

**BOROUGH OF PENDLE**

**TREASURY MANAGEMENT  
PRACTICES**

*Part 2: Schedules*

*July 2018*

## **TREASURY MANAGEMENT PRACTICES – SCHEDULES**

This section contains the schedules which set out the details of how the Treasury Management Practices (TMPs) are put into effect by this Council

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## TMP1 RISK MANAGEMENT

The ~~Chief Finance Officer~~ Chief Financial Officer (as the responsible officer) will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. The responsible officer 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*.

### 1.1 CREDIT AND COUNTERPARTY RISK MANAGMENT

1.1.1 Credit and counter-party risk is the risk of failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially one due to deterioration in its creditworthiness, which causes the Council an unexpected burden on its capital or revenue resources.

1.1.2 As a holder of public funds, the Council recognises its prime responsibility to always put first the preservation of the principal of the sums which it invests. Local authorities are not constrained by law in the types of investments they may make or the investment instruments they may use. However, in England and Wales, they are in practice constrained by MHCLG guidance (*Guidance on Local Government Investments 2010*). This guidance stresses the prudent investment strategy of security, liquidity and yield. This means that first and foremost local authorities must ensure the security of their principal sum invested, i.e. ensure that they get back their full investment. Then they should ensure that they have the liquidity they need, i.e. that they have funds available when needed, and so should consider the length of an investment. Only when these two are satisfied should the yield or return on the investment be considered.

### 1.2 CRITERIA TO BE USED FOR CREATING/ MANAGING APPROVED COUNTERPARTY LISTS/LIMITS

1.2.1 The Council will determine through its Annual Investment Strategy the credit criteria for various investment instruments in the 'Specified' and 'Non-Specified' Investments categories.

### 1.3 APPROVED METHODOLOGY FOR CHANGING LIMITS AND ADDING / REMOVING COUNTERPARTIES

1.3.1 Credit ratings for individual counterparties can change at any time. The ~~Chief Finance Officer~~ Chief Financial Officer is responsible for applying the stated credit rating criteria, for selecting approved counterparties, and will add and delete counterparties as appropriate to/from the approved counterparty list when there is a change in the credit ratings of individual counterparties.

1.3.2 The ~~Chief~~ Chief Financial Officer will also adjust lending limits when there is a change in the credit ratings of individual counterparties for applying approved credit rating criteria for selecting approved counterparties.

**1.4 INDIVIDUAL LISTINGS OF COUNTERPARTIES AND COUNTERPARTY LIMITS**

- 1.4.1 The Council maintains a full listing of counterparties which forms the basis of investment decisions. Details are set out in the Annual Treasury Management Strategy Statement with any changes recorded during the year. A current listing is accessible to relevant staff at all times.

**1.5 COUNTRY, SECTOR AND GROUP LISTINGS OF COUNTERPARTIES AND THEIR OVERALL LIMITS**

- 1.5.1 Details are set out in the Annual Treasury Management Strategy Statement with any changes recorded during the year. A current listing is accessible to relevant staff at all times.

**1.6 DETAILS OF CREDIT RATING AGENCIES' SERVICES AND THEIR APPLICATION**

The Council uses the credit worthiness service provided by ~~Seetor~~Link [Asset Services \(LAS\)](#), acting as Treasury Advisers. This is an established methodology that has regard to the credit ratings, outlook and watches issued by the 3 main agencies, namely Moody's, Fitch and Standard & Poors. In addition a credit default swap overlay is used as a further safeguard to give early warning of potential creditworthiness problems which may only belatedly lead to actual changes in credit ratings.

- 1.6.1 This information is updated on a weekly basis with intra-week variations notified by separate bulletins enabling the Council to review its counter-party list and assess the implications of any rating changes. The Council also has access to real-time information via LAS' online portal, 'Passport'.

**1.7 COUNTERARTY RISK ASSESSMENT - OTHER CONSIDERATIONS**

- 1.7.1 The Council will not rely solely on credit rating information. Regard will also be had to other information sources where appropriate such as financial news, professional journals, market data, economic commentary / forecasts, institutional information and reports.

**2.1 LIQUIDITY RISK MANAGEMENT**

- 2.1.1 Liquidity risk is the risk that cash [will](#) not be available when it is required. This can minimise the ability of the Council to carry out its functions or disrupt those functions being carried out in the most cost effective manner. The Council will therefore have sufficient stand by facilities to ensure that there is always sufficient liquidity to deal with unexpected occurrences. It will also seek to ensure that its cash flow forecasting gives as accurate a picture as possible of the ebbs and flows in income and expenditure and the resulting residual daily cash balances.

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

- 2.2.1 The Treasury Management section shall seek to contain the balance held in the Council's main bank accounts at the close of each working day within the overall limit set for the Bank (currently Lloyds Bank), having regard to the sum total of any investments held with the bank in addition to the current account balance. Borrowing or lending shall be arranged in order to achieve this aim.

**2.3 Details of Standby Facilities**

- 2.3.1 The Council currently has no approved overdraft limit following policy and fee structure changes implemented by its Bankers.

- 2.3.2 The Council will review its position with regard to overdraft need given the changes proposed by the bank and will maintain a suitable minimum working balance in the current account, noting access to short-term borrowing facilities if required (see 2.4 below) particularly in a low interest rate environment. Interest rate risk will be kept under review (3.1 below).

#### 2.4 Short-term borrowing facilities

The Council can access temporary loans through approved brokers on the London Money Market. The approved maturity structure of the Council's debt is reported in the Treasury Management Strategy Statement approved by Council in advance of each financial year.

#### 2.5 Insurance/guarantee facilities

- 2.5.1 There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

#### 2.6 Policy in terms of borrowing in advance of need

- 2.6.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
- 2.6.2 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

### 3.1 INTEREST RATE RISK MANAGEMENT

- 3.1.1 Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council will seek to minimise this risk by seeking expert advice on forecasts of interest rates from treasury management consultants and agreeing with them its strategy for the coming year for the investment and debt portfolios. It will also determine appropriate limits and trigger points. These limits and strategy are set out in the annual Treasury Management Strategy Statement. The Strategy sets out operational parameters in respect of debt / interest and the extent to which this may be at fixed or variable rates. The strategy is reviewed periodically during the year to see whether any modifications are required in the light of actual movements in interest rates. The Council will have regard to any advice in connection with these matters from its Treasury Advisers.

### 3.2 Policies concerning the use of financial derivatives/instruments for interest rate management.

- a. Forward dealing

*Investments:*

Consideration will be given to dealing from forward periods dependent upon market conditions and the robustness of cash-flow forecasts, but will not be more than one month in advance of the transaction.

*Debt:*

Forward dealing is not considered as part of the annual borrowing strategy. Forward dealing is not considered as part of the annual borrowing strategy.

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- b. Callable deposits  
The Council will not use callable deposits as part as of its Annual Investment Strategy (AIS) as these expose the Council to the risk of the deposit issuer recalling funds at any time.
- c. LOBOS (borrowing under lender's option/borrower's option)  
Use of LOBOs are not considered as part of the annual borrowing strategy. All borrowing for periods in excess of 364 days must be approved by the ~~Chief Finance Officer~~ Chief Financial Officer.
- d. The Council does not use financial derivatives to manage interest rate risk.

#### **4.1 EXCHANGE RATE RISK MANAGEMENT**

- 4.1.1 Exchange rate risk is the risk that unexpected changes in exchange rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council has a minimal exposure to exchange rate risk as it has no powers to enter into loans or investments in foreign currency for treasury management purposes.

#### **5.1 REFINANCING RISK MANAGEMENT**

Refinancing risk is the risk that when loans or other forms of capital financing mature, that they cannot be refinanced where necessary on terms that reflect the assumptions made in formulating revenue and capital budgets.

#### **5.2 DEBT/OTHER CAPITAL FINANCING, MATURITY PROFILING, POLICIES AND PRACTICES**

- 5.2.1 The Council will establish through its Prudential Indicators the amount of debt maturing in any year/period.
- 5.2.2 Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:
  - a) the generation of cash savings at minimum risk;
  - b) to reduce the average interest rate;
  - c) to amend the maturity profile and /or the balance of volatility of the debt portfolio.

Details of any rescheduling will be reported to the Policy and Resources Committee at the meeting immediately following its action.

#### **5.3 PROJECTED CAPITAL INVESTMENT REQUIREMENTS**

- 5.3.1 The ~~Chief Finance Officer~~ Chief Financial Officer will prepare a three year plan for capital expenditure for the Council and draft a Capital Strategy. The capital strategy and plan will be used to prepare a medium term view for all forms of financing charges.
- 5.3.2 Under the new capital financing system, the definition of capital expenditure and long term liabilities used in the Code will follow recommended accounting practice (as per the CIPFA Code of Practice on Local Authority Accounting in the UK).

**5.4 POLICY CONCERNING LIMITS ON AFFORDABILITY AND REVENUE CONSEQUENCES OF CAPITAL FINANCING.**

- 5.4.1 In considering the affordability of its capital plans, the Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax. It will also take into account affordability in the longer term beyond this three year period.
- 5.4.2 The Council will use the definitions provided in the Prudential Code for Capital Finance for borrowing, capital expenditure, debt, gross debt, financing costs, investments, net revenue stream and other long term liabilities.

**6.1 LEGAL AND REGULATORY RISK MANAGEMENT**

- 6.1.1 Legal and regulatory risk is the risk that either the Council, or a third party which it is dealing with in its treasury management activities, acts outside of its legal powers or regulatory requirements and as a result the Council incurs loss.

**6.2 REFERENCES TO RELEVANT STATUTES AND REGULATIONS**

- 6.2.1 The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. These include but are not limited to:

- CIPFA Prudential Code for Capital Finance in Local Authorities
- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- S.I. 2004 No.3055 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) (No. 2) Regulations 2004
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- S.I. 2006 no. 521 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006
- S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
- S.I. 2008 no. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- S.I. 2009 no. 321 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2009
- S.I. 2009 no. 2272 The Local Authorities (Capital Finance And Accounting) (England) (Amendment) (No.2) Regulations 2009
- S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009

- S.I. 2010 no. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- Localism Act 2011
- S.I. 2012 no. 265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012
- S.I. 2012 No. 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012
- S.I. 2012 No. 1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012
- S.I. 2012 No. 2269 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 4) Regulations 2012
- S.I. 2013 no. 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013
- S.I. 2015 no. 234 Accounts and Audit Regulations 2015
- Guidance on Local Authority Investments DCLG (2010)
- Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006 Statutory Instrument No. 521
- Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2017 Statutory Instrument No. 536
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- CIPFA's Treasury Management Codes of Practice and Cross Sectoral Guidance Notes 2017
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities
- CIPFA Standard of Professional Practice on Treasury Management
- LAAP Bulletin 99 CIPFA's Guidance on Local Authority Reserves and Balances
- The Non Investment Products Code (NIPS) - (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
- Financial Conduct Authority's Code of Market Conduct
- Financial Services and Markets Act 2000
- Markets in Financial Instruments Directive (MiFID) II
- Code of Practice on Local Authority Accounting in the United Kingdom:
- PWLB circulars on Lending Policy
- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations
- The Council's Scheme of Delegation

### 6.3 PROCEDURES FOR EVIDENCING THE COUNCIL'S POWERS/AUTHORITIES TO COUNTERPARTIES

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

**Investing:** Local Government Act 2003, section 12

**Borrowing:** Local Government Act 2003, section 1

6.3.2 In addition, it will make available on request the following: -

- a. the scheme of delegation of treasury management activities which is contained in the Council's Constitution and which states which officers carry out these duties and is supported by these Treasury Management Practices
- b. the document which sets which officers are the authorised signatories.



#### 6.4 REQUIRED INFORMATION FROM COUNTERPARTIES

- 6.4.1 Lending shall only be made to counterparties on the Approved Lending list. This list is compiled with regard to the credit worthiness information provided by the Council's treasury advisers taking account of credit ratings issued by the main rating agencies.

#### 6.5 STATEMENT ON THE COUNCIL'S POLITICAL RISKS AND MANAGEMENT OF SAME

- 6.5.1 The ~~Chief Finance Officer~~ Chief Financial Officer shall take appropriate action with the Council, the ~~Chief Executive~~ Chief Executive and the Leader of the Council to respond to and manage appropriately political risks such as change of majority group, leadership in the Council, change of Government etc.

#### 6.6 Statutory Officers

- 6.6.1 The Monitoring Officer is the ~~Deputy Chief Executive~~ Corporate Director; the duty of this officer is to ensure that the treasury management activities of the Council are lawful.
- 6.6.2 The Chief Financial Officer ~~Head of Central and Regeneration Services~~ is the Chief Finance Officer; the duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if he has concerns as to the financial prudence of its actions or its expected financial position.

#### 7.1 FRAUD, ERROR AND CORRUPTION, AND CONTINGENCY RISK MANAGEMENT

- 7.1.1 Fraud, error and corruption risk is the risk that the Council may fail to employ adequate systems, procedures and other arrangements which identify and prevent losses through such occurrences. The Council will therefore:-
- Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.
  - Fully document all its treasury management activities so that there can be no confusion as to what proper procedures are.
  - Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.
  - Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

#### 7.2 DETAILS OF SYSTEMS AND PROCEDURES TO BE FOLLOWED, INCLUDING INTERNET SERVICES

##### 7.2.1 Authority

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans and investments are negotiated by the ~~Chief Finance Officer~~ Chief Financial Officer or authorised persons.
- Loan procedures are defined in the Council's Financial Procedure Rules.

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##### 7.2.2 Procedures

The paperwork for the investment transaction is initiated by the Assistant Accountant or Accountancy Manager ~~Principal Accountancy Assistant~~ and countersigned by two of the authorised

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signatories. Details of the transaction are then input into the CHAPS system by the Accountancy Assistant ~~or Administration Assistant~~ and the transaction in the CHAPS system is finally authorised on-line by an officer who has the authority to approve and submit the payment to the Bank.

#### 7.2.2 Investment and borrowing transactions

- A detailed register of all loans and investments is maintained by the Accountancy Manager ~~and Assistant Accountant~~ ~~Principal Accountancy Assistant~~ in the form of an Excel spreadsheet.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the Accountancy Manager ~~or~~ Chief Financial Officer ~~Principal Accountancy Assistant~~ for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Accountancy Manager ~~Principal Accountancy Assistant~~ for resolution.

#### 7.2.3 Regularity and security

- Lending is only made to institutions on the Approved List of Counterparties.
- All loans raised and repayments made go directly to and from the bank account of approved counterparties.
- Counterparty limits are set for every institution (see 1.5.1) that the Council invests with.
- ~~Brokers have a list of named officials authorised to agree deals~~ as per the Council's approved Standard Settlement Instructions (SSIs)
- There is a separation of duties in the section between dealers and the checking and authorisation of all deals.
- The Council's bank holds a list of Council officials who are authorised signatories for treasury management transactions.
- As a general rule no member of the treasury management team is an authorised signatory (however there are occasional instances where the ~~Accountancy~~ Chief Financial Officer has to provide short-term cover. In this situation the daily activity is reviewed by the ~~Chief Finance Officer~~ Chief Executive and any payments are authorised / submitted by other nominated officers).
- The CHAPS system can only be accessed by a password.
- There is adequate insurance cover for employees involved in loans management and accounting.

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#### 7.2.4 Checks

- The bank reconciliation is carried out monthly from the bank statement to the financial ledger.
- The balances in the Excel spreadsheet maintained by the ~~Principal Accountancy~~ Accountancy Manager are proved to the balance sheet ledger codes at the end of each month and at the financial year end.
- A debt charge/investment income listing is produced every month when a review is undertaken against the budget for interest earnings and debt costs. This exercise is undertaken by an officer independent of the treasury management function.

#### 7.2.5 Calculations

- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Excel spreadsheet maintained by the [Principal Accountancy Assistant](#) Accountancy Manager or the Assistant Accountant.

**7.3 EMERGENCY AND CONTINGENCY PLANNING ARRANGEMENTS****Disaster Recovery Plan.**

- 7.3.1 The authority has a detailed disaster recovery plan in the event that the offices which the treasury management team works in are rendered unusable or if the treasury computer systems are inaccessible and/or there is a failure of the Electronic Banking System used. All members of the treasury management team are familiar with this plan and new members will be briefed on it. All computer files are backed up on the server to enable files to be accessed from remote sites.

**7.4 INSURANCE COVER DETAILS****Fidelity insurance**

- 7.4.1 The Council has 'Fidelity' insurance cover with Zurich Municipal. This covers the loss of cash by fraud or dishonesty of employees. This cover is limited to £4m (for designated officers associated with Treasury Management) for any one event with an excess of £1,000 for any one event.

**Professional Indemnity Insurance**

- 7.4.2 The Council also has an 'Officials Indemnity' insurance policy with Zurich Municipal which covers loss to the Council from the actions and advice of its officers which are negligent and without due care. This cover is limited to £2m for any one event with an excess of £5,000 for any one event.

**Business Interruption**

- 7.4.3 The Council also has 'Business Interruption' cover as part of its property insurance with Zurich Municipal should its ongoing operations be disrupted by a major incident.

**8.1 MARKET VALUE OF INVESTMENTS RISK MANAGEMENT**

- 8.1.1 Market risk is the risk of fluctuations in the principal value of the Council's investments.

**8.2 DETAILS OF APPROVED PROCEDURES AND LIMITS FOR CONTROLLING EXPOSURE TO INVESTMENTS WHOSE CAPITAL VALUE MAY FLUCTUATE (GILTS, CDS, etc.)**

- 8.2.1 These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Investment Strategy (which now forms part of the Annual Treasury Management Strategy Statement).

## TMP 2 PERFORMANCE MEASUREMENT

### 2.1 EVALUATION AND REVIEW OF TREASURY MANAGEMENT DECISIONS

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

- a. reviews with our treasury management consultants
- b. annual review as reported to committee
- c. comparative reviews
- d. strategic, scrutiny and efficiency reviews

#### Periodic reviews during the financial year

2.1.2 On a daily basis a discussion takes place between relevant officers in response to the bank balance available and the cashflow forecast which is maintained in Excel. This discussion has regard to relevant treasury management parameters and can include reference to the ~~Chief Finance Officer~~ Chief Financial Officer if the circumstances warrant such action.

This will include:-

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

#### Reviews with our treasury management consultants

2.1.3 The treasury management team and ~~Chief Finance Officer~~ Chief Financial Officer hold reviews with our Treasury consultants every 6 months to review the performance of the investment and debt portfolios, the overall strategy and general economic factors impacting on this activity.

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

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

- a. total debt and investments at the beginning and close of the financial year and average interest rates
- b. borrowing strategy for the year compared to actual strategy
- c. investment strategy for the year compared to actual strategy
- d. explanations for variance between original strategies and actual
- e. details of any debt rescheduling done in the year
- f. actual borrowing and investment rates available through the year
- g. comparison of return on investments to the investment benchmark
- h. compliance with Prudential Indicators
- i. other (e.g. market or economic commentary; appointment of advisers)

#### Comparative reviews

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

- CIPFA Treasury Management statistics / CIPFA Benchmarking Club
- Other (e.g. comparative information from Treasury Advisers)

**2.2 POLICY CONCERNING METHODS FOR TESTING VALUE FOR MONEY IN TREASURY MANAGEMENT.****Frequency and processes for tendering**

- 2.2.1 Tenders are normally awarded for terms of up to five years. The process for advertising and awarding contracts will be in line with the Council's Contract Procedure Rules.

**Banking services**

- 2.2.2 The Council's banking arrangements will normally be re-tendered or renegotiated every 3/5 years to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends. The present contract, which commenced on 1<sup>st</sup> April 2002, with Lloyds TSB was initially for three years, and was extended on two occasions to 2012. The contract has since been rolled-over on an annual basis and may continue to do so subject to market testing confirming value for money is being achieved.

**Money-broking services**

- 2.2.3 The Council will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. Approved brokers will be established taking account of both price and quality of services.

**Consultants'/ advisers' services**

- 2.2.4 This Council's policy is to appoint professional treasury management consultants and if required separate leasing advisory consultants.

**Policy on External Managers (Other than relating to Superannuation Funds)**

- 2.2.5 The Council's policy is not to appoint external investment fund managers.

**2.3 METHODS TO BE EMPLOYED FOR MEASURING THE PERFORMANCE OF THE TREASURY MANAGEMENT ACTIVITY**

- 2.3.1 The Council will have regard to:

- (a) Compliance with the Annual Strategy
- (b) Compliance with approved prudential indicators
- (c) Benchmark returns for investment
- (d) Average cost of debt for borrowing
- (e) Ensuring liquidity
- (f) Feedback from treasury advisers

## TMP 3 DECISION-MAKING AND ANALYSIS

### 3.1 FUNDING, BORROWING, LENDING, AND NEW INSTRUMENTS/TECHNIQUES

#### 3.1.1 Records to be kept

Separate files are kept in respect of borrowing, lending and overnight investments with the bank. These files contain the following information:-

- a) details of borrowing or lending;
- b) the appropriately authorised CHAPS form is filed when either money is invested or a loan repaid;
- c) notification from the broker of the terms of the loan or investment and in some cases a further notification from the borrower or lender;
- ~~e)~~ d) details of the Council's approved SSIs;
- ~~e)~~ details of any changes in terms where appropriate.

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In addition separate spreadsheet records are maintained for loans and investments, with full details, which calculate interest payable and receivable and in the case of loans, commission paid.

#### 3.1.2 Processes to be pursued

On a daily basis the following procedure is followed:

- a) information is ~~accessible~~ downloaded from the bank using the Lloyds Online Commercial Banking solution (on-line banking facility);
- b) the balance on the account is assessed;
- c) dependent on the balance and the projection of expenditure and income a decision is taken on the action required i.e. borrow, lend or take no action;
- d) the action taken is reviewed and approved in discussion with a manager.

#### 3.1.3 Issues to be addressed.

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

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

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

- a) Evaluate economic and market factors to form a view on future interest rates so as to determine the manner and timing of decisions to borrow;
- b) Consider the sources of borrowing, alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use;
- c) Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships to minimise costs and risks;
- d) Consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets;
- e) Seek to reduce the overall level of financing costs / smooth maturity profiles through debt restructuring.

**3.1.3.3 In respect of investment decisions, the Council will:**

- a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions;
- b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital;
- c) Determine appropriate credit policy limits and criteria to minimise the Council's exposure to credit and other investment risks having reference to the credit worthiness information provided by the Council's treasury advisers.



## TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

### 4.1 APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION

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

### 4.2 APPROVED INSTRUMENTS FOR INVESTMENTS

Refer to the Annual Investment Strategy.

### 4.3 APPROVED TECHNIQUES

- Cash Deposits (Fixed term or instant access) – maximum duration is 364 days
- Consideration may be given to Certificates of Deposit, UK Treasury Bills and designated money-market funds provided the approval of Members has been obtained to these forms of investment and the ~~Chief Finance Officer~~ Chief Financial Officer has approved the specific investment option prior to its execution.

### 4.4 APPROVED METHODS AND SOURCES OF RAISING CAPITAL FINANCE

Finance will only be raised in accordance with the Local Government Act 2003. This requires the Council to approve authorised and operational boundary limits for borrowing and subject to these the Council has a number of approved methods and sources of raising capital finance including:

On Balance Sheet	Fixed	Variable
PWLB	●	●
Market (temporary)	●	●
Local temporary	●	●
Overdraft		●
Internal (capital receipts & revenue balances)	●	●
Finance Leasing	●	●
Deferred Purchase	●	●

#### Other Methods of Financing

Government and EC Capital Grants

Other 3<sup>rd</sup> party grants and contributions including Lottery related funding

Leasing - Operating

PFI

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The ~~Chief Finance Officer~~ Chief Financial Officer has —delegated powers in accordance with Financial Regulations, Standing

Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

#### **4.5 INVESTMENT LIMITS**

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

#### **4.6 BORROWING LIMITS**

These are set out in the Annual Treasury Management Strategy Statement as part of the suite of Prudential Indicators and may only be modified by the Council.

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

### 5.1 LIMITS TO RESPONSIBILITIES / DISCRETION AT COUNCIL/EXECUTIVE LEVELS

#### Full Council

The Council at its meeting dated 19<sup>th</sup> December 2002 resolved that “the full Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Executive (Policy and Resources Committee with effect from 2018/19 following a change in governance arrangements), and for the execution and administration of treasury management decisions to the Financial Manager.” (NB the post of Financial Manager (Chief Finance Officer) has subsequently been redesignated as Chief Financial Officer (Chief Finance Officer and is held by the Head of Central and Regeneration Services).

#### Policy and Resources Committee

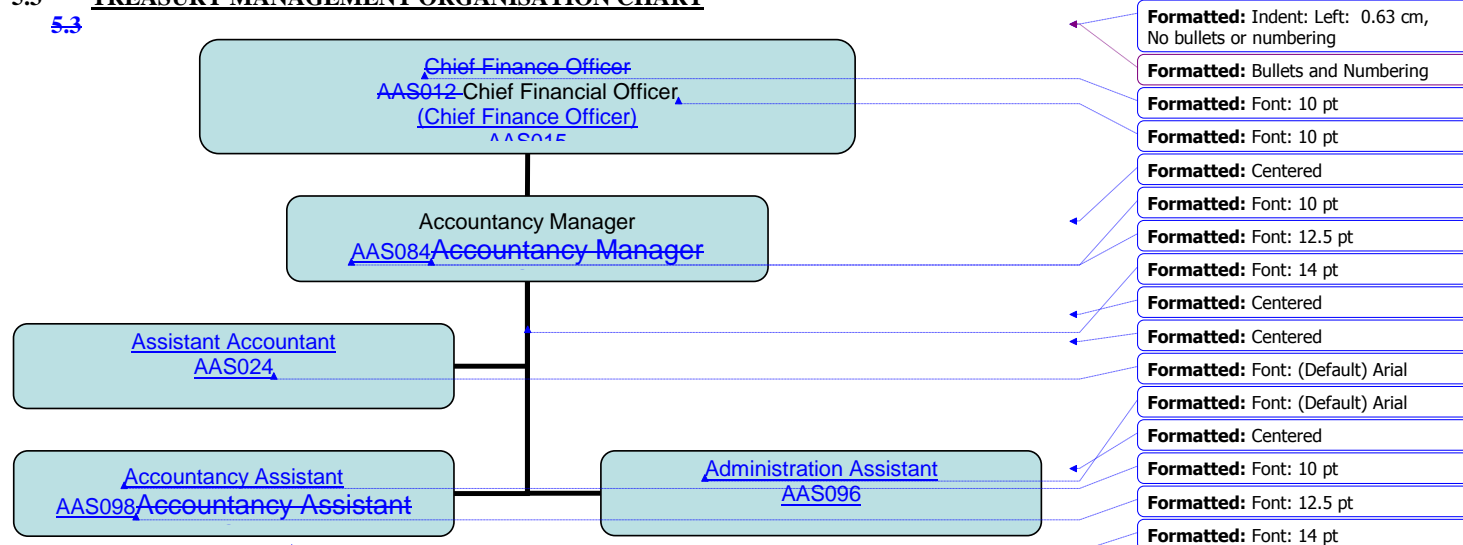
- Approval of/amendments to the Council’s adopted clauses, treasury management policy statement and treasury management practices
- Budget consideration and approval
- Approval of responsibilities
- Receiving and reviewing external audit reports and acting on recommendations
- Approving the selection of external service providers and agreeing terms of appointment.

### 5.2 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES

5.2.1 Subject to resource constraints the separation of duties takes place at the following levels:

- Between the monitoring role and the day to day dealing: and
- Within the day to day management to ensure that the appropriate level of internal check exists when dealing takes place.

### 5.3 TREASURY MANAGEMENT ORGANISATION CHART





**5.5.4 STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST****5.4.1. ~~Chief Finance Officer~~ Chief Financial Officer (Chief Finance Officer)**

1. The ~~Chief Finance Officer~~ Chief Financial Officer will:
  - a) recommend clauses, treasury management policy / practices for approval, reviewing the same regularly, and monitoring compliance
  - b) submit regular treasury management policy reports or delegate responsibility to other officers as appropriate eg Accountancy Manager/Assistant Accountant
  - c) submit budgets and budget variations
  - d) receive and review management information reports
  - e) review the performance of the treasury management function and report performance in accordance with the Council's approved Performance Management Framework ~~promote best value reviews~~
  - f) ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
  - ~~f)g)~~ provide support and supervision to the Accountancy Manager and other members of the treasury management team as appropriate and act as a signatory for all transactions
  - ~~f)h)~~ ensure that a monthly reconciliation of investments is carried out by officers independent of the treasury management function, where resources allow
  - ~~g)i)~~ ensure the adequacy of internal audit, and liaising with external audit
  - ~~h)j)~~ recommend the appointment of external service providers where appropriate.
2. The ~~Chief Finance Officer~~ Chief Financial Officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to take the most appropriate form of investments in approved instruments.
3. The ~~Chief Finance Officer~~ Chief Financial Officer may delegate their power to borrow and invest to members of her staff. The Accountancy Manager ~~Principal Accountancy Assistant~~ and/or the Assistant Accountant must conduct all dealing transactions, or staff authorised by the ~~Chief Finance Officer~~ Chief Financial Officer to act as temporary cover for leave/sickness. All transactions (CHAPS payments) must be authorised by at least two of the following officers (Chief Executive, Chief Financial Officer, Accountancy Manager (where not directly involved in the dealing transaction), Corporate Client and Performance Manager, Housing, Health and Economic Development Manager and Group Accountant (AAS120)).
4. The ~~Chief Finance Officer~~ Chief Financial Officer and the Monitoring Officer will ensure that the Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
5. Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the ~~Chief Finance Officer~~ Chief Financial Officer to be satisfied, by reference to the Monitoring Officer, the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations
6. It is also the responsibility of the ~~Chief Finance Officer~~ Chief Financial Officer ~~to to~~ ensure that the Council complies with the requirements of The UK Money Markets Code (formerly known as The Non Investments Product Code) for principals and broking firms in the wholesale markets.

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**5.4.2. ~~Accountancy Services Manager~~ Accountancy Manager (~~AAS015~~AAS084)**

The responsibilities of this post will be:

- a) provide support and supervision to the Assistant Accountant, Accounts Assistant and Administration Assistant.

- b) execution of transactions in exceptional circumstances eg cover for annual leave ensuring adequate segregation of duties is maintained within the process as a whole
- c) adherence to agreed policies and practices on a day-to-day basis
- d) supervising treasury management staff
- e) monitoring performance on a day to day basis

**5.4.2.****5.4.2.5.4.3. Assistant Accountant (AAS024)**

The responsibilities of this post will be: -

- a) execution of transactions
- b) adherence to agreed policies and practices on a day-to-day basis
- c) maintaining relationships with third parties and external service providers

The responsibilities of this post will be:-

- a) provide support and supervision to the Principal Accountancy Assistant
- a)
- a)
- b) to act as a signatory for all transactions
- c) to carry out a monthly reconciliation of investments.

**Principal Accountancy Assistant (AAS040)**

The responsibilities of this post will be:-

- a) execution of transactions
- b) adherence to agreed policies and practices on a day to day basis
- c) maintaining relationships with third parties and external service providers
- d) supervising treasury management staff
- e) monitoring performance on a day to day basis

**5.4.3.5.4.4. Accountancy Assistant (AAS098) and Administration Assistant (AAS096)**

The responsibilities of ~~this~~ these posts will be:

- a) to establish and maintain the computerised records relating to treasury management transactions;
- b) to prepare the necessary paperwork, when an investment is being made, for the bank to make the CHAPS payment;
- c) to calculate the interest payable when an amount borrowed is being repaid, crosscheck this with the independent calculation of the ~~Principal Accountancy Assistant~~ Accountancy Manager/Assistant Accountant/Chief Financial Officer and prepare the necessary paperwork for the CHAPS payment.

**5.4.4.5.4.5. Head of the Paid Service (~~Chief Executive~~ Chief Executive)**

The responsibilities of this post will be: -

- a) ensuring that the system is specified and implemented
- b) ensuring that the ~~Chief Finance Officer~~ Chief Financial Officer reports regularly to the responsible committee/the Council on treasury policy, activity and performance.

**5.4.5.5.4.6. Monitoring Officer (Corporate Director)**

The responsibilities of this post will be: -

- a) ensuring compliance by the ~~Chief Finance Officer~~ Chief Financial Officer with the treasury management policy statement and treasury management practices and that they comply with the law

- b) being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice
- c) giving advice to the Chief Financial Officer when advice is sought.

#### **5.4.6.5.4.7. Internal Audit**

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The responsibilities of Internal Audit will be: -

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

**5.65.5 ABSENCE COVER ARRANGEMENTS**

In the absence of the ~~Principal Accountancy Assistant~~ [Assistant Accountant](#) there are two members of staff who provide cover. In most cases this will be undertaken by the Accountancy Manager (AAS084) [subject to segregation of duties as referred to at section 5.2 above](#) ~~Accountancy Assistant~~ [and in the absence of this post by the Chief Financial Officer \(post AAS-08215\).](#) ~~Accountancy Manager~~

**5.75.6 DEALING LIMITS**

£~~23,500~~000,000 per transaction (within the limits set for each counterparty – if in excess of £~~23.5m~~ [0m](#) per deal then the Bank must be informed in advance of the deal/trade).

**5.85.7 LIST OF APPROVED BROKERS**

RP Martin Brokers (UK) Ltd and King and Shaxson.

**5.95.8 POLICY ON BROKERS' SERVICES**

Martins are used but rates may be checked with other institutions on a periodic basis.

**5.105.9 DIRECT DEALING PRACTICES**

The Council will consider dealing direct with counterparties if it is appropriate [ie is in accordance with the Annual Investment Strategy](#) and the Council believes that better terms will be available. Direct dealing is undertaken with the following institutions (but note that this list is not fixed and is subject to review/change based on external advice, rating changes and other intelligence deemed appropriate by the Council):-

- Bank of Scotland
- Nationwide Building Society
- Barclays Bank
- HSBC
- Lloyds Bank-
- [Coventry Building Society](#)
- Leeds Building Society
- [Santander](#) UK
- DMO
- Any Principal Local Authority

**5.115.10 SETTLEMENT TRANSMISSION PROCEDURES**

Via the CHAPS system using the relevant ~~stationary~~ [stationery](#) / forms for the form of investment / borrowing.

**5.125.11 DOCUMENTATION REQUIREMENTS**

For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker. Copy confirmation should be retained with the paperwork for each deal.



**5.135.12 ARRANGEMENTS CONCERNING THE MANAGEMENT OF THIRD-PARTY FUNDS.**

The Council holds a number of trust funds. The cash in respect of these funds is held in the Council's bank account but transactions are separately coded. Interest is given on credit balances at the average rate for internal balances for the year.

## **TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**

### **6.1 ANNUAL TREASURY MANAGEMENT STRATEGY STATEMENT**

1. The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Council for approval before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.
3. The Treasury Management Strategy Statement is concerned with the following elements:
  - Prudential Indicators
  - current Treasury portfolio position
  - borrowing requirement
  - prospects for interest rates
  - borrowing strategy
  - investment strategy
  - debt rescheduling
  - any extraordinary treasury issue
4. The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

### **6.2 POLICY ON INTEREST RATE EXPOSURE**

1. The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential Indicators.
2. The ~~Chief Finance Officer~~ Chief Financial Officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the ~~Chief Finance Officer~~ Chief Finance Officer shall submit the changes for approval to the full Council

### **6.3 ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY**

An annual report will be presented to the Policy and Resources Committee at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following: -

- a. a comprehensive picture for the financial year of all treasury policies, plans, activities and results;
- b. transactions executed and their revenue (current) effects;
- c. report on risk implications of decisions taken and transactions executed;
- d. monitoring of compliance with approved policy, prudential limits, practices and statutory / regulatory requirements;
- e. monitoring of compliance with powers delegated to officers;
- f. degree of compliance with the original strategy and explanation of deviations;
- g. explanation of future impact of decisions taken on the organisation;
- h. measurements of performance;
- i. report on compliance with CIPFA Code recommendations.

#### 6.4 MANAGEMENT INFORMATION REPORTS

Weekly reports will be prepared by the ~~Accountancy Manager~~Accountancy Manager/~~Assistant Accountant~~ and ~~be accessible to~~ (submitted to) the ~~Chief Finance Officer~~Chief Financial Officer providing a summary of investment and borrowing activity each week. Longer term cashflow forecasting (minimum12 months) is also accessible. Other periodic reports may be produced containing the following information where required:

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

## **TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

### **7.1 STATUTORY/REGULATORY REQUIREMENTS**

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

### **7.2 ACCOUNTING PRACTICES AND STANDARDS**

Due regard is given to the Accounting Code for Local Authorities and International Accounting Standards as they apply to Local Authorities in Great Britain.

### **7.3 SAMPLE BUDGETS / ACCOUNTS / PRUDENTIAL INDICATORS**

The ~~Chief Finance Officer~~ Chief Financial Officer will prepare a three year medium term financial plan with Prudential Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The ~~Chief Finance Officer~~ Chief Financial Officer will exercise effective controls over this budget and monitoring of performance against Prudential Indicators, and will report upon and recommend any changes required in accordance with TMP6.

### **7.4 LIST OF INFORMATION REQUIREMENTS OF EXTERNAL AUDITORS**

- Reconciliation of loans outstanding in the financial ledger to Treasury Management records
- Maturity analysis of loans outstanding
- Certificates for new long term loans taken out in the year
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges reports
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential Indicators
- Review of observance of limits set by Prudential Indicators
- Calculation of the Minimum Revenue Provision.

### **7.5 Budget Monitoring Reports**

Quarterly Budget Monitoring reports are produced for the Management Team and the Policy and Resources Committee. The report is intended to highlight any variances between budgets and spend in order that the Council can assess its financial position. Details of treasury management activities are included within this report.

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

### **8.1 ARRANGEMENTS FOR PREPARING/SUBMITTING CASH FLOW STATEMENTS**

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

### **8.2 SOURCES OF INFORMATION**

The Treasury team has on-line access to its bank accounts with Lloyds Bank (Lloyds Online Commercial Banking). Daily downloads are taken from this to verify the position for the previous and the current day. This information is supplemented by data from other sources which may include:

- Creditors
- Payroll (payments of sums due in respect of salaries, National Insurance and PAYE)
- Housing Benefits
- Local taxation income
- Sundry income / expd (e.g. Government grants / Liberata contract payments)
- Service requests for same day payments (e.g. legal on property matters)

### **8.3 BANK STATEMENTS PROCEDURES**

The Council receives daily bank statements and a daily download of data from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc. A formal bank reconciliation is undertaken on a monthly basis by ~~an Accountancy Assistant~~ [the Administration Assistant](#) (Post AAS0986).

### **8.4 PAYMENT SCHEDULING AND AGREED TERMS OF TRADE WITH CREDITORS**

Our policy is to pay creditors within 30 days of the invoice date and this effectively schedules the payments.

### **8.5 ARRANGEMENTS FOR MONITORING DEBTORS / CREDITORS LEVELS**

The ~~Group Accountant~~ [Accountancy Assistant](#) (Post ~~AAS075~~ [AAS098](#)) is responsible for monitoring the levels of debtors on a monthly basis. The Debtors and Creditors system records are verified as part of the final accounts process as well as reconciled on a weekly (creditors) / monthly (debtors) basis.

### **8.6 PROCEDURES FOR BANKING OF FUNDS**

All money received by an officer on behalf of the Council will without unreasonable delay be deposited at an approved outlet for the receipt of cash (Paypoint or Post Office).

### **8.7 PRACTICES CONCERNING PREPAYMENTS TO OBTAIN BENEFITS**

The Council has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the appropriate Service Manager.

## TMP 9 MONEY LAUNDERING

### 9.1 PROCEDURES FOR ESTABLISHING IDENTITY / AUTHENTICITY OF LENDERS

The Council does not accept loans from individuals.

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

When repaying loans, the procedures in 9.2 will be followed to check the bank details of the recipient.

### 9.2 METHODOLOGIES FOR IDENTIFYING DEPOSIT TAKERS

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

All transactions will be carried out by CHAPS for making deposits or repaying loans.

### 9.3 PROCEEDS OF CRIME ACT 2002 (POCA)

Shown below is an explanation of the current responsibilities of local authorities:-

*The Proceeds of Crime Act 2002 imposes an obligation on any person or other body that undertakes a regulated activity as defined by the Act to report any incident that leads them to suspect that an individual or other body is making transactions with the proceeds of any criminal activity. This is an extension of the obligations previously imposed principally on financial services organisations and employees under money laundering legislation. The money laundering legislation, as reinforced by the FCA guidance, made it clear that an organisation had to nominate a money laundering reporting officer, MLRO, through whom suspicious transactions had to be reported and it was incumbent on the MLRO to decide if these transactions had to be reported to the Serious Organised Crime Agency (SOCA), being the police body charged with dealing with these matters.*

*The question therefore arises as to whether organisations now caught under the provisions of the Proceeds of Crime Act (POCA) have to also nominate a MLRO. There is nothing that states that an MLRO has to be nominated and indeed, a number of organisations that are caught by POCA would not have a direct regulator to notify. However, it is equally clear that such organisations must have a process in place whereby employees can alert management of activities that may fall under POCA and that process must make it clear to whom an internal report has to be made. Therefore, whether called an MLRO or not, under their internal processes organisations need to appoint a senior officer (F.D., Treasurer, Head of Legal) to whom suspicions must be reported and who is responsible for deciding whether to pass the report to SOCA.*

SOCA  
PO BOX 8000  
LONDON SE11 5EN

[www.soca.gov.uk](http://www.soca.gov.uk)

The ~~Chief Finance Officer~~ Chief Financial Officer is conversant with the requirements of the Proceeds of Crime Act 2002 and will ensure staff in the following areas are trained so as to be diligent and alert to the risk of suspicious transactions: -

- treasury management
- other as appropriate

The Council has appointed the Audit Manager as its nominated Money Laundering Reporting Officer to whom any suspicions that transactions involving the Council may include a party who is involved in criminal activity should be reported. Suspicious transactions will be investigated as far as the Council is in a position to do so or it is appropriate for the Council to do so, and if doubts remain, these transactions will then be reported to the National ~~Criminal Investigation Service~~. [Crime Agency \(NCA\)](#).

The Council has an established Money Laundering Policy and associated guidance which is available to all staff on the Intranet.

## TMP 10 STAFF TRAINING AND QUALIFICATIONS

The Council recognises the importance that all treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a Staff Appraisal scheme ([Performance Management Review – PMR](#)) which helps identify the training requirements of individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the ~~Chief Finance Officer~~ Chief Financial Officer to ensure that all staff under his / her authority receive the necessary training.

### 10.1 DETAILS OF APPROVED TRAINING COURSES

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

### 10.2 RECORDS OF TRAINING RECEIVED BY TREASURY STAFF / OTHERS

As part of the ~~Performance Management~~PMR system the ~~Accountancy~~ Chief Financial Officer will maintain records on all staff and the training they receive.

Details of any training provided to those ‘charged with governance’ will be maintained by the Council’s Member Services team.

### 10.3 STATEMENT OF PROFESSIONAL PRACTICE (SOPP)

1. Where the ~~Chief Financial Officer~~ Chief Financial Officer ([Chief Finance Officer](#)) is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.
2. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.



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

### **11.1 DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS, ADVISERS**

#### **11.1.1 Banking services**

Name of supplier of service is the Lloyds Bank plc (Burnley Branch).

- a) The current contract is subject to annual review.
- b) Cost of service is based on an agreed tariff set by transaction volumes
- c) Payments are charged quarterly by direct debit following the issue of an invoice and supporting statement showing transaction volumes

#### **11.1.2 Money-broking services**

The Council may in some instances use money brokers for temporary borrowing and investment and long term borrowing.

Name of broker: Martin Brokers (UK) Ltd

Name of broker: King and Shaxson.

#### **11.1.3 Consultants'/advisers' services**

##### **Treasury Consultancy Services**

The Council will seek expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to\ put on its approved lending list etc.

- a) Name of current supplier of this service is ~~Sector Treasury~~Link Asset Services ~~(LAS) Limited~~, 6<sup>th</sup> Floor, 65 Gresham Street, London EC2V 7NQ
- b) The contractual position will be reviewed in 2018/19 prior to the expiry of a one year extension entered into in 2017/18.
- c) Payments due half-yearly (May and November).

##### **Leasing Consultancy Services**

Advice may be sought on an ad-hoc basis from service providers subject to a value for money assessments including and these may include ~~Sector~~ LAS.

#### **11.1.4 Credit rating agency**

The Council receives a credit rating service through its treasury management consultants, the costs of which is included in the consultant's annual fee.

### **11.2 PROCEDURES AND FREQUENCY FOR TENDERING SERVICES**

See TMP2

**TMP 12 CORPORATE GOVERNANCE****12.1 LIST OF DOCUMENTS TO BE MADE AVAILABLE FOR PUBLIC INSPECTION**

- a. The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.
- b. It has adopted the CIPFA Code of Practice on Treasury management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.
- c. The following documents are available for public inspection (most commonly by publication to the Council's website):-

Treasury Management Policy Statement  
Treasury Management Strategy Statement  
Annual Treasury Review Report  
Annual Statement of Accounts  
External Auditor's report on the Accounts  
Medium Term Financial Plan (MTFP)  
Annual budget  
3 Year Capital Plan  
Minutes of Council / Committee meetings  
In year monitoring reports on Treasury Management activity  
Capital Strategy