TREASURY MANAGEMENT PRACTICES
PRINCIPLES AND SCHEDULES

Introduction:

The CIPFA Code of Practice on Treasury Management in the Public Services (the TM Code) was last revised in December 2021. The TM Code requires the Council to create and maintain, as the cornerstones for effective treasury and investment management:

– a Treasury Management Policy Statement stating the policies, objectives and approach to risk management of its treasury management activities

– suitable Treasury Management Practices (TMPs – i.e. this document) setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

This TMP document also sets out the responsibilities and duties of councillors and officers, allowing a framework for reporting and decision making on all aspects of treasury management.

<u>Definitions</u>

Treasury Management is defined by CIPFA as:

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

'Investments' covers all the financial assets of the Council, as well as other non-financial assets which the Council holds primarily or partially to generate a profit, including but not limited to commercial property. Investments will be categorised in accordance with the primary purpose of the investment.

- Treasury management investments are those investments that arise from the Council's cash flows or treasury risk management activity and ultimately represent balances that need to be invested until the cash is required for use in the course of business.
- Service investments are those held primarily and directly for the delivery of public services (including housing, regeneration and local infrastructure) or in support of joint working with others to deliver such services. They may or may not involve financial returns.
- Commercial investments are those held primarily for financial return and are not linked to treasury management activity or directly part of delivering services.

Service and commercial investments assets are not managed as part of the Council's normal treasury management or under treasury management delegations, but they nonetheless require appropriate investment and risk management under the Code; separate Investment Management Practices (IMPs) are therefore included in this document, specific to these investments.

The Code identifies three key principles:

(1) Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities

(2) Their policies and practices should make clear that the effective management and control of risk and prime objectives of their treasury management activities and that responsibility for these lies clearly within these organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds

(3) They should acknowledge that the pursuit for value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following four clauses:

(1) The Council will create and maintain, as the cornerstones for effective treasury management

   a. **A treasury management policy statement**, stating the policies, objectives and approach to risk management of its treasury management activities

   b. Suitable **treasury management practices (TMPs)**, setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

   c. **Investment management practices (IMPs)** for investments that are not for treasury management purposes

   The content of the policy statement, TMPs and IMPs will follow the recommendations contained in Section 6, 7 and 8 of the TM Code, subject only to amendment where necessary to reflect the circumstances of the Council. Such amendments will not result in material deviation from the Code's key principles.

(2) The Council will receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs and IMPs.

(3) The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet and for the execution and administration of treasury management decisions to the Chief Financial Officer who will act in accordance with the organisation's policy statement and TMPs and IMPs.

(4) The Council nominates the Audit and Resources Committee to be responsible for ensuring effective scrutiny of treasury management strategy and policies

The Treasury Management Practices (TMPs) comprise:

TMP1	Risk management
TMP2	Performance measurement
TMP3	Decision making and analysis
TMP4	Approved instruments, methods and techniques
TMP5	Organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP6	Reporting requirements and management information arrangements
TMP7	Budgeting, accounting and audit arrangements
TMP8	Cash and cash flow management
TMP9	Anti Money laundering
TMP10	Training and qualifications
TMP11	Use of external service providers
TMP12	Corporate governance

Schedules supporting these practices and other documents held at an operational level specify the systems and routines to be employed and the records to be maintained in fulfilling the Council's treasury functions.

The Council has separate Investment Management Practices for Service and Commercial Investments (i.e. for investments that are not part of Treasury Management activity), reported at the end of this document.

TMP1: RISK MANAGEMENT

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

The Chief Financial 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 as schedules below.

[1] Credit and counterparty risk

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 Council's capital or current (revenue) resources.

Principle

The Council will ensure its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited or investments made and will limit its treasury management investment activities to the instruments, methods and techniques referred to in TMP4 *Approved instruments, methods and techniques*.

It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

The Council's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the Council's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.

Schedule

Criteria to be used for creating/managing approved counterparty lists/limits	The Chief Financial Officer is responsible for setting prudent criteria and the Council's treasury advisors will also provide guidance and assistance in setting the criteria. The criteria will be agreed by Council. The current criteria is contained in the Treasury Management Strategy The Council's treasury management advisors will advise on credit policy and creditworthiness related issues. The Council will maintain a counterparty list based on its credit criteria (determined at least annually) and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include consideration of credit ratings from the main ratings agencies as listed below and other alternative assessments of credit strength (for example, statements of potential government support where applicable, resolution mechanisms for failing financial institutions, CDS information, the composition of an institution's balance sheet liabilities). Investment limits are set by reference to the lowest long-term rating from the agencies [currently A-] and other relevant factors, including external advice. 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 including information on corporate developments and market sentiment towards investment counterparties. Higher time and cash limits may be set for secured investments (e.g. those with underlying collateral or which are by regulation excluded from being bailed-in/restructured in the event of financial distress.) Where there is no investment-specific rating, but collateral upon which the investment secured is rated, then the higher of the collateral and counterparty rating will be used to determine time and cash limits.
Approved methodology for changing limits and adding/removing counterparties Risk management:	The Chief Financial Officer has delegated responsibility to add or delete counterparties and to review limits within the parameters of the criteria detailed above. Where an entity's credit rating is downgraded so that it fails to meet the minimum criteria, then - No new investments will be made,

(a) creditworthiness deteriorates below the minimum criteria (b) ratings are placed on review for possible downgrade	- 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 other existing investments with the affected counterparty Where a credit rating is placed on review for possible downgrade (also termed 'rating watch negative' or 'credit watch negative') so that it may fall below the minimum approved credit 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 for 'negative outlooks' which indicate a long-term direction of travel rather than a possibility of an imminent downgrade.
Details of credit rating agencies' services and their application Limitations of credit ratings and other information on security of investments	The Council considers the ratings of the main ratings agencies Fitch, Moody's and S&P when making investment decisions. Credit rating agency information is just one of a range of measures used to assess the creditworthiness of institutions. 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 - bail-in risk metrics - credit default swap prices, - financial statements, - information on potential government support / bail-in impact - reports in the quality financial press and analysis and advice from the Council'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 meet the minimum credit rating criteria.
Description of the general approach to collecting and using information other than credit ratings for counterparty risk assessment	The Council's Treasury Advisor, Arlingclose, provides timely information on counterparties in terms of credit rating updates and economic summaries. Credit default swap information is received monthly, as well as share price information. Arlingclose also undertakes analysis on the balance sheet structure of key banking institutions to help inform the potential restructure (i.e. bail-in) of a bank's unsecured liabilities should this be required by the regulatory authorities.

Full individual listings of counterparties and counterparty limits	An up-to-date individual listing of banking* counterparties based on the criteria is maintained. As credit ratings etc. are subject to change without notice, an up-to-date lending list will be maintained on an ongoing basis. *It may be impractical to determine a specific list of non-financial counterparties in whose securities investments might be made. The minimum credit rating criteria, whether the security is secured or unsecured, and due diligence on the counterparty's creditworthiness will determine its selection for investment.
Country, sector and group listings of counterparties and the overall limits applied to each, where appropriate	Monetary limits for any one organisation (other than the UK government) are set with reference to liquidity requirements for the Council. The level of liquidity required and therefore the monetary limit, will be reviewed at least annually. A group of entities under the same ownership will be treated as a single organisation for limit purposes. Limits are also placed on - foreign countries, i.e. deposits with and CDs/bonds issued by non-UK organisations - total amounts invested with one fund management company, - investments in brokers' nominee accounts. 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.
Responsible Investment / ESG	The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing. **ESG policy**: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

[2] Liquidity risk

The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, compromising the Council's business/service objectives.

Principle

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

The Council will not borrow earlier than required to meet cash flow needs unless there is a clear business case for doing so and will only do so for the current capital programme, to fund future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the organisation.

Schedule

Details of cash flow and cash balances	The Council will aim for effective cash flow forecasting and monitoring of cash balances and will maintain a cash flow forecast to determine the maximum period for which funds may be prudently 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.
Amounts of approved minimum cash balances and short-term investments	A balance in the region of £10m to deal with day-to-day cash flow fluctuations is maintained by investing money overnight with the Council's bankers. The Council also uses various Money Market Funds to manage its liquidity requirements. These are named on the Council's approved counterparty list. The maximum balance on each of these accounts is reviewed and set as part of the Council's investment strategy.
Details of short-term borrowing facilities	Temporary borrowing up to 1 year 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.

Details of bank overdraft arrangements and standby facilities	The Council has no authorised overdraft limit with its bankers. Although the Council can go overdrawn, Barclays Bank will charge fees so the facility is only used as a contingency.

[3] Interest Rate Risk Management:

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.

Principle

The Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs or revenues in accordance with its treasury management policy and strategy and in accordance with TMP6 *Reporting requirements and management information arrangements*.

It will achieve this by the prudent use of its approved 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. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

The Council 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.

Schedule

Proportions of fixed/variable rate debt	Borrowing/investments may be at a fixed or variable interest rate. In setting its forward Treasury Strategy on an annual basis, the Council will determine the necessary degree of certainty required for its capital plans and budgets but will, at the same time, allow sufficient flexibility to enable it to benefit from potentially advantageous changes in market condition. A fall in interest rates is beneficial for variable rate debt and short-term borrowing which needs to be refinanced, but not for variable rate investments. Conversely, a rise in interest rates is beneficial for short-term investments which can be reinvested at higher rates but will be a cost for variable rate borrowing or short-term borrowing which needs to be refinanced. The Council sets an Interest Rate Risk indicator as part of its Treasury Management Strategy to control exposure to interest rate risk. The Interest Rate Risk indicator is not mandatory, but CIPFA encourages its use.

Guidelines for managing changes to interest rate levels	The main impact of changes in interest rate levels is to monies borrowed and invested at variable rates of interest. The Council will consider matching the level of borrowing at variable rates with investments similarly exposed to changes in interest rates as a way of mitigating any adverse budgetary impact. Interest rate forecasts are provided by the Council's advisors and are closely monitored by the Chief Financial Officer. Variations from original estimates and their impact on the Council's debt and investments are notified to Cabinet as necessary. Alternatively, the Council may consider forward starting loans where the interest rate is agreed and fixed in advance but the cash is received at a later date. This would enable certainty of cost to be achieved without suffering a 'cost of carry' in the intervening period. There is, however, a risk in that interest rates may fall in the intervening period, however the Council is committed to the pre-agreed drawdown of the loan on the relevant date at the higher rate. For its investments, the Council may consider dealing from forward periods dependent upon market conditions. The Council's counterparty term limits will apply and will include the forward period of the investment. There are, however, risks (i) that interest rates may rise in the intervening period and/or (ii) the creditworthiness of the borrower has deteriorated during the forward period, but the Council is committed to the pre-agreed lending of monies to the counterparty on the relevant date.
Policies concerning the use of financial derivatives for interest rate risk management	The Council will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.
Negative interest rates	Should economic conditions be such that the Bank of England sets Bank Rate at or below zero, this is likely to feed through into negative rates on short term, low risk investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even if it is below the amount originally invested.

[4] Exchange Rate Risk Management

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

Principle

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

Schedule

Details of approved exchange rate exposure limits for cash investments/debt	This Council does not, on a day-to-day basis, have foreign currency transactions or receipts. Unexpected receipt of foreign currency will be converted to sterling at the earliest opportunity. If the Council has a contractual obligation to make a payment in a currency other than sterling, then forward foreign exchange transactions will be considered and professional advice sought. At the present time statute prevents the Council borrowing in currencies other than sterling. The Council has also determined that all its investments will be in sterling.

[5] Inflation Risk Management

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

Principle

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

Investments over one year	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 (within reason and without taking undue risk), in order to maintain the spending power of the sum invested.

Contractual obligations linked to inflation	The Council will identify all contractual obligations which are linked to inflation, whether receipts or payments, in relation to its treasury assets and liabilities

[6] Refinancing Risk Management

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

Principle

The Council will ensure that its borrowing and other long-term liabilities are negotiated, structured and documented, and the maturity profile of the monies so raised is 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.

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.

Schedule

Projected capital financing requirements	Projections are in place for capital expenditure and its financing or funding. Financing will be from capital receipts, reserves and any grants or contributions awarded, revenue resources or reserves. Funding will be from internal or external borrowing, as decided. As required by the Prudential Code, the Council will undertake Options Appraisal to evaluate the best capital expenditure financing route.

Debt/other capital financing maturity profiling, policies and practices Liability Benchmark	The Council will maintain through its systems, 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 refinancings. To assist with long-term borrowing decision making the Council creates, with advice and assistance from its treasury advisor, a '**Liability Benchmark' [LB]** which is the lowest risk level of borrowing. The LB is an important tool which considers maturing loans and represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow. The LB is represented as a graph in the annual treasury management strategy. It will be updated regularly through the year by the Council in conjunction with the treasury management advisors with developments and/or timing changes in the capital programme as well as changes to balance sheet resources. Based on the output of the Liability Benchmark and the Council's outlook on interest rates, any longer-term borrowing will be undertaken in accordance with the Code and will comply with the Council's Prudential Indicators and the Annual Treasury Management Strategy. Avoiding a concentration of loan maturities in a single financial year or over any 2-3 year period will reduce the risk of having to refinance at a time when interest rates are unfavourable to the Council.
Borrowing from commercial lenders	Where lenders to the Council are commercial bodies, the Council will aim for diversification to spread risk and avoid over-reliance on a small number of counterparties.

[7] Legal and Regulatory Risk Management

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

Principle

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] *Counterparty credit risk management*, it will ensure that there is evidence of counterparties' powers, Council and compliance in respect of the transactions they may effect with the Council, 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.

Schedule

References to relevant statute, regulations, statutory guidance, and recognised codes of practice	The treasury management activities of the Council shall comply fully with statute and regulations and have regard to statutory guidance and recognised Codes of Practice. These are: ▪ Local Government Act 2003 ▪ Localism Act 2011 (in relation to general power of competence) ▪ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and subsequent amendments ▪ The Local Authorities (Contracting out of Investment Functions) Order 1996 and subsequent amendments ▪ MHCLG Statutory Guidance on Local Government Investments (2018 Edition) ▪ CIPFA Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes (2021 Edition) and Guidance Notes for Local Authorities ▪ CIPFA The Prudential Code for Capital Finance in Local Authorities (2021 Edition) and Guidance Notes for Practitioners ▪ Relevant CIPFA Bulletins ▪ Bank of England Money Markets Code (2021 Edition) and Explanatory Notes

Procedures for evidencing the organisation's powers/authorities to counterparties	To avoid the potential for illegal or irregular dealings in its treasury management activities the Council will maintain and make available up-to-date records of its powers and of the regulatory regime under which the TM activities are undertaken. The Council's Financial Regulations contain evidence of the power/Council to act as required by section 151 of the Local Government Act 1972, under the general direction of 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.
Markets in Financial Instruments Directive II (MiFID II)	The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.
Reporting and audit trail	To demonstrate openness and accountability and to minimise the risk of being challenged over whether the Council pursued due processes, the Council will maintain an audit trail of treasury management decisions and transactions. This not only dovetails with transparency on the Council's decision-making process and assessment of the effectiveness of TM decisions, it also helps if it becomes necessary to demonstrate the legality or probity of transactions.
Statement on the organisation's political risks and management of the same	Political risk is managed by: • adherence to Corporate Governance (TMP12 *Corporate Governance*) • the roles of the Audit and Resources Committee

[8] **Operational risk, including fraud, error and corruption**

The risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes the risk of fraud, error, corruption or other eventualities in treasury management dealings.

Principle

The Council will ensure that it has identified the circumstances that may expose it to the risk of loss through inadequate or failed internal processes, people and systems or from external events. Accordingly, it will employ suitable systems and procedures and will maintain effective contingency management arrangements to these ends.

Schedule

Details of systems and procedures to be followed, including Internet services	Segregation of duties minimises the possibility of fraud and loss due to error, and is detailed in **TMP5 *Organisation, clarity and segregation of responsibilities, and dealing arrangements***. 1. Electronic Banking and Dealing (a) The Council's online banking service provided by Barclays Bank PLC is subject to separate log-on and password control allowing varying levels of access. Details of transactions and balances are available as required, and the system also holds historic data. Officer access is reviewed at least 6 monthly or as necessary. (b) Access to the Council's treasury management systems is limited to officers requiring access. Theis also are reviewed at least 6 monthly or as necessary. Full procedure notes covering the day to day operation of the online banking system and the treasury management system are documented. 2. Standard Settlement Instructions (SSIs): a list is maintained of named officers who have the Council to transact for loans and investments • Brokers and counterparties with whom the Council deals direct. • PWLB and Debt Management Account Deposit Facility (DMADF). • Money Market Funds / MMF portal clearing. • Externally managed pooled funds.

	3. <u>Payment Authorisation</u>: • Payments can only be authorised by an agreed signatory of the Council, the list of signatories having previously been agreed with the Council's bank. • Inflow and outflow of monies borrowed and invested will only be from the counterparty's bank accounts. • Separate officers will carry out (a) dealing and (b) recording of transactions and disbursements.
Verification	Loans and investments will be maintained in the Council's systems which will include fees and brokerage paid. **Transactions** will be cross-checked against broker notes /counterparty confirmations / contract notes / PWLB loan confirmations by verifying dates, amounts, interest rates, maturity, interest payment dates, etc. When receiving requests for **change of payment details**, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before amending payment details.
Substantiation	1. The Treasury Management system balances are reconciled with financial ledger codes at the end of each month and at the financial year end 2. Working papers are retained for audit inspection 3. The bank reconciliation is carried out monthly from the bank statement to the financial ledger
Internal Audit	Internal Audit carry out a review of the treasury management function including probity testing. See TMP7 *Budgeting, accounting and audit arrangements*.
Emergency and contingency planning arrangements	1. All treasury systems are retained on the Council's network. Daily back-ups are taken and maintained, and network back-ups can be used by the IT department to restore files, if necessary 2. Should there be electronic failure at the Council Offices, Staff are able to log on remotely to the Council's networks to maintain the Treasury Function

[9] Price Risk Management: The risk that, through adverse market fluctuations in the value of the principal sums the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

Principle

This 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 sums it invests and will accordingly seek to protect itself from the effects of such fluctuations.

Schedule

Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate	Investment instruments used by the external fund managers (for example CDs, bonds or funds investing in equities/bonds/property etc) are subject to fluctuation in capital movements and exposed to interest rate risk. To minimise these risks capital preservation is set as the primary objective and pursuit of investment performance should be commensurate with this objective. The Council may consider investment in Pooled Funds with a Variable Net Asset Value (VNAV), as appropriate, in line with its treasury strategy and on advice from its treasury advisors. The value of the pooled funds will change in line with market prices and, in some instances, may also have a notice period prior to redemption. Such funds will therefore be used for longer investment periods. The limits per fund/asset class will be as determined in the Council's annual investment strategy. The Council also sets monetary limits for the Price Risk prudential indicator as part of its TM strategy. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.
Accounting for unrealised gains/losses	A statutory override is in place until March 2023 for fair value gains and losses on most pooled investment funds not to be taken to revenue (capital finance regulation 30K). DLUHC indicated in December 2022 that this would be extended for two years to March 2025 but has yet to legislate for this. The regulation requires fair value gains and losses on pooled investment funds to be taken to an unusable reserve, the Pooled Investment Fund Adjustment Account, except those: • held on behalf of a pension fund or trust fund, • classed as capital expenditure, • that are neither UCITS funds nor approved by HM Treasury for use by local authorities, • that have been elected to fair value through other comprehensive invoice (FVOCI), or • that have been redeemed, sold or otherwise disposed of.

TMP2: PERFORMANCE MEASUREMENT

Principle

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 Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, or 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 below. The criteria will include measures of effective treasury risk management and not only measures of financial performance (income or savings).

Schedule

Policy concerning methods for testing value for money	Best value reviews will include the production of plans to review the way services are provided by: ▪ Challenging ▪ Comparing performance ▪ Consulting with other users and interested parties ▪ Applying competition principles In order to pursue continuous improvement in the way the Council's functions are exercised, having regard to a combination of value for money, efficiency and effectiveness.

Policy concerning methods for performance measurement	• Performance measurement at the Council is intended to calculate the effectiveness of treasury activity in delivering the strategic objectives set through the Treasury Management Strategy and the Council's Prudential Indicators and to enhance accountability. • Prudential Indicators are specific to the Council and not intended as a comparator between authorities. • The performance review will be made in the light of general trends in interest rates during the year and how the decisions made corresponded with these trends and the Council's agreed strategy (i.e. the Council will avoid hindsight analysis). Any comparison of the Council's treasury portfolio against recognised industry standards, market indices and other portfolios is intended to: (i) allow the Council the opportunity to assess the potential to add value through changes to the existing ways in which its portfolio is managed, and (ii) permit an informed judgement about the merits or otherwise of using new treasury management techniques or instruments. In drawing any conclusions, the Council will bear in mind that the characteristics of its treasury operations may differ from those of other councils, particularly with regard to the effective management of risk.
Methodology to be applied for evaluating the impact of treasury management decisions	Monitoring of the outcome of treasury management activity against Prudential Indicators (PIs) approved by the Council will be carried out as part of the budget monitoring reports to Cabinet on a quarterly basis. The semi-annual and year-end Annual Treasury Report will also include, as a matter of course, the outturn against the PIs set prior to the commencement of the financial year and any in-year amendments. As the Council's treasury activities generally involves both borrowing and lending at various times, will measure the performance of the borrowing and investment portfolios on an individual as well as net treasury basis. This will be borrowing costs net of treasury investment income. The Council participates in the Treasury Management Advisor's quarterly investment benchmarking and from time to time, other benchmarking such as for Balance Sheet and Debt.

Methods to be employed for measuring the performance of the Council's treasury management activities	Treasury management activity is reviewed quarterly against strategy and prevailing economic and market conditions through the budget monitoring process to management and Cabinet. Examples of performance measures: a) CFR and gross borrowing b) Gross and Net Borrowing; c) Average rate on gross borrowing d) The effect of any debt restructuring on the debt portfolio e) An analysis of any risks inherent within the debt portfolio (e.g. exposure to variable rate) f) Average rate on gross investments g) Whether the treasury management activity resulted in a breach of the Prudential Indicators and other limits set within treasury strategy h) Daily bank balances: any major deviations from the target bank balances
Policy concerning methods for testing value for money in treasury management	The treasury management function will be the subject of ongoing analysis of the value for money it adds in support of the Council's stated corporate and service objectives. When tendering for treasury-related or banking services, the Council adheres to its Financial Regulations.

TMP3: DECISION MAKING AND ANALYSIS

Principle

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 accountability, e.g. 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.

Schedule

Capital expenditure and investment plans	The Prudential Code requires the Council to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long run financing implications and potential risks to the Council. Therefore, effective financial planning, option appraisal and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt. The Prudential Code encourages determining spending priorities and affordability criteria. The fundamental objective in the consideration of the affordability of the Council's capital plans is to ensure that the total capital investment of the Council remains within sustainable limits. In considering the affordability of the capital plans, the Council is required to consider all of the resources available to it or estimated for the future, together with the totality of the capital plans, income and expenditure forecasts. *If the Council has or is considering commercial investments: The risks of the Council's commercial investments should be proportionate to the Council's overall capacity – ie that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services and the level of resources available to the Council.*

Major treasury decisions	As a public service organisation, the Council will demonstrate openness and accountability in treasury management activities and will create and maintain an audit trail of treasury management decisions which comprise: a) setting and any in-year changes to changes to Prudential Indicator(s) b) options appraisal to determine a funding decision c) raising new short-term or long-term loans/ other long-term source of finance d) prematurely restructuring/redeeming an existing loan(s) e) short- and long-term (i.e. in excess of 1 year) investments f) utilisation of investment instruments which constitute capital expenditure (i.e. loan capital/share capital in a body corporate) g) leasing h) use of derivatives i) change in banking arrangements j) appointing/replacing a treasury advisor k) appointing/replacing a fund manager
Borrowing purpose	The 2021 Prudential Code is clear that in order to comply with this Code, an Council must not borrow to invest primarily for financial return. It is not prudent for the Council to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the Council's functions and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose. The Statutory Guidance of Local Council Investments in England 2018 considers that borrowing in advance of need purely to profit from the investment of the extra sums borrowed is against the principles in the statutory framework. If the Council chooses not to comply with this principle in order to invest in property or other financial assets for commercial return, then the Council must make additional disclosures about the reasons for doing so.

Process	**Liability benchmark [LB]:** The Liability Benchmark is a long-term measure of the underlying need to borrow for all purposes over the long term and is based on its current capital programme and other forecast cash flow movements. It is a tool to compare the current loans portfolio against the current and planned need to borrow, in terms of both the level and term of borrowing. It indicates whether long term borrowing (or long term investments, if the Council is a net investor) are more appropriate. The LB an important borrowing risk management measure and will be inclusive in the decision-making process so as to prevent over-borrowing; it will also therefore form part of the Council's audit trail justifying long-term borrowing decisions. To determine future years' debt requirement or, conversely, monies available for longer-term investment, the Council will estimate and measure the LB for 50 years. It is presented as a chart of four balances: • the Council's current and projected Loans CFR and MRP • existing loan debt (does not include forecast debt), • net loans requirement, taking into account balance sheet resources • liability benchmark, which also takes into account the Council's required liquidity allowance. liquidity requirement, the LB is analysed as part of the annual treasury management strategy. Any years where actual loans are less than the benchmark indicate a future borrowing requirement; any years where actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment. Our treasury advisor Arlingclose provides the Council with an online live tool (using Microsoft Teams) to assist with the preparation and regular updating of this important treasury management indicator.
Delegated powers for treasury management	The Chief Financial Officer has delegated powers to carry out the Council's strategy for debt management, capital finance and borrowing, depositing surplus funds and managing the cash flows of the Council.
Issues to be addressed	In exercising these powers, the Chief Financial Officer and those to whom treasury activities have been delegated will: • be clear about the nature and extent of any associated risks to which the Council may become exposed and put in place effective mechanisms for risk management and mitigation • be certain about the legality of the decision reached and that the necessary Council to proceed has been obtained • ensure that relevant due diligence has taken place

	• be satisfied that the documentation is appropriate to deliver the Council's objectives, protect the Council's interests, and to maintain an effective audit trail • ensure that the perceived credit risk associated with the approved counterparties parties is judged satisfactory and is within agreed limits • be satisfied that the terms of any transactions have been fully checked against the market, and have been found to be competitive • follow best practice in implementing the treasury transaction **Borrowing objective**: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective In exercising **borrowing and funding decisions**, the Chief Financial Officer and those to whom treasury activities have been delegated will: • evaluate economic and market factors that may influence the manner and timing of any decision to fund • evaluate the amount, structure, and duration of new borrowing and the timing thereof in relation to the Council's planned borrowing needs (e.g. by use of a liability benchmark) • consider ongoing revenue liabilities created and the implications for the organisation's future plans and budgets • consider alternative forms of funding, including use of revenue resources, leasing and private partnerships • consider the use of internal resources and/or the most appropriate periods to fund and repayment profiles to use • where applicable, monitor regularly the benefits of internal borrowing against the potential for incurring additional costs by deferring borrowing into future years **Investment objective**: 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. In exercising Investment decisions, the Chief Financial Officer and those to whom treasury activities have been delegated will: • determine that the investment is within the Council's pre-determined strategy and comply with instruments (set out in TMP 4) and any credit criteria (set out in TMP 1) as well as the credit risk associated with unsecured investments with banks and building societies • consider the risks to capital and returns and the implications for the Council's future plans and budgets, including implications of any market-related changes to the value of the capital invested

	• consider whether monies can be used in lieu of externally borrowing • consider the optimum period, in the light of cash flow availability and prevailing market conditions • consider alternative investment products and techniques available, if appropriate.
Processes to be pursued	The processes to be followed will be in keeping with TMP4 *Approved instruments, methods and techniques*.
Records to be kept	The Council will maintain a record of all treasury management decisions, the processes undertaken and the rationale for reaching the decision made. These will allow for an historical assessment of decisions made and verification that any checks and safeguards are indeed in place and operating correctly. Records and working papers will be maintained by the Council electronically

TMP4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

Principle

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 the 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 has set out below those organisations with which it is registered as a as a professional client and those with which it has an application outstanding to register as a professional client.

Schedule

Approved treasury management activities	The Council is permitted to undertake the following activities: ▪ Managing cashflow ▪ Capital financing ▪ Borrowing including debt restructuring and debt repayment ▪ Investing including redemption of investments ▪ Banking ▪ Leasing ▪ Managing the underlying risk associated with the Council's capital financing and surplus funds activities The above list is not definitive and the Council would, from time to time, consider new financial instruments and treasury management techniques. However, the Council will consider carefully whether the officers have the skills and experience to identify and manage the advantages and risks associated with using the instruments/techniques before undertaking them, more so as some risks may not be wholly or immediately transparent.
Approved capital financing methods and types/sources of funding	• long term money market loans including forward starting loans and LOBOs • temporary money market loans (up to 364 days) • bank overdraft • loans from bodies such as the European Investment Bank (EIB) • Stock issues • Deferred Purchase • Government and EU Capital Grants • Lottery monies • Other Capital Grants and Contributions

	▪ Private Finance Initiative ▪ Leasing ▪ Hire purchase ▪ Sale and leaseback The Council may also use internal resources: • Capital Receipts • Revenue Balances • Reserves Approved sources of long-term and short-term borrowing include • HM Treasury's PWLB lending facility (formerly the Public Works Loans Board)* • Any institution approved for investments • Any other bank or building society authorised to operate in the UK • UK public and private sector pension funds (except [your local] Pension Fund) • UK Municipal Bonds Agency and other special purpose companies created to enable local Council bond issues • *Any other counterparty you intend to borrow from* * HM Treasury has issued new guidance regarding PWLB lending which will apply to any loan arranged from 26 November 2020. https://www.dmo.gov.uk/media/17136/pwlb-guidance-for-applicants.pdf The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.

Approved treasury investment instruments	The Council will determine through its Annual Investment Strategy (AIS) which instruments it will use, giving priority to the security and liquidity and then yield (in that order) of its invested monies in keeping with MHCLG's (now DLUHC) Investment Guidance issued in 2018. The Annual Investment Strategy should be approved by full Council The Council will determine through the AIS which instruments will be used in-house and which will be used by the appointed external fund manager(s) including the maximum exposure for each category of non-specified investments. Where applicable, the Council's credit criteria will also apply.

	The Council will ensure it maintains the skills and experience necessary to evaluate the benefits and control the risks associated with investment instruments.
Investments that are not part of treasury management activity	These relate to monies which the Council invests in other financial assets and property primarily for financial return. Such activity includes loans supporting service outcomes, investments in subsidiaries and the investment property portfolio The Council ensures that it has the same robust procedures for the consideration of risk and return and • ensures that all investments, including non-treasury investments are covered in the Capital Strategy. • maintains a schedule of existing material investments, subsidiaries, joint ventures, and liabilities including financial guarantees and the corresponding risk exposure. • maintains **separate management practices for non treasury investments** • **Contribution:** The Council will disclose in its Annual Investment Strategy and the Capital Strategy the contribution that non-treasury investments make to the overall financial and/or service delivery objectives of the Council. In this regard, where appropriate the Council will group individual investments into categories. From 2023/24, the Council will also set an additional Prudential indicator: "Net income from commercial and service investments to net revenue stream". In calculating net income only direct costs such as property management are netted off gross income, not related interest and MRP costs. The Informal Commentary to the 2018 Investment Guidance also recommends that the Council's Investment Strategy include for existing and planned investments: • quantitative indicators that allow Councillors and the public to assess both the opportunities of the investments as well as the total risk exposure as a result of its investment decisions over both, the payback period and over the repayment period of any debt taken out (the indicators are not mandatory but should be taken as examples); • how investments are funded and the rate of return received.

	Proportionality: Should the Council become or plans to become dependent on profit generating investment activity to achieve a balanced revenue budget, the Investment Strategy will: • detail the extent to which funding expenditure to meet the service delivery objectives is dependent on achieving the expected net profit [MHCLG's suggested indicator "Commercial Income to NSE (net service income) ratio"] • outline the Council's contingency plans should it fail to achieve the expected net profit.

Use of Derivatives	**Financial derivatives**: *(local authorities and combined authorities)* Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). *Combined authorities should refer to section 113A of the Local Democracy, Economic Development and Construction Act 2009 instead.* The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in this TMP document will count against the counterparty credit limit and the relevant foreign country limit. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications. Additionally, the use of derivatives is restricted to only those officers who have completed the appropriate training for their use. **Embedded derivatives:** Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

TMP5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

Principles

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 Chief Financial 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.

The Chief Financial 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 Chief Financial 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 in the schedule below.

The Chief Financial 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 below.

The delegations to the Chief Financial Officer in respect of treasury management are set out in the schedule below. The Chief Financial 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.

Schedule

Principles and practices concerning segregation of duties	The segregation of duties will be determined by the Chief Financial Officer Segregation of duties exists in that: • the officer(s) responsible for negotiating and closing treasury management deals is/are completely separate

	from the officer(s) with responsibility for recording the transactions in the cash book and completing cheque and bank reconciliations • the officer(s) responsible for negotiating and closing treasury management deals is separate from officer(s) authorising payments • all borrowing/investments decisions must be authorised by the Chief Financial Officer Additionally, the Council receives bank statements on a daily basis. These are posted independent of the treasury function in order to maintain an adequate separation of duties.

Statement of duties/ responsibilities of each treasury / relevant post	The Chief Financial Officer deputised/assisted by the Service Director of Finance and Strategic Housing • submitting budgets and budget variations • recommending clauses, treasury management policy, practices for approval, reviewing the same regularly and monitoring compliance • determining Prudential Indicators and Treasury Management Strategy including the Annual Investment Strategy • submitting regular treasury management policy reports • receiving and reviewing management information reports • reviewing the performance of the treasury management function and promoting best value reviews • ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function • ensuring the adequacy of internal audit and liaising with external audit • recommending the appointment of external service providers • determining long-term capital financing and investment decisions • The Chief Financial Officer has delegated powers to determine and undertake the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments Chief Accountant • execution of transactions • adherence to agreed policies and practices on a day to day basis • maintaining relationships with third parties and external service providers • monitoring performance on a day to day basis • submitting management information reports to the responsible officer • identifying and recommending opportunities for improved practices Finance Business Partner • Check daily cash flow and agree dealing - liaise with the Chief Accountant on adherence to daily requirements • Ensure adherence to Council's lending list. • Check monthly treasury management reconciliation and controls. • Preparation of daily and long term cash flow projections. • Dealing and recording of deals.

	• Completion of CHAPS forms. • Maintenance of treasury management controls and documentation • Agreement of treasury management receipts and pursuit of any late payments Case Management Officer • recording treasury management transactions, • reconciling treasury management transactions with the financial ledger • recording/reconciling counterparty documentation • Downloading banking transactions daily to form the daily cashflow

Dealing

Authorised officers	**Responsible officer for borrowing/investment decisions:** Chief Financial Officer Service Director for Finance and Strategic Housing Chief Accountant **Borrowing activity:** Chief Financial Officer Service Director for Finance and Strategic Housing Chief Accountant Finance Business Partner **Lending activity:** Chief Financial Officer Service Director for Finance and Strategic Housing Chief Accountant Finance Business Partner **Authorising payments for borrowing/lending:** Chief Financial Officer Service Director for Finance and Strategic Housing Lead Finance Accountant (Business Partnering) Strategic Development Manager (Housing) **Transaction recording:** Chief Accountant Finance Business Partner

Dealing limits	Internally Managed Investments: • the maximum for any one investment deal is subject to the lending limits detailed in the Council's Annual Investment Strategy.)
PWLB lending facility – terms and conditions	The lending arrangements for PWLB loans are provided by HM Treasury. https://www.dmo.gov.uk/responsibilities/local-Council-lending/lending-arrangements/ HM Treasury has issued new guidance regarding PWLB lending which applies to any loan arranged from 26 November 2020. This guidance was updated on 12 May 2022, inserting new paragraphs 12 -17. https://www.dmo.gov.uk/media/zuxnuyir/pwlb-guidance-for-applicants-may-2022.pdf The current terms and application process are in Operational Circular 163, applicable to loans arranged from 21/10/21. a. Applications are completed using the PWLB's electronic template. In addition to loan details, the form includes qualifying questions to be submitted during the PWLB's operational hours (0930-1615). b. A Loan Conditional Confirmation letter is received. The loan application is subject to a review by HM Treasury. If no queries/objections are raised by trade date + 4, the loan advance is made on trade date + 5. Any changes to PWLB terms as documented in subsequent circulars will be communicated to all officers in the Finance Team.
PWLB authorised dealers	Dealers authorised to transact with the PWLB are: *Chief Financial Officer* *Service Director Finance and Strategic Housing* *Chief Accountant* A complete list of officers authorised to transact with the PWLB, and any amendment thereto, is provided to the PWLB using the authorisation amendment form available on the website.
Dealing platforms / portals	*IdealTrade* *ICD*
List of approved brokers	Tradition Imperial Martins Tullett Prebon

Policy on brokers' services	It is the Council's policy to utilise the services between at least *two* brokers. The Council will maintain a spread of business between them in order to avoid relying on the services of any one broker.
Policy on taping of conversations	Conversations with brokers are taped by the brokers.
Direct dealing practices	Direct dealing is carried out with institutions and with externally managed pooled funds identified in the Operational Schedule subject to counterparty and maturity limits and dealing limits. Prior to undertaking direct dealing, the Council will ensure that each counterparty / fund has been provided with the Council's list of authorised dealers and the Council's Standard Settlement Procedures. The template for the Council's Standard Settlement Procedures is included in the Operational Schedule.
Inter-Council dealing	The Council also deals with other local authorities to invest and borrow funds for treasury management purposes. In addition to transactions conducted through brokers, deals are conducted via the iDealTrade execution-only dealing platform. A record of all deals, together with their specific terms, will be maintained by the Council.
Deal Ticket proforma	Deals will be recorded as per the deal ticket proforma *(proforma maintained at operational level)*
Settlement transmission procedures	• settlements are made by CHAPS • all CHAPS payments relating to settlement transactions require authorisation by the officers delegated to deal on behalf of the Council • the details are transmitted online to the Council's bankers

<table>
<tr><td>Documentation requirements</td><td>For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payments date(s), broker.

Investments
deal ticket with signature to agree the investment
confirmation from the broker
confirmation from the counterparty
Contract notes for purchase and sale of shares/units in pooled funds from the fund's manager/administrator
CHAPS payment transmission document
Loans:
deal ticket with signature to agree the loan
confirmation from the broker and market counterparty
confirmation from PWLB
CHAPS payment transmission document.</td></tr>
<tr><td>Arrangements concerning the management of counterparty lists</td><td>Please state here how the Council manages counterparty lists - example
The Chief Accountant has responsibility for updating the Council's records with any credit developments.
The Chief Accountant is tasked with checking that records have been correctly updated to reflect any credit developments.</td></tr>
</table>

TMP6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

Principles

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.

Cabinet will receive regular monitoring reports on treasury management activities and risks.

Cabinet will have responsibility for the scrutiny of treasury management policies and practices.

The Council will report the treasury management indicators and any other investment indicators required by regulation as detailed in the TM Code's sector-specific guidance notes.

The present arrangements and the form of these reports are outlined below.

Schedule

Clauses to be adopted as part of the Council's Standing Orders Treasury Management Policy Statement	The recommended clauses to be adopted as part of the Council's standing orders, financial regulations or other formal policy documents is in Section 5 of the 2021 Treasury Management Code. The Treasury Management Policy Statement is a short document defines the policies and objectives of the Council's treasury management activities. The recommended text for adoption is provided by CIPFA in Section 6 of the 2021 Treasury Management Code. The Treasury Management Policy Statement is adopted by Full Council
Prudential Indicators	The Council will cover the Prudential Indicators in its **<u>annual</u> strategy documents determined before the beginning of each financial year**:

<table>
<tr>
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<tr>
<td><u>Capital Strategy</u>

Capital expenditure
Capital financing requirement (CFR)
Authorised Limit and Operational boundary
Gross debt and the CFR
Financing costs to net revenue stream
Net income from commercial and service investments to net revenue stream

</td>
<td><u>Treasury Management Strategy</u>

Liability benchmark (from 2023/24)
Maturity structure of borrowing
Long-term treasury management investments
Interest rate exposures *
Credit risk *
Price risk *

</td>
</tr>
</table>
* Recommended but not mandatory indicator.
The 2021 Prudential Code Guidance Notes cover indicators for Affordability and Prudence (pages 41-61). The 2021 Treasury Management Code Guidance Notes cover treasury indicators(pages 15-24). CIPFA’s definitions are cross-referenced to the respective Codes.
With effect from 2023/24, Prudential indicators will be reported to Cabinet quarterly.
</td>
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Capital Strategy	This document, approved by Full Council annually before the start of each financial year, gives a high-level overview of (i) how capital expenditure, capital financing and treasury management activity contribute to the provision of services, (ii) management of the associated risk is managed and (iii) implications for future financial sustainability. It is tailored to the Council's circumstances and covers - Capital expenditure, its financing, the governance process, long-term financing strategy, asset management, maintenance requirements, planned disposals and funding restrictions - Debt, borrowing, MRP, investments; borrowing strategy, treasury investment strategy - Investments for service purposes and their risk management and governance - Commercial activities, Investments for commercial purposes and their risk management and governance - Other long-term liabilities, such as financial guarantees and their governance - Prudential indicators - Revenue Budget implications - Knowledge and skills, and confirmation that these are commensurate with the Council's risk appetite and activities. The Chief Finance Officer reports explicitly on the affordability and risk associated with the Capital Strategy and whether they are satisfied that the proposed capital programme is prudent, affordable and sustainable, with an explanation how the conclusion has been reached. The Chief Finance Officer also ensures that where detailed information is required, this will be made available in a format to encourage active engagement and, if necessary, any associated training needs of members.
Treasury Management Strategy	This document, approved by Full Council <u>annually before the start of each financial year</u>, covers External Context: economic background; credit outlook; interest rate forecast Local context: - Balance sheet summary and forecast and an explanation of the movements - Liability benchmark - The existing investment and debt portfolio position - The Council's borrowing strategy; approved sources of borrowing and other sources of debt finance; *(if applicable)* LOBOs

	- The Council's Treasury investment strategy, ESG policy for investments, approved investment instruments, counterparties and time/monetary limits; minimum credit ratings (where applicable) and risk assessment; - Treasury management prudential indicators - Related matters -e.g. use of financial derivatives - MiFID II status - Financial implications of the strategy

Investment Strategy	This strategy covers the requirements of the 2018 MHCLG (now DLUHC) Investment Guidance, including the investment indicators. It covers:
	- Treasury management investments
	- Service investments (.e.g. loans to or shares in subsidiaries / suppliers / local businesses / local charities / housing associations / local residents / employees] and their contribution; limits; risk assessment
	- Commercial investments - property (MHCLG defines property to be an investment if it is held primarily or partially to generate a profit), its contribution towards the service delivery objectives and/or place making role of the Council; risk and security assessments;
	- Loan commitments and financial guarantees
	- Proportionality - the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Council is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan.
	- Borrowing in advance of need (if relevant)
	- Capacity, Skills and Culture of elected members and statutory officers involved in the investments decision making process
	- Investment indicators
	  o Total investment exposure
	  o Investments funded by borrowing
	  o Investment Rate of Return (net of all costs)
	  o Other indicators such as: Debt to net service expenditure ratio; Commercial income to net service expenditure ratio

Treasury Activity Reports	The Annual Treasury Outturn Report will be prepared by the Chief Financial Officer as soon as practicable after the financial year end. It covers the treasury activity undertaken against the forecast and prevailing economic and interest rate backdrop for the full financial year. This annual report includes:

	- borrowing and investment activities undertaken including forward deals agreed and their revenue (current) effects - report of material treasury decisions taken in year - risk implications of decisions taken and transactions executed - compliance with agreed policies/practices and on statutory/ regulatory requirements - report on compliance with CIPFA TM Code recommendations - monitoring of treasury management indicators for local authorities - training /CPD undertaken by treasury officers. A Mid-Year Treasury Outturn Report will be prepared by the Chief Financial Officer, and report on treasury management activities for the first half of the financial year. It covers the treasury activity undertaken against the forecast and prevailing economic and interest rate backdrop for the first 6 months. This mid-year review includes: - borrowing and investment activities undertaken including forward deals agreed - report of material treasury decisions - variations (if any) from agreed policies/practices - interim performance report - monitoring of treasury management indicators - forecast for the remainder of the financial year Both reports will be submitted to Cabinet and Audit and Resources Committee, responsible for the scrutiny of treasury management policies, practices and activity.
Content and frequency of other management information reports *(if applicable)*	The Chief Financial Officer produces a quarterly monitoring report for Policy and Performance Committee and Cabinet This report includes details of: • borrowing and investment activity undertaken including forward deals • brokers' fees • performance of internal and external investments against budget • interest rates and forecasts • Progress of Capital expenditure against forecast

TMP7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The Chief Financial 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 Chief Financial 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.

Schedule

Statutory/regulatory requirements	*Balanced Budget Requirement*: Part I of the Local Government Finance Act 1992 requires the Council to calculate its budget requirement for each financial year including, among other aspects: (a) the expenditure which is estimated to be incurred in the year in performing its functions and which will be charged to a revenue account, and (b) revenue costs which flow from capital financing decisions The Act requires the Council to set a council tax sufficient to meet expenditure after taking into account other sources of income.

Accounting practices and standards	▪ The Accounts and Audit Regulations 2015 and subsequent amendments ▪ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and subsequent amendments ▪ MHCLG Statutory Guidance on Minimum Revenue Provision (2018 Edition) ▪ CIPFA/LASAAC Code of Practice on Local Council Accounting in the UK (2022/23 Edition) ▪ Relevant CIPFA Bulletins ▪ IFRS 7 Financial Instruments: Disclosures ▪ IFRS 9 Financial Instruments ▪ IAS 23 Borrowing Costs ▪ IAS 32 Financial Instruments: Presentation ▪ IPSAS 28 Financial Instruments: Presentation ▪ IPSAS 30 Financial Instruments: Disclosures ▪ IPSAS 41 Financial Instruments
Financial Statements	The Financial Statements comprise: ▪ Narrative Report ▪ Responsibilities for the Statement of Accounts ▪ Annual Governance Statement ▪ Comprehensive Income and Expenditure Statement (Group and Council) ▪ Movement in Reserves Statement ▪ Balance Sheet (Group and Council) ▪ Cash Flow Statement (Group and Council) ▪ Notes to the Financial Statements ▪ *(if applicable)* Housing Revenue Account Income and Expenditure Statement and notes ▪ Collection Fund ▪ Remuneration Report ▪ Glossary and abbreviations
Format of the Council's accounts	The current form of the Council's accounts is published online

Disclosures relating to treasury management	Notes to the annual Statement of Accounts include: • Financial Instruments – Financial Assets, Financial Liabilities; Income, Expense, Gains and Losses on Financial Instruments • Fair Value of Financial Assets and Liabilities • Nature and Extent of Risks arising from Financial Instruments: Credit Risk, Liquidity Risk, Refinancing and Maturity Risk, Market Risks (Interest rate risk, Price risk and Exchange Rate Risk) The Council's treasury advisor, Arlingclose, provides a template for the above each year. The Council will exercise judgement on the level of detail to be disclosed about financial instruments, taking into account the relative significance of those instruments. So that the information is comprehensible, material information should not be obscured by immaterial information or by aggregating material items that have different natures or functions.
Internal and External Audit	Internal Audit conducts regular reviews of the treasury management function and probity testing. The internal and external auditors will be given access to treasury management information/documentation as required by them.
List of information requirements of external auditors	The following information* is requested by the external auditor and should be considered an initial request for information. It is usually followed by more detailed audit testing work which often requires further information and/or explanations from the Council's officers. *Information in this context includes internally generated documents including those from the Council's Treasury Management System, externally generated documents, observation of treasury management practices which support and explain the operation and activities of the treasury management function. ▪ Determination of Affordable Borrowing Limit under Section 3 of the Local Government Act 2003 ▪ Prudential Indicators ▪ Treasury Management Strategy including Annual Investment Strategy <u>External borrowing</u>

	• New loans borrowed during the year: PWLB certificates / documentation in relation to market loans borrowed (including copy of agreements, schedule of commitments)
	• Loan maturities
	• Compliance with proper accounting practice, regulations and determinations for the amortisation of premiums and discounts arising on loans restructured during the year and previous years.
	• Analysis of loans outstanding at year end including maturity analysis
	• Analysis of borrowing between long- and short-term
	• Debt management and financing costs
	  ▪ calculation of (i) interest paid (ii) accrued interest
	  ▪ interest paid
	• MRP calculation and analysis of movement in the CFR.
	• Bank overdraft position.
	• Brokerage/commissions/transaction related costs
	
	<u>Investments</u>
	• Investment transactions during the year including any transaction-related costs
	• cash and bank balances at year end
	• Short-term investments at year end
	• Long-term investments at year end (including investments in associates and joint ventures) by asset type, including unrealised gains or losses at year end
	• calculation of (i) interest received (ii) accrued interest
	• actual interest received
	• Pooled funds' purchase and sale contract notes; notification of income distributions (if any)
	• Evidence of existence and title to investments (month-end / quarter-end statements)
	• Schedule of any investments in companies together with their latest financial statements); statement of transactions between the company and the Council.
	
	<u>Cash Flow</u>
	• Reconciliation of the movement in cash to the movement in net debt
	• Cash inflows and outflows (in respect of long-term financing)
	• Cash inflows and outflows (in respect of purchase/sale of long-term investments)
	• Net increase/decrease in (i) short-term loans (ii) short-term deposits (iii) other liquid resources

Prudential Indicators	The treasury management indicators must be considered together with indicators in the Prudential Code as part of the budget approval process. From 2023/24, monitoring of the treasury management indicators will be reported quarterly (along with the other prudential indicators) as part of the Council's general revenue and capital monitoring.
Compliance with CIPFA Treasury Management and Prudential Codes	Auditors may require evidence/demonstration of compliance with external and internal treasury management policies and strategy. They may also be expected to enquire as to whether the TM Code has been adopted and whether its principles and recommendations have been implemented and adhered to. Any serious breach of the TM Code's recommendations or Prudential Indicators should be brought to the attention of the external auditor.
Costs for treasury management	The budget for treasury management forms part of the Planning and Property Portfolio and includes *items below are CIPFA's recommendations:* • staffing numbers and related costs • interest and other investment income • debt and other financing costs (or charges for the use of assets) • bank and overdraft charges • brokerages, commissions and other transaction-related costs • external advisors' and consultants' charges.

TMP8: CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Chief Financial 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 Chief Financial Officer will ensure that these are adequate for the purposes of monitoring compliance with ***TMP1[2] Liquidity Risk Management***, and for the purpose of identifying future borrowing needs (using a liability benchmark where appropriate). The present arrangements for preparing cash flow projections and their form are set out in the schedule below.

Schedule

Arrangements for preparing /submitting cash flow statements	Cash flow forecasts will be viewed over 2 year time horizons and will be used to formulate the Council's borrowing and investment strategy by identifying periods of surplus or shortfall of cash balances. The cash flow forecasts and statements are held at operational level. An **outline medium-term cash flow** model is prepared as part of the budget process, with projections for 3 further years. It is highly summarised and looks mainly at cash flows arising from the capital programme, the in-year capital financing requirement, scheduled loan repayments and long-term investment maturities, and anticipated movements in reserves. A **detailed annual cash flow** is prepared for the financial year once the budget for the ensuing year has been agreed, which is monitored and updated daily. It identifies the major inflows and outflows on a month-by-month basis. It is prepared using the agreed revenue budget and capital programme for the financial year and based on the knowledge obtained from the Council's various service sections incurring the expenditure /receiving the income and can be supplemented by the experience from previous years. Daily cash flows show forecast and planned movements of cash on a daily basis, including the matching of known inflows and payments. This is recorded in the Council's systems.

Liability Benchmark (LB)	The LB is helps establish whether the Council is likely to be a long-term borrower or long-term investor in the future and represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level to manage day-to-day cash flow. The LB will be updated regularly through the year by the Council with developments and/or timing changes in the capital programme as well as changes to balance sheet resources. ***Please see TMP 5 for more information on its use.***

Content and frequency of cash flow budgets	The detailed annual cash flow model includes the following: • revenue income and expenditure based on the budget • profiled capital income and expenditure as per the capital programme **Revenue activities** <u>Inflows</u> ▪ Revenue Support Grant ▪ Precepts received ▪ Non-domestic rates receipts ▪ NNDR receipts from national pool ▪ Council tax receipts ▪ Other government grants ▪ Cash for goods and services ▪ Other operating cash receipts <u>Outflows</u> ▪ Salaries and payments on behalf of employees ▪ Operating cash payments ▪ Housing Benefit paid ▪ Precepts paid ▪ NNDR payments to national pool ▪ Payments to the capital receipts pool **Capital activities including financing** <u>Inflows</u> ▪ Capital grants received ▪ Sale of fixed assets ▪ Other capital cash receipts <u>Outflows</u> ▪ Purchase of fixed assets ▪ Purchase of long-term investments ▪ Other capital cash payments **Financing, servicing of finance/returns on investments** <u>Inflows</u> ▪ New long-term loans raised ▪ New short-term loans raised ▪ Interest received ▪ Discount on premature repayment of loan <u>Outflows</u> ▪ Loan repayments ▪ Premia on premature repayment of loan ▪ Short-term investments

	▪ Capital element of finance lease rental payments ▪ Interest paid ▪ Interest element of finance lease rental payments
Bank statements procedures	The Council receives bank statements daily. These are posted independent of the treasury function and are reconciled to the general ledger on a daily basis.
Payment scheduling and agreed terms of trade with creditors	The Council has a policy of paying suppliers in line with agreed terms of trade.
Procedures for banking of funds	Instructions for the banking of income are set out in the Financial Regulations. Cash and cheques received in the cashier's section are banked weekly. All the Council's sections are advised of the requirement to bank on a regular basis to comply with recommended best practice and also remain within the particular insurance limits for the Council's premises.

TMP9: 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. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule below.

Schedule

Anti-money laundering policy	This Council's policy is to prevent, wherever possible, the organisation and its employees being exposed to money laundering, to identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases. The Council has accepted responsibility to ensure those of its staff who are most likely to be exposed to money laundering can make themselves fully aware of the law and, where necessary, are suitably trained.

Main offences relating to money laundering	The **Proceeds of Crime Act (POCA) 2002** established the main offences relating to money laundering. In summary, these are: • concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland • being concerned in an arrangement that a person knows or suspects facilitates the acquisition, retention, use or control of criminal property • acquiring, using or possessing criminal property. These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money laundering activity in the UK risks a criminal conviction. Other offences include: • failure to disclose money laundering offences • tipping off a suspect, either directly or indirectly • doing something that might prejudice an investigation – for example, falsifying a document. The **Terrorism Act 2000** made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment.
Documentation	The Council will reflect the anti-money laundering measures it has in place as part of its < > documentation. Such measures include: • Awareness of what constitutes money laundering and training for employees most likely to encounter it • The obligation to report knowledge of/having reasonable grounds to believe an offence might be committed • Maintaining up-to-date direct dealing and SSI mandates with counterparties

Nomination of Responsible Officer(s)	(a) The Council has nominated the Monitoring Officer to be the responsible officer(s) to whom any suspicions relating to transactions involving the Council will be communicated (b) The Monitoring Officer will be conversant with the requirements of the Proceeds of Crime Act 2002 and will ensure relevant staff are appropriately trained and informed so they are alert for suspicious transactions (c) The Monitoring Officer will make arrangements to receive and manage the concerns of staff about money laundering and their suspicion of it, to make internal enquiries and to make reports, where necessary, to National Criminal Intelligence Services (NCIS)
Procedures for establishing the identity/authenticity of Lenders and Borrowers	(a) In the course of its treasury activities, the Council will only borrow from permitted sources identified in TMP4 *Approved instruments, methods and techniques* (b) The Council will not accept loans from individuals. (c) In the course of its treasury activities, the Council will only invest with those counterparties which are on its approved lending list (d) The identity and authenticity of commercial institutions (banks, building societies and other financial institutions) authorised to carry out borrowing and lending activity in the UK will be checked via the Bank of England/Prudential Regulation Council's website https://www.bankofengland.co.uk/prudential-regulation/authorisations/which-firms-does-the-pra-regulate (e) All receipts/disbursements of funds will be undertaken by Bacs or CHAPS settlement (f) Direct dealing mandates: The Council will provide (in the case of lending) / obtain (in the case of borrowing) and maintain on file dealing mandates with any new money market counterparty. The mandates should be on letter-headed paper, dated and signed (g) All banking transactions will only be undertaken by the personnel authorised to operate the Council's banks accounts (h) If the Council takes/provides loans from individuals, it will establish robust procedures for verifying and

	recording the appropriate financial and personal information of such individuals (i) When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before altering payment details
	When borrowing/investing funds for treasury management purposes, the Council will only borrow from and invest with sources and counterparties as identified in the Treasury Management Strategy. The criteria for the construction and management of the lending list are detailed in TMP1 *Risk Management*.

TMP10: 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 Chief Financial Officer will recommend and implement the necessary arrangements, including the specification of the expertise, knowledge and skills required by each role or member of staff.

The Chief Financial Officer will ensure that members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and 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 schedule below.

Schedule

Details of approved qualifications	Staff involved in managing the treasury management function will have a professional accountancy qualification and will attend specific treasury management courses as required e.g. to provide updates on the implications of new regulations/legislation/codes of practice or to obtain latest economic forecasts for the economy and interest rates.
Details of approved training courses	The courses/events the Council would expect its treasury personnel to consider are ▪ Training courses for Accounting, Auditing, Best Value/Competition, Budgeting, Capital Finance & Borrowing, Financial Management run by CIPFA and the Association of Corporate Treasurers and other appropriate organisations ▪ Any workshops/seminars run by Treasury Management Consultants ▪ Attending CIPFA Conference ▪ Training attended by those responsible for scrutiny of the treasury function

Records of training	Those staff that are CIPFA members are required by their Institute to act in accordance with CIPFA's Standard of Professional Practice on Treasury Management. The Chief Financial Officer also has a responsibility to ensure that the relevant staff are appropriately trained.

TMP11: USE OF EXTERNAL SERVICE PROVIDERS

The Council recognises that responsibility for the 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 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. And 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 Chief Financial Officer, and details of the current arrangements are set out in the schedule below.

Schedule

Details of service providers, including bankers, brokers, consultants, advisers	(a) Bankers to the Council Barclays Bank PLC (b) Treasury advisor Arlingclose Ltd (c) Brokers It is considered good practice for the Council to have at least two brokers and to spread business between them. The Council recognises that is not the role of brokers to provide advice on the creditworthiness of those organisations to which the Council may lend.
Bribery Act	The Council is mindful of the requirements of the Bribery Act 2011 in its dealings with external providers.

TMP12: 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 Treasury Management Code of Practice.

This, together with the other arrangements detailed in the schedule below, is considered vital to the achievement of proper corporate governance in treasury management, and the Chief Financial Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Schedule

Stewardship responsibilities	The Chief Accountant ensures that: ▪ systems exist to deliver proper financial administration and control and maintaining a framework for overseeing and reviewing the treasury management function. ▪ formal policy documents will clearly define procedures for monitoring, control and internal check and reporting lines are well defined.
List of documents to be made available for public inspection	The following documents are freely available for public inspection on the Council's website: ▪ Annual Statement of Accounts ▪ Budget Book ▪ Treasury Management Policy ▪ Capital Strategy ▪ Treasury Management Strategy ▪ Capital Strategy ▪ Budget Monitoring Reports ▪ Annual and Mid-Year Treasury Report

Responsibility for treasury management	The Chief Financial Officer will ensure that ▪ those charged with responsibility for the treasury management policy, have all the information necessary to enable them to openly fulfil their obligations, and are fully appraised of and consulted on the Council's treasury management activities on a regular basis. ▪ the procedures for monitoring treasury management activities through audit, scrutiny and inspection are sound and rigorously applied, with an openness of access to information and well-defined arrangements for the review and implementation of recommendations for change.

INVESTMENT MANAGEMENT PRACTICES FOR INVESTMENTS THAT ARE NOT PART OF TREASURY MANAGEMENT ACTIVITY

Investments for service purposes (or service investments) are taken or held primarily for the provision and for the purposes of delivering public services (including housing, regeneration and local infrastructure), or in support of joint working with others to deliver such services.

- Service investments may or may not involve commercial returns; however, obtaining those returns will not be the primary purpose of the investment.
- For local authorities, service investments will normally constitute capital expenditure, and it may be appropriate to borrow to finance service investments.

Investments for commercial purposes (or commercial investments) are taken or held primarily for financial return and are not linked to treasury management activity or directly part of delivering services.

- This includes non-financial assets such as commercial property, where they are held primarily for financial return.
- For local authorities, investments of this type will usually constitute capital expenditure.
- ‘Commercial’ in this context refers to the purpose of the investment. Commercial investments are not taken to meet treasury management cash flow needs and do not result from treasury risk management activity to prudently manage the risks, costs or income from existing or forecast debt or treasury investments. They are additional investments voluntarily taken primarily to generate net financial return or profit.

The Chief Financial Officer will categorise any non-treasury management investments and plans into appropriate portfolios (or individual major investments) reflecting the different purposes, objectives and management arrangements of the investments and covering all the organisation’s financial investments, together with any non-financial assets that are held primarily for financial return (such as commercial property).

For each such portfolio, a schedule sets out the investment objectives, investment criteria, risk management arrangements, decision-making and reporting arrangements, performance measurement and management, and arrangements for training and qualifications.

It is recognised that the risk appetite for these activities may differ from that for treasury management.

Schedule

Register of non-treasury investments and financial guarantees	A regularly updated list of non-treasury investments, existing material investment, subsidiaries, joint ventures and liabilities and financial guarantees is maintained. An outline of such investments is in the Council's Investment Strategy.
Due diligence process	*The Chief Financial Officer will ensure Due Diligence has been carried out on non-Treasury Investments prior to approval by Cabinet as part of the CIP process* *Due diligence will include, but is not limited to:* • *Use of Independent and expert advice to validate assumptions* • *Treasury advice on counterparty strength* • *Credit Checks* • *Interviews with potential partners* • *Step in rights on construction projects* *More detail can be found in the Capital, Treasury Management and Investment Strategies*
Risk Management	Where the Council makes investments for service or commercial purposes including property or other financial assets primarily for financial return, the risks associated with investment should be proportionate to the Council's financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services. The Council therefore utilises three reserves to mitigate risks The interest reserve – A reserve to mitigate interest rate risk for the Council should interest rates rise Void Reserve – A reserve to mitigate the risk of loss of income due to having void properties Maintenance Reserve – A reserve to mitigate the risk of unforeseen maintenance costs during the life cycle of the asset All business cases for non-Treasury investment will have regard to and contribute to these reserves. Further information can be found in the Capital, Treasury Management and Investment Strategies

1. Decision making, governance and organisation	Property Transactions: The Chief Financial Officer will ensure a Property Transactions Evaluation Group (PTEG) meeting is carried out, either in person, virtually or through other means, prior to Property Investments being made where these relate to property transactions This will consist of representatives from: • Corporate Leadership Board • Finance • Legal Services • Asset Management • Development Management • Housing strategy (where appropriate) The purpose of this meeting is to scrutinise due diligence on purchases at an officer level, prior to being raised to Cabinet for the necessary approval. Housing Transactions: The Chief Financial Officer will ensure any prospective Housing Investments have been scrutinised by the Operational Housing Board This consist of representatives from: • Corporate Leadership Board • Finance • Legal Services • Asset Management • Development Management • Strategic Housing • Project Management The purpose of this meeting will to be scrutinise due diligence on housing investments, prior to being raised to the Housing Board, and then Cabinet for the necessary approval.

2. Performance measurement and management	Non treasury investments will be measured through the business case submitted to Cabinet for approval of expenditure. Within this business cases, items laid out will include: • Strategic Objectives • Financial Implications • Climate Change Implications • Equal Rights and Diversity Implications The business case will need to demonstrate both the non-financial benefits of the scheme, and the financials Within the financial business case, reference will be made to the Risk Management objectives highlighted above. After investment, the performance of the non-financial investments will be monitored through the quarterly budget monitoring reported to Policy and Performance Scrutiny Panel and Cabinet.
3. Reporting and management information	After investment, the performance of the non-financial investments will be monitored through the quarterly budget monitoring reported to Policy and Performance Scrutiny Panel and Cabinet.
4. Training and qualifications	*Relevant staff who form part of both the PTEG and Operational Housing Board will hold relevant professional qualifications as necessary for their respective roles* *More information can be found in the Capacity, Skills and Culture section of the Investment Strategy.*