



Cyngor Castell-nedd Port Talbot  
Neath Port Talbot Council

## **NEATH PORT TALBOT COUNTY BOROUGH COUNCIL**

### **CABINET**

**30 OCTOBER 2019**

### **REPORT OF THE HEAD OF FINANCE – H.JONES**

#### **Matter for Decision**

**Wards Affected: All Wards**

#### **Treasury Management Practices Statements (TMPS) Update**

#### **Purpose of the Report:**

1. The purpose of this report is to seek approval for updated Treasury Management Practices.

#### **Executive Summary:**

2. The governance arrangements for the Council's Treasury Management activities are set out in the Treasury Management Practices Statements (TMPS). Following staffing changes within the Finance Division these TMP's need to be updated to reflect current arrangements.

## **Background:**

3. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management requires the Council to:
  - 'Create and maintain a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities; and
  - Create and maintain Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives'.

4. The Council last approved its Treasury Management Practices in 2012 and since then a number of staffing changes have taken place in the Finance Division. As a result the previously approved practices need to be updated. Members should note that amendments have been made to:

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

The structure chart detailed in section 5.3 of TMP 5 has been updated to reflect the current management structure for Treasury Management Operations.

TMP 11 – Use of External Service Providers

Correspondence addresses for Treasury Brokers have been updated where applicable.

5. Attached at Appendix 1 to this report is an updated version of the Treasury Management Practices Statements which Cabinet is asked to approve before forwarding them to Council for endorsement.

### **Financial Impacts:**

6. There are no direct financial impacts associated with this proposal as the report only updates arrangements on how to manage treasury activities.

### **Integrated Impact Assessment:**

7. A first stage impact assessment has been undertaken to assist the Council in discharging its legislative duties (under the Equality Act 2010, the Welsh Language Standards (No.1) Regulations 2015, the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016, a copy of which is included at Appendix 2. The first stage assessment has indicated that a more in-depth assessment is not required for the reasons set out in Appendix 2

### **Valleys Communities Impacts:**

8. No implications

### **Workforce Impacts:**

9. No implications but the updated TMPS set out in this report are required following changes to staff within the Finance Division.

### **Legal Impacts:**

10. The updated TMPS ensure that the Council's Treasury Management activities are carried out in line with the Constitution.

### **Risk Management Impacts:**

11. Risk Management arrangements are detailed in Appendix 1 to this report.

**Consultation:**

12. There is no requirement for external consultation on this item.

**Recommendation:**

13. It is recommended that Cabinet approve the updated Treasury Management Practices Statements (TMPS) as set out in Appendix 1 of this report and commend them to Council for approval.

**Reasons for Proposed Decision:**

14. To update Treasury Management governance arrangements.

**Implementation of Decision:**

15. The decision is proposed for implementation after the three day call in period.

**Appendices:**

16. Appendix 1 – Treasury Management Practices (TMPS)  
Appendix 2 – First Stage Integrated Impact Assessment

**List of Background Papers:**

17. None

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**TREASURY MANAGEMENT PRACTICES STATEMENTS  
(TMPS)**

**CONTENTS**

- TMP 1** Treasury risk management
- TMP 2** Performance measurement
- TMP 3** Decision making and analysis
- TMP 4** Approved instruments, methods and techniques
- TMP 5** Organisation, clarity and segregation of responsibilities, and dealing arrangements
- TMP 6** Reporting requirements and management information arrangements
- TMP 7** Budgeting, accounting and audit arrangements
- TMP 8** Cash and cash flow management
- TMP 9** Money laundering and Counter Fraud
- TMP 10** Training and qualifications
- TMP 11** Use of external service providers
- TMP 12** Corporate governance

**Reviewed and Updated October 2019**

## **TMP 1 TREASURY RISK MANAGEMENT**

Within Neath Port Talbot County Borough Council, the responsible officer is the Director of Finance & Corporate Services who is also the Section 151 Officer. The responsible 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 Council's objectives in this respect, all in accordance with the procedures set out in TMP6 (Reporting requirements and management information arrangements).

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

Credit and counterparty risk is the risk of failure by a counterparty to meet its contractual obligations to the Council 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.

This Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its 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 arrangements.

#### **1.1.1 Policy on the use of credit risk analysis techniques**

1. The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.
2. Credit ratings will be used as supplied by the Fitch credit rating agency.

3. Treasury Management Consultants will provide regular updates of changes to all ratings relevant to the Council.
4. The responsible officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.

Credit ratings for individual counterparties can change at any time. The S151 Officer is responsible for applying approved credit rating criteria for selecting approved counterparties. Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.

5. This Council will not rely solely on Fitch credit ratings in order to select and monitor the creditworthiness of counterparties. In addition it will use other sources of information including:-
  - Other credit rating agencies i.e. Moodys and Standard & Poors
  - Market data
  - Information on government support for banks
  - The credit ratings of that government support
  - Credit watches and credit outlooks from credit rating agencies
  - Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
  - Sovereign ratings to select counterparties from only the most creditworthy countries
  - Advice of treasury management consultants.
6. Maximum maturity periods and amounts to be placed in different types of investment instrument are identified in Section 1.8.
7. Diversification: this Council will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following:-

- Maximum amount to be placed with any one institution - £20m (with the exception of the UK Government's Debt Management Office)
  - Group limits - where a number of institutions are under one ownership – maximum of £20m
  - Country limits - a minimum sovereign rating of AA+ is required for an institution to be placed on our approved lending list.
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8. Non-specified investments have different or potentially more 'risky' credit ratings as opposed to specified investments and both are set out in Section 1.8. This schedule also sets out the categories of investment instruments which fall into the specified investments category.

## **1.2 Liquidity Risk Management**

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

This Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. This Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

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

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

### **1.2.2 Details of:**

- a. Bank overdraft arrangements  
A £5m overdraft at 1% over base rate has been agreed as part of the banking services contract with Santander. The overdraft is assessed on a pooled basis for the Council's accounts.
- b. Short-term borrowing facilities  
The Council accesses temporary loans through approved brokers on the London money market.

### **1.3 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.

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

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

#### **Investments/Borrowings**

These are reviewed and set out in the Treasury Management Strategy Report approved annually by Council.

- 1.3.1** Upper limit for fixed interest rate exposure e.g. current limit 100%

**1.3.2 Upper limit for variable interest rate exposure e.g. current limit 50%**

**1.3.3 Policies concerning the use of instruments for interest rate management**

- a. callable deposits (fixed investments for up to 5 years at borrower's option)

The Council will use callable deposits as part as of its Annual Investment Strategy (AIS). The credit criteria and maximum periods are set out in the Schedule of Specified and Non-specified Investments (TMP 1).

- b. LOBO's (borrowing under lender's option/borrower's option)

Use of LOBOs are considered as part of the annual borrowing strategy. All borrowing for periods in excess of 364 days must be approved by either the Director of Finance and Corporate Services or the Head of Finance.

**1.4. 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.

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

**1.5. 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 refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

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

The Council 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.

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

The Council will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- a) the generation of cash savings at minimum risk;
- b) to reduce the average interest rate;
- c) to amend the maturity profile and/or the balance of volatility of the debt portfolio.

Rescheduling will be reported to the Cabinet (Finance) Sub Committee at the meeting immediately following its action.

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

The responsible officer will prepare a three year plan for capital expenditure for the Council. The capital plan will be used to prepare a medium term annual revenue budget for all forms of financing charges.

### **1.6. 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.

This 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 in Section 1.8 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 Council, 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 Council.

#### **1.6.1. References to Relevant Statutes and Regulations**

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council.

#### **1.6.2. Procedures for Evidencing the Council's Powers/Authorities to Counterparties**

The Council's powers to borrow and invest are contained in legislation.

##### **England and Wales**

Investing: Local Government Act 2003, section 12

Borrowing: Local Government Act 2003, section 1

In addition, it will make available on request the scheme of delegation of treasury management activities which states which officers carry out these duties and who are the authorised signatories.

##### **Required Information on Counterparties**

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from

the Council's treasury advisers based upon credit ratings supplied by Fitch credit rating agency.

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

The responsible officer shall take appropriate action with the Council and the Leader of the Council to respond to and manage appropriately political risks such as change of majority group, leadership in the Council, change of Government etc.

### **1.6.4. Monitoring Officer**

The monitoring officer is the Head of Legal Services. The duty of this officer is to ensure that the treasury management activities of the Council are lawful.

### **1.6.5. Chief Financial Officer**

The Chief Financial Officer is the Section 151 Officer (Director of Finance & Corporate Services); the duties of this officer are to set out in the Annual Investment Strategy and his primary duty is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if he has concerns as to the financial prudence of its actions or its expected financial position.

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

The risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

This Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable

systems and procedures, and will maintain effective contingency management arrangements, to these ends.

The Council will therefore:-

- a) Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.
- b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
- c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.
- d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

### **1.7.1 Details of Systems and Procedures to be Followed, Including Internet Services**

#### **Authority**

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans and investments are negotiated by the responsible officer or authorised persons.
- Loan procedures are defined in the Council's Financial Regulations.

#### **Procedures**

- Electronic banking procedures are performed through the Santander online banking system. All members of the Treasury Team (Section 5.3) and all authorised Bank Signatories have specified access which is password protected. The Internal Audit Manager is the systems administrator who can make changes to user's permissions within the online banking system.
- CHAPS / Faster Payments can be processed for all urgent payment requests and providing all paperwork is certified and evidenced in line with Financial Regulations a member of the Treasury Team will input the payment

and pass to a bank signatory to authorise and submit the payment on line.

### **Investment and borrowing transactions**

- A detailed register of all loans and investments is maintained through an Excel spreadsheet.
- All investments made directly with the borrowing institution are recorded and approved accordingly. Any discrepancies are reported to the relationship manager for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan/investment arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Broker for resolution.

### **Regularity and Security**

- Lending is only made to institutions on the Approved List of Counterparties.
- The Investment Summary and the Cashflow spreadsheet prompts the Treasury Officer that money borrowed or lent is due to be repaid.
- All loans raised and repayments made go directly to and from the bank account of the lending institution.
- Counterparty limits are set for every institution (see Section 1.8) that the Council invests with.
- Brokers have a list of named officials authorised to agree deals.
- For direct dealing, the banks have a list of officers who are authorised to place deposits with them.
- There is a separation of duties in the treasury management team between arranging and authorisation of all deals.
- The Council's bank holds a list of Council officials who are authorised signatories for treasury management transactions.
- Manual payments can only be authorised by an authorised signatory, the list of signatories having previously been agreed with the current provider of our banking services.

- The Santander on line banking system, Santander Connect, can only be accessed by a password and user name.
- There is £10 million insurance cover for employees involved in loans management and accounting.

### **Checks**

- Bank reconciliation is carried out monthly from the bank statement to the financial ledger.
- A debt charge/investment income listing is produced periodically when a review is undertaken against the budget for interest earnings and debt costs.
- Verification of Principal and Interest from lenders/borrowers to core records and financial ledger.

## **1.7.2 Emergency and Contingency Planning Arrangements Disaster Recovery Plan**

The majority of information required to manage the Council's treasury management function is maintained on the Council's ICT systems with links to the Santander Bank accounts accessed through password controls via the internet.

The following arrangements are in place to minimise disruption in the advent of emergency contingency planning:

- Access to the Council's bank account details and transactions can be actioned via the internet from any computer on the Council's intranet system or from home based computers. Control is authenticated via the bank and password control arrangements.
- Treasury management spreadsheets are included within a shared folder
- The Council's ICT contingency recovery plan covers the eventuality of any ICT system failure.
- The Santander Bank has an approved list of contacts to consult with within the Council to enable bank account summary information to be released via the telephone should there be internet or other system failure/interruptions.

## **1.7.3 Insurance Cover Details**

**Fidelity Insurance**

The Council has ‘Fidelity’ insurance cover with QBE. This covers the loss of cash by fraud or dishonesty of employees. This cover is limited to £10m for any one event with an excess of £100,000 for any one event.

**Professional Indemnity Insurance**

The Council also has a ‘Professional Indemnity’ insurance policy with QBE which covers loss to the Council from the actions and advice of its officers which are negligent and without due care. This cover is limited to £5m for any one event with an excess of £5,000 for any one event.

**Business Interruption**

The Council also has a ‘Business Interruption’ cover as part of its property insurance with AIG

**1.8. Market 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.

The Council only invests in financial instruments whose principal sums are not affected by market fluctuations.

The current list of specified and non-specified investment criteria are detailed in the following tables and are updated annually as part of the Annual Treasury Management report approved by Council.

**Specified Investments**

	<b>Minimum ‘High’ Credit Criteria</b>	<b>Funds Managed</b>	<b>Max Amount</b>	<b>Max Duration</b>
<b>Term deposits</b>				

Appendix 1 - Treasury Management Practices

Term deposits - Debt Management Office	N/A	In-house	Unlimited	1 year
Term deposits – local, police and fire authorities	N/A	In-house	£10m	1 year
Term deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F1+, F1	In-house	£20m	1 year
Term deposits – UK banks/Building Societies	Fitch short-term rating F1+	In-house	£20m	1 year
Term deposits – UK banks/Building Societies	Fitch short-term rating F1	In-house	£15m	6 months or 185 days
<b>Callable deposits</b>				
Callable deposits – Debt Management Agency deposit facility	N/A	In-house	Unlimited	
Callable deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F1+, F1	In-house	£20m	
Callable deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F2	In-house	£10m	
Callable deposits - UK banks/Building Societies	Fitch short-term rating F1+ or F1	In-house	£15m *	
Term deposits – non UK banks	Fitch short-term rating F1+	In-house	£5m	6 months or 185 days

\* Where necessary this limit may be temporarily exceeded with the Authority's bankers only.

Other specified investments are as follows:

1. The UK Government – in addition to the Debt Management Account facility, there are UK Treasury Bills or Gilts with less than 1 year to maturity.

2. Supranational Bonds of less than 1 year duration – there are two categories:
  - (a) multilateral development bank bonds such as European Investment Bank Bonds
  - (b) a financial institution that is guaranteed by the UK Government such as The Guaranteed Export Finance Company.
3. Pooled Investment Vehicles (such as Money Market funds) that have been awarded a high credit rating agency.

Specified investments are considered low risk assets where the possibility of loss of principal or investment income is small.

**Non-Specified Investments:**

A maximum of £25m will be held in aggregate in non-specified investments. All non-specified investments will be sterling denominated, as reflected below:

**Maturities in excess of 1 year**

	<b>Minimum Credit Criteria</b>	<b>Funds Managed</b>	<b>Max. Investment</b>	<b>Max. Maturity Period</b>
<b>Fixed term deposits with fixed rate and fixed maturity</b>				
Debt Management Agency Deposit Facility	N/A	In-house	Unlimited	5 years
Term deposits – local authorities	NA	In-house	£10m	5 years
Term deposits – UK banks/Building Societies	Fitch long-term rating A	In-house	£10m	5 years
Term deposits – Non UK banks	Fitch long-term rating A	In-house	£3m	5 years
Term deposits – building societies	Fitch long-term rating A	In-house	£3m	5 years
<b>Fixed term deposits with variable rate and variable maturities</b>				
Callable deposits	Fitch long-term rating A	In-house	Criteria as above	

## **TMP 2 PERFORMANCE MEASUREMENT**

This Council is committed to the pursuit of best value 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 Annual Investment Strategy.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured as follows;

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

The Council has a number of approaches to evaluating treasury management decisions:-

- a) regular reviews carried out by the treasury management team in conjunction with the Section 151 Officer
- b) reviews with treasury management consultants
- c) annual review after the end of the year as reported to full council
- d) half yearly and other monitoring reports
- e) comparative reviews
- f) strategic, scrutiny and efficiency value for money reviews

#### **2.1.1 Periodic Reviews during the Financial Year**

The Section 151 Officer holds a treasury management review meeting with the treasury management team periodically to review actual activity against the Treasury Management Strategy Statement (TMSS) and cash flow forecasts. This will include:-

- a) Total debt (both on-and off balance sheet) including average rate and maturity profile
- b) Total investments including average rate and maturity profile and changes to the above from the previous review and against the TMSS.

- c) Latest debt charge estimates.

### **2.1.2 Reviews with the Authority's Treasury Management Consultants**

The treasury management team holds reviews with the external consultants every 6 months to review the performance of the investment and debt portfolios.

### **2.1.3 Annual Review after the end of the financial year**

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

- a) total debt and investments at the beginning and close of the financial year and average interest rates
- b) borrowing strategy for the year compared to actual strategy
- c) investment strategy for the year compared to actual strategy
- d) explanations for variance between original strategies and actual
- e) debt rescheduling undertaken in the year
- f) actual borrowing and investment rates available through the year
- g) comparison of actual return on investments to the estimated return within the annual budget strategy.
- h) compliance with Prudential and Treasury Indicators

### **2.1.4 Comparative Reviews**

When data becomes available, comparative reviews are undertaken to see how the performance of the authority on debt and investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential and Treasury Indicators are locally set). Data used will be sourced from:-

- CIPFA Treasury Management statistics published each year for the last complete financial year

## **2.2 Benchmarks and Calculation Methodology**

### **2.2.1 External Borrowing**

The performance of borrowing activities will be assessed via the following key performance indicators:-

- Interest rate payable on external debt
- Total pooled rate of interest which includes internal borrowing
- Maturity profile of external debt

### **2.2.2 Investment**

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

- 3 month LIBID compounded quarterly
- Annual Average Bank of England Base Rate

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

### **2.3.1 Frequency and Processes for Tendering**

The process for advertising and awarding contracts will be in accordance with the Council's Financial Regulations and OJEU requirements if relevant.

### **2.3.2 Banking Services**

The Council's banking arrangements are to be subject to competitive tender every 5 years unless it is considered that there will be changes in the volume of transactions in the foreseeable future which renders a shorter period appropriate.

### **2.3.3 Money-Broking Services**

The Council will use money broking and direct investment services where appropriate in order to make deposits or to borrow, and will establish charges for all services prior to using them.

An approved list of brokers and direct investment contacts will be established which takes account of both prices and quality

of services. In respect of short term borrowing, the cost of using the bank overdraft facilities will be evaluated against cost of short term borrowing (interest plus brokerage) to provide best value for money.

#### **2.3.4 Consultants'/Advisers' Services**

This Council's policy is to appoint professional treasury management consultants.

#### **2.3.5 Policy on External Managers**

The Council's policy is not to utilise external investment fund managers. All investments are managed in house.

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

This Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed below.

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

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

The Treasury section maintains computerised spreadsheets into which all investment and loan transactions are recorded. The following records will be retained:-

- Daily cash balance forecasts
- Money market rates obtained from the Treasury Management advisors
- Brokers/Direct confirmations for investment and temporary borrowing transactions
- Details on borrowing /lending where deals are done directly
- PWLB loan confirmations
- PWLB debt portfolio schedules
- Certificates for market loans

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

- Cash flow analysis.
- Debt and investment maturity analysis
- Ledger reconciliation
- Review of opportunities for debt restructuring
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money)
- Performance information (e.g. monitoring of actuals against budget for debt charges, interest earned, debt

management; also monitoring of average pool rate, investment returns, etc.).

### **3.1.3 Issues to be addressed**

3.1.3.1 In respect of every treasury management decision made the Council will:

- a) above all be clear about the nature and extent of the risks to which the Council may become exposed;
- b) be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained;
- c) be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping;
- d) ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded;
- e) be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

3.1.3.2 In respect of borrowing and other funding decisions, the Council will:

- a) consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets;
- b) evaluate the economic and market factors that might influence the manner and timing of any decision to fund;
- c) consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships;
- d) consider the alternative interest rate bases available, the most appropriate periods to fund

3.1.3.3 In respect of investment decisions, the Council will:

## Appendix 1 - Treasury Management Practices

- a) consider the optimum period, in the light of cash flow availability and prevailing market conditions;
- b) consider the alternative investment products and techniques available providing they do not expose the Council to changes in the value of its capital.

<b>TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES</b>
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**This 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.**

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

- borrowing;
- lending;
- debt repayment and rescheduling;
- consideration, approval and use of new financial instruments and treasury management techniques;
- managing the underlying risk associated with the Council's capital financing and surplus funds activities;
- managing cash flow;
- banking activities;
- leasing;
- managing the underlying exchange rate risk associated with the Council's business activities.

#### 4.2. Approved Instruments for Investments

In accordance with the Local Authorities (Capital Finance) Regulations, the instruments approved for investments by this Council are:

- Deposits (banks, building societies, local authorities) for up to 5 years
- UK Debt Management Office

#### 4.3. Approved Techniques

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

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

Finance will only be raised in accordance with the Local Government Act 2003, and within this limit the Council has a number of approved methods and sources for raising capital finance. These are:

<b>On Balance Sheet</b>	<b><u>Fixed</u></b>	<b><u>Variable</u></b>
PWLB	*	*
EIB	*	*
Market (long term)	*	*
Market (temporary)	*	*
Market (LOBOs)	*	*
Local temporary	*	*
Overdraft		*
Internal (capital receipts & revenue balances)	*	*
Leasing (not operating leases)	*	*

#### **Other Methods of Financing**

Capital Grants

PFI/PPP

Operating leases

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The responsible officer has delegated powers to take the most appropriate form of borrowing from the approved sources.

#### 4.5. Investment Limits

The Annual Investment Strategy sets out this Council's limits and guidelines for the use of each type of investment instrument (Section 1.8).

#### 4.6. Borrowing Limits

Borrowing limits are set out in the Treasury Management Strategy Statement and Prudential and Treasury Indicators.

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

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

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

The responsible officer (S151 Officer) will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

The Council delegates responsibility for the implementation of treasury management policies to Cabinet, regular monitoring of its treasury management policies and practices to Cabinet (Finance) Sub Committee and for the execution and administration of treasury management decisions to the Director of Finance & Corporate Services (Section 151 Officer), who will act in accordance with the Council's policy statement and TMP's.

## 5.1. Allocation of Responsibilities

### Scheme of Delegation

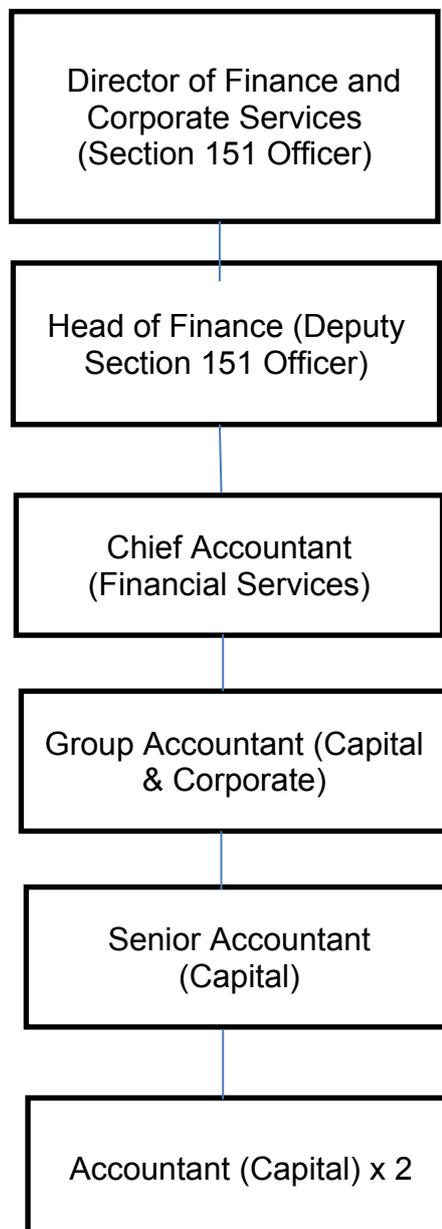
<b>Area of Responsibility</b>	<b>Council/ Committee</b>	<b>Frequency</b>
Treasury Management Strategy / Annual Investment Strategy / MRP policy	Cabinet for approval by Full Council	Annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy / MRP policy – mid-year report	Cabinet	Mid-year
Treasury Management Strategy / Annual Investment Strategy / MRP policy – updates or revisions at other times	Cabinet for approval by Full Council	Periodically
Annual Treasury Outturn Report	Cabinet	Annually by 30 <sup>th</sup> September after the end of the year
Treasury Management Monitoring and Performance Reports	Cabinet and Cabinet Scrutiny Committee and Audit Committee	Quarterly
Treasury Management Practices	Cabinet for approval by Full Council	Amendments to be reported annually
Scrutiny of Treasury Management Strategy	Cabinet and Cabinet Scrutiny Committee and Audit Committee	Annually

## 5.2. Principles and Practices concerning Segregation of Duties

5.2.1 The following duties must be undertaken by separate officers:-

- **Dealing** - Negotiation and approval of deal and bank reconciliation
- **Authorisation/Payment of Transaction** - Approval and payment

## 5.3. Treasury Management Organisation Chart



## **5.4. Statement of the Treasury Management Duties/Responsibilities of each Treasury Post**

### **5.4.1 The Responsible Officer (S151 Officer)**

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Director of Finance and Corporate Services who is also the S151 Officer. This person will carry out the following duties:-

- a) recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- b) submitting regular treasury management policy reports;
- c) submitting budgets and budget variations;
- d) receiving and reviewing management information reports;
- e) reviewing the performance of the treasury management function;
- f) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- g) ensuring the adequacy of internal audit, and liaising with external audit;
- h) recommending the appointment of external service providers;
- i) the responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments;
- j) the responsible officer may delegate his power to borrow and invest to members of his staff (Section 5.5);
- k) the responsible officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible;
- l) prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not

breach any statute, external regulation or the Council's Financial Regulations.

#### **5.4.2 Head of Finance/Chief Accountant/Group Accountant/ Senior Accountant/Accountant x 2**

The responsibilities of this team will be:-

- a) Negotiating, arranging and execution of transactions;
- b) adherence to agreed policies and practices on a day-to-day basis;
- c) maintaining relationships with counterparties and external service providers;
- d) supervising treasury management staff;
- e) monitoring performance on a day-to-day basis;
- f) submitting management information reports to the responsible officer;
- g) identifying and recommending investment or borrowing opportunities;
- h) opportunities for improved practices.

#### **5.4.3 The Head of the Paid Service – the Chief Executive**

The responsibilities of this post will be:-

- a) ensuring that the system is specified and implemented;
- b) ensuring that the responsible officer reports regularly to the full Council/Cabinet on treasury policy, activity and performance.

#### **5.4.4 The Monitoring Officer – the Head of Legal Services**

The responsibilities of this post will be:-

- a) ensuring compliance by the responsible officer with the treasury management policy statement and treasury management practices and that they comply with the law.
- b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- c) Giving advice to the responsible officer when advice is sought.

#### **d) Internal Audit**

The responsibilities of Internal Audit will be:-

- a) reviewing compliance with approved policy and treasury management practices;
- b) reviewing division of duties and operational practice;
- c) assessing value for money from treasury activities;
- d) undertaking probity audit of treasury function.

#### **5.5. Absence Cover Arrangements**

In addition to the two Accountants and the Senior Accountant further operational cover is provided by the Group Accountant.

#### **5.6. Dealing Limits**

**Investments** – The limits for investing are specified in Section 1.8.

**Borrowing** – The Council will undertake long term borrowing for capital purposes and also short term borrowing to cover cash flow needs. The amount of capital borrowing will depend on the Council's policy on the use of its internal monies in place of new borrowing.

The capital borrowing requirement is determined annually as part of the budget setting process and reviewed and revised throughout the year as part of the revisions to the debt charge estimates. The amount of borrowing is also referenced to the treasury management prudential indicators including affordability.

#### **5.7. List of Approved Brokers**

A list of approved brokers is maintained by the Treasury Team (Section 11.1.2).

#### **5.8. Policy on Broker's Services**

Brokers are utilised, where appropriate, in order to maximise financial returns available for investments, and minimise costs involved in borrowing.

#### **5.9. Policy on Taping of Conversations**

It is not this Council's policy to record broker's conversations

#### **5.10. Direct Dealing Practices**

The Council will consider dealing direct with counterparties if it is appropriate and the Council believes that better terms will be available.

#### **5.11. Settlement Transmission Procedures**

All payments are made through the Santander Connect banking system and are input and authorised by 14.00 on the same day on line.

#### **5.12. Documentation Requirements**

For each deal undertaken a record is prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

#### **5.13. Arrangements Concerning the Management of Third-Party Funds.**

The Council holds a number of trust funds. The cash in respect of these funds is held in the Council's bank account but transactions are separately identified in the financial ledger. Interest is given on credit balances based on the actual bank rate for the period.

<b>TMP 6</b>	<b>REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS</b>
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This Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

### **6.1. Annual Programme of Reporting**

- a) Annual reporting requirements before the start of the year:
  - review of the Council's approved clauses, treasury management policy statement and practices;
  - strategy report on proposed treasury management activities for the year comprising of the Treasury management strategy statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement
- b) Mid-year review
- c) Annual review report after the end of the year

### **6.2 Annual Treasury Management Strategy Statement**

6.2.1 The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to Cabinet and then to full Council for approval before the commencement of each financial year.

6.2.2 The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter -term variable interest rates.

6.2.3 The Treasury Management Strategy Statement is concerned with the following elements:

- a) Prudential and Treasury Indicators

- b) current Treasury portfolio position
- c) borrowing requirement
- d) prospects for interest rates
- e) borrowing strategy
- f) policy on borrowing in advance of need
- g) debt rescheduling
- h) investment strategy
- i) creditworthiness policy
- j) policy on the use of external service providers
- k) any extraordinary treasury issue
- l) the MRP strategy

6.2.4 The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

### 6.3. The Annual Investment Strategy Statement

At the same meetings, Members will also receive a report on the Annual Investment Strategy which will set out the following:-

- a) The Council's risk appetite in respect of security, liquidity and optimum performance
- b) The definition of high credit quality to determine what are specified investments as distinct from non-specified investments
- c) Which specified and non-specified instruments the Council will use
- d) The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- e) Which credit rating agencies the Council will use
- f) How the Council will deal with changes in ratings, rating watches and rating outlooks
- g) Limits for individual counterparties and group limits
- h) Country limits
- i) Levels of cash balances
- j) Interest rate outlook
- k) Budget for investment earnings
- l) Policy on the use of external service providers

#### 6.4. The Annual Minimum Revenue Provision Policy Statement

This statement will set out how the Council will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

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

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

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

#### 6.6. Mid-Year Review

The Council will review its treasury management activities and strategy on a six monthly basis. This review will consider the following:-

- a) activities undertaken;
- b) variations (if any) from agreed policies/practices;
- c) interim performance report;
- d) regular monitoring;
- e) monitoring of treasury management indicators for local authorities.

## **6.7. Annual Review Report on Treasury Management Activity**

An annual report will be presented to the Council's Cabinet the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following:-

- a) transactions executed and their revenue (current) effects;
- b) report on risk implications of decisions taken and transactions executed;
- c) compliance report on agreed policies and practices, and on statutory/regulatory requirements;
- d) performance report;
- e) report on compliance with CIPFA Code recommendations;
- f) monitoring of treasury management indicators.

## **6.8. Management Information Reports**

Management information reports will be prepared by the Head of Finance/Chief Accountant and will be presented to the Council's Cabinet on a quarterly basis and to each subsequent Audit Committee.

These reports will contain the following information:-

- a) a summary of transactions executed;
- b) measurements of performance including effect on loan charges/ investment income;
- c) degree of compliance with original strategy and explanation of variances;
- d) any non-compliance with Prudential limits or other treasury management limits.

<b>TMP 7      BUDGETING, ACCOUNTING &amp; AUDIT ARRANGEMENTS</b>
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The responsible officer will prepare, and this Council will approve and, if necessary 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 responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being

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

### **7.1. Statutory/Regulatory Requirements**

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices. The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Council's treasury management activities.

### **7.2. Accounting Practices and Standards**

Due regard is given to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in Great Britain.

### **7.3. Treasury Management Budgets, Accounts, Prudential and Treasury Indicators**

The Group Accountant (Capital and Corporate) will prepare a three year medium term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years.

The Head of Service will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators, and will report upon and recommend any changes required in accordance with TMP6.

#### **7.4. List of Information Requirements of External Auditors.**

- TMPS
- Counterparty/broker deal confirmations
- Temporary Investment Summaries
- Reconciliation of loans outstanding in the financial ledger to Treasury Management records
- Maturity analysis of loans outstanding
- Certificates for new long term loans taken out in the year
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges on loans and investments reconciled to the financial ledger
- Calculation of loans fund creditors and debtors
- Annual Treasury Outturn Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Review of limits set by Prudential and Treasury Indicators
- Calculation of the Minimum Revenue Provision

#### **7.5. Budget Monitoring Report**

Budget Monitoring reports are periodically produced for the Section 151 Officer, whilst a quarterly budget monitoring report goes to Cabinet. The report is intended to highlight any variances between budgets and spend in order that the

## Appendix 1 - Treasury Management Practices

Council can assess its financial position. Details of treasury management activities are included within this report.

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

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this Council will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 (1) Liquidity risk management.

### **8.1. Arrangements for Preparing/Submitting Cash Flow Statements**

Cash flow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the cash flow statement within the previous year's annual Statement of Accounts, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are updated on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

Santander Bank provides details of projected end of day balances. This then forms the basis for the cash requirement for that day and when combined with predicted future cash flow requirements will identify relevant investment opportunities.

### **8.2. Bank Statements Procedures**

The Council receives bank statements for each working day.

A formal bank reconciliation is undertaken on a monthly basis which is then reviewed by a Senior Accountant.

## **TMP 9 MONEY LAUNDERING AND COUNTER FRAUD**

This 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 it will ensure that staff involved in this are properly trained.

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

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property
- acquiring, using or possessing criminal property.

These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

### **9.2. The Terrorism Act 2000**

This Act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about

the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment

### **9.3. The Money Laundering Regulations**

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FCA) are required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions. In December 2007 the UK Government published the Money Laundering Regulations 2007, which replaced the Money Laundering Regulations 2003. In 2017 these regulations were replaced by The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations.

### **9.4. Local Authorities**

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and may commit most of the principal offences under the POCA, but are not legally obliged to apply the provisions of the Money Laundering Regulations 2017. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly this Council will do the following:-

- a) evaluate the prospect of laundered monies being handled by them
- b) determine the appropriate safeguards to be put in place
- c) require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
- d) make all its staff aware of their responsibilities under POCA
- e) appoint a member of staff to whom they can report any suspicions. This person is the Audit Manager.
- f) in order to ensure compliance is appropriately managed, this Council will require senior management to give

appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel

- g) The officer responsible for creating and monitoring the implementation of a corporate anti money laundering policy and procedures is the Head of Finance and it shall be a requirement that all services and departments implement this corporate policy and procedures.

### **9.5. Procedures for Establishing Identity / Authenticity of Lenders**

It is not a requirement for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, there is a need for due diligence and this will be effected by following the procedures below.

The Council does not accept loans from individuals.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FCA website on [www.fca.org.uk](http://www.fca.org.uk)

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

In the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FCA register can be accessed through their website on [www.fca.org.uk](http://www.fca.org.uk)

All transactions will be carried out by BACS/CHAPS/Faster Payment for making deposits or repaying loans.

## **TMP 10 TRAINING AND QUALIFICATIONS**

The Council recognises that due to its increased complexity, it is important to ensure 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 for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements. There are two categories of relevant individuals:-

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

Additionally, training may also be provided on the job and it will be the responsibility of the Chief Accountant to ensure that all staff under his/her authority receive the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences from the treasury management team. The training needs will also be identified during the Employee Development Review meetings that the Council operates.

### **10.1 Details of Approved Training Courses**

Treasury management staff and members will go on courses provided by their treasury management consultants, CIPFA, money brokers etc.

### **10.2 Records of Training Received by Treasury Staff**

The Group Accountant will maintain records on all staff and the training they receive.

### **10.3 Approved Qualifications for Treasury Staff**

Qualified CCAB Accountant for Senior Accountant and above, AAT for Accountant post.

### **10.4 Statement of Professional Practice (SOPP)**

10.4.1 Where the responsible officer is a member of CIPFA, there is a professional need for him/her to be seen to be committed

to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

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

### **10.5 Member Training Records**

Records will be kept by the Group Accountant of all training in treasury management provided to members.

### **10.6 Members Charged with Governance**

Members charged with governance also have a personal responsibility to ensure that they have the appropriate skills and training for their role. The Council will arrange such training.

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

This Council recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to 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 subject to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer, and details of the current arrangements are set out below.

### **11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers**

This Council will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of the Council, especially in terms of being objective and free from conflicts of interest.

It will also ensure that the skills of the in house treasury management team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Treasury management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press
- Market data including rating agency reports
- Financial websites

- Bulletins from treasury advisors

### 11.1.1 Banking Services

- Name of supplier of service is the Santander UK plc
- Regulatory status – banking institution authorised to undertake banking activities by the Prudential Regulation Authority & Regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority.
- Contract commenced 1st October 2015 for 5 years and has subsequently been extended to 31 October 2022
- Cost of service is fixed although subject to activity volumes and RPI uplift on each anniversary.
- The agreement can be terminated at any time by either party on 12 months prior written notice.

### 11.1.2 Money-Broking Services

The Council will use money brokers for borrowing and investment activities if appropriate. The performance of brokers is reviewed by the Group Accountant, to see if any should be taken off the approved list and replaced by another choice and will make appropriate recommendations to change the approved brokers list to the Head of Finance.

<b>Name of Brokers</b>	<b>Address</b>	<b>Tel. Number</b>	<b>Regulatory Status</b>
Tradition UK Limited	Beaufort House 15 St Botolph Street London EC3A 7QX	02074223566	FCA
Tullett Prebon	155 Bishopsgate London	02072007393	FCA

	EC2M 3TQ		
King & Shaxon	1 <sup>st</sup> Floor, 115 Cutler Street, Houndsditch, London EC3A 7BR	02079298529	FCA

### 11.1.3 Consultancy Services

#### Treasury Consultancy Services

The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its approved lending list etc. The performance of consultants will be reviewed by the Group Accountant to check whether performance has met expectations.

- a) Name of supplier of service is Link Asset Services, 65 Gresham Street, London, EC2V 7NQ  
Tel: 0870 402 7573
- b) Regulatory status: investment adviser authorised by the FCA
- c) Contract runs until July 2022

### 11.1.4 Credit Rating Agency

The Council receives a credit rating service through its treasury management consultants, the costs of which is included in the consultant's annual fee. The credit rating agencies include Fitch, Moody's and Standard and Poors.

### 11.2 Procedures and Frequency for Tendering Services

See TMP2

<b>TMP 12 CORPORATE GOVERNANCE</b>
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### **12.1 List of Documents to be Made Available for Public Inspection**

- a) 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.
- b) This Council has adopted the CIPFA Code of Practice on Treasury Management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.
- c) The following documents are available for public inspection:-
  - Treasury Management Policy Statement
  - Treasury Management Strategy Statement
  - Annual Investment Strategy (England and Wales)
  - Minimum Revenue Provision Policy Statement (England and Wales)
  - Annual Treasury Review Report
  - Treasury Management monitoring report (mid-year)
  - Annual accounts and financial instruments disclosure notes
  - Annual budget
  - Capital Programme
  - Minutes of Council / Cabinet / committee meetings
  - Schedule of all external funds managed by the Council on behalf of others and the basis of attributing interest earned and costs of these investments.

**Impact Assessment - First Stage****1. Details of the initiative****Initiative description and summary:**

Update to Council's Treasury Management Practices Statements (TMPS). The TMPS provide the governance framework in which Treasury Management activity is undertaken within the Council. This report updates the TMPS specifically in relation to the management structure for Treasury Management operations and correspondence addresses of Treasury Brokers.

**Service Area:** Treasury Management

**Directorate:** Finance and Corporate Services

**2. Does the initiative affect:**

	Yes	No
Service users		√
Staff		√
Wider community		√
Internal administrative process only	√	

**3. Does the initiative impact on people because of their:**

	Yes	No	None/ Negligible	Don't Know	Impact H/M/L	Reasons for your decision (including evidence)/How might it impact?
Age						N/A
Disability						N/A
Gender Reassignment						N/A

Marriage/Civil Partnership						N/A
Pregnancy/Maternity						N/A
Race						N/A
Religion/Belief						N/A
Sex						N/A
Sexual orientation						N/A

**4. Does the initiative impact on:**

	Yes	No	None/ Negligible	Don't know	Impact H/M/L	Reasons for your decision (including evidence used) / How might it impact?
People's opportunities to use the Welsh language		√				
Treating the Welsh language no less favourably than English		√				

**5. Does the initiative impact on biodiversity:**

	Yes	No	None/ Negligible	Don't know	Impact H/M/L	Reasons for your decision (including evidence) / How might it impact?
To maintain and enhance biodiversity		√				

<p>To promote the resilience of ecosystems, i.e. supporting protection of the wider environment, such as air quality, flood alleviation, etc.</p>		√				
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**6. Does the initiative embrace the sustainable development principle (5 ways of working):**

	Yes	No	Details
<p><b>Long term</b> - how the initiative supports the long term well-being of people</p>			N/A
<p><b>Integration</b> - how the initiative impacts upon our wellbeing objectives</p>			N/A
<p><b>Involvement</b> - how people have been involved in developing the initiative</p>			N/A
<p><b>Collaboration</b> - how we have worked with other services/organisations to find shared sustainable solutions</p>			N/A
<p><b>Prevention</b> - how the initiative will prevent problems occurring or</p>			N/A

getting worse			
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**7. Declaration - based on above assessment (tick as appropriate):**

A full impact assessment (second stage) <b>is not</b> required	
Reasons for this conclusion	
A full impact assessment is not required as this relates to internal Council processes regarding the governance of Treasury Management Activities.. The report asks Members to approve the above.	

A full impact assessment (second stage) <b>is</b> required	
Reasons for this conclusion	

	<b>Name</b>	<b>Position</b>	<b>Date</b>
Completed by	Huw Jones	Head of Finance	15/10/2019
Signed off by	Hywel Jenkins	Director of Finance and Corporate Services	21/10/2019