

Bournemouth, Christchurch and Poole Council

Treasury Management Policy, Practices and Schedules

Treasury Management Practices and Schedules

The Treasury Management Practices (TMPs) and Schedules set out the manner in which the Council will seek to achieve its Treasury Management Policies and objectives and how it will manage and control those activities.

TMP 1 – Treasury Risk Management

TMP 2 – Best Value and Performance Measurement

TMP 3 – Decision-Making and Analysis

TMP 4 - Approved Instruments, Methods and Techniques

TMP 5 - Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

TMP 6 - Reporting Requirements and Management Information Arrangements

TMP 7 - Budgeting, Accounting and Audit Arrangements

TMP 8 - Cash and Cash Flow Management

TMP 9 - Money Laundering

TMP 10 - Staff Training and Qualifications

TMP 11 - Use of External Service Providers

TMP 12 - Corporate Governance

TMP1 Treasury Risk Management

- 1 The S151 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 in the schedule to this document.

Credit and Counterparty Risk Management

Credit and counter-party 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.

- 2 The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, we will ensure that the counterparty list and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit the investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments, Methods and Techniques and listed in the schedule to this document. The Council 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.
- 3 The S151 Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to which types of investment instruments that can be used as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.
- 4 The minimum rating criteria uses method of selecting counterparties and applying limits. The Council will use UK and non-UK banks which have, as a minimum at least one of, the following Fitch, Moody's and Standard and Poor's credit ratings. Credit rating information is supplied by Link Asset Services, our treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.
- 5 The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

Sovereign Ratings

- AA (UK)
- AAA (non UK)

(Rating Description – AAA = Prime Rating, AA+, AA, AA- = High Grade Rating)

Selection Criteria

- Banks 1 - the Council will use UK and non UK banks which have, as a minimum at least one of, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):

	Fitch	Moody's	Standard & Poors
Short Term	F1	P1	A-1
Long Term	A-	A3	A-

Investments will include term deposits, call accounts, notice accounts and CD's.

- a Banks 2 – Part nationalised UK bank – Royal Bank of Scotland. This bank can be included provided it continues to be part nationalised or it meets the ratings in Banks 1 above.
- b Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- c Bank subsidiary and treasury operation - The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- d Building societies. The Council will use societies which meet the ratings for Banks 1 outlined above.
- e Market Funds (MMFs) CNAV
- f Money Market Funds (MMFs) LNVAV
- g Money Market Funds (MMFs) VNAV
- h Ultra-Short Dated Bond Funds with a credit rating of at least 1.25
- i Ultra-Short Dated Bond Funds with a credit rating of at least 1.50
- j Cash Plus Funds
- k UK Government (including gilts, Treasury Bills and the Debt Management Account Deposit Facility (DMADF))
- l Local authorities, Parish Councils, BCP Council Companies (Subsidiaries) and Partnerships.
- m Pooled Funds

Maximum Time and Monetary Limits applying to Investments

- 6 The maximum that can be invested in any one institution at the time of the investment (including call accounts) as a percentage of the total investment portfolio has been reviewed and rationalised. All AA- and above rated institutions have a maximum limit of 25%, all A+, A or A- rated institutions have a maximum limit of 20%. For practical reasons where average investment balance falls below £10m it may become necessary to increase the percentage limit to 33% at the time of investment (this only applies to call accounts).
- 7 The maximum time and monetary limits for institutions on the Council's Counterparty List are as follows (these will cover both Specified and Non-Specified Investments):

	Long Term Rating	Money Limit	Time Limit
Banks 1 category	AA-	25%	2 years
Banks 1 category	A	20%	1 year
Banks 1 category	A-	20%	6 months
Banks 2 category – part-nationalised Lloyds / Bank of Scotland RBS / Nat West	N/A	20%	1 year 2 years
Banks 3 category – Council's banker	AA-	25%	3 months
DMADF/Treasury Bills	AAA	25%	6 months
Local Authorities	N/A	20%	5 years
Money Market Funds CNAV	AAA	25%	Instant access
Money Market Funds LVNAV	AAA	25%	Instant access
Money Market Funds VNAV	AAA	25%	Instant Access

Ultra-Short Dated Bond Funds	N/A	25%	Instant access
Cash Plus Funds	AAA	25%	12/18 months
UK Gilts	UK Sovereign Rate	25%	5 years

Approved methodology for changing limits and adding/removing counterparties

- 8 Credit ratings for individual counterparties can change at any time. The S151 Officer is responsible for applying the stated credit rating criteria outlined above for selecting approved counterparties, and will add or delete counterparties as appropriate to / from the approved counterparty list when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers.
- 9 The S151 Officer will also adjust lending limits and periods when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers in accordance with the criteria outlined above.

Liquidity Risk Management

- 10 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 Council's business/service objectives will be thereby compromised.
- 11 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.
- 12 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.

Cash flow and cash balances

- 13 The Council will aim for effective cash flow forecasting and monitoring of cash balances and will maintain a rolling 12 month cash flow forecast.

The Treasury Management function shall seek to optimise the balance held in the Council's main bank accounts at the close of each working day in order to minimise the amount of bank overdraft interest payable or maximise the amount of interest that can be earned.

In order to achieve the maximum return from investments, a daily cash balance of +/- £50,000 is the normal objective for the Council's bank account. Note - it may not always be possible or practical to achieve this target for various reasons, such as, late or fluctuating receipts after the treasury management activities for the day have been completed.

Short term investments

- 14 Funds are held in overnight accounts, call accounts or money market funds specifically in order to deal with day to day cash flow fluctuations.

Temporary borrowing

- 15 Temporary borrowing up to 364 days through the money market is available should there be a cash flow deficit at any point during the year.

At no time will the outstanding total of temporary and long-term borrowing together with any bank overdraft exceed the Prudential Indicator for the Authorised Borrowing Limit agreed by the Council before the start of each financial year.

Bank Overdraft and standby facilities

- 16 The Council has an authorised overdraft limit with its bankers of up to £100k at an agreed rate of 2.39% over base rate.

Interest Rate Risk Management

- 17 The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.
- 18 The Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting Requirements and Management Information Arrangements.
- 19 It will achieve these objectives 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. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.
- 20 The Council's Policy will limit its exposure to interest rate changes by allowing a maximum of 4% of borrowing to be at variable interest and a maximum of 100% to be at fixed rate. In addition, a maximum of 50% of investments can be made at variable interest and a maximum of 100% to be at fixed rate.
- 21 Interest rates will be monitored by the Assistant Chief Financial Officer and information about possible changes in interest rates gathered from market sources.

Policies concerning other instruments for interest rate management.

- 22 Forward dealing - Will only be undertaken where the date of commencement is 3 months (or less) for an investment from the date that funds will be transferred, in

order to minimise risk due to uncertainties in the cash flow projections. The maximum length of time permissible for all investments will be 5 years.

Exchange Rate Risk Management

- 23 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.

Approved criteria for managing changes in exchange rate levels

- i) As a result of the nature of the Council's business, it 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 adopt a full hedging strategy to control and add certainty to the sterling value of these transactions. This will mean that the Council will eliminate all foreign exchange exposures as soon as they are identified.
- ii) 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, with professional advice, to comply with this full cover hedging policy. Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity unless the Council has a contractual obligation to make a payment in the same currency at a date in the future. In this instance, the currency will be held on deposit to meet this expenditure commitment.

Refinancing Risk Management

- 24 The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.
- 25 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 Council as can reasonably be achieved in the light of market conditions prevailing at the time.
- 26 It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

Projected capital investment requirements

- 27 3 year projections are in place for capital expenditure and its financing or funding. Financing will be from capital receipts, reserves, any grants or contributions awarded and revenue. Funding will be from internal or external borrowing, as decided.

As required by the Prudential Code, the Council will undertake Options Appraisals to evaluate the best capital expenditure financing route.

The Council's projected long-term borrowing requirement will be linked to the projected Capital Financing Requirement.

Debt profiling, policies and practices

- 28 Any longer term borrowing will be undertaken in accordance with the Prudential Code and will comply with the Council's Prudential Indicators and the Treasury Management Strategy.

The Council will maintain through its various treasury spreadsheets reliable records of the terms and maturities of its borrowings, capital, project and partnership funding and, where appropriate, plan and successfully negotiate terms for its refinancing.

Where the lender to the Council is a commercial body the Council will aim for diversification in order to spread risk and avoid over-reliance on a small number of counterparties.

Policy concerning limits on revenue consequences of capital financings

- 29 The revenue consequences of financing the capital programme are included in cash flow models, annual revenue estimates and medium term forecasts.

Legal and Regulatory Risk Management

- 30 The risk that the organisation 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.
- 31 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 treasury 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 Council, particularly with regard to duty of care and fees charged.
- 32 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 Council.
- 33 The Council operates its Treasury Management Practices in accordance with the provisions of the Local Government and Housing Act 1989 and the CIPFA Treasury Code of Practice. The Council's powers are documented in the Treasury Management Policy statement, the Treasury Management Practices and the Schedules.
- 34 Counterparties are included on the lending list where they fully comply with the Credit Rating requirements from Fitch, S&P and Moody's or where they meet the specified exceptional criteria.
- 35 The S151 Officer will review the Legal and Regulatory framework in order to assess the impact of any changes on the Council.

Procedures for evidencing the Council's powers/ authorities to counterparties

- 36 The Council's Financial Regulations contain evidence of the power/ authority to act as required by S151 of the Local Government Act 1972, under the general direction of the Council and Cabinet.

The Council will confirm, if requested to do so by counterparties, the powers and authorities under which the Council effects transactions with them.

Where required, the Council will also establish the powers of those with whom they enter into transactions, including any compliance requirements in respect of a duty of care and best practice.

Required information from counterparties concerning their powers/ authorities

- 37 Lending shall only be made to institutions on the Council's authorised lending list.

The Council will only undertake borrowing from approved sources such as the Public Works Loans Board (PWLB), organisations such as the European Investment Bank and from commercial banks who are on the Council's list of authorised institutions, thereby minimising legal and regulatory risk. The list of approved sources of borrowing is contained in TMP 4.

Political Risk Management

- 38 Political risk is managed by:

- i) Adoption of the CIPFA Treasury Management Code of Practice;
- ii) Adherence to Corporate Governance (TMP 12 – Corporate Governance);
- iii) Adherence to the Statement of Professional Practice by the S151 Officer;
- iv) The roles of the Council and Cabinet.

Details of relevant Statutes and regulations

- 39 The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council. These are as follows:

- i) CIPFA's Treasury Management Code of Practice and guidance notes;
- ii) CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities;
- iii) CIPFA Prudential Code for Capital Finance in Local Authorities and subsequent amendments;
- iv) CIPFA Standard of Professional Practice on Treasury Management
- v) The Local Government Act 2003;
- vi) The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003 No 3146, and subsequent amendments;
- vii) Pensions, England and Wales - The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 – SI 2009 No 3093;

- viii) MHCLG Guidance on Minimum Revenue Provision (MRP);
- ix) MHCLG Revised Guidance on Investments Feb 2017
- x) The MHCLG's Guidance on Local Government Investments in England issued March 2004 and subsequent amendments ;
- xi) The Local Authorities (Contracting out of Investment Functions) Order 1996 SI 1996 No 1883;
- xii) LAAP Bulletins;
- xiii) Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards (from 2010/11 onwards);
- xiv) Accounts and Audit Regulations 2003, as amended together with CLG's Guidance;
- xv) The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets;
- xvi) Council's Constitution including:
 - Standing Orders relating to Contracts;
 - Financial Regulations;
 - Scheme of Delegation.
- xvii) CLG's Self-Financing Policy Documentation and subsequent amendments.

Fraud, Error and Corruption, and Contingency Management

- 40 The risk that an organisation fails 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 fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.
- 41 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.
- 42 In order to mitigate these risks, it is a system requirement that two officers need to be involved in order to facilitate a CHAPS payment via internet banking. The first officer will set up the payment details and the second officer will verify the details and authorise payment. Payment is only to be made on appropriately authorised documentation.
- 43 For payments to investment counterparties and other regular payments (e.g. Inland Revenue, Pensions) the payee name and bank details will be set up as named beneficiaries within the system.

Details of systems and procedures to be followed, including internet services

- 44 The S151 Officer will ensure that all Treasury Management Procedures are fully documented and approved and that they contain adequate levels of internal control. All computer systems or electronic forms of recording or transmitting data will have adequate security and back up provisions.
- 45 The S151 Officer will ensure that the Treasury Management function is subject to regular internal audit, the intention being that this will generally take place once each year with sufficient programmed days to cover all aspects of its activity.

Emergency and contingency planning arrangements

- 46 In the event of treasury management software being unavailable, due to power failure or problems with the system, arrangements for the day-to-day treasury function will be undertaken direct with the Council's bank.

Insurance cover details

- 47 The Treasury Management function is covered under the Council's Fidelity Guarantee Policy.

Market risk management

- 48 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.

Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (GILTS, CDS, etc.)

If the Council makes use of fund managers they may deal in GILTS, Certificates of deposit etc. on behalf of the Council. The limit for these will be the value of the fund, held by the external body at the time. The fund will be able to be liquidated within 7 days.

TMP2 Best Value and Performance Measurement

- 49 The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Strategy Statement.
- 50 Accordingly, the Treasury Management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the Treasury Management function will be measured using the criteria set out in this section.

Methodology to be applied for evaluating the impact of Treasury Management decisions

- 51 All treasury management decisions will be recorded by the Treasury Accountant. A monthly report will be produced and any significant decisions notified to the S151 Officer on the monthly report. Rates quoted for investments and borrowing will be recorded and monitored against benchmarks, any benchmarking reports will consider risk as well as the rate of return. Market trends will be compared to expectations. Investments or borrowing which takes place with a maturity of over one month, evidence should be kept to demonstrate that the most favourable interest rate has been achieved.

Policy concerning methods for Testing Value for Money in Treasury Management

Frequency and processes for review

- 52 The Treasury Management function will be included within the Core Service Transformation review of Strategic Finance.

Banking services

- 53 Banking services will be retendered or renegotiated periodically in line with accepted procurement practice to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends.

Money-broking services

- 54 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. The Council will also deal direct with counterparties that appear on the lending lists where it can be shown that the rates achievable by dealing direct are higher than those that could have been achieved by dealing through money-brokers.

An approved list of brokers will be established which takes account of both prices and quality of services. Note that fees are only due when the authority chooses to borrow using money brokers.

Consultants'/advisers' services

- 55 The Council may appoint professional treasury management advisers as and when it is deemed necessary to do so. The performance of these advisors will be monitored on an ongoing basis and be the subject of a tendering process.

Where treasury management advisers are appointed they will be expected to:

- i) Provide creditworthiness advice and updates on credit developments;
- ii) Provide rating watch information and highlight any impact on the Council's lending list;
- iii) Review all treasury management reports and check compliance with the Treasury Management Code of Practice, the Prudential Code and Best Practice;
- iv) Provide suitable economic information including interest rate forecasts;
- v) Offer suitable training and seminars to support for Members and officers;
- vi) Provide technical advice help and support as required.

External Fund Managers

- 56 The Council may appoint full-time cash/external investment fund managers and will comply with the Local Authorities (Contracting Out of Investment Functions) Order 1996 [SI 1996 No 1883].

The fund Manager will undertake all activity in accordance with the provisions set out in this document.

The delegation of investment management to external managers will entail the following:

- i) Agreement of a formal contractual agreement and documentation;
- ii) Agreement on terms for early termination of the contract;
- iii) Setting of a benchmark of [7 day LIBID] and a performance target of exceeding the benchmark;
- iv) Setting of investment counterparty constraints;
- v) Quarterly reporting of performance;
- vi) At least annual meetings with investment managers;
- vii) Setting of other constraints/parameters/conditions.

The Council's treasury management advisors will assist in monitoring the performance of the fund managers.

Methods to be employed for measuring the performance of the Council's Treasury Management activities

- 57 Performance will be measured against the benchmark figures agreed. Performance will also be monitored by comparing expected levels of interest to the interest budgets set in the Budget setting process.

Benchmarks and calculation methodology:

a Debt management

Average rate on all external debt
Average rate on external debt borrowed in previous financial year
Average rate on internal borrowing
Average period to maturity of external debt
Average period to maturity of new loans in previous year

b Investment

The performance of investment earnings will be measured against the following benchmarks:

- i) In house investments - 7 Day LIBID
- ii) Cash fund manager - 7 Day LIBID

It is recognised that these benchmarks must be assessed in the overall context of security and liquidity being more important than yield.

TMP3 Decision-Making and Analysis

- 58 The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed below.
- 59 Whilst the Council will take advice from external consultants as and when required it is recognised that the final decision for all treasury management activity lies with the Council.

Funding, Borrowing, Lending, and new instruments / techniques

Records to be kept

- 60 Details of all rates achieved on new investments and borrowing will be kept by the S151 Officer, along with rates requested from other sources that were rejected. This is to show that the S151 Officer consulted different areas of the market place to support the decision made. All documentation to support investment / borrowing decisions will be available for inspection by internal audit.

Processes to be pursued

- 61 When investment decisions are to be made, the Treasury Accountant with responsibility for treasury management will seek rates from at least two brokers or counterparties that deal direct, and a comparison will be made with indicative rates quoted by brokers on the day. These rates, together with the reason for the chosen rate (not always the highest rate quoted), will be recorded on the deal ticket or electronically and will be made available for inspection. Since the start of the credit crisis and the nominal rates achieved on investments the Treasury Management function have concentrated their efforts firmly on capital protection and risk management. In practice the Council has a very restricted lending list and there is often little or no choice where to place investments.

Borrowing decisions will be made by the S151 Officer in the light of the Council's medium term budgetary requirement. The interest rate type, period of the loan and reason for the need to borrow will be recorded by the Group Accountant with responsibility for treasury management.

Issues to be addressed

- 62 In respect of every 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 approvals to proceed have been obtained;
 - c Be content that the documentation is adequate both to deliver the Council's objectives and protect its interests, and to deliver good housekeeping;
 - d Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded;

- e Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.
- 63 In respect of borrowing and other funding decisions, the Council will:
- a Evaluate the economic and market factors that might influence the manner and timing of any decision to fund;
 - b Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships;
 - c Consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets.
- 64 In respect of investment decisions, the Council will:
- a Consider the optimum period, in the light of cash flow availability and prevailing market conditions;
 - b Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital.

TMP4 Approved Instruments, Methods and Techniques

- 65 The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed below and within the limits and parameters defined in TMP1 Risk Management.
- 66 Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its Treasury Management Strategy. The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

Approved activities of the Treasury Management function

- a Borrowing
- b Lending
- c Debt repayment and rescheduling
- d Consideration, approval and use of new financial instruments and treasury management techniques
- e Managing the underlying risk associated with the Council's capital financing and surplus funds activities
- f Managing cash flow
- g Banking activities
- h Leasing
- i The use of external fund managers

Approved instruments for investment

- 67 In accordance with The Local Authorities (Capital Finance) (Approved Investments) Regulations 1990 and subsequent amendments, the instruments approved for investment and commonly used by local authorities are:

- a UK Government (including gilts, Treasury Bills and Debt Management Account Deposit Facility)
- b Deposits with banks, building societies or local authorities (and certain other bodies) for up to five years;
- c Certificates of deposits with banks or building societies for up to five years;
- d Corporate bonds and bonds issued by Multilateral Development Banks;
- e Euro-sterling issues by certain Supra-national bodies listed on the London and Dublin Stock Exchanges;
- f Money Market Funds;
- g Pooled funds, i.e. collective investment schemes as defined in SI 2004 No 534.

Approved techniques

- a Forward dealing up to five years
- b Callable deposits up to five years

Approved methods and sources of raising Capital Finance

68 Finance will only be raised in accordance with the Local Government and Housing Act, 1989, and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet	Fixed	Variable
PWLB	●	●
Local Authorities and Other Public Bodies	●	●
Private Sector Organisations	●	●
Overdraft		●
Internal (capital receipts & revenue balances)	●	●
Municipal Bond Agency	●	●
Leasing (finance leases)	●	●
Deferred Purchase	●	●

Other Methods of Financing

Government and EU Capital Grants
 Lottery monies
 PFI

69 These forms of funding will be considered based on the prevailing economic climate, regulations and local considerations. The S151 Officer has delegated powers through this Policy and the Strategy to take the most appropriate form of borrowing from the approved sources.

Investment Limits

Deposits (including Money Market Funds)	LIMIT Unlimited
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Borrowing Limits

On Balance Sheet

PWLB	100%
Private Sector Organisations	100%
Municipal Bond Agency	20%
Local Authorities and Other Public Bodies	100%
Overdraft	£500k
Internal (capital receipts & revenue balances)	100%

TMP5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

- 70 The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, and for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.
- 71 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.
- 72 If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting Requirements and Management Information Arrangements, and the implications properly considered and evaluated.
- 73 The S151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. The present arrangements are detailed in the schedule in this section.
- 74 The S151 Officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in this section.
- 75 The delegations to the S151 Officer in respect of treasury management are set out in this section. The S151 Officer will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

76 Limits to responsibilities/discretion at Committee/Executive levels

Full Council

- receiving and reviewing the annual Treasury Management Strategy Statement and a report on Treasury Management Policy, Practices and Schedules;
- budget consideration and approval;
- receiving a summary annual report on performance during the previous financial year.

Cabinet

- receiving and reviewing the annual Treasury Management Strategy Statement and a report on Treasury Management Policy, Practices and Schedules;
- budget consideration and approval;
- receiving a summary annual report on performance during the previous financial year;
- approval of investments where minimum lending criteria are not met.

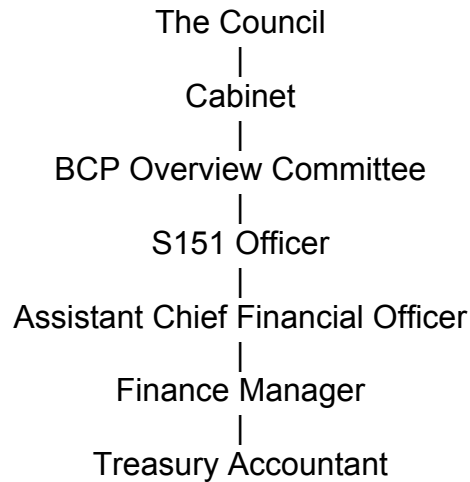
BCP Committee

- approval of amendments to the Council's adopted clauses, Treasury Management Strategy Statement and Treasury Management Policies, Practices and Schedules;
- performance monitoring;
- receiving and reviewing external audit reports and acting on recommendations;
- approving the selection of external fund managers and agreeing terms of appointment;
- receiving a detailed annual report;
- scrutinise the Treasury Management Strategy Statement and Treasury Management Policies, Practices and Schedules;
- receive reports of any non-compliance with the Council Treasury Management Strategy Statement and Treasury Management Policies, Practices and Schedules.

77 Principles and practices concerning segregation of duties

The S151 Officer will ensure that there is proper segregation of duties in place for Treasury Management.

78 Treasury Management organisation chart



79 Statement of Duties/Responsibilities of each Treasury Post

a S151 Officer

i) The S151 Officer will:

- execute and administer treasury management decisions in accordance with the Treasury Management Strategy and the Treasury Management Policies, Practices and Schedules;
- recommend all arrangements for the identification, management and control of all treasury management risk and report on such;
- design, recommend and implement the annual Treasury Management Strategy and Treasury Management Policies, Practices and Schedules for approval, reviewing and monitoring compliance;
- adhere and monitor performance against the approved prudential indicators;
- construct the Council's lending list and formulating suitable criteria for assessing and monitoring the credit risk of investment counterparties;
- submit regular treasury management policy reports;
- submit budgets and budget variations;
- ensure that all Treasury Management Policies, Practices and Schedules are fully documented and approved, and contain adequate levels of internal control;
- receive and review management information reports;
- review the performance of the Treasury Management function and promote value for money reviews;

- ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the Treasury Management function;
 - ensure all Members and treasury management staff receive training to ensure all responsibilities are carried out appropriately;
 - recommend investments where the minimum lending criteria are not met;
 - ensure the adequacy of internal audit, and liaising with external audit;
 - ensure that the most appropriate form of borrowing is taken from the approved sources;
 - review the legal and regulatory framework in order to assess the impact of any changes on the Council;
 - monitor the Governance arrangements of the treasury management function;
 - recommend the appointment of external service providers.
- ii) The S151 Officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to take the most appropriate form of investments in approved instruments.
- iii) Only officers approved by the S151 Officer or the Assistant Chief Finance Officer will conduct dealing transactions.
- iv) The S151 Officer 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.
- v) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the S151 Officer to be satisfied, by reference to the Monitoring Officer, 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.
- vi) It is also the responsibility of the S151 Officer to ensure that the Council complies with the requirements of The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
- b Assistant Chief Financial Officer / Finance Manager
- i) The responsibilities of these posts will be:
- planning, organising, directing and monitoring the Treasury Management function;
 - ensuring compliance with the policy, practices and schedules;
 - regularly reporting to the S151 Officer regarding performance of the function;
 - ensuring the treasury management function is adequately covered during normal business hours;
 - monitoring market conditions and interest rates and advising the S151 Officer regarding its impact on the Council's strategy.
- c Finance Manager / Treasury Accountant

- i) The responsibilities of this post will be:
 - execution of transactions;
 - adherence to agreed policies and practices on a day-to-day basis;
 - maintaining relationships with third parties and external service providers;
 - supervising treasury management staff;
 - monitoring performance on a day-to-day basis;
 - submitting management information reports to the Assistant Chief Finance Officer;
 - preparation of cash flow statements;
 - recording all treasury management decisions;
 - maintain the counterparty list in line with the approvals made;
 - identifying and recommending opportunities for improved practices.
- d Treasury Accountant
 - carry out day to day banking activities ensuring the treasury function meets its objectives
 - recording all treasury management decisions;
 - maintain the counterparty list in line with the approvals made;
 - preparation of cash flow statements;
- e Head of the Paid Service
 - i) The responsibilities of this post will be:
 - ensuring that the system is specified and implemented;
 - ensuring that the S151 Officer reports regularly to the Council, Cabinet and BCP Committee on treasury management policy, activity and performance as appropriate.
- f Monitoring Officer
 - i) The responsibilities of this post will be:
 - ensuring compliance by the S151 Officer with the Treasury Management Strategy Statement and Treasury Management Policies, Practices and Schedules and that they comply with the law;
 - being satisfied that any proposal to vary treasury management policy or practice complies with law or any code of practice;
 - giving advice to the S151 Officer when advice is sought.
- g Internal Audit
 - i) The responsibilities of Internal Audit will be:
 - reviewing compliance with approved policy and procedures;
 - reviewing division of duties and operational practice;
 - assessing value for money from treasury management activities;

- undertaking audits to provide assurance over the probity of the Treasury Management function.

Absence cover arrangements

- 80 The Finance Manager with responsibility for the treasury function will ensure that the Treasury Management function is adequately covered during normal business hours.

Dealing limits

- 81 The Finance Manager with responsibility for treasury management is permitted to place deals in accordance with the Counterparty Lists and Limits and approved Treasury Management Practices.

List of approved brokers

- Tradition Brokers
 - Sterling International Brokers division of BGC Brokers LP
 - Martin Brokers division of BGC Brokers LP
 - Tullett Prebon (Europe) Limited
- 82 Treasury management staff are also authorised to deal direct with any of the counterparties on the approved lending list, where it can be shown that better rates of interest can be achieved than would otherwise be available through Brokers.

Policy on Brokers' services

- 83 The Authority aims to achieve a spread of brokers, together with the use of direct dealing counterparties in order to secure suitable deals.

Policy on taping of conversations

- 84 The Authority does not currently tape telephone calls made to brokers. It is understood that the broker firms used do tape all telephone conversations and deals are always confirmed by fax by the broker and the body receiving or paying over the money, these documents will be retained.

Direct dealing practices

- 85 The Authority aims to achieve a spread of counterparties in order to secure suitable deals.

Settlement Transmission Procedures

- 86 On maturity of an investment or loan the broker / counterparty involved will always be contacted by the treasury management staff to confirm what the Authority's intentions are with regard to the maturity and whether it is to be repaid.

Documentation requirements

- 87 Copies of all correspondence with brokers will be kept and made available for inspection.

Arrangements Concerning the Management of Third-Party Funds

- 88 The Council holds a number of trust funds. The cash in respect of these funds is held in the Council's bank account but transactions are separately coded. Interest is given on credit balances at the average rate for internal balances for the year.

TMP6 Reporting Requirements and Management Information Arrangements

- 89 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 the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the Treasury Management function.

Annual Programme of reporting

- 90 As a minimum, the Council will receive:
- a An annual report on the strategy and plan to be pursued in the coming year;
 - b A summary annual report on the performance of the Treasury Management function.
- 91 It is recognised that BCP Committee are responsible for ensuring effective scrutiny of the Treasury Management Strategy Statement and activities and as such they will receive:
- a A copy of the annual report on the strategy and plan to be pursued in the coming year together with the treasury management prudential indicators;
 - b A full annual report on the performance of the Treasury Management function, on the effects of the decisions taken and the transactions executed in the year to date, and on any circumstances of non-compliance with the Council's Treasury Management Strategy Statement and TMPs.
 - c Quarterly Monitoring Reports

Annual Treasury Management Strategy Statement

- 92 The Treasury Management Strategy Statement sets out the specific expected treasury management activities for the forthcoming financial year. This Strategy will be submitted to Cabinet and Full Council for approval before the commencement of each financial year.
- 93 The formulation of the Treasury Management Strategy Statement 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.
- 94 The Treasury Management Strategy Statement is concerned with the following elements:
- a The prospects for interest rates;
 - b The limits placed by the Council on treasury activities;
 - c The expected borrowing strategy;

- d The expected temporary investment strategy (including the appointment of fund managers);
- e Other issues.

Policy on Interest Rate Exposure

- 95 As required by section 45 of the Local Government and Housing Act, 1989, the Council must approve before the beginning of each financial year the following treasury management limits:
- a The overall borrowing limit;
 - b The amount of the overall borrowing limit which may be outstanding by way of short-term borrowing;
 - c The maximum proportion of interest on borrowing which is subject to variable rate interest.
- 96 The S151 Officer is responsible for incorporating these limits into the Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the S151 Officer shall submit the changes for approval to Cabinet before submission to the Full Council for approval.

Annual Report on Treasury Management activity

- 97 A summary annual report will be presented to Cabinet and Full Council at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. A full annual report will be presented to BCP Committee. This report will include the following:
- a A comprehensive picture for the financial year of all Treasury Management Policy, Practices and Schedules, plans, activities and results;
 - b Transactions executed and their revenue (current) effects;
 - c Report on risk implications of decisions taken and transactions executed;
 - d Monitoring of compliance with approved policy, practices and statutory / regulatory requirements;
 - e Monitoring of compliance with powers delegated to officers;
 - f Degree of compliance with the original strategy and explanation of deviations;
 - g Explanation of future impact of decisions taken by the Council;
 - h Measurements of performance;
 - i Report on compliance with CIPFA Code recommendations.

Management Information Reports

- 98 Management information reports will be prepared every month by the Treasury Accountant and will be presented to the following officers:
- a Finance Manager;
 - b Assistant Chief Financial Officer;
 - c S151 Officer;
- 99 These reports will contain the following information:

- a Summary of the Authority's financial position for the current year and previous financial years;
- b Details of all current investments / loans;
- c Details of the Interest Budget and Interest Projections;
- d All notes relevant to the Treasury Management function, including where applicable the reasons behind and the impact of any decisions made.

Periodic Monitoring Committee Reports

- 100 Interim reports will be prepared where significant matters arise that need to be reported to a BCP Committee.

TMP7 Budgeting, Accounting and Audit Arrangements

- 101 The responsible officer will prepare, and the Council will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the Treasury Management function, together with associated income. The matter to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk Management, TMP2 Best Value and Performance Measurement, and TMP4 Approved Instruments, Methods and Techniques. The S151 Officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 Reporting Requirements and Management Information Arrangements.
- 102 The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.
- 103 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.

Statutory/Regulatory Requirements

- 104 The treasury management budget and interest budget will be set as part of the Council's main budget setting process as required by the Council. Treasury Management is subject to an annual audit by Internal Auditors and is also audited by External Audit as part of the main financial audit.

TMP8 Cash and Cash Flow Management

- 105 Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the S151 Officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the S151 Officer will ensure that these are adequate for the purposes of monitoring compliance as per paragraphs 11-13 Liquidity Risk Management. The present arrangements for preparing cash flow projections, and their form, are set out below.

Arrangements for preparing/submitting Cash Flow Statements

- 106 The Finance Manager with responsibility for treasury management will prepare a rolling cash flow forecast which will cover at least 12 months, based on information gathered from within the Council. This cash flow forecast will be continually updated as new information is received. The cash flow forecast will contain information for every day of the year for all bank accounts.

Listing of sources of information

- 107 Information will be provided to the Treasury Management function by other members of Financial Services and the Council in general.

Bank Statements procedures

- 108 Bank statements are received daily and retained. Summary bank statements are also available in electronic format through the use of treasury management software.

TMP9 Money Laundering

Proceeds of Crime Act 2002

- 109 The Proceeds of Crime Act (POCA) 2002 consolidated, updated and reformed criminal law in the UK in relation to money laundering. The principal offences relating to money laundering are:
- a Concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland;
 - b Being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention use or control of criminal property;
 - c Acquiring, using or possessing criminal property.
- 110 Other offences include failure to disclose money laundering offences, tipping off a suspect either directly or indirectly, and doing something that might prejudice an investigation.
- 111 Organisations pursuing relevant businesses were 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.

The Money Laundering Regulations 2007

- 112 In December 2007, the UK Government published the Money Laundering Regulations 2007, which replaced the 2003 Regulations.
- 113 CIPFA believes that public sector organisations should “embrace the underlying principles behind the money laundering legislation and regulations and put in place anti money laundering policies, procedures and reporting arrangements appropriate and proportionate to their activities”.

- 114 Principle: The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

Procedures for establishing identity / authenticity of lenders

- 115 The Council does not accept loans from individuals. All loans are obtained from the PWLB, Local Authorities or Other Public Bodies or from authorised institutions under the Banking Act 1987: (the names of these institutions appeared on the Bank of England quarterly list of authorised institutions until 1 December 2001 when the Financial Services Authority (FSA) took over the responsibility for maintaining a register of authorised institutions. This register can be accessed through their website on www.fsa.gov.uk).

Methodology for identifying sources of deposit

- 116 These will be arranged through authorised money brokers or by direct dealing.

TMP10 Staff Training and Qualifications

Details of approved training

- 117 The Council recognises the importance of ensuring that all staff involved in the Treasury Management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The S151 Officer will recommend and implement the necessary arrangements.
- 118 The S151 Officer will ensure that Council Members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.
- 119 Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.
- 120 The treasury management staff have attended training courses provided both by the Council's advisors and other organisations. The Group Accountant with responsibility for treasury management will ensure that a proactive approach is taken to continually keeping abreast of changes within the treasury management field.

Approved Qualifications for Treasury Staff

- S151 Officer ACCA
 - Assistant Chief Financial Officer CPFA
 - Finance Manager - Technical CPFA
 - Treasury Accountant AAT
- 121 The S151 Officer can determine that an approved qualification is not required if the member of staff has appropriate expertise and knowledge to carry out the responsibilities outlined in the Treasury Management Policy, Practices and Schedules.

Statement of Professional Practice (SOPP)

122 Where the S151 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 that are CCAB members must also comply with the SOPP.

Member training

123 Council Members tasked with treasury management responsibilities should be trained in the areas of their responsibility.

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

TMP11 Use of External Service Providers

124 The Council recognises that responsibility for treasury management decisions remains with the authority at all times.

It recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Service Director, Strategic Finance.

125 The terms of appointment of all consultants are assessed and properly agreed and documented.

Details of Contracts with Service Providers, including Bankers, Brokers, Consultants, Advisers

- a Banking services
- b Name of main supplier of service - HSBC
- c Contract commenced 1 April 2019
- d Money-broking services - No contract exists
- e Cash/fund management services – No contract exists
- f Consultants'/advisers' services
- g Name of supplier of service – currently under tender
- h Software suppliers – No contract exists

- i Credit rating agencies
- j The Council will make use of any information supplied by Moody's, Standard and Poor's and Fitch
- k Procedures and frequency for tendering services
- l This will be in accordance with the Council's Standing Orders.

TMP12 Corporate Governance

- 126 The Council is committed to the pursuit of proper corporate governance throughout its businesses 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.
- 127 The Council has adopted and has implemented the key recommendations of the Treasury Management Code of Practice as updated. This, together with the other arrangements detailed below, are considered vital to the achievement of proper corporate governance in treasury management, and the S151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Stewardship responsibilities

- 128 The S151 Officer ensures that systems exist to deliver proper financial administration and control and maintaining a framework for overseeing and reviewing the Treasury Management function.

List of documents to be made available for public inspection

- 129 The following documents are freely available for public inspection:
- Annual Statement of Accounts;
 - Budget Book;
 - Medium Term Financial Plan (including Capital);
 - Treasury Management Policy, Practices and Schedules;
 - Treasury Management Strategy;
 - Budget monitoring reports;
 - Annual Treasury Report;