



Derby City Council

# **TREASURY MANAGEMENT PRACTICES**

## **PRINCIPLES AND SCHEDULES**

December 2017

## **DERBY CITY COUNCIL'S TREASURY MANAGEMENT PRACTICES**

This document has been prepared in the sequence provided by CIPFA. For ease of use, the key areas for Derby City Council treasury operations are referenced below:

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## **Introduction**

The CIPFA Code of Practice on Treasury Management in the public Services (the Code) was last revised in November 2011. The Code requires the setting out of the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. This Council had adopted the original Code and has similarly adopted the revised 2011 Code in **March 2017**. The Code recommends the creation and maintenance of:

- A Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities,
- Suitable Treasury Management Practices setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.

The Treasury Management Practices (TMPs) comprise:

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

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

## TMP 1: RISK MANAGEMENT

All treasury management activities involve both risk and the pursuit of reward or gain for the Council. The council's policies and practices emphasise that the effective identification, management and containment of risk are the prime objectives of treasury management activities.

The Interim Director of Finance and Section 151 Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in **TMP6 Reporting requirements and management information arrangements**. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out as schedules below.

- 1) **Credit and Counterparty Risk Management:** Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the Council's capital and revenue resources.

**Principle:** *The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that 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, and listed in the schedule. 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.*

**Schedule 1.1:**

<p>Criteria to be used for creating/managing approved counterparty lists/limits</p>	<p>The Council Cabinet is responsible for setting prudent criteria and the Council's treasury advisors will also provide guidance and assistance in setting the criteria.</p> <p>The criteria will be agreed by Council Cabinet.</p> <p>The current criteria is contained in the Treasury Management Strategy which will be agreed at Council Cabinet on <b>February 2018</b>.</p> <p>The Council's treasury management advisors will advise on credit policy and creditworthiness related issues. The Council will maintain a counterparty list based on its criteria and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include consideration of credit ratings from all 3 ratings agencies and other alternative assessments of credit strength (for example, statements of potential government support (where applicable), resolution mechanisms for failing financial institutions, CDS information, the composition of an institution's balance sheet liabilities). The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties.</p> <p>The credit rating criteria will also apply to securities issued by financial and non-financial institutions, which in some instances, might be higher than that of the issuing institution.</p> <p>Higher time and cash limits may be set for secured investments (e.g. those with underlying collateral or which are by regulation excluded from being bailed-in/restructured in the event of financial distress.)</p> <ul style="list-style-type: none"><li>- Where there is no investment-specific rating, but collateral upon which the investment secured is rated, then the higher of the collateral and counterparty rating will be used to determine time and cash limits.</li></ul>
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<p>Approved methodology for changing limits and adding/removing counterparties</p> <p>Risk management : (a) creditworthiness deteriorates below the minimum criteria</p> <p>(b) ratings are placed on review for downgrade</p>	<p>The Interim Director of Finance and Section 151 Officer has delegated responsibility to add or delete counterparties and to review limits within the parameters of the criteria detailed above.</p> <p>Where an entity's credit rating is downgraded so that it fails to meet the minimum criteria, then</p> <ul style="list-style-type: none"> <li>- No new investments will be made,</li> <li>- Any existing investments that can be recalled or sold at no cost will be, and</li> <li>- Full consideration will be given to the recall or sale of other existing investments with the affected counterparty.</li> </ul> <p>Where a credit rating is placed on review for possible downgrade (also termed 'rating watch negative' or 'credit watch negative') so that it may fall below the minimum approved credit criteria, then only investments that can be withdrawn on [the next working day] will be made with that organisation until the rating review has been completed and its outcome known.</p> <p>The policy in (b) will not apply for 'negative outlooks' which indicate a long-term direction of travel rather than a possibility of an imminent downgrade.</p>
<p>Counterparty list and limits</p>	<p>A full individual listing of banking* counterparties based on the criteria will be maintained. As credit ratings etc. are subject to change without notice, an up-to-date lending list will be maintained on an ongoing basis within the Investment Register.</p> <p>*It may be impractical to determine a specific list of non-financial counterparties in whose securities investments might be made. The minimum credit rating criteria, whether the security is secured or unsecured and due diligence on the counterparty's creditworthiness will determine its selection for investment.</p>
<p>Details of credit rating agencies' services and their application</p>	<p>The Council considers the ratings of all 3 ratings agencies (Standard &amp; Poor's, Moody's and Fitch) when making investment decisions. Credit rating agency information is just one of a range of measures used to assess creditworthiness of institutions.</p> <p>No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the minimum credit rating criteria.</p>
<p>Description of the general approach to collecting/using information other than credit ratings for counterparty risk assessment</p>	<p>The Council's Treasury Advisor, Arlingclose, provides timely information on counterparties, in terms of credit rating updates and economic summaries. Credit default swap information is received monthly, as well as information on share price.</p> <p>The Council's Treasury Advisor also undertakes analysis on the balance sheet structure of key banking institutions to help inform the potential restructure (i.e. bail-in) of a bank's unsecured liabilities should this be required by the regulatory authorities.</p> <p>In addition, the Treasury Management Team reads quality financial press for information on counterparties.</p>

Country, sector and group listings of counterparties and overall limits applied to each, where appropriate	<p>Investments will be displayed so as to show total group exposure, total country exposure and total sector exposure.</p> <p>Group limits will be set for the above, in terms of &lt;monetary value/percentage of overall portfolio&gt;, where appropriate. Group limits for organisations under the same ownership will be set at the same level as the lead institution in that group.</p>
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- 2) **Liquidity Risk Management:** Liquidity risk 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.

**Principle:** *The Interim Director of Finance and Section 151 Officer will ensure the Council 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 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 fund future debt maturities.*

#### **Schedule 1.2:**

Cash flow and cash Balances	<p>The Council will aim for effective cash flow forecasting and monitoring of cash balances and will maintain a rolling annual cash flow forecast.</p> <p>The Treasury Team shall seek to optimise the balance held in the Council's main bank accounts at the close of each working day in order to minimise the amount of bank overdraft interest payable or maximise the amount of interest that can be earned.</p> <p>In order to achieve the maximum return from investments, a daily cash balance of between £0 and £15m is the objective for the Council's bank account. The total of the bank account balances should not be in an overdrawn (debit) balance.</p>
Short term Investments	<p>A balance to deal with day to day cash flow fluctuations is maintained by investing money overnight with the Council's bankers.</p> <p>The Council also uses various Call Accounts and Money Market Funds to manage its liquidity requirements. These Accounts/Funds are named on the Council's approved counterparty list. The maximum balance on each of these accounts is reviewed and set as part of the Council's investment strategy.</p>

Temporary Borrowing	<p>Temporary borrowing up to 364 days through the money market is available should there be a cash flow deficit at any point during the year.</p> <p>At no time will the outstanding total of temporary and long-term borrowing together with any bank overdraft exceed the Prudential Indicator for the Authorised Borrowing Limit agreed by the Council before the start of each financial year.</p>
Bank Overdraft and standby facilities	<p>The Council does not have an authorised overdraft limit with its bankers Lloyds.</p> <p>The gross borrowing limit is £10m i.e. all accounts in an overdrawn position cannot exceed £10m.</p> <p>The net position of all bank accounts (those overdrawn plus those in credit) must be a credit balance i.e. not overdrawn.</p>

- 3) **Interest Rate Risk Management:** Interest Rate risk is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

**Principle:** *The Council will manage its exposure to fluctuations in interest rates with a view to containing its 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.*

#### **Schedule 1.3:**

Minimum/ maximum proportions of fixed/variable rate debt/interest	<p>Borrowing/investments may be at a fixed or variable rate.</p> <p>The Prudential Code requires the Council to determine each year the maximum proportion of interest payable on net borrowing which is subject to fixed and variable interest rates. This is set each year as part of the annual budget setting process.</p> <p>In setting its forward Treasury Strategy on an annual basis, the Council will determine the necessary degree of certainty required for its plans and budgets but will, at the same time, allow sufficient flexibility enable it to benefit from potentially advantageous changes in market conditions and level of interest rates and also to mitigate the effects of potentially disadvantageous changes.</p> <p>The Council will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility.</p>
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Managing changes to interest rate levels	<p>The main impact of changes in interest rate levels is to monies borrowed and invested at variable rates of interest.</p> <p>The Council will consider matching borrowing at variable rates with investments similarly exposed to changes in interest rates as a way of mitigating any adverse budgetary impact.</p> <p>The Council may determine it is more cost effect in the short-term to fund its borrowing requirement through the use of internal resources ('internal borrowing') or through borrowing short-term loans. The benefits of such borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing or refinancing in future years when interest rates are expected to be higher.</p> <p>Alternatively, the Council may consider forward starting loans where the interest rate is fixed in advance but the cash is received in later years. This would enable certainty of cost be achieved without suffering a 'cost of carry' in the intervening period.</p> <p>Interest rate forecasts are provided by the Council's advisors and are closely monitored by the Treasury Team. Variations from original estimates and their impact on the Council's debt and investments are notified to the Interim Director of Finance and Section 151 Officer and Council Cabinet as necessary.</p> <p>For its investments, the Council also considers dealing from forward periods dependent upon market conditions. The Council's counterparty term limits will apply and will include the forward period of the investment.</p>
Details of approved interest rate exposure limits	<p>The upper limits on net fixed interest rate and net variable interest rate exposures are determined each year as part of the Treasury Management Indicators now included in the annual Treasury Management Strategy Statement.</p>
Details of hedging tools used to manage risk ( <i>if applicable</i> )	<p>The Council will only use the following standalone financial derivatives: e.g. swaps, forwards, futures and options as these can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to.</p> <p>The use of derivatives is outlined in TMP 4 - <b>Approved Instruments, Methods and Techniques</b> and the Council will seek proper advice <u>before</u> entering into arrangements for such products and will ensure it has the necessary knowledge and understanding of them before doing so.</p>

- 4) **Exchange Rate Risk Management:** The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances against which the Council has failed to protect itself adequately.

**Principle:** *The Council will ensure that it protects itself adequately against the risk of fluctuations in foreign exchange rates creating an unexpected or unbudgeted burden on the Council's finances. It will manage any exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.*

**Schedule 1.4:**

Exchange rate risk management	<p>This Council does not, on a day to day basis, have foreign currency transactions or receipts. Unexpected receipt of foreign currency will be converted to sterling at the earliest opportunity.</p> <p>If the Council has a contractual obligation to make a payment in a currency other than sterling then forward foreign exchange transactions will be considered, with professional advice.</p> <p>At the present time statute prevents the Council borrowing in currencies other than Sterling. The Council has also determined it does not intend to make any investments denominated in foreign currencies, however if opportunities arise these will be evaluated.</p>
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- 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 organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

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

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

**Schedule 1.5:**

Projected capital investment requirements	<p>4year projections are in place for capital expenditure and itsfinancing or funding. Financing will be from capital receipts, reserves and any grants or contributions awarded, revenue resources or reserves. Funding will be from internal or external borrowing, as decided.</p> <p>As required by the Prudential Code, the Council will undertake Options Appraisal to evaluate the best capital expenditure financing route.</p> <p>The Council's projected long-term borrowing requirement will be linked to the projected Capital Financing Requirement.</p>
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Debt profiling, policies and practices	<p>Any longer term borrowing will be undertaken in accordance with the Prudential Code and will comply with the Council's Prudential Indicators and the Annual Treasury Management Strategy.</p> <p>The Council will maintain through its bespoke Debt Model spreadsheet reliable records of the terms and maturities of its borrowings, capital, project and partnership funding and, where appropriate, plan and successfully negotiate terms for its refinancings.</p> <p>Where the lender to the Council is a commercial body the Council will aim for diversification in order to spread risk and avoid over-reliance on a small number of counterparties.</p>
Policy on LOBO call options	<p>The Council's debt portfolio includes loans borrowed on a LOBO (Lender's Option Borrower's Option) basis.</p> <p>The call dates for each LOBO loan are denoted within the bespoke Debt Model spreadsheet and are referenced to the LOBO documentation.</p> <p>Prior to each call date, the Council will evaluate alternative funding sources for comparable interest rates/maturities. (if applicable). This will be discussed at the monthly treasury meeting.</p> <p>If the Lender exercises the call option (directly or via the broker) for a revision to the terms of the loan, the Council will thoroughly evaluate the new terms and additionally seek advice from the Council's advisor.</p> <p>It is important to remain within the timescale for the Council to exercise its option should the call be made, but not be rushed into a decision.</p>
Policy concerning limits on revenue consequences of capital financings	<p>The revenue consequences of financing the capital programme are included in the bespoke debt models, annual revenue estimates and medium term forecasts.</p>

- 6) **Legal and Regulatory Risk Management:** The risk that the Council itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

**Principle:** *The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1(1) 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.*

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

**Schedule 1.6:**

References to relevant statutes and regulations	<p>The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council. These are:</p> <ul style="list-style-type: none"> <li>▪ CIPFA's Treasury Management Code of Practice 2001 and subsequent amendments [the most recent Code is the 2011 edition].</li> <li>▪ CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities.</li> <li>▪ CIPFA Prudential Code for Capital Finance in Local Authorities and subsequent amendments [the most recent Code is the 2011 edition].</li> <li>▪ CIPFA Standard of Professional Practice on Treasury Management</li> <li>▪ The Local Government Act 2003</li> <li>▪ The Local Authorities (Capital Finance and Accounting) (England ) Regulations 2003 SI 2003 No 3146, and subsequent amendments</li> <li>▪ The CLG's statutory Guidance on Minimum Revenue Provision (MRP)</li> <li>▪ The ODPM's (now CLG's) Guidance on Local Government Investments in England issued March 2004 and subsequent amendments</li> <li>▪ The Local Authorities (Contracting out of Investment Functions) Order 1996 SI 1996 No 1883</li> <li>▪ LAAP Bulletins</li> <li>▪ Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards (from 2010/11 onwards)</li> <li>▪ Accounts and Audit Regulations 2003, as amended together with CLG's Guidance</li> <li>▪ The Localism Act 2011</li> <li>▪ The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets</li> <li>▪ Council's Constitution including:- <ul style="list-style-type: none"> <li>○ Standing Order relating to Contracts</li> <li>○ Financial Regulations</li> <li>○ Scheme of Delegation</li> </ul> </li> <li>▪ CLG's Self-Financing Policy Documentation and subsequent amendments</li> </ul>
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Procedures for evidencing the organisation's powers/ authorities to counterparties	<p>The Council's Financial Regulations contain evidence of the power/ authority to act as required by section 151 of the Local Government Act 1972, under the general direction of the Council Cabinet.</p> <p>The Council will confirm, if requested to do so by counterparties, the powers and authorities under which the Council effects transactions with them.</p> <p>Where required, the Council will also establish the powers of those with whom they enter into transactions, including any compliance requirements in respect of a duty of care and best practice.</p>
Required information from counterparties concerning their powers/ authorities	<p>Investments shall only be made with institutions on the Council's authorised lending list or in securities which meet the Council's approved credit criteria.</p> <p>The Council will only undertake borrowing from approved sources listed in TMP 4.</p>
Statement on political risks and management of the same	<p>Political risk is managed by:</p> <ul style="list-style-type: none"> <li>• adoption of the CIPFA Treasury Management Code of Practice</li> <li>• adherence to Corporate Governance (<u>TMP 12 – Corporate Governance</u>)</li> <li>• adherence to the Statement of Professional Practice by the Council.</li> <li>• the roles of the Executive Scrutiny Committee and Accounts and Audit Committee.</li> </ul>

- 7) **Fraud, Error and Corruption, and Contingency Management:** This is 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 referred to as operational risk.

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

## Schedule 1.7:

<p>Details of systems and procedures to be followed, including Internet services</p>	<p>Segregation of duties minimises the possibility of fraud and loss due to error, and is detailed in <b>TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements</b>.</p> <p>1. <u>Electronic Banking and Dealing</u></p> <p>(a) <u>Banking</u>: The Council's online banking service provided by <i>Lloyds Bank and</i> is subject to separate log-on and password control allowing varying levels of access. Details of transactions and balances are available as required, and the system also holds historic data. Officers having access to the bank's online system are as follows:</p> <ul style="list-style-type: none"> <li>• Principal Accountant – Treasury</li> <li>• Principal Accountant – Capital</li> <li>• Accountancy Officer - Treasury</li> <li>• Accountancy Assistant – Treasury</li> </ul> <p>Officer access is reviewed at least 6 monthly or as necessary.</p> <p>(b) Access to the Council's bespoke <u>treasury management spreadsheets</u> are limited to those officers listed below. This is managed each having a separate log-on and password.</p> <ul style="list-style-type: none"> <li>• Principal Accountant – Treasury</li> <li>• Principal Accountant – Capital</li> <li>• Accountancy Officer – Treasury</li> <li>• Accountancy Assistant – Treasury</li> </ul> <p>These also are reviewed at least 6 monthly or as necessary.</p> <p>Full procedure notes covering the day to day operation of the on-line banking system and the treasury management dealing process are documented and included in the Daily Dealing Instructions (latest version March 2017).</p> <p>2. <u>Standard Settlement Instructions (SSI)</u> list : a list is maintained of named officers who have the authority to transact loans and investments</p> <ul style="list-style-type: none"> <li>• Brokers and counterparties with whom the Council deals direct are provided a copy of the SSI list.</li> <li>• A list of named officers with authority to borrow from the PWLB and invest with the Debt Management Agency Deposit Facility is also maintained with the PWLB/DMA DF.</li> </ul> <p>3. <u>Payment Authorisation</u>:</p> <ul style="list-style-type: none"> <li>• Payments can only be authorised by an agreed signatory(ies) of the Council, the list of signatories having previously been agreed with the Council's bank.</li> <li>• Inflow and outflow of monies borrowed and invested will only be from the counterparty's bank accounts.</li> <li>• Separate officers will carry out (a) dealing and (b) recording of transactions and disbursements.</li> </ul>
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Verification	<p>Loans and investments will be maintained in the investment <u>register</u> and the <u>debt model</u> which will include fees and brokerage paid.</p> <p>Transactions will be cross-checked against broker notes, counterparty confirmations and PWLB loan schedules by verifying dates, amounts, interest rates, maturity, interest payment dates etc.</p> <p>When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before amending payment details.</p>
Substantiation	<ol style="list-style-type: none"> <li>1. The Treasury Management system balances are reconciled with financial ledger codes at the end of each month or quarterly (which ever has been deemed appropriate) and at the financial year end.</li> <li>2. Working papers are retained for audit inspection.</li> <li>3. The bank reconciliation is carried out monthly from the bank statement to the Oracle Financial ledger.</li> </ol>
Internal Audit	<p>Internal Audit carry out an annual regulatory review of the treasury management function including probity testing. See <u>TMP7 Budgeting, accounting and audit arrangements</u>.</p>
Contingency Management	<ol style="list-style-type: none"> <li>1. All treasury systems are retained on the Council's network. Daily back-up's are taken and maintained and network back-ups can be used by the Council's IT providers who can restore files, if necessary.</li> <li>2. Temporary off-site working facility: The officers who can avail of this facility following an emergency are Service Directors and Heads of Finance who will individually be made aware of the procedures to follow.</li> <li>3. Electronic Banking System Failure: If the Council is unable to access Lloydslink online, copies of the prints of <i>balance details and information on inflow/outflow of monies would be requested to be sent from the bank by e-mail, fax or details would be obtained over the phone, any CHAPS payments would be made over the phone.</i></li> <li>4. The &lt;Contingency Manual&gt; is maintained by &lt;title(s)&gt; and printed copies are retained in a secure location by &lt;title(s)&gt;</li> </ol>
Insurance Cover details	<p>The Council has Fidelity Guarantee cover <i>with Zurich Insurance</i>&gt;</p>

- 8) **Market Risk Management:** This is the risk that, through adverse market fluctuations in the value of the principal sums the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

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

**Schedule 1.8:**

<p>Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDs etc)</p>	<p>Investment instruments used by the external fund managers are subject to fluctuation in capital movements and exposed to interest rate risk. In order to minimise these risks capital preservation is set as the primary objective and pursuit of investment performance should be commensurate with this objective.</p> <p>Pooled Funds with a Variable Net Asset Value (VNAV) – The Council may consider and investment in VNAV funds, as appropriate, in line with its TMSS and on advice from its treasury advisors.</p> <p>The value of the pooled funds will change in line with market prices and, in some instances, may also have a notice period prior to redemption. Such funds will therefore be used for longer investment periods. The limits per fund/asset class will be as determined in the Council's annual investment strategy.</p>
<p>Accounting for unrealised gains/losses</p>	<p>The method of accounting for unrealised gains or losses on the valuation of financial assets will comply with the Accounting Code of Practice.</p> <p>VNAV pooled funds will be treated as Available for Sale Assets.</p> <p>(if applicable) Segregated funds with external managers will be treated as Fair Value through Profit or Loss.</p>



## TMP 2: PERFORMANCE MEASUREMENT

**Principle:** *The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.*

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

### Schedule 2.1:

Policy concerning methods for testing value for money	<p>Best value reviews will include the production of plans to review the way services are provided by</p> <ul style="list-style-type: none"><li>▪ Challenging</li><li>▪ Comparing performance</li><li>▪ Consulting with other users and interested parties</li><li>▪ Applying competition principles</li></ul> <p>in order to pursue continuous improvement in the way the Council's functions are exercised, having regard to a combination of value for money, efficiency and effectiveness.</p>
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<p>Policy concerning methods for performance measurement</p>	<ul style="list-style-type: none"> <li>• Performance measurement at this Council is intended to calculate the effectiveness of treasury activity in delivering the strategic objectives set through the Treasury Management Strategy and the Council's Prudential Indicators and to enhance accountability.</li> <li>• Prudential Indicators are local to the Council and are not intended as a comparator between authorities.</li> <li>• The performance review will be made in the light of general trends in interest rates during the year and how the decisions made corresponded with these trends and the Council's agreed strategy, i.e. the Council will avoid hindsight analysis.</li> </ul> <p>Any comparison of the Council's treasury portfolio against recognised industry standards, market indices and other portfolios is intended to</p> <ul style="list-style-type: none"> <li>(i) allow the Council the opportunity to assess the potential to add value through changes to the existing ways in which its portfolio is managed and</li> <li>(ii) permit an informed judgement about the merits or otherwise of using new treasury management techniques or instruments.</li> </ul> <p>In drawing any conclusions the Council will bear in mind that the characteristics of its treasury operations may differ from those of other councils, particularly with regard to the position on risk.</p>
<p>Methodology to be applied for evaluating the impact of treasury management decisions</p>	<p>Monitoring of the outcome of treasury management activity against Prudential Indicators approved by the Council will be carried out as part of the budget monitoring reports to Cabinet which is the Mid-Year report and also the End of Year report.</p> <p>The year-end Annual Treasury Report will also include, as a matter of course, the outturn against the PIs set prior to the commencement of the financial year and any in-year amendments.</p> <p>The Council's Treasury Management advisers review the existing debt portfolio <i>6 monthly</i> and all transactions that have occurred in the interim in order to ensure that best practice has been achieved.</p> <p>The Council participates in the Treasury Management Advisor's quarterly investment benchmarking as well as the Treasury Management Advisor's annual Balance Sheet and Debt benchmarking.</p>

<p>Methodology to be employed for measuring the performance of the Council's treasury management activities</p>	<p>Treasury management activity is reviewed quarterly against strategy and prevailing economic and market conditions through the monitoring report to management.</p> <p>The report will include:</p> <ul style="list-style-type: none"> <li>a) CFR Funding Ratio (gross borrowing as a % of the Loans CFR)</li> <li>b) Gross and Net Borrowing; Leverage Ratio (gross borrowing as a proportion of net borrowing)</li> <li>c) Average rate on gross borrowing vs weighted average maturity</li> <li>d) Leveraged Rate on Net Borrowing vs Leverage Ratio</li> <li>e) The effect of new borrowing and/or maturities on the above</li> <li>f) The effect of any debt restructuring on the debt portfolio</li> <li>g) An analysis of any risks inherent within the debt portfolio (e.g. exposure to variable rate; LOBOs in their call period)</li> <li>h) Total investments including average rate, credit and maturity profile</li> <li>i) The effect of new investments/redemptions/maturities on the above</li> <li>j) The rate of return on investments against their indices for internally and externally managed funds</li> <li>k) An analysis of any risks inherent within the investment portfolio (e.g. exposure to market movements in the value of CDs, gilts/bonds, callable deposits in their call period)</li> <li>l) A statement whether the treasury management activity resulted in a breach of the Prudential Indicators and other limits set within treasury strategy.</li> <li>m) Daily bank balances: any major deviations from the target bank balances</li> </ul>
<p>Benchmarks and calculation methodology with regard to risk and return</p>	<p><b>Investment returns</b> are compared to the benchmark of 7-day or 3-month LIBID.</p> <ul style="list-style-type: none"> <li>▪ Internally Managed Investment Returns - total interest accruing during the month or year on average daily balances invested during the calendar month.</li> <li>▪ Externally Managed Investment Returns – income return and capital growth</li> </ul> <p><b>Debt Management</b></p> <ul style="list-style-type: none"> <li>▪ CFR Funding Ratio (gross borrowing as a % of the Loans CFR)</li> <li>▪ Gross and Net Borrowing; Leverage Ratio (gross borrowing as a proportion of net borrowing)</li> <li>▪ Average period to maturity of new loans in financial year</li> <li>▪ Ratio of fixed and variable rate debt (beginning and end of period)</li> </ul>

Best value	<p>The treasury management function will be the subject of on-going analysis of the value it adds in support of the Council's stated corporate and service objectives.</p> <p>When tendering for treasury-related or banking services, the Council adheres to its Financial Regulations. These require that:</p> <ul style="list-style-type: none"> <li>a) <i>for placing a contract with a value below £25,000, at least 3 quotes and service delivery proposals are generally obtained</i></li> <li>b) <i>when placing a contract with a value in excess of £25,000, a tendering process that meets the requirements of the Financial Regulations is undertaken.</i></li> <li>c) <i>when placing a contract with a value in excess of £164,176 a tendering process that meets the requirements of the EU procurement procedures (OJEU) is undertaken.</i></li> <li>d) <i>If necessary, the Council will also consult with other users of similar services as well as with interested parties.</i></li> <li>e) <i>The Council will also evaluate alternative methods of the availability of fiscal, grant or subsidy initiatives, and service delivery.</i></li> </ul>
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### TMP 3: DECISION-MAKING AND ANALYSIS

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

#### Schedule 3.1:

Major treasury decisions	<p>As a public service organisation, there <i>is a requirement to demonstrate openness and accountability in treasury management activities. Accordingly, the Council will create and maintain an audit trail of major treasury management decisions which comprise either.</i></p> <ul style="list-style-type: none"> <li>a) Changes to Prudential Indicator(s) during the course of the financial year</li> <li>b) Options Appraisal to determine a funding decision</li> <li>c) raising a new long-term loan / long-term source of finance</li> <li>d) prematurely restructuring/redeeming an existing long-term loan(s)</li> <li>d) investing longer-term (i.e. in excess of 1 year)</li> <li>f) utilisation of investment instruments which constitute capital expenditure (i.e. loan capital/share capital in a body corporate)</li> <li>g) leasing</li> <li>h) change in banking arrangements</li> <li>i) appointing/replacing a treasury advisor</li> <li>j) appointing/replacing a fund manager</li> <li>k) <i>any other determined by the Council</i></li> </ul>
Process	<p>The Council's strategy for the application of its treasury policy is set out in the annual Treasury Management Strategy.</p> <p><i>Based on the Annual Treasury Management Strategy, the Principal Accountant – Treasury will prepare monthly for the ensuing <u>12/24/36</u> months rolling forecasts of the financing, borrowing and surplus cash requirements of the Council, for the purpose of:</i></p> <ul style="list-style-type: none"> <li>• applying the strategy on a day to day basis</li> <li>• monitoring the results of the strategy</li> <li>• recommending amendments to the strategy to the &lt;committee&gt; where applicable during the course of the year.</li> </ul>
Delegated powers for treasury management	<p><i>Interim Director of Finance and Section 151 Officer</i> has delegated powers to carry out the Council's strategy for debt management, capital finance and borrowing, depositing surplus funds and managing the cash flows of the Council.</p>

<p>Issues to be addressed, evaluation, authorisation</p>	<p>In exercising these powers, the <i>Treasury Team</i> and those to whom the treasury activity have been delegated will</p> <ul style="list-style-type: none"> <li>• have regard to the nature and extent of any associated risks to which the Council may become exposed and put in place effective mechanisms for risk management and mitigation;</li> <li>• be certain about the legality of the decision reached and that the necessary authority to proceed has been obtained;</li> <li>• be satisfied that the documentation is appropriate to deliver the Council's objectives, protect the Council's interests, and to maintain an effective audit trail;</li> <li>• ensure that the perceived credit risk associated with the approved counterparties parties is judged satisfactory and is within agreed limits;</li> <li>• be satisfied that the terms of any transactions have been fully checked against the market, and have been found to be competitive;</li> <li>• follow best practice in implementing the treasury transaction.</li> </ul> <p>In exercising Borrowing and Funding decisions, the <i>Treasury Team</i> will:</p> <ul style="list-style-type: none"> <li>• evaluate economic and market factors that may influence the manner and timing of any decision to fund;</li> <li>• consider alternative forms of funding, including use of revenue resources, leasing and private partnerships;</li> <li>• consider the use of internal resources and/or the most appropriate periods to fund and repayment profiles to use;</li> <li>• consider ongoing revenue liabilities created;</li> <li>• where applicable, monitor regularly the benefits of internal borrowing against the potential for incurring additional costs by deferring borrowing into future years</li> </ul> <p>The Authority's objective when investing money is to strike <b>an appropriate balance between risk and return</b>, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.</p> <p>In exercising Investment decisions, the <i>Treasury Team</i> will:</p> <ul style="list-style-type: none"> <li>• Determine that the investment is within the Council's strategy and pre-determined instruments and criteria;</li> <li>• consider the optimum period, in the light of core balances and reserves, cash flow availability and prevailing market conditions;</li> <li>• the credit risk associated with unsecured investments with banks and building societies</li> <li>• consider the alternative investment products and techniques available if appropriate.</li> </ul>
<p>Processes to be followed</p>	<p>The processes to be followed will be in keeping with TMP 4: The Council's Approved, Instruments, Methods and Techniques.</p>

Evidence and records to be kept	<p>The Council will maintain a record of all major treasury management decisions, the processes undertaken and the rationale for reaching the decision made. These will allow for an historical assessment of decisions made and verification that any checks and safeguards are indeed in place and operating correctly.</p> <p>Records and working papers will be maintained by the Council in relevant files.</p>
Other	<p>The Council will maintain in its debt model for the next [36] month period the call dates for all LOBOs. The Council's Treasury Strategy will also state the maximum exposure to LOBOs being called in that financial year.</p> <p>The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so.</p>

#### **TMP 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

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

##### **Schedule 4.1:**

Approved treasury management activities	<p>The Council is permitted to undertake the following activities:</p> <ul style="list-style-type: none"> <li>▪ Managing cashflow</li> <li>▪ Capital financing</li> <li>▪ Borrowing including debt restructuring and debt repayment</li> <li>▪ Lending including redemption of investments</li> <li>▪ Banking</li> <li>▪ Leasing</li> <li>▪ Managing the underlying risk associated with the Council's capital financing and surplus funds activities.</li> </ul> <p>The above list is not finite and the Council would, from time to time, consider and determine new financial instruments and treasury management techniques; however, the Council will consider carefully whether the officers have the skills and experience to identify and manage the advantages and risks associated with using the instruments/techniques before undertaking them, more so as some risks may not be wholly or immediately transparent.</p>
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<p>Approved capital financing methods and types/sources of funding</p>	<ul style="list-style-type: none"> <li>• Public Works Loans Board (PWLB) loans and its successor body</li> <li>• long term money market loans including forward starting loans and LOBOs</li> <li>• temporary money market loans (up to 364 days).</li> <li>• bank overdraft</li> <li>• loans from bodies such as the European Investment Bank (EIB)</li> <li>• Stock issues</li> <li>• Deferred Purchase</li> <li>• Government and EU Capital Grants</li> <li>• Lottery monies</li> <li>• Other Capital Grants and Contributions <ul style="list-style-type: none"> <li>▪ Private Finance Initiative</li> <li>▪ Operating and finance leases</li> <li>▪ Hire purchase</li> <li>▪ Sale and leaseback</li> </ul> </li> </ul> <p><u>Internal Resources</u></p> <ul style="list-style-type: none"> <li>• Capital Receipts</li> <li>• Revenue Balances</li> <li>• Usable Reserves</li> </ul> <p><u>Approved sources of long-term and short-term borrowing include</u></p> <ul style="list-style-type: none"> <li>▪ Public Works Loan Board (PWLB) and any successor body</li> <li>▪ UK Local Authorities</li> <li>▪ Any institution approved for investments (see below)</li> <li>▪ Any other bank or building society authorised to operate in the UK</li> <li>▪ UK public and private sector pension funds (except our local Derbyshire CC Pension Fund)</li> <li>▪ Capital market bond investors</li> <li>▪ Transport for London</li> <li>▪ Special purpose companies created to enable local authority bond issues (Municipal Bonds Agency)</li> </ul> <p>The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.</p>
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<p>Approved investment instruments</p>	<p>The Council will determine through its Annual Investment Strategy (AIS) which instruments it will use, giving priority to the security and liquidity (in that order) of its invested monies. The investments will be categorised as 'Specified' or 'Non Specified' based on the criteria set out by the ODPM (now CLG) in its Investment Guidance March 2004 (as amended).</p> <p>The Council will determine through the AIS which instruments will be used in-house and which will be used by the appointed external fund manager(s) including the maximum exposure for each category of non-specified investments. Where applicable, the Council's credit criteria will also apply.</p> <ul style="list-style-type: none"> <li>▪ Deposits with the UK government, the Debt Management Agency Deposit Facility (DMADF), and UK local authorities</li> <li>▪ Banks and building societies unsecured short-term (call and notice accounts, deposits, certificates of deposit)</li> <li>▪ Investments in Money Market Funds, i.e. 'AAA' liquidity funds with a 60-day Weighted Average Maturity (WAM)</li> <li>▪ Treasury Bills</li> <li>▪ Gilts</li> <li>▪ Bonds issued by multilateral development banks</li> <li>▪ Sterling denominated bonds by non-UK sovereign governments</li> <li>▪ Covered bonds (i.e. those with underlying collateral)</li> <li>▪ Unsecured corporate bonds</li> <li>▪ Reverse Repurchase Agreements ('reverse repos')</li> <li>▪ Investments with Registered Providers of Social Housing (i.e. housing associations)</li> <li>▪ Commercial paper</li> <li>▪ Floating Rate Notes</li> <li>▪ Pooled funds, i.e. Collective Investment schemes meeting the criteria in SI 2004 No 534 and subsequent amendments</li> <li>▪ Pooled funds i.e. Collective Investment Schemes which do not meet the definition of Collective Investment Schemes in SI 2004 No 534 and subsequent amendments – <i>these will be capital expenditure investments for English authorities</i></li> </ul>
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Use of Derivatives	<p>The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).</p> <p>As the Council may use derivatives, it is a requirement of the CIPFA Code to clearly detail our policy on their in the annual treasury strategy.</p> <p>The Council will only use the following standalone financial derivatives:  <i>e.g. swaps, forwards, futures and options</i>  as these can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to.</p> <p>Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk.</p> <p>Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.</p> <p>Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.</p> <p><b>The use of derivatives is restricted to only those officers who have completed the appropriate training for their use.</b></p>
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## **TMP 5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS**

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

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

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

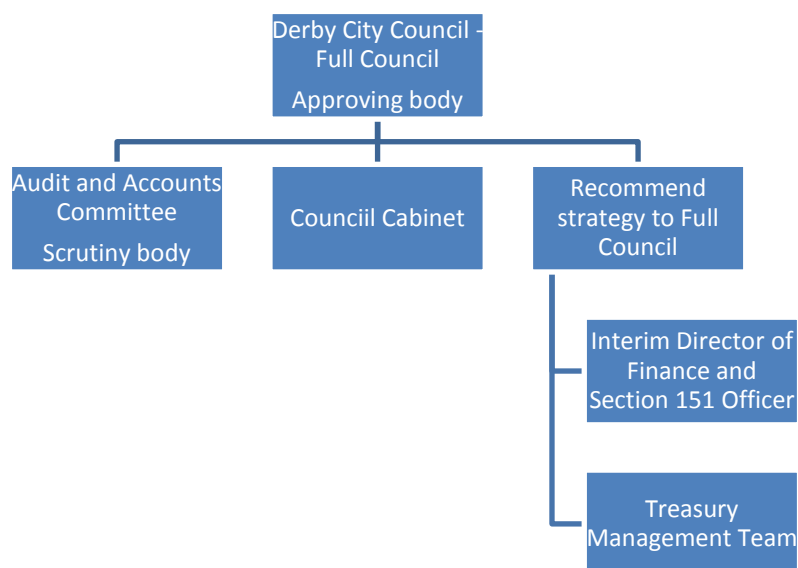
*The Interim Director of Finance and Section 151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Interim Director of Finance and Section 151 Officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule below.*

*The member of staff transacting will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule below.*

*The delegations to the Interim Director of Finance and Section 151 Officer in respect of treasury management are set out in the schedule below. The Interim Director of Finance and Section 151 Officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.*

### **Schedule 5.1:**

*Organisational chart of the Treasury Management/Finance Division, including governance and scrutiny arrangements*



**Schedule 5.2:**

Limits to responsibilities at Executive levels	<p>Full Council:</p> <ul style="list-style-type: none"> <li>• receiving and reviewing Prudential Indicators as part of the budget setting process (following receipt by Cabinet/Executive)</li> <li>• receiving and reviewing reports on treasury management policies, practices and activities (following receipt by Cabinet/Executive)</li> </ul> <p>The Executive/Cabinet:</p> <ul style="list-style-type: none"> <li>• approval of amendments to adopted clauses, treasury management policy statement and treasury management practices</li> <li>• budget consideration and approval</li> <li>• receiving and reviewing external audit reports and acting on recommendations</li> <li>• approving the selection of external service providers and agreeing terms of appointment</li> </ul>
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<p>Principles and practices concerning segregation of duties</p>	<p>The segregation of duties will be determined by the Interim Director of Finance and Section 151 Officer</p> <p>Segregation of duties exists in that:</p> <ul style="list-style-type: none"> <li>• the officer(s) responsible for negotiating and closing treasury management deals are completely separate from the officer(s) with responsibility for recording the transactions in the cash book and completing cheque and bank reconciliations.</li> <li>• the officer(s) responsible for negotiating and closing treasury management deals is separate from officer(s) authorising payments</li> <li>• all borrowing/investments decisions must be authorised by the Principal Accountant - Treasury in the first instance or one of the following officers if the Principal Accountant Treasury has undertaken the dealing or is not available: <ul style="list-style-type: none"> <li>• Head of Finance - Toni Nash</li> <li>• Head of Finance - Alison Parkin</li> <li>• Head of Finance – Amanda Fletcher</li> <li>• Group Accountant – Nicola Goodacre</li> <li>• Group Accountant – Maz Hussain</li> <li>• Group Accountant – Janet Bowlzer</li> <li>• Group Accountant – Pete Shillcock</li> </ul> </li> </ul> <p>Additionally, The Council receives bank statements on a daily basis. These are posted independent of the treasury function in order to maintain an adequate separation of duties.</p>
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Statement of duties/ responsibilities of each treasury post	<p><b>The Interim Director of Finance/ Principal Accountant Treasury:</b></p> <ul style="list-style-type: none"> <li>• submitting budgets and budget variations</li> <li>• recommending clauses, treasury management policy, practices for approval, reviewing the same regularly and monitoring compliance</li> <li>• determining Prudential Indicators and Treasury Management Strategy including the Annual Investment Strategy</li> <li>• submitting regular treasury management policy reports</li> <li>• receiving and reviewing management information reports</li> <li>• reviewing the performance of the treasury management function and promoting best value reviews</li> <li>• ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function</li> <li>• ensuring the adequacy of internal audit and liaising with external audit</li> <li>• recommending the appointment of external service providers</li> <li>• determining long-term capital financing and investment decisions.</li> <li>• The Interim Director of Finance and Section 151 Officer has delegated powers to determine and undertake the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.</li> <li>• The Interim Director of Finance and Section 151 Officer may delegate his power to borrow and invest to Heads of Finance/Principal Accountant - Treasury.</li> </ul>
	<p><b>Accountancy Officer – Treasury/Principal Accountant – Treasury/Accountancy Assistant - Treasury:</b></p> <ul style="list-style-type: none"> <li>• execution of transactions</li> <li>• adherence to agreed policies and practices on a day to day basis</li> <li>• maintaining relationships with third parties and external service providers</li> <li>• monitoring performance on a day to day basis</li> <li>• submitting management information reports to the responsible officer</li> <li>• identifying and recommending opportunities for improved practices.</li> <li>• recording treasury management transactions,</li> <li>• reconciling treasury management transactions with the financial ledger</li> <li>• recording/reconciling counterparty documentation.</li> </ul>

Absence cover arrangements	<p>Cover in the absence of the relevant treasury management Accountancy officer is provided by</p> <p>Accountancy Assistant – Treasury Principal Accountant – Treasury Principal Accountant – Capital</p> <p>Cover is reviewed at least every &lt;6&gt; months, or as necessary. Full procedure notes are available, detailing the processes required to enable the day to day operation of the treasury management function.</p>
Description of the relationships between the chief finance officer, the monitoring officer and the head of paid service.	<pre> graph TD     CEO["Chief Executive – (Head of Paid Services)"]     DGO["Director of Governance (Monitoring Officer)"]     IDFO["Interim Director of Finance (Section 151 Officer)"]     CEO --- DGO     CEO --- IDFO </pre>
(where applicable) Locally Managed Schools: compliance with the TM Code and the authority's policies/practices.	<p>The Council's treasury management policies and practices are applicable to and made available to its locally managed schools.</p> <p>The school's officers responsible for creating/monitoring treasury policy issues and those responsible for managing and executing treasury decisions will comply with the Council's treasury policies and practices.</p>

## Dealing

<p>Authorised officers</p>	<p>Responsible officer for borrowing/investment decisions :</p> <p>Borrowing Activity</p> <ul style="list-style-type: none"> <li>• Accountancy Officer Treasury – Shelly Stevenson</li> <li>• Accountancy Assistant Treasury – Shane Chaddha</li> <li>• Principal Accountant Treasury – Bev Bull</li> </ul> <p>Lending Activity</p> <ul style="list-style-type: none"> <li>• Accountancy Officer Treasury – Shelly Stevenson</li> <li>• Accountancy Assistant Treasury – Shane Chaddha</li> <li>• Principal Accountant Treasury – Bev Bull</li> </ul> <p>Authorising Borrowing activity:</p> <ul style="list-style-type: none"> <li>• Principal Accountant Treasury - Bev Bull – (to be used in the first instance if available and has not undertaken the dealing)</li> <li>• Head of Finance - Toni Nash</li> <li>• Head of Finance - Alison Parkin</li> <li>• Head of Finance – Amanda Fletcher</li> <li>• Group Accountant – Nicola Goodacre</li> <li>• Group Accountant – Maz Hussain</li> <li>• Group Accountant – Janet Bowlzer</li> <li>• Group Accountant – Pete Shillcock</li> </ul> <p>Authorising Lending activity:</p> <ul style="list-style-type: none"> <li>• Principal Accountant Treasury - Bev Bull – (to be used in the first instance if available and has not undertaken the dealing)</li> <li>• Head of Finance - Toni Nash</li> <li>• Head of Finance - Alison Parkin</li> <li>• Head of Finance – Amanda Fletcher</li> <li>• Group Accountant – Nicola Goodacre</li> <li>• Group Accountant – Maz Hussain</li> <li>• Group Accountant – Janet Bowlzer</li> <li>• Group Accountant – Pete Shillcock</li> </ul> <p>Authorising payments for borrowing/lending :</p> <ul style="list-style-type: none"> <li>• Head of Finance - Toni Nash</li> <li>• Head of Finance - Alison Parkin</li> <li>• Head of Finance – Amanda Fletcher</li> <li>• Group Accountant – Nicola Goodacre</li> <li>• Group Accountant – Maz Hussain</li> <li>• Group Accountant – Janet Bowlzer</li> </ul> <p>Transaction recording:</p> <ul style="list-style-type: none"> <li>• Accountancy Officer Treasury – Shelly Stevenson</li> <li>• Accountancy Assistant Treasury – Shane Chaddha</li> <li>• Principal Accountant Treasury – Bev Bull</li> </ul>
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Dealing limits	<p>Internally Managed Investments:</p> <ul style="list-style-type: none"> <li>the maximum for any one investment deal is £10m (subject to the lending limits detailed in the Council's Annual Investment Strategy.)</li> </ul>
List of approved brokers	Brokers used by the Council are named in TMP 11: External Service Providers
Policy on brokers' services	It is the Council's policy to utilise the services between at least <i>two</i> brokers. The Council will maintain a spread of business between them in order to avoid relying on the services of any one broker.
Policy on taping of conversations	The Council <b>does not</b> tape the conversations with brokers. Conversations with brokers are taped by the brokers.
Direct dealing practices	<p>Direct dealing is carried out with institutions and with external pooled funds identified in the Treasury Management Daily Dealing Redemption – Subscription notes subject to counterparty and maturity limits and dealing limits.</p> <p>Prior to undertaking direct dealing, the Council will ensure that each counterparty / fund has been provided with the Council's list of authorised dealers and the Council's Standard Settlement Procedures.</p> <p>The link to the template for the Council's Standard Settlement Procedures is included in the Treasury Management Daily Dealing Redemption - Subscription notes and is <a href="J:\Accy\Tech\TRESMGMT\SystemDocuments\Standard Settlement instructions">J:\Accy\Tech\TRESMGMT\SystemDocuments\Standard Settlement instructions</a></p>
Deal Ticket proforma	Deals will be recorded as per the deal ticket proforma (proforma maintained at operational level)

Settlement transmission procedures	<ul style="list-style-type: none"> <li>• settlements are made by CHAPS.</li> <li>• all CHAPS payments relating to settlement transactions require authorisation evidenced by the signing of the deal paperwork documentation by: <ul style="list-style-type: none"> <li>○ Principal Accountant Treasury - Bev Bull – (to be used in the first instance if available and has not undertaken the dealing)</li> <li>○ Head of Finance - Toni Nash</li> <li>○ Head of Finance - Alison Parkin</li> <li>○ Head of Finance – Amanda Fletcher</li> <li>○ Group Accountant – Nicola Goodacre</li> <li>○ Group Accountant – Maz Hussain</li> <li>○ Group Accountant – Janet Bowlzer</li> <li>○ Group Accountant – Pete Shillcock</li> </ul> </li> <li>• the details are transmitted by Lloydslink to the Council's bankers</li> <li>• all CHAPS payments require approval on Lloydslink by <ul style="list-style-type: none"> <li>• Head of Finance - Toni Nash</li> <li>• Head of Finance - Alison Parkin</li> <li>• Head of Finance – Amanda Fletcher</li> <li>• Group Accountant – Nicola Goodacre</li> <li>• Group Accountant – Maz Hussain</li> <li>• Group Accountant – Janet Bowlzer</li> </ul> </li> <li>• A different officer must authorise the deal paperwork to the officer who approves the payment on Lloydslink</li> </ul>
Documentation requirements	<p>For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payments date(s), broker.</p> <p>Investments</p> <ul style="list-style-type: none"> <li>• deal ticket authorising the investment</li> <li>• confirmation from the broker</li> <li>• confirmation from the counterparty</li> <li>• Contract notes for purchase and sale of shares/units in pooled funds from the fund's manager/administrator</li> <li>• Chaps payment transmission document</li> </ul> <p>Loans:</p> <ul style="list-style-type: none"> <li>• deal ticket with signature to agree loan</li> <li>• confirmation from the broker</li> <li>• confirmation from PWLB/market counterparty</li> <li>• Chaps payment transmission document for repayment of loan.</li> </ul>
Arrangements concerning the management of counterparty funds	<ul style="list-style-type: none"> <li>• The Treasury Team has responsibility for updating the Council's records with any credit developments.</li> <li>• The Treasury Team is tasked with the responsibility for checking that records have been correctly updated to reflect any credit developments.</li> </ul>

## TMP 6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

**Principle:** *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 Cabinet will receive:*

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

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

*The Audit & Accounts Committee will have responsibility for the scrutiny of treasury management policies and practices.*

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

### Schedule 6.1:

Frequency of executive reporting requirements	<p>The Interim Director of Finance and Section 151 Officer will annually submit budgets and will report on budget variations as appropriate.</p> <p>The Interim Director of Finance and Section 151 Officer will submit the <b>Prudential Indicators</b> and the <b>Treasury Strategy Statement (including Annual Investment Strategy)</b> and report on the projected borrowing and investment strategy and activity for the forthcoming financial year to the <i>Council Cabinet</i> before the start of the year.</p> <p>The <b>Annual Treasury Report</b> will be prepared as soon as practicable after the financial year end and, in all cases, before the end of September.</p> <p>A <b>Mid-Year Treasury Report</b> will be prepared by the Interim Director of Finance and Section 151 Officer, which will report on treasury management activities for the first part of the financial year. The report will also provide a forecast for the current year. The Mid-Year Report will be submitted to Council Cabinet during the year.</p> <p>All of the above reports will also be submitted to Audit &amp; Accounts, who will be responsible for the scrutiny of treasury management policies and practices.</p>
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<p>Content of Reporting:</p> <p>1. Prudential Indicators</p>	<p><i>The Council will set the following Prudential Indicators and in its annual reports publish actual outturn (where appropriate) in respect of:</i></p> <ul style="list-style-type: none"> <li>▪ Financing costs as a proportion of net revenue stream (estimate; actual)</li> <li>▪ Capital expenditure (estimate; actual)</li> <li>▪ Incremental impact of capital financing decisions (estimate)</li> <li>▪ Capital Financing Requirement (estimates; actual)</li> <li>▪ Authorised limit for external debt</li> <li>▪ Operational boundary for external debt</li> <li>▪ Actual external debt</li> </ul> <p>Treasury indicators</p> <ul style="list-style-type: none"> <li>▪ Upper limits on fixed and variable rate interest exposures</li> <li>▪ Upper and lower limits to maturity structure of fixed rate borrowing</li> <li>▪ Upper limit to total of principal sums invested longer than 364 days.</li> <li>▪ Exposure to credit risk</li> </ul> <p>The Prudential Indicators are approved and revised by Council Cabinet and are integrated into the Council's overall financial planning and budget process.</p> <p>The <i>Audit &amp; Accounts Committee</i> will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>
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<p>2. Treasury Strategy Statement including the Annual Investment Strategy</p>	<p>The Treasury Strategy Statement integrates with the Prudential Indicators being set and will include the following:</p> <ul style="list-style-type: none"> <li>• Link to Capital Financing and Treasury Management Prudential Indicators for the current and ensuing three years</li> <li>• Strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next three years and for restructuring of debt</li> <li>• the extent to which surplus funds are earmarked for short term requirements</li> <li>• the investment strategy for the forthcoming year(s) (see <i>below</i>*)</li> <li>• the minimum to be held in short term/specified investment during the coming year</li> <li>• the interest rate outlook against which the treasury activities are likely to be undertaken.</li> </ul> <p>*Based on the ODPM's (now CLG's) Guidance on Investments, the Council will produce an Annual Investment Strategy (AIS) which sets out</p> <ul style="list-style-type: none"> <li>▪ the objectives, policies and strategy for managing its investments;</li> <li>▪ the determination of which Specified and Non Specified Investments the Council will utilise during the forthcoming financial year(s) based on the Council's economic and investment outlook and the expected level of investment balances;</li> <li>▪ the limits for the use of Non-Specified Investments.</li> </ul> <p>The AIS will be integrated into the Treasury Strategy Statement.</p> <p>The <i>Audit &amp; Accounts Committee</i> will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>
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3. Annual Treasury Report	<p>The Interim Director of Finance and Section 151 Officer will produce an annual report for the <i>Council Cabinet</i> on all activities of the treasury management function (including the performance of fund managers) as soon as practicable after year end and in all cases no later than 30 September of the succeeding financial year.</p> <p>The main contents of the report will comprise:</p> <ul style="list-style-type: none"> <li>▪ confirmation that the Council calculated its budget requirements and set a balanced budget for the FY;</li> <li>▪ the prevailing economic environment</li> <li>▪ a commentary on treasury operations for the year, including their revenue effects;</li> <li>▪ commentary on the risk implications of treasury activities undertaken and the future impact on treasury activities of the Council</li> <li>▪ compliance with agreed policies/practices and statutory/regulatory requirements</li> <li>▪ compliance with Prudential Indicators;</li> <li>▪ performance measures.</li> </ul> <p>The <i>Audit &amp; Accounts Committee</i> will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>
4. Mid-Year Treasury Report	<p>The Interim Director of Finance and Section 151 Officer will produce a mid-year report for <i>Council Cabinet</i> on the borrowing and investment activities of the treasury management function (including performance of fund managers) for the first six months of the financial year.</p> <p>The main contents of the report will comprise:</p> <ul style="list-style-type: none"> <li>• Economic background</li> <li>• Economic forecast (including interest rates forecast)</li> <li>• Treasury Management Strategy Statement update</li> <li>• Performance versus benchmarks</li> <li>• Borrowing information (including premature repayment, new loans information)</li> <li>• Information on investments, including current lending list</li> <li>• Prudential indicators relating to treasury management</li> <li>• Governance framework and scrutiny arrangements</li> </ul> <p>The <i>Audit &amp; Accounts</i> will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>

<p>Content and frequency of management information reports</p>	<p>The Principal Accountant - Treasury reports monthly to the Interim Director of Finance and Section 151 Officer.</p> <p>This report includes details of:</p> <ul style="list-style-type: none"> <li>• borrowing and investment activity undertaken including forward deals</li> <li>• brokers' fees</li> <li>• performance of internal and external investments against benchmark</li> <li>• cash flow monitoring</li> <li>• interest rates and forecasts</li> <li>• extent of compliance with the treasury strategy and reasons for variance (if any)</li> <li>• any other, e.g. details of daily bank balances against target balances</li> <li>• Prudential Indicator monitoring and compliance (to be formally monitored quarterly)</li> </ul>
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## **TMP 7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

**Principle:** *The Interim Director of Finance and Section 151 Officer will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with **TMP1 Risk management, TMP2 Performance measurement, and TMP4 Approved instruments, methods and techniques**. The form which the Council's budget will take is set out in the schedule below.*

*The Interim Director of Finance and Section 151 Officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with **TMP6 Reporting requirements and management information arrangements**.*

*The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of the Council's accounts is set out in the schedule.*

*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. The information made available under present arrangements is detailed below.*

### **Schedule 7.1:**

Statutory/regulatory requirements	<p><b>Balanced Budget Requirement:</b> The provisions of S32 and S43 of the Local Government Finance Act 1992 require this Council to calculate its budget requirement for each financial year including, among other aspects;</p> <p>(a) the expenditure which is estimated to be incurred in the year in performing its functions and which will be charged to a revenue account and</p> <p>(b) revenue costs which flow from capital financing decisions.</p> <p>S33 of the Act requires the Council to set a council tax sufficient to meet expenditure after taking into account other sources of income.</p>
Proper accounting practice	<p>CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the local authority SORP) constitutes "proper accounting practice under the terms of S21 (2) of the Local Government Act 2003".</p>



Financial Statements	<p>The Financial Statements comprise:</p> <ul style="list-style-type: none"> <li>▪ An explanatory foreword</li> <li>▪ Accounting policies, changes in accounting estimates and errors</li> <li>▪ Presentation of financial statements</li> <li>▪ Movement in reserves statement</li> <li>▪ Comprehensive income and expenditure statement</li> <li>▪ Balance sheet</li> <li>▪ Cash flow statement</li> <li>▪ Housing revenue account</li> <li>▪ Collection Fund (England)</li> <li>▪ Statement of Responsibilities</li> <li>▪ The Accounting Statements</li> <li>▪ Additional Financial Statements (Housing Revenue Account, Collection Fund)</li> <li>▪ Notes to the financial statements</li> <li>▪ Statements reporting reviews of internal controls or internal financial controls</li> <li>▪ Events after the reporting period</li> <li>▪ Related party disclosures</li> </ul>
Format of the Council's accounts	The current form of the Council's accounts is available within the Accountancy Section of Organisation and Governance Department.
Disclosures relating to treasury management	Due regard will be given to the disclosure requirements under CIPFA's Accounting Code of Practice.

<p>Treasury-related information requirements of external auditors</p>	<p>The following information is specifically requested by the external auditor and should be considered an initial request for information. It is usually followed by more detailed audit testing work which often requires further information and/or explanations from the Council's officers.</p> <p>Information in this context includes internally generated documents including those from the Council's Treasury Management System, externally generated documents, observation of treasury management practices which support and explain the operation and activities of the treasury management function.</p> <ul style="list-style-type: none"> <li>▪ Determination of Affordable Borrowing Limit under Section 3 of the Local Government Act 2003.</li> <li>▪ Prudential Indicators.</li> <li>▪ Treasury Management Strategy including Annual Investment Strategy.</li> </ul> <p><u>External borrowing:</u></p> <ul style="list-style-type: none"> <li>• New loans borrowed during the year : PWLB certificates / documentation in relation to market loans borrowed (including copy of agreements, schedule of commitments)</li> <li>• Loan maturities.</li> <li>• Compliance with proper accounting practice, regulations and determinations for the amortisation of premiums and discounts arising on loans restructured during the year and previous years.</li> <li>• Analysis of loans outstanding at year end including maturity analysis.</li> <li>• Analysis of borrowing between long- and short-term</li> <li>• Debt management and financing costs <ul style="list-style-type: none"> <li>▪ calculation of (i) interest paid (ii) accrued interest</li> <li>▪ actual interest paid</li> </ul> </li> <li>• MRP calculation and analysis of movement in the CFR.</li> <li>• Bank overdraft position.</li> <li>• Brokerage/commissions/transaction related costs.</li> </ul>
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	<p><u>Investments:</u></p> <ul style="list-style-type: none"> <li>• Investment transactions during the year including any transaction-related costs</li> <li>• cash and bank balances at year end</li> <li>• Short-term investments at year end</li> <li>• Long-term investments at year end (including investments in associates and joint ventures) by asset type, including unrealised gains or losses at year end</li> <li>• calculation of (i) interest received (ii) accrued interest</li> <li>• actual interest received</li> <li>• Pooled funds' purchase and sale transaction confirmations received; notification of income distributions (if any)</li> <li>• Evidence of existence and title to investments (month-end / quarter-end statements)</li> </ul> <p>Schedule of any investments in companies together with their latest financial statements); statement of transactions between the company and the Council.</p>
	<p><u>Cash Flow</u></p> <ul style="list-style-type: none"> <li>▪ Reconciliation of the movement in cash to the movement in net debt</li> <li>▪ Cash inflows and outflows (in respect of long-term financing)</li> <li>▪ Cash inflows and outflows (in respect of purchase/sale of long-term investments)</li> <li>▪ Net increase/decrease in (i) short-term loans (ii) short-term deposits (iii) other liquid resources</li> </ul> <p><u>Other (examples)</u></p> <ul style="list-style-type: none"> <li>▪ Amounts which are held on behalf of schools, amounts which are held by schools under delegated schemes</li> <li>▪ Details of (treasury-related) material events after balance sheet date not reflected in the financial statements.</li> <li>▪ External advisors'/consultants' charges</li> </ul>
Internal Audit	<p>Internal Audit generally conducts an annual review of the treasury management function and probity testing.</p> <p>The internal auditors will be given access to treasury management information/documentation as required by them.</p>
Compliance with CIPFA Treasury Management and Prudential Codes	<p>Auditors may require evidence/demonstration of compliance with external and internal treasury management policies and strategy.</p> <p>Any serious breach of the TM Code's recommendations or Prudential Indicators should be brought to the attention of the external auditor.</p>

Costs for treasury management	The budget for treasury management forms part of the <i>overall Council</i> budget.
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## TMP 8: CASH AND CASH FLOW MANAGEMENT

**Principle:** Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Interim Director of Finance and Section 151 Officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and Principal Accountant – Treasury, will ensure that these are adequate for the purposes of monitoring compliance with **TMP1 [2] liquidity risk management**. The present arrangements for preparing cash flow projections and their form are set out in the schedule below.

### Schedule 8.1:

Arrangements for preparing /submitting cash flow statements	<p>Cash flow forecasts will be viewed over <del>three</del> time horizons and will be used to formulate the Council's borrowing and investment strategy by identifying periods of surplus or shortfall of cash balances.</p> <p>The cash flow forecasts and statements are held at operational level.</p> <p>The accuracy and effectiveness of the Council's cash flows are dependent on the accuracy of estimating expenditure, income and their corresponding time periods.</p> <p>An <b>outline medium-term cash flow</b> model is prepared as part of the budget process, with projections for <u>3</u> further years. It is highly summarised and looks mainly at cash flows arising from the capital programme, the in-year capital financing requirement, scheduled loan repayments and long-term investment maturities, and anticipated movements in reserves.</p> <p>A <b>detailed annual cash flow</b> is prepared for the financial year once the budget for the ensuing year has been agreed, which is monitored and updated on a monthly basis. It identifies the major inflows and outflows on a month by month basis. It is prepared using the agreed revenue budget and capital programme for the financial year and based on the knowledge obtained from the Council's various service sections incurring the expenditure /receiving the income and can be supplemented by the experience from previous years.</p> <p><b>Daily cash flows</b> show forecast and planned movements of cash on a daily basis, including the matching of known inflows and payments. This is recorded in the Cash Flow spreadsheet in the of the Councils network it is restricted by a password.</p>
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<p>Content and frequency of cash flow projections</p>	<p>The detailed annual cash flow model includes the following:</p> <ul style="list-style-type: none"> <li>• revenue income and expenditure based on the budget.</li> <li>• profiled capital income and expenditure as per the capital programme.</li> </ul> <p><b>Revenue activities:</b></p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> <li>▪ Revenue Support Grant</li> <li>▪ Precepts received</li> <li>▪ Non domestic rates receipts</li> <li>▪ NNDR receipts from national pool</li> <li>▪ Council tax receipts</li> <li>▪ DSS / other government grants</li> <li>▪ Cash for goods and services</li> <li>▪ Other operating cash receipts</li> </ul> <p><u>Outflows:</u></p> <ul style="list-style-type: none"> <li>▪ Salaries and payments on behalf of employees</li> <li>▪ Operating cash payments</li> <li>▪ Housing Benefit paid</li> <li>▪ Precepts paid</li> <li>▪ NNDR payments to national pool</li> <li>▪ Payments to the capital receipts pool</li> </ul> <p><b>Capital activities including financing</b></p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> <li>▪ Capital grants received</li> <li>▪ Sale of fixed assets</li> <li>▪ Other capital cash receipts</li> </ul> <p><u>Outflows:</u></p> <ul style="list-style-type: none"> <li>▪ Purchase of fixed assets</li> <li>▪ Purchase of long-term investments</li> <li>▪ Other capital cash payments</li> </ul> <p><b>Financing, Servicing of Finance/Returns on Investments</b></p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> <li>▪ New long-term loans raised</li> <li>▪ New short-term loans raised</li> <li>▪ Interest received</li> <li>▪ Discount on premature repayment of loan</li> </ul> <p><u>Outflows:</u></p> <ul style="list-style-type: none"> <li>▪ Loan repayments</li> <li>▪ Premia on premature repayment of loan</li> <li>▪ Short-term investments</li> <li>▪ Capital element of finance lease rental payments</li> <li>▪ Interest paid</li> <li>▪ Interest element of finance lease rental payments</li> </ul>
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Monitoring, frequency of cash flow updates	<p>The annual cash flow statement is updated <i>daily</i> with the actual cash inflows and outflows after taking account of any revisions including those relating to grant income and capital expenditure and will be reconciled with:</p> <ul style="list-style-type: none"> <li>• net RSG and NNDR payments as notified;</li> <li>• (as applicable) county council and police authority precepts as notified;</li> <li>• actual salaries and other employee costs paid from account bank statements;</li> <li>• actual payments to Inland Revenue from general account bank statements;</li> <li>• actual council tax received from ctaxaccount bank statements;</li> <li>• actual rent allowances paid from the general account bank statements;</li> <li>• actual council house rent cash received from <i>the rent account bank statement</i>;</li> <li>• actual capital programme expenditure and receipts.</li> </ul>
Bank statements procedures	<p>The Council receives bank statements on a daily basis. These are posted independent of the treasury function and are reconciled to the <i>Oracle Ledger System</i> on a monthly basis.</p>
Payment scheduling	<p>The Council has a policy of paying suppliers in line with agreed terms of trade and the following service standards:</p> <p>The payments to suppliers are made through the Accounts Payable Section with small payments via CHAPS.</p>
Monitoring debtor/ creditor levels	<p>Debtor levels are monitored by a &lt;state frequency&gt; Sundry Debtors Monitoring Report to the &lt;title&gt; which will include an analysis of debt by age and details and details of recovery status.</p> <p>The level of Creditor invoices being processed / remaining unpaid is monitored on a daily basis by the &lt;title&gt;. A &lt;state frequency&gt; report is produced that details all BACS and cheque payments for the next ____ days in advance and recorded in &lt;&gt;.</p>
Banking of funds	<p>Instructions for the banking of income are set out in the Financial Regulations. Cash and cheques received in the cashiers section are banked <b>daily</b>.</p> <p>All the Council's sections are advised of the requirement to bank on a regular basis in order to comply with recommended best practice and also remain within the particular insurance limits for the Council's premises.</p>

Listing of sources of information	<p>The treasury function receives cash flow information from the following persons/departments:</p> <table border="1"> <thead> <tr> <th>Type of Information</th><th>Source</th></tr> </thead> <tbody> <tr> <td><i>Creditor BACS payments</i></td><td><i>Accounts Payable</i></td></tr> <tr> <td><i>Housing Benefit payments</i></td><td><i>Housing Benefits</i></td></tr> <tr> <td>Payroll expenditure</td><td>Payroll</td></tr> <tr> <td>Council tax income</td><td>Council Tax Section</td></tr> <tr> <td>NNDR income</td><td>NNDR Team</td></tr> <tr> <td>Right to Buy income</td><td>Legal</td></tr> <tr> <td>RSG</td><td>Corporate</td></tr> <tr> <td>DSG</td><td>CYP</td></tr> <tr> <td>Housing Benefit Subsidy</td><td>DWP Notification letters/ Housing Benefit</td></tr> <tr> <td>Other grant income</td><td>Various Sources</td></tr> <tr> <td>Loan Repayments</td><td>Debt Charges Model</td></tr> </tbody> </table>	Type of Information	Source	<i>Creditor BACS payments</i>	<i>Accounts Payable</i>	<i>Housing Benefit payments</i>	<i>Housing Benefits</i>	Payroll expenditure	Payroll	Council tax income	Council Tax Section	NNDR income	NNDR Team	Right to Buy income	Legal	RSG	Corporate	DSG	CYP	Housing Benefit Subsidy	DWP Notification letters/ Housing Benefit	Other grant income	Various Sources	Loan Repayments	Debt Charges Model
Type of Information	Source																								
<i>Creditor BACS payments</i>	<i>Accounts Payable</i>																								
<i>Housing Benefit payments</i>	<i>Housing Benefits</i>																								
Payroll expenditure	Payroll																								
Council tax income	Council Tax Section																								
NNDR income	NNDR Team																								
Right to Buy income	Legal																								
RSG	Corporate																								
DSG	CYP																								
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## TMP 9: MONEY LAUNDERING

**Background:** The Proceeds of Crime Act (POCA) 2002 consolidated, updated and reformed criminal law in the UK in relation to money laundering. The principal offences relating to money laundering are:

- 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.

Other offences include failure to disclose money laundering offences, tipping off a suspect either directly or indirectly, and doing something that might prejudice an investigation.

Organisations pursuing relevant businesses were required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions.

In December 2007, the UK Government published the Money Laundering Regulations 2007, which replaced the 2003 Regulations.

CIPFA believes that public sector organisations should “embrace the underlying principles behind the money laundering legislation and regulations and put in place anti money laundering policies, procedures and reporting arrangements appropriate and proportionate to their activities”.

**Principle:** *The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff members involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule below.*

### Schedule 9.1:

Anti money laundering policy	<p>This Council's policy is to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.</p> <p>The Council has accepted responsibility to ensure that those of its staff who are most likely to be exposed to money laundering can make themselves fully aware of the law and, where necessary, are suitably trained.</p>
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Treasury documentation	<p>The Authority will reflect the anti-laundering measures it has in place as part of its treasury documentation. Such measures include:</p> <ul style="list-style-type: none"> <li>— Awareness of what constitutes money laundering;</li> <li>— The obligation to report knowledge of/having reasonable grounds to believe an offence might be committed;</li> <li>— Maintaining up-to-date direct dealing and SSI mandates with counterparties</li> </ul>
Nomination of Responsible Officer(s)	<p>(a) The Council has nominated Interim Director of Finance and Section 151 Officer to be the responsible officer to whom any suspicions relating to transactions involving the Council will be communicated.</p> <p>(b) The responsible officer(s) will be conversant with the requirements of the Proceeds of Crime Act 2002 and will ensure relevant staff are appropriately trained and informed so they are alert for suspicious transactions.</p> <p>(c) The responsible officer(s) will make arrangements to receive and manage the concerns of staff about money laundering and their suspicion of it, to make internal enquiries and to make reports, where necessary, to National Criminal Intelligence Services (NCIS).</p>

<p>Procedures for establishing the Identity of Lenders and Borrowers</p>	<ul style="list-style-type: none"> <li>(a) In the course of its treasury activities, the Council will only borrow from permitted sources identified in TMP 4.</li> <li>(b) The Council will not accept loans from individuals. <i>(If the Council has, in the past, accepted loans from individuals, then this clause should be altered to read that the Council will maintain procedures for verifying and recording the identity of the individuals from whom such loans have been accepted.)</i></li> <li>(c) In the course of its treasury activities, the Council will only invest with those counterparties which are on its approved lending list.</li> <li>(d) The identity and authenticity of commercial institutions (banks, building societies and other financial institutions) authorised to carry out borrowing and lending activity in the UK will be checked via the Bank of England/ Prudential Regulation Authority's website.</li> <li>(e) All receipts/disbursements of funds will be undertaken by BACS or CHAPS settlement.</li> <li>(f) Direct Dealing mandates: The Council will provide (in the case of lending) / obtain (in the case of borrowing) and maintain on file dealing mandates with any new money market counterparty. The mandates should be on letter-headed paper, dated and signed.</li> <li>(g) All banking transactions will only be undertaken by the personnel authorised to operate the Council's banks accounts.</li> <li>(h) If the Authority takes/provides loans from individuals, it will establish robust procedures for verifying and recording the appropriate financial and personal information of such individuals.</li> <li>(i) When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before altering payment details.</li> </ul>
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## TMP 10: TRAINING AND QUALIFICATIONS

**Principle:** *The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Interim Director of Finance and Section 151 Officer will recommend and implement the necessary arrangements.*

*The Interim Director of Finance and Section 151 Officer will ensure that council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.*

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

*The present arrangements are detailed in the schedule below.*

### Schedule 10.1:

Qualifications/ experience for treasury staff	The council requires the Principal Accountant post holder to be part CCAB qualified (desires full CCAB) and to have equivalent treasury management experience.
Details of approved training courses	<p>The courses/events the Council would expect its treasury personnel to consider are(<i>examples below</i>):</p> <ul style="list-style-type: none"><li>▪ Training courses for Accounting, Auditing, Best Value/Competition, Budgeting, Capital Finance &amp; Borrowing, Financial Management run by CIPFA and the Association of Corporate Treasurers and other appropriate organisations.</li><li>▪ Any workshops/seminars run by Treasury Management Consultants.</li><li>▪ Attending CIPFA workshops/conference</li><li>▪ Training attended by those responsible for scrutiny of the treasury function</li></ul> <p>The Council participates in a CIPFA Employer Accreditation Scheme for CPD purposes which is based on planning, recording and evaluating development. Employees are required to register with the scheme and declare participation in the CPD scheme annually.</p>
Records of training received by treasury staff	Treasury-related training records are maintained <i>as part of the Managing Individual Performance (MIP) reviews</i> .
Records of training received by those charged with governance	Training records are maintained of those people/committees responsible for governance of treasury management.

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

**Principle:** *The Council recognises that responsibility for the treasury management decisions remains with the organisation at all times. It recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Interim Director of Finance and Section 151 Officer, and details of the current arrangements are set out in the schedule below.*

### **Schedule 11.1:**

Contract threshold	The Council's Financial Regulations require that a formal contract is in place with external service providers where the contract value is £5,000. The contract will clearly state the services to be provided and the terms on which they will be provided.
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<p>Details of service providers and procedures and frequency for tendering services</p>	<p>(a) Bankers to the Council: Lloyds Bank, 125 Colmore Row Birmingham West Midlands, B3 3SF 0345 601 7793( Public Sector Team)</p> <p>Contract period: 01/04/2014 to 08/03/2019 Formal agreement in place: yes This service will be re-tendered after 3 years (option to extend for a further 2 years)</p> <p>(b) Treasury advisor Arlingclose, 60 Moorgate, London 08448808211 Contract period: 1/10/2017 to 30/09/2019 Formal agreement in place: yes This service may be re-tendered every _3_ years</p> <p>(c) Brokers BGC Brokers LP One Churchill Place Canary Wharf London E14 5RD Contract period : N/A Formal agreement in place : no</p> <p>TullettPrebon (Europe) Limited, 155 Bishopsgate , London, Tel: 0207 2007042 Contract period : N/A Formal agreement in place : no</p> <p>R.P Martin Brokers (Division of BGC Brokers LP), 1 Churchill Place, Canary Wharf, London, Tel: 0207 8947700 Contract period : N/A Formal agreement in place : no</p> <p>Tradition (UK) Ltd (aka. CDB) 15 St Botolph Street, London, Tel: 02074223566 Contract period : N/A Formal agreement in place : no</p> <p>King &amp; Shaxson Ltd Candlewick House, 120 Cannon Street, London Tel: 0207 9298529 Contract period : N/A Formal agreement in place : no</p>
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Regulatory status of services provided	<p>The Council's external service providers are listed below, along with their regulatory status:</p> <ul style="list-style-type: none"> <li>• Bankers to the Council – regulated by Prudential Regulation Authority</li> <li>• Treasury Adviser – regulated by the Financial Conduct Authority</li> <li>• Collective Investment Schemes (pooled funds) – regulated by the UK's Financial Conduct Authority / Central Bank of Ireland or a recognised, competent EU authority.</li> <li>• Brokers – regulated by Financial Conduct Authority</li> </ul>
Details of service provided by Treasury Advisor	Impartial treasury advice on investment management, debt restructuring, financial advice and long term capital finance decisions.
Bribery Act	The Council is mindful of the requirements of the Bribery Act 2011 in its dealings with external providers

## TMP 12: CORPORATE GOVERNANCE

*Principle: The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.*

*The Council has adopted and has implemented the key recommendations of the Treasury Management Code of Practice (Revised 2009). This, together with the other arrangements detailed in the schedule below, are considered vital to the achievement of proper corporate governance in treasury management, and Interim Director of Finance and Section 151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.*

### Schedule 12.1:

Stewardship responsibilities	The Interim Director of Finance and Section 151 Officer ensures that systems exist to deliver proper financial administration and control and maintaining a framework for overseeing and reviewing the treasury management function.
List of documents to be made available for public inspection.	<p>The following documents are freely available for public inspection:</p> <ul style="list-style-type: none"> <li>▪ Annual Statement of Accounts</li> <li>▪ Budget Report and Consultation Document</li> <li>▪ 3 Year Capital Plan</li> <li>▪ Treasury Management Policy</li> <li>▪ Treasury Management Strategy</li> <li>▪ Budget Monitoring Reports</li> <li>▪ Annual and Half-Year Treasury Report</li> </ul>
Council's website.	Financial information is additionally available on the Council's website.
Procedures for consultation with stakeholders.	Members and senior officers of the Council are consulted via reports to the <i>Council Cabinet</i> and officer/member briefing sessions.
List of external funds managed on behalf of others and the basis of attributing interest earned and costs to these investments	<p>The Council manages the following external funds on behalf of others:</p> <p>1. Derby Homes Ltd</p> <p>The basis of attributing interest earned to this investment is as based on is to be the 1 month UK Government Treasury Bill interest rate to reflect a credit risk free return.</p>



**Note:**

Items the Council would maintain at operational level in an 'Daily Dealing Instructions and Treasury Management Daily Dealing Redemption – Subscription notes' as referred to in this template

1. The Council's Credit Criteria
2. Current Lending List
3. Business Reserve Accounts / Money Market Funds
4. Counterparties with whom the Council deals direct
5. Dealing checklist
6. Deal ticket proforma
7. Format of the Council's Standard Settlement Instructions form
8. Settlement Procedures
9. Procedure Notes for the Council's on-line banking system
10. Procedure Notes for the Council's treasury management cashflow and investment register
11. Procedure Notes for dealing online with counterparties
12. LOBOs – call dates, call option protocol
13. Procedure for dealing with requests for change of banking/payment details

