



# **Treasury Management**

## **Code of Practice**

## **Introduction**

This Treasury Management Code of Practice has been compiled in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2017 ("the CIPFA Code").

Adherence to the principles of the CIPFA Code should ensure that Treasury Management activities within the Council are effectively managed and adequately controlled.

This Treasury Management Code of Practice has been written in conjunction with the Council's Treasury Management Policy Statement and Investment Strategy 2023 to 2024.

Section 4H paragraphs 8.1 to 8.5 of the Council's Constitution also contains information regarding Treasury Management procedure rules, these are in line with this Code.

## **Definitions**

For the purposes of this Code, "Treasury Management Activities" is defined as:

"The management of the Local Council's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of the optimum performance consistent with those risks."

'Investments' in the definition above covers all the financial assets of the Council, as well as other non-financial assets which the organisation holds primarily for financial returns, such as investment property portfolios. This may therefore include investments which are not managed as part of the normal treasury management or under treasury management delegations. All investments require an appropriate investment management and risk management framework under this Code.

## **Purpose of the CIPFA Code**

CIPFA produced the Code and the accompanying guidance notes to help satisfy nine main purposes:

- To assist public service organisations in the development and maintenance of firm foundations and clear objectives for their treasury management activities, and thereby to add to their credibility in the public eye.
- To emphasise the overriding importance of effective risk management as the foundation for treasury management in all public service bodies.
- To provide transparency for treasury management decisions including the use of counterparties and financial instruments that individual public service organisations intend to use for the prudent management of their financial affairs.
- To encourage the pursuit of value for money in treasury management, and to promote the reasoned use, development and appreciation of appropriate and practical measures of performance.

- To enable CIPFA Members to fulfil their professional and contractual responsibilities to the organisations they serve and, in accordance with the members' charter, "to maintain and develop the professional competence of both themselves and those they supervise".
- To help facilitate a standardisation and codification of treasury management policies and practices in the public services.
- To assist those involved in the regulation and review of treasury management in the public services, particularly those charged with the audit of the same.
- To foster a continuing debate on the relevance and currency of the statutory and regulatory regimes under which treasury management in the various parts of the public services operates.
- To further the understanding and confidence of, and to act as a reference work for, financial and other institutions whose businesses bring them into contact with the treasury management activities of public service organisations.

## **Treasury Management Practices**

The following Treasury Management Practices (TMPs) are incorporated in the Treasury Management Code of Practice in accordance with CIPFA Guidance:

TMP 1	Risk management
TMP 2	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 requirement and management information arrangements
TMP 7	Budgeting, accounting and audit arrangements
TMP 8	Cash and cash flow management
TMP 9	Money laundering
TMP 10	Training and qualifications
TMP 11	Use of external service providers
TMP 12	Corporate governance

### **TMP 1 Risk Management**

#### **General Statement**

This Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures will cover all external investments.

The Section 151 Officer or Deputy 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 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.

## 1. **Credit and Counterparty Risk Management**

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

The Council will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited and will limit its treasury management 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. 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 or derivative arrangements.

## 2. **Liquidity Risk Management**

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

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

This 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.

## 3. **Interest Rate Risk Management**

**Definition:** The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

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

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

be subject to the consideration and, if required, approval of any policy or budgetary implications.

It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

The Council also has an interest equalisation reserve which, if necessary, can be used to help smooth out the level of interest received due to fluctuations in interest rates.

#### 4. **Exchange Rate Risk Management**

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

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

#### 5. **Inflation Risk Management**

**Definition:** Inflation risk, also called purchasing power risk, is the chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.

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

#### 6. **Refinancing Risk Management**

**Definition:** 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.

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

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

#### 7. **Legal and Regulatory Risk Management**

**Definition:** 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.

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1(1) credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, Council and compliance in respect of the transactions they may affect with the organisation, particularly with regard to duty of care and fees charged.

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

## 8. **Fraud, Error and Corruption, and Contingency Management**

**Definition:** 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.

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. Further information regarding this is set out in the schedule to this document.

## 9. **Price Risk Management**

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

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

## **TMP 2 Performance Management**

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 policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation'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 the schedule to this document.

### **TMP 3 Decision-Making and Analysis**

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 purpose 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 in the schedule to this document.

### **TMP 4 Approved Instruments, Methods and Techniques**

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 Risk management.

Where this Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury 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.

The Council has reviewed its classification with financial institutions under MiFID II and keeps a record of those organisations with which it is registered as a professional client and those with which it has an application outstanding to register as a professional client.

### **TMP 5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements**

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud 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.

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

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Section 151 Officer or Deputy Section 151 Officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirement and management information arrangements, and the implications properly considered and evaluated.

The Section 151 Officer or Deputy Section 151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Section 151 Officer or Deputy Section 151 Officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed within this document.

The Section 151 Officer or Deputy Section 151 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 the schedule to this document.

The delegations to the Section 151 Officer or Deputy Section 151 Officer in respect of treasury management are set out within this document. The Section 151 Officer or Deputy Section 151 Officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and if a CIPFA member, the Standard of Professional Practice on Treasury Management.

## **TMP 6 Reporting Requirements and Management Information Arrangements**

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

As a minimum, full Council will receive:

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

The body responsible for scrutiny, such as an audit or scrutiny committee, will have the responsibility for the scrutiny of treasury management policies and practices.

Local authorities should report the treasury management indicators as detailed in their sector-specified guidance notes.

The present arrangements and the form of these reports are detailed in the schedule to this document.

## **TMP 7 Budgeting, Accounting and Audit Arrangements**

The Section 151 Officer or Deputy Section 151 Officer will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk

management, TMP2 Performance measurement, and TMP4 Approved instruments, methods and techniques.

The Section 151 Officer or Deputy Section 151 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.

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.

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.

## **TMP 8 Cash and Cash Flow Management**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the Section 151 Officer or Deputy Section 151 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 Section 151 Officer or Deputy Section 151 Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 (2) liquidity risk management, further information regarding this is set out in the schedule of this document.

## **TMP 9 Money Laundering**

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.

Any suspicions of money laundering activities would be reported to the Internal Audit Manager who is the Money Laundering Reporting Officer (MLRO) or the Senior Auditor who is the Deputy Money Laundering Reporting Officer.

## **TMP 10 Staff Training and Qualifications**

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 Section 151 Officer or Deputy Section 151 Officer will recommend and implement the necessary arrangements.

The Section 151 Officer or Deputy Section 151 Officer will ensure that the Council members tasked with treasury management responsibilities, including those

responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

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

The present arrangements are detailed in the supporting schedule of this document.

### **TMP 11 Use of External Service Providers**

The Council recognises that responsibility for treasury management decisions remains with the Council at all times. It recognises that there may be 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 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, documented, and subjected to regular review. Where services are subject to formal procurement arrangements, legislative requirements will always be observed. The monitoring of such arrangements rest with the Section 151 Officer or Deputy Section 151 Officer, and details of the current arrangements are set out in the schedule to this document.

### **TMP 12 Corporate Governance**

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.

The Council has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Section 151 Officer or Deputy Section 151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

## **Investments that are not part of the Treasury Management Activity**

Where, in addition to treasury management investment activities, the Council invests in other financial assets and property primarily for financial return, these investments should be proportional to the level of resources available to the organisation and the organisation should ensure that the same robust procedures for consideration of risk and return are applied to these decisions.

### **Management practices for non-treasury investments.**

The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activities include loans supporting services outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all council investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation's

risk appetite and specific policies and arrangements for non-treasury investments. It will recognise that the risk appetite for these activities may differ from that for treasury management.

The Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.

The Council's Capital and Investment Strategies are held as separate documents and are available on our website.

# Supporting Schedules to the Treasury Management Practices (TMPs)

## Risk Management (TMP1)

### Credit and Counterparty Policies Risk Management – TMP1(1)

The Council currently holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £44 million and £76 million. During 2023 to 2024 and in future years, due to the Council's Capital Programme, these levels are expected to fall.

**Objectives:** The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

**Negative interest rates:** In the event of negative interest rates, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

**Strategy:** As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term, low risk instruments.

The CIPFA Code does not permit local councils to both borrow and invest long-term for cash flow management. But the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years.

**Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

**Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

## Approved investment counterparties and limits

Credit Rating	Banks Unsecured	Banks Secured	Pooled Funds
AAA	£6 million 5 years	£12 million 20 years	£12 million 20 years
AA+	£6 million 5 years	£12 million 10 years	£12 million 15 years
AA	£6 million 4 years	£10 million 5 years	£10 million 15 years
AA-	£6 million 3 years	£10 million 4 years	£10 million 10 years
A+	£6 million 2 years	£8 million 3 years	£8 million 5 years
A	£6 million 13 months	£8 million 2 years	£8 million 5 years
A-	£6 million 6 months	£6 million 13 months	£6 million 5 years
None	£6 million 6 months	n/a	£1 million 5 years
<b>UK Government</b>	Unlimited, 50 Years		
<b>Other UK Local Authorities</b>	Using Arlingclose Rating Formula (Per iDeal trade platform) Gold - £12 million - 5 years Silver - £10 million - 5 years Bronze - £8 million - 5 years		

This table must be read in conjunction with the notes below

**\* Minimum credit rating:** Treasury investments will only be made with entities whose lowest published long-term credit rating is no lower than [A-]. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £6 million per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

**Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

**Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured

investments with any one counterparty will not exceed the cash limit for secured investments.

**Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

**Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

**Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

**Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

**Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

**Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

**Operational bank accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £1 million per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

**Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and

- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “negative watch”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

**Other information on the security of investments:** The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority’s treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

**Investment limits:** The Council’s revenue reserves available to cover investment losses are forecast to be £38.7 million on 31 March 2023. In order that no more than 40 per cent of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £12 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £1.5 million in operational bank accounts count against the relevant investment limits.

Limits are also placed on fund managers, investments in brokers’ nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

### Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£12 million each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£12 million per group
Any group of pooled funds under the same management	£12 million per manager

Negotiable instruments held in a broker's nominee account	£12 million per broker
Foreign countries	£3 million per country
Unsecured investments with non-rated building societies	£6 million each
Money market funds	£12 million in total

## **Liquidity Risk Management - TMP1(2)**

### **Liquidity management**

The Council uses a cash flow forecasting spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

The Council will spread its liquid cash over at least three providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

### **Approved Minimum Cash Balances and Short-Term Investments**

In order to maintain the position of the Council, in terms of liquidity, the following limits have been set: -

- ◆ Daily treasury management procedures will aim to maintain a forecast consolidated balance in the region of £50,000 to £1.5 million. However, balances over £1.5 million may be retained in the Council's current account to be used to cover payments going out provided the limit is not exceeded for more than five consecutive working days.
- ◆ If two internally managed investments are being placed on the same day with different maturity dates, one counterparty may be used for the two investments even if the investment per cent rate offered on one of the investments is not the highest rate and the subsequent loss of interest incurred does not exceed the pre-set limit of £50.00 on that one investment. However, the counterparty in question must be willing to accept the two investments as one CHAPS payment.
- ◆ In order to meet the cash flow requirements of the Council, a Treasury Deposit Account is held with our current bankers that is used to hold up to £10 million to cover any large, planned expenditure. This account has been established as a replacement for the overdraft facility that was cancelled as a result of increasing standing charges.

## **Standby Facilities/Call Accounts**

The Council also holds instant access / call accounts with the following banks:

- Barclays

## **Overdraft Arrangements**

Although no overdraft arrangements are currently in place, the Council would have the opportunity to re-instate the facility with the Council's bankers with a net limit of £1 million. Interest will be charged at 2 per cent above the Bank's Base Rate should the need arise.

The Bank also operates a **Daylight Exposure Limit** (also known as the Settlement Risk Exposure), which allows the consolidated bank accounts can be overdrawn during the course of the working day; the limit is set at £25 million. The daylight exposure limit is intended to cover any crossover periods during the day when large payments have to be made from the Council's bank accounts, but the expected credits may not be received until later in the day.

The daylight exposure limit only covers CHAPS payments.

## **Short & Long Term Borrowing Facilities**

There is a borrowing limit that is set by the Council each year in accordance with the Local Government Act 2003. The limit is a specific indicator within the Council's Prudential Code which is reviewed annually in accordance with the code/best practice and is approved by Full Council.

Should the need for further borrowing prove necessary, or appropriate for strategic purposes, provided the limit is within the prudential indicator, then arrangements would be made in accordance with the code.

## **Interest Rate Risk Management – TMP1(3)**

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

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

The Council also has an interest equalisation reserve which, if necessary, can be used to help smooth out the level of interest received due to fluctuations in interest rates.

## **Exchange Rate Risk - TMP1(4)**

This is the risk that fluctuations in foreign exchange rates may create an unexpected, or unbudgeted, burden on the Council's finances. In order to mitigate this risk, the Council's investments are restricted to sterling, however, it does have access to real-time market advice from its external advisors which will enable it to assess any potential risks arising and to take any necessary action.

## **Inflation Risk Management TMP1 (5)**

The effects of varying levels of inflation, insofar as they can be identified as impacting directly on its treasury management activities, will be controlled by the Council as an integral part of its strategy for managing its overall exposure to inflation.

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, exchange rates or inflation. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

## **Refinancing Risk Management - TMP1(6)**

The Council holds reliable and accurate records of the terms and maturities of its borrowings (where applicable) to enable it to plan the timing of, and successfully negotiate appropriate terms for its refinancing, if required.

## **Legal and Regulatory Risk Management – TMP1(7)**

The regulations and statutory provisions or any statutory amendment, regarding enactment or modification thereof, under which Treasury Management investments are performed would include: -

- ◆ Local Government Act 1972 (taking account of the Trustee Investment Act 1961).
- ◆ The Local Government Act 1989.
- ◆ Local Authorities (Capital Finance) Regulations 1990 (SI 1990 No. 426) as amended.
- ◆ Local Authorities (Capital Finance) (Approved Investments) (Amendment) Regulations 1990 (SI 1991 No. 501). This SI was one of many which amended SI 1990 No. 426 above.
- ◆ The Local Authorities (Contracting Out of Investment Functions) Order 1996 (SI 1996/1883).

The regulations and statutory provisions under which Treasury Management borrowing is performed would include: -

- ◆ The Local Government and Housing Act 1989 (including sections 43, 45 and 46 of that Act).
- ◆ The Public Works Loan Board Acts 1965 and 1967.
- ◆ The Local Authorities (Borrowing) Regulations 1990 (SI 1990/767) as amended by the Local Council (Borrowing) (Amendment) Regulations 1991 (SI 1991/551).
- ◆ The Local Government Act 2003.

Treasury Management procedures will be updated to accommodate any new legislative provisions.

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

## **Fraud, Error and Corruption, and Contingency Management – TMP1(8)**

### **Fraud and Error**

The Council recognises that there is a risk of fraud or error occurring through the performance of the Treasury Management function. Consequently, procedures are in place to ensure control over the organisations with which the Council invests (see Credit and Counterparty Risk Management), and to ensure there is an adequate segregation of duties.

The Council now uses an internet based banking system in connection with the Treasury Management function, however access to this is tightly controlled and the security and integrity of the site/system is managed by the Council's bankers Lloyds Bank Plc (a separate procedure manual details the system, procedures and emergency /contingency arrangements applicable in terms of making payments, and obtaining treasury information is available).

Treasury information may be made available on the Council's website however care will be exercised to ensure that no sensitive Treasury information is published through such arenas.

The Council has an "Anti-fraud Policy" and "Whistle-blowing procedures" that identify measures to control the risk of fraud by staff and Members. These can be found in the Internal Audit section of the Council's website.

Internal Audit undertake an annual audit review of the Treasury Management system and assess the effectiveness of controls implemented to prevent or detect fraud and error.

### **Shortfall of Funds**

Should the Council suffer an unforeseen shortfall of funds, the nature of the position should be discussed with the Section 151 Officer or the Deputy Section 151 Officer.

Dependent on the nature of the shortfall, it may be necessary to negotiate terms with the Council's bankers to cover the shortfall, or to loan money from a Broker.

## **Insurance**

The Council holds insurance, which covers loss of money or property belonging to the Council or for which they are legally responsible, resulting from any act of fraud or dishonesty of its employees, discovered during the period of insurance or within 24 months of the expiration.

All employees are covered by the policy, with the following limits being applicable: -

Six Designated Resources and Performance Staff (responsible for Treasury management)	£5 million
All other staff	£500,000

The Resources and Performance posts insured for the Treasury Management value of £5 million are as follows: -

- Assistant Director - Resources and Performance
- Service Manager – Finance and Performance
- Projects and Capital Manager
- Business Partner - Capital
- Team Leader (Treasury and Insurance)
- Finance Business Support Officer (Treasury and Insurance)

## **Price Risk Management - TMP1(9)**

The Council mitigates this risk through the use of market advice from its External Fund Managers and through a monthly review of the credit ratings.

## **Methodology Applied to Evaluate the Impact of Treasury Management Decisions**

The Council invests its funds in fixed term deposits, bonds, pooled funds and with other Local Authorities, a proportion of which are short term (to meet cash flow requirements) and the remaining of which are invested for periods determined by the Council, in conjunction with its external fund managers, to meet its longer term requirements.

## **Political Risks and the Management Thereof**

There are cycles of political change at both national and local levels. An overview of the political situation at both levels will be maintained, so that any likely political risks can be identified at the earliest opportunity, with a view to addressing any issues proactively at a corporate management level

## **Performance Measurement – TMP2**

A monthly statement is produced, for each of the Councils investment categories, showing the average rate of return for each category, this is compared to/monitored against the target interest rate projection.

The average rate calculations are weighted in order to take account of the value and duration of investments, in order to ensure an accurate rate of return is produced.

Benchmarking of the Council's return is also undertaken via our advisors Arlingclose Ltd.

## **Decision Making and Analysis - TMP3**

### **Funding**

Funding of the Council's capital expenditure is dealt with in a report to the Council prior to the commencement of each financial year.

A five-year capital programme is presented to Council, for General Fund capital expenditure, along with the financing proposals.

Projections are carried out annually (and prior to the inclusion of any new capital projects) to ensure that sufficient finance is available to meet the Councils capital expenditure requirements.

Revenue funding is dealt with through the Revenue Budget and Council Tax setting process.

### **Borrowing**

There is a borrowing limit that is set by the Council each year in accordance with the Local Government Act 2003. The limit is a specific indicator within the Councils Prudential Code which is reviewed annually in accordance with the code/best practice and is approved by full Council.

Should the need for further borrowing prove necessary, or appropriate for strategic purposes, provided the limit is within the prudential indicator, then arrangements would be made in accordance with the code. If the need to borrow exceeds the limit set in the prudential indicator, approval will be sort from full Council.

### **Policy on Interest Rate Exposure**

The Policy on interest rate exposure is now dealt with through the Prudential Code in accordance with the Local Government Act 2003. The limits that are being recommended to Council for 2023 to 2024 are being considered and will be reported to Council as part of the Prudential Code update.

## **Sources of Borrowing**

The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Suffolk County Council Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

## **Processes/Records to be Held**

When a loan/investment is received/made, the following procedures should be followed, and records held:

Complete a quotation sheet, three quotes for suitable counterparties or comparative quotes if using alternative investment vehicles to be obtained. Recommendation to be signed off by the Assistant Director - Resources and Performance or duly authorised Officer.

Note: under the current circumstances the requirement to obtain three quotes for investments has been temporarily suspended, with investments with the DMO the preferred choice for security of investment.

Enter the full details into the Treasury Investment spreadsheet.

The amount of the loan/investment must also be entered on the cash flow spreadsheet, if it is for a fixed term, also enter the amount as a receipt in the cash flow spreadsheet on the maturity date.

When the counterparty's confirmation note is received, check the details with the Treasury Investment spreadsheet.

All documentation relating the transaction must be scanned into the appropriate folder and paper copies filed accordingly.

# **Organisation Clarity and Segregation of Responsibilities, and Dealing Arrangements – TMP5**

## **Introduction**

The Section 151 Officer and/or Deputy Section 151 Officer has delegated responsibility for the execution and administration of treasury management decisions.

The Section 151 Officer and/or Deputy Section 151 Officer may delegate their treasury management responsibilities to members of their staff. Details of these arrangements are set out below.

Authorised treasury signatories of the Council will be permitted to sign documentation relating to the Council's borrowings and investments.

The daily treasury management routines to be followed are available on request. These procedures will be maintained and reviewed annually.

## **Delegated Powers and Responsibilities**

**The Cabinet/Full Council** is responsible for:

- ◆ Adoption of the revised CIPFA Treasury Management Code and Treasury Management Policy.
- ◆ Receiving, commenting on, and approval of the Annual Treasury Management and Investment Strategy Statements (prior to the commencement of the financial year).
- ◆ Receiving and commenting on an annual report on treasury management activity for the preceding financial year as soon as possible after the end of the financial year, but in any case by the end of September.
- ◆ Receiving and commenting on other periodic reports on the treasury management function and its performance during the year.
- ◆ Approval of the Prudential Indicators, Authorised Borrowing Limit and Operational Boundary for borrowing.

**The Assistant Director (Resources & Performance) (Section 151 Officer)** is responsible for:

- ◆ Ensuring compliance with the treasury management policy statement and that the policy complies with the law.
- ◆ Carrying out regular reviews of the treasury management function.
- ◆ Ensuring that any variations to the treasury policy or the internal practices fully comply with the law and the code of practice.
- ◆ Ensuring that there is an adequate internal audit function.
- ◆ Liaising with the Deputy 151 Officer on treasury management decisions.
- ◆ Making long term investment decisions in accordance with the approved policy.
- ◆ Deciding on funding and short-term policies for the ensuing year.
- ◆ Deciding on lending and investment policies for the ensuing year.
- ◆ Advising the Council on the acceptability and characteristics of treasury instruments.
- ◆ Establishing the vires of the proposed action and the instruments to be used.
- ◆ Ensuring that the organisation of the treasury management function is adequate to meet current requirements and that there is an appropriate division of duties.

- ◆ Assessing and appointing brokers/advisors/external fund managers.
- ◆ Reporting to elected members and advising the monitoring officer where that is appropriate.
- ◆ Re-determining treasury management strategy in the light of forecast changes in the economy and reporting it to members at the appropriate time.
- ◆ Approving changes to counterparty credit limits, in consultation with the Portfolio Holder for Performance and Resources.
- ◆ Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.

**The Service Manager - Finance & Performance / Deputy Section 151 Officer / Projects and Capital Manager** is responsible for:

- ◆ Reviewing the annual Treasury Management Statement and Code of Practice.
- ◆ Overall management of the Treasury function.
- ◆ Deputising for the Assistant Director (Resources and Performance) in his/her absence for matters relating to the treasury management function.
- ◆ Monitoring adherence to approved policy by treasury management team.
- ◆ Ensuring that an appropriate division of duties is in place and that all staff are properly trained to carry out the required duties.
- ◆ Making recommendations regarding:
  - the appointment of brokers
  - the organisation of the treasury management function
  - funding and short-term policies
  - lending and investment policies
  - acceptability and characteristics of treasury instruments
  - the vires of proposed action and the instruments to use.
- ◆ Reviewing the performance of the treasury management function at least twice a year.
- ◆ Ensuring that all treasury staff are aware of and have access to the Financial Conduct Council handbook of rules and guidance which is available on the FSA website.
- ◆ Ensuring that the day to day activities accord with the Treasury Management Statement.
- ◆ Ensuring compliance with policies, limitations and directions.
- ◆ Monitoring performance of brokers employed.
- ◆ All recording and administrative functions complying with the system and procedures laid down in the treasury management document.
- ◆ Reviewing regular performance reports.

**The Team Leader (Treasury and Insurance)** is responsible for:

- ◆ Overseeing the daily treasury management function.
- ◆ Ensuring that the treasury management procedures and practices are regularly reviewed and adhered to.
- ◆ Preparing the draft Treasury Management Statement.
- ◆ Producing regular performance reports.
- ◆ Monitoring performance of brokers employed.
- ◆ Deputising for the Projects and Capital Manager in his/her absence for matters relating to the treasury management function.

**The Finance Business Support Officer** is responsible for:

- ◆ Dealing with the money market, complying with the systems and procedures laid down in the treasury management document.
- ◆ Updating of daily cash flow.
- ◆ Ensuring that properly authorised transactions are actioned in a timely manner.
- ◆ Reconciling treasury management transactions on a monthly basis.
- ◆ Deputising for the Team Leader (Treasury and Insurance) in his/her absence for matters relating to the treasury management function.

**The Internal Audit Manager** is responsible for:

- ◆ Reviewing compliance with the approved policy and procedures on treasury management.
- ◆ Reviewing the division of duties and operational practices.
- ◆ Assessing value for money from treasury activities.
- ◆ Undertaking probity audit of treasury function.
- ◆ Reporting and monitoring of Money Laundering activities.

**The Chief Executive** is responsible for:

- ◆ Ensuring that the system is laid down and resourced.
- ◆ Ensuring that the Section 151 Officer or Deputy Section 151 Officer reports regularly to elected Members on treasury policy, activity and performance.

**The Monitoring Officer** is responsible for:

- ◆ Ensuring compliance by the Section 151 Officer or Deputy Section 151 Officer with the treasury policy and that the policy complies with the law.
- ◆ Satisfying himself / herself that any proposal to vary treasury policy or practice complies with the law.
- ◆ Advising the Section 151 Officer or Deputy Section 151 Officer where their advice is sought.

### **Use of External Brokers/Advisors/Fund Managers**

The Council will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external advisors and/or fund managers 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.

### **Bankers**

The Council's bankers are Lloyds Bank Plc.

## **Long Term Borrowing (Public Works Loan Board)**

The officers, authorised to obtain loans with the Public Works Loan Board (once full Council approval has been received), are as follows:

- Assistant Director - Resources and Performance (Section 151 Officer)
- Service Manager – Finance and Performance (Deputy Section 151 Officer)
- Projects and Capital Manager
- PPC Manager

## **Investment Direct Dealing Practices**

Where there are sufficient funds available to justify an investment, three quotations are obtained from the organisations on the approved list.

It is essential to ensure that when selecting these organisations from the approved list, the investment limits of the organisations are not exceeded.

Three quotations ensure that the best rate is obtained on the investment, indicative quotes may be used when alternative investment vehicles are utilised.

Note: under the current circumstances the requirement to obtain three quotes for investments has been temporarily suspended, with investments with the DMO the preferred choice for security of investment.

## **Policy on Taping of Conversations**

The Council has no facilities for recording dealing and is therefore reliant on any recordings of conversations relating to dealing held by the institutions with which it deals.

## **Settlement Transmission Procedures**

Before transmission of a payment to the investment organisation, a payment voucher is completed with the details of the organisations name, sort code (and where appropriate, their account number), details of the period of the investment, the interest rate achieved and the amount to be invested.

Before any payments can be transmitted, 2 independent authorisations are required on the banking system.

## **Documentation Requirements**

There are spreadsheets in place to record all aspects of treasury management and investment. These spreadsheets are reconciled, independently checked and signed on a monthly basis.

The use of email instructions and electronic signatures has been approved for all Treasury transactions.

## **Reporting Requirements and Management Information Arrangements – TMP6**

The nature and frequency of reporting are covered in Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements.

Four Treasury Management reports will be made to Council each financial year, the Treasury Management and Annual Investment Strategy Statement Report, the Treasury Management Monitoring Report, the Treasury Management Annual Report, and the report on the Prudential Indicators.

In addition, further reports will be presented to Council for the approval of revisions to the Treasury Management Code of Practice, and to seek approval for any revisions to the approved Treasury Management Strategy, Prudential Indicators and any additions or deletions from the approved list of organisations for investments.

All reports must be approved by Council.

### **Reporting Content**

The prescribed minimum content of the four main annual reports to Council, are detailed in the summaries below. This minimum content gives a degree of flexibility, in terms of the content of the report, whilst ensuring that key issues are always reported.

#### **Annual Strategy Report Minimum Contents Summary**

The Annual Strategy Report must be submitted to Council by 31 March each year and should, as a minimum, contain the following: -

- ◆ Details of the level of external debt
- ◆ Investment Limits
- ◆ External investment fund limits
- ◆ Forecast interest rate movements for the ensuing year
- ◆ Breakdown of surplus funds held
- ◆ Proposed investment and / or borrowing strategy

#### **Annual Report Minimum Contents Summary**

The Treasury Management Annual report must be submitted to Council by 30 September following the previous financial year's end, and should, as a minimum, contain the following: -

- ◆ Details of the level of external debt held and a list of lenders names
- ◆ Investment performance against benchmark criteria
- ◆ A breakdown of investments held
- ◆ An explanation of interest rate movements during the financial year, against forecast movements in the original Annual Strategy Report
- ◆ Any breaches from the Code of Practice
- ◆ A statement of compliance from the Internal Audit manager

## **Monitoring Report Minimum Summary of Contents**

The monitoring report must be submitted to Council by 31 December each year and should, as a minimum, contain the following: -

- ◆ Details of the level of external debt
- ◆ Investment performance against benchmark criteria
- ◆ A breakdown of investments held
- ◆ Any revisions to Treasury Management strategy
- ◆ A revised interest rate forecast for the remainder of the financial year
- ◆ Any breaches from the Code of Practice
- ◆ Show the position as at the end of 30 September

## **Revisions to the Treasury Management Code of Practice Contents Summary**

The report must be submitted to Council by the 7 March each year and should contain as a minimum, the following;

- ◆ Any legislative changes
- ◆ Any guidance changes
- ◆ Any significant changes in procedures
- ◆ Confirmation that the CIPFA Code of Practice for Treasury Management in the Public Services has been adopted
- ◆ At the same Council meeting a report must be submitted on the Councils Prudential Code & Associated Indicators and should contain as a minimum, the following;
  - ◆ Rates of financing costs to net revenue stream
  - ◆ Net borrowing and the capital financing requirement
  - ◆ Total capital expenditure in each year
  - ◆ Average balance of capital receipts available
  - ◆ Limits in interest rate exposure
  - ◆ Maturing structure of borrowing
  - ◆ Incremental impact of capital investment
  - ◆ Total principal sums invested and limits on long term investment maturities
  - ◆ Minimum Revenue Provision Policy

## **Budgeting, Accounting and Audit Arrangements – TMP7**

### **Statutory/Regulation Requirements**

Statutory and regulatory requirements relating to Treasury Management are dealt with under TMP1 under the heading “Legal and Regulatory”.

### **Accounting Practices and Standards**

The Council, in addition to all relevant SSAP’s, FRS’s and IAS’s adheres to all practices and standards provided by CIPFA.

## **Budgets**

Budgets are set, prior to the commencement of a financial year, for brokerage fees charged by the Councils Fund Managers and Advisors.

A forecast of interest receipts for the ensuing financial year is prepared prior to its commencement by the Projects and Capital Manager. This budget is also revised during the year, to take account of any variations in the amount likely to be received.

Investment categories are individually coded on the Council's financial information system, in terms of the interest received, principal sums invested, and investments recouped. Information is updated on the Financial Information System directly from the bank statements received, by the Bank Reconciliation Officer who is independent of the Treasury Management function.

The Treasury records are reconciled to the information on the financial information system, on a monthly basis. Reconciliation's are checked independently by the Team Leader (Treasury and Regulatory Services) and signed to signify approval.

## **External Audit Information Requirements**

The "Audit Fraud and Corruption Manual" details system controls which external auditors would wish to see in place for Treasury Management. These are as follows: -

- ◆ Clear written procedures for staff
- ◆ Transactions are regularly reviewed and examined by a senior officer
- ◆ Appropriate access controls exist
- ◆ All cheques/direct credits over a specified amount are checked back to prime documents and countersigned by a senior officer
- ◆ Banks only accept direct transfers to institutions on an approved list
- ◆ Changes to the approved list require counter signature by a senior officer
- ◆ Transfer via a direct terminal link is only allowed when confirmed by a second officer
- ◆ Cheques are despatched independently of the loan officer
- ◆ Discharged certificates are obtained for all bond repayments.
- ◆ Direct confirmation with borrowers or lenders of premiums or discounts on premature repayments.
- ◆ Premium or discount payments are checked for reasonableness.

## **Cash and Cash Flow Management – TMP8**

Monitoring of cash flow requirements is carried out using a Cash Flow spreadsheet. The spreadsheet shows all the days of the year and is broken down into headings of income and expenditure for each working day of the year. This allows a forecast of the consolidated end of day closing balance to be compiled, on which Treasury Management decisions can be based.

This spreadsheet is compiled prior to the commencement of the financial year and is updated with all cash inflows and outflows which are known (in terms of amounts and the dates they will occur) at the commencement of the financial year. These would include:

- ◆ Precept payments to be made to precepting bodies
- ◆ Contributions to and from the National Non-Domestic Rating pool

- ◆ Any other known cash in flows and out flows

In addition to updating this spreadsheet with cash inflows and outflows known at the start of the year, notes are made on the spreadsheet of those transactions, which cannot be quantified, but are known to occur on specific dates. These would include:

- ◆ Council Tax direct debit income
- ◆ National Non-Domestic Rates (NNDR) direct debit income
- ◆ Monthly payroll (and associated) payments

Other income and expenditure are known to occur on a regular basis, and cash flow decisions also take account of these. Examples would include:

- ◆ Accounts Payable (Creditor) Payments (made on each Monday and Thursday)
- ◆ Housing Benefits (HBIS) BACS payments (made on each Monday)
- ◆ Other daily income, e.g. from cashiers

The daily forecast cleared closing consolidated balance is compared to the consolidated forecast balance from the Councils direct banking system, in order to give assurance that the system and spreadsheet are taking account of all transactions.

The end of day forecast cleared consolidated balance is the figure which treasury management decisions are based on. Two authorised officers therefore check this figure, independently, for control purposes, where an investment or borrowing decision is to be made.

### **Daily Procedures**

The Finance Business Support Officer (Treasury and Insurance) will perform day to day cash management. The Team Leader (Treasury and Insurance) and the Business Partner - Capital will provide cover in the absence of any of the aforementioned officers.

It is now required that all designated treasury staff carry out the treasury management daily procedures for 2 individual weeks during the course of the year, to ensure that they are continually up to date with treasury management procedures.

### **Objective**

The objective of the day to day cash management is to ensure that the consolidated balance of the Council's bank accounts is, where possible, kept within its target overnight level of up to £1 million, whilst adequately meeting the day to day cash requirements of the Council.

However, balances over £1 million may be retained in the bank account to be used to cover payments going out provided the limit is not exceeded for more than five consecutive working days.

### **Investment/Borrowing Decision Making**

Borrowing to meet any shortfall or investing directly with organisations on the approved list can be authorised by the Assistant Director of Resources and Performance (Section 151 Officer), Service Manager - Finance and Performance (Deputy Section 151 Officer), Projects and Capital Manager, Planning, Performance & Control Manager. In the absence of one of the officers above, one of the Senior Business Partners or Business Partner – Capital can act as Sanctioning Officer with the

documentation being countersigned by an authorising officer at the earliest opportunity. Longer term borrowing requires Council approval.

With increased working over multiple sites and remote working arrangements, the required officers are not always available to provide 'hard copy' authorisation. To increase efficiency and ensure treasury activities are carried out in a timely manner, the use of email authorisation is permitted. Copies of the email trail must accompany all deal paperwork in the completed file.

### **Forecasting the closing balance on the consolidated accounts**

This is reached by obtaining a daily cleared debit/credit balance from the Direct Banking system and referring to the "Cashflow" Spreadsheet for any other significant income/payments.

### **Bank Statement Procedures**

On receipt, bank statements are forwarded to the Accounts section, whereby they are distributed to the appropriate responsible officer.

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

Creditor runs, through the creditors system are performed on a bi-weekly basis to provide both BACS and cheque payments.

The Councils general terms are that payment of invoices will be made within 30 days, unless alternative terms are detailed on invoices.

The Treasury Management team is provided with information on the level of creditor payments to be made each week, in time to ensure sufficient funds are available to meet the liability.

### **Procedure for Banking of Funds**

A private security firm carries out the banking of funds.

Procedures for the reconciliation of cash and cheques collected at each location, to those banked, are also in place.

### **Scheme for the Advancing of Car Loans to Members of Staff**

The scheme is intended to assist specified officers with the purchase of a vehicle where it is deemed necessary to have the availability of a vehicle for the performance of his/her duties.

The full Policy can be found on the Corporate Drive and in the Policy Library.

### **Loans to Parish Councils and External Organisations**

More detailed information on the criteria for a loan and the application process can be found in the Council's loan policy.

## **Money Laundering - TMP9**

### **Methodology for Identifying Sources of Deposit**

For all investments, managed internally, the Council deals with financial institutions that hold an acceptable Credit Rating as detailed in TMP 1.

This high credit rating gives some assurance that all institutions included on the approved list of organisations for investments are reputable companies.

### **Methodology for Establishing the Identity/Authenticity of Lenders**

In terms of temporary loans, the Council has a policy of only accepting loans from Parish Councils, or occasionally of small amounts from Community Organisations (subject to such loans not adversely affecting the Authorised Borrowing Limit or the Operational Boundary for Borrowing), where this would benefit the organisation concerned. Any other loans accepted would relate to performance bonds from reputable companies.

The Council currently has £13.75 million of long-term borrowings. Should it prove necessary to borrow further, only Brokers included in the Councils approved list would be asked to provide quotations. Written confirmations of all details relevant to any transaction would be required on the Broker's headed paper.

### **Disaster Recovery Plan**

In the event that the offices cannot be accessed, or the online banking facility is unavailable, there are contingency arrangements in place to ensure that where possible Treasury Management obligations are met. These emergency contingency arrangements can be found in the Treasury Management Procedures Manual.

As a result of the enforced changes to working arrangements in 2020, full remote working facilities are available to all officers involved in Treasury Management and payment authorisation.

## **Training and Qualifications – TMP10**

It is the Councils intention for all the posts detailed in the schedule for TMP5 "Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements" to be occupied.

Should a vacancy for any post be unfilled for any exceptional period of time, then the Code of Practice will be reviewed to assess any likely implications and risks, and so that any necessary amendments may be made and presented to Council for approval.

It is the intention of the Council that staff holding the posts will have adequate knowledge and skills in order to fulfil the requirements of these posts.

Those responsible for day-to-day treasury management activities will ensure that they keep their knowledge and skills up to date. This will be done in a number of ways (both in-house and using external providers), including but not limited to those detailed below:

- Attend a minimum of two strategy meetings with the Council's treasury advisers each year.
- Review annual Treasury Management Strategy and Code of Practice, noting any changes.
- Attend a minimum of one update session per month provided by the Council's independent treasury advisers.
- Attend weekly Treasury update meetings.
- Maintain and update as necessary Treasury Learning Resources.
- Attend monthly cash-flow meetings to better understand short and medium term cash requirements.
- Review of news / updates on treasury management subjects, including those provided by the Council's treasury advisors, as well as through publications such as Public Finance.

The knowledge and skills will be monitored throughout the year. A review will take place as part of the annual performance review procedure and any gaps in knowledge or skills will be identified and actions identified to address them.

The Chief Finance Officer / Deputy Chief Finance Officer will maintain their knowledge and skill in a number of ways, including but not limited to those detailed below:

- Attendance at annual CIPFA Conferences
- Attendance at strategy meetings with the council's Treasury Advisers each year.
- Review of news / updates on treasury management subjects, including those provided by the Council's treasury advisors, as well as through publications such as Public Finance and Room 151.

Council members responsible for scrutiny of the Council's treasury management function (members of the Performance & Audit Scrutiny Committee) will be provided with an annual training session from the Council's independent treasury advisors, as well as quarterly updates on treasury management activity from the in-house treasury management team.

## **Use of External Service Providers - TMP11**

The Council may employ the services of other organisations to assist it in the field of treasury management. In particular, it may use external treasury advisors and/or brokers/fund managers 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.

The Council has a contract with Arlingclose Ltd for treasury advice, this contract expires 31 March 2023.

## **Corporate Governance – TMP12**

### **Information Available for Public Inspection**

The Council will make publicly available information relating to its Treasury Management strategy.

The Council will also make available information relating to the performance of the Treasury Management function in terms of the rate of return received on investments.

## **Consultation with Stakeholders**

The Council's main objective is to maximise investment income without compromising its position in terms of risk. This strategy results in little scope for consultation with stakeholders, over what is effectively investment strategy.