

Appendix B - Treasury Management Policy 2019/20

B.1 Definition

The Council adopts the CIPFA definition of Treasury management as: “The management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

B.2 Overview and Regulations

The Council adopts the CIPFA Code of Practice on Treasury Management in the Public Services (the Code). The key recommendations as described in section 1 of the Code are:

- 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.
- Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy and should ensure that priority is given to security and liquidity when investing funds.
- They should acknowledge that the pursuit of 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.

The Council adopts the following four clauses as recommended by the Code:

1. The Treasury Management team (TM team) will create and maintain
 - a treasury management policy statement setting out the policies, objectives and approach to risk management of its treasury management activities.
 - suitable treasury management practices (TMPs) setting out the manner in which the organisation will seek to achieve those objectives and prescribing how it will manage and control those activities

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code.

2. The Council will receive 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.
3. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Audit & Governance Committee and for the execution and administration of treasury management decisions to the Director of Resources who will act in accordance with the organisation’s policy statement and TMPs.
4. The Audit & Governance Committee is responsible for ensuring effective scrutiny of the treasury management strategy and policies.

B.3 Treasury Management Policies

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Detailed below are the Council's Treasury Management Policies (TMPs), which fully comply with the requirements of the CIPFA TM Code.

TMP1 - Risk management

TMP2 - Performance Measurement

TMP3 - Decision Making and Analysis

TMP4 - Approved Instruments, Methods and Techniques

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

TMP6 - Reporting Requirements and Management Information Arrangements

TMP7 - Budgeting, Accounting and Audit Arrangements

TMP8 - Cash and Cash Flow Management

TMP9 - Money Laundering

TMP10 - Training and Qualifications

TMP11 - Use of External Service Providers

TMP12 - Corporate Governance

B3.1 TMP1 RISK MANAGEMENT

The Corporate Management Team implements and oversees the Council's Corporate Risk Management Policy for Financial Management. The Treasury Management Policy for risk management is an important part to the Financial Management approach. The Director of Resources, Head of Finance, the Chief Accountant, Capital Accountant and Technical Accountant have responsibility for identifying and managing significant strategic and operational risks in Treasury Management activities. The Head of Finance 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 Council's objectives in this respect, all in accordance with the procedures set out in TMP6 below. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in this document.

Credit and counterparty risk management

The Treasury Management team (TM team) will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its treasury management investment activities to the instruments, methods and techniques referred to in TMP4 Approved instruments, methods and techniques and listed in Appendix A. 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 counterparty list and assessment criteria are included at appendix A, approved by the Council.

Liquidity risk management

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

The TM team with agreement from Director of Resources or Head of Finance, will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

Liquidity risk is controlled by the use of cash flow records and projections, allowing investment maturities to be planned to meet cash flow requirements.

Interest rate risk management

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

It will achieve this by the prudent use of its approved 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 accepted exposure to interest rate risk is implicit in the Fixed and Variable Rate Exposure Prudential Indicators (appendix A) as set by the Council.

Exchange rate risk management

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

The Council undertakes a minimal number of foreign currency transactions for operational purposes only (not for investment purposes). This minimises the impact of any rate movements.

Inflation risk management

The TM team 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 organisation's inflation exposures, in conjunction with the Council's Treasury Advisors.

Refinancing risk management

The TM team will ensure that its borrowing, private financing and partnership arrangements 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 organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

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

The Council will hold short term cash available to repay any maturities within the next year.

Legal and regulatory risk management

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

This 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.

The training of officers and Members is a key part of managing this risk.

Fraud, error and corruption, and contingency management

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

The Council uses annual audit reports, risk registers, internal controls and clear treasury procedures to manage this risk.

B3.2 TMP2 PERFORMANCE MEASUREMENT

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 team will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the actuals against budgets and compliance with controls, as part of budget monitoring as reported to Committee.

B3.3 TMP3 DECISION MAKING AND ANALYSIS

The Treasury Management team maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

B3.4 TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

The Treasury Management team will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the Treasury Management Statement at Appendix A. It provides details of approved instruments for investments and provides a listing of current institutions that meet the criteria, and within the limits and parameters defined in TMP1 Risk management.

B3.5 TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

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

If and when the organisation intends, as a result of lack of resources or other circumstances, to depart from these principles, the Head of Finance ensures that the reasons are properly reported in accordance with TMP6 and the implications properly considered and evaluated.

The Head of Finance and Chief Accountant 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 Accountant, the Technical Accountant, Treasury & Technical Accountant, Capital Accountant or the Technical Officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The Treasury Management team 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 Treasury Management Manual

The Director of Resources will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, as a CIPFA member, the Standard of Professional Practice on Treasury Management.

The Director of Resources has delegated powers through this Policy to take the most appropriate form of borrowing from the approved sources, and to take the most appropriate form of investments in approved instruments (set out in Appendix A), and to restructure such investment and borrowing as appropriate.

The Director of Resources may delegate her power to borrow and invest to members of her staff. All dealing transactions must be conducted by the Chief Accountant, the Technical Accountant, Treasury & Technical Accountant, Capital Accountant or the Technical Officer. Designated staff are authorised by the Chief Accountant to act as temporary cover for leave/sickness. All transactions must be authorised by at least two of the named officers above.

Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Director of Resources to be satisfied, by reference to the Monitoring Officer, the Authority's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Authority's

Financial Regulations. It is also the responsibility of the Director of Resources to ensure that the Authority complies with the requirements of The London Code of Conduct for principals and broking firms in the wholesale markets.

B3.6 TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

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

As a minimum, the Council will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- a mid-year review

The Audit & Governance Committee will receive regular monitoring reports on treasury management activities and risks. The Committee will also have responsibility for the scrutiny of treasury management policies and practices.

B3.7 TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The Director of Resources 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 Director of Resources 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.

B3.8 TMP8 CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the Director of Resources, 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 Director of Resources will ensure that these are adequate for the purposes of monitoring compliance with TMP1 liquidity risk management. The present arrangements for preparing cash flow projections, and their form, are set out in the Treasury Management Manual.

B3.9 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 Chief Auditor as the named officer to whom reports should be made, are detailed in the Council's Anti-Money Laundering Policy which is held on the Intranet.

B3.10 TMP10 TRAINING AND QUALIFICATIONS

The organisation 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 Director of Resources will recommend and implement the necessary arrangements.

The Director of Resources will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

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

The present arrangements are detailed in Appendix A, Treasury Management Strategy.

B3.11 TMP11 USE OF EXTERNAL SERVICE PROVIDERS

The organisation recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed 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 overreliance 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 Director of Resources, and details of the current arrangements are set out in the Treasury Management Strategy Statement at Appendix A

B3.12 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 team and its treasury management activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in this document, is considered vital to the achievement of proper corporate governance in treasury management.

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