notes
- Annual budget
- Capital Plan
- Minutes of Council/Cabinet/Committee meetings
- Capital Strategy

## APPENDIX 1

### References to Relevant Statutes and Regulations

#### 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
- There has not been an issue of a Local Authorities (Capital Finance and Accounting) (England) Regulations statutory instrument in 2005, 2011 and 2016
- 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**

- CIPFA Local Authority Capital Accounting - a reference manual for practitioners latest year Edition
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2017,
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2017
- CIPFA Prudential Code for Capital Finance in Local Authorities – guidance notes for practitioners 2018
  
- 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 UK Money Markets Guide. (was formerly known as the 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