

Appendix H.6

TREASURY MANAGEMENT PRACTICES PRINCIPLES AND SCHEDULES

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

TREASURY MANAGEMENT PRACTICES	TMP Number
Organisational chart of the Council's Finance and Treasury Division	TMP5
Statement of duties and responsibilities	TMP5
Absence cover	TMP5
Liquidity Management, Cash flow, bank overdraft, short-term borrowing/lending	TMP1[2]
Cash Flow forecasts	TMP8
Bank statements, payment scheduling	TMP8
Electronic banking and dealing	TMP1[7]
Standard Settlement Instructions, Payment Authorisation	TMP1[7]
Approved types and sources of borrowing	TMP4
Approved investment instruments	TMP4
Counterparty and Credit Risk Management	TMP1[1]
Current criteria	TMP1[1]
Counterparty List and Limits	TMSS
Dealing: - Authorised dealers - Dealing limits - List of approved brokers - Settlement transmission procedures	TMP5 Appendix A TMSS TM11 Appendix A
Reporting arrangements/Performance measurement	TMP6
Officers' responsibilities for reporting	TMP2 TMP5
Budget, Statement of Accounts, treasury-related information requirements for Auditors	TMP7
Procedure Notes for Council's treasury management system	Held in separate operational notes held by the Treasury Team
Anti-Money Laundering Procedures	TMP9
Contingency Arrangements	TMP1[7] and Finance Business Continuity Plans
External Service Providers	TMP11
References to Statute and Legislation	TMP1[7]
Non- Treasury Investments	Detailed separately within the Non-Treasury Investment Strategy.

Introduction:

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

- a treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities
- suitable treasury management practices (TMPs – i.e. this document) setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

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

Definitions

Treasury Management is defined by CIPFA as

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

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

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

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

The Code identifies three key principles

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

- (2) Their policies and practices should make clear that the effective management and control of risk and prime objectives of their treasury management activities and that responsibility for these lies clearly within these organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.
- (3) They should acknowledge that the pursuit for value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

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

- (1) The Council will create and maintain, as the cornerstones for effective treasury management
 - a. **A treasury management policy statement**, stating the policies, objectives and approach to risk management of its treasury management activities
 - b. Suitable **treasury management practices (TMPs)**, setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities
 - c. **Investment management practices (IMPs)** for investments that are not for treasury management purposes

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

- (2) The Council will receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy (the Treasury Management Strategy Statement – TMSS) and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs and IMPs.
- (3) The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Executive Committee and for the execution and administration of treasury management decisions to the Executive Director of Finance who will act in accordance with the organisation's policy statement and TMPs and IMPs.
- (4) The Council nominates the Scrutiny Committee to be responsible for ensuring effective scrutiny of treasury management strategy and policies.

The Treasury Management Practices (TMPs) comprise:

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

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

The Council has separate Investment Management Practices for Service and Commercial Investments (i.e. for investments that are not part of Treasury Management activity) which are within the Investment Management Strategy.

TMP1: RISK MANAGEMENT

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

The Chief Finance Office - Section 151 Officer (CFO) will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 *Reporting requirements and management information arrangements*.

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out as schedules below.

[1] Credit and counterparty risk

The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources.

Principle

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

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

The CIPFA Treasury Management Code encourages local authorities to consider counterparty policies in light of ESG factors. However, it acknowledges that a fully developed approach to ESG in the public sector is still emerging and does not expect authorities to apply real-time ESG scoring or criteria for individual investments.

Schedule

<p>Criteria to be used for creating/managing approved counterparty lists/limits</p>	<p>The CFO 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 Full Council annually.</p> <p>The current criteria is contained in the TMSS.</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 credit criteria (determined at least annually) and will monitor and update the credit standing of the institutions on a regular basis.</p> <p>This assessment will include consideration of credit ratings from the main ratings agencies as listed in this section 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).</p> <p>Investment limits are set by reference to the lowest long-term rating from the agencies <u>currently A</u> and other relevant factors, including external advice.</p> <p>Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.</p> <p>However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account including information on corporate developments and market sentiment towards investment counterparties.</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> <p>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.</p>
<p>Approved methodology for changing limits and adding/removing counterparties</p> <p>Risk management:</p> <p>(a) creditworthiness deteriorates below the minimum criteria</p> <p>(b) ratings are placed</p>	<p>The CFO 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"> - No new investments will be made, - Any existing investments that can be recalled or sold at no cost will be, and - Full consideration will be given to the recall or sale of other existing investments with the affected counterparty. <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</p>

<p>on review for possible downgrade</p>	<p>made with that organisation until the outcome of the review is announced.</p> <p>This policy will not apply for ‘negative outlooks’ which indicate a long-term direction of travel rather than a possibility of an imminent downgrade.</p>
<p>Details of credit rating agencies’ services and their application</p> <p>Limitations of credit ratings and other information on security of investments</p>	<p>The Council considers the ratings of the main ratings agencies including Fitch, Moody’s S&P when making investment decisions. Credit rating agency information is just one of a range of measures used to assess the creditworthiness of institutions.</p> <p>The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including</p> <ul style="list-style-type: none"> - bail-in risk metrics - credit default swap prices, - financial statements, - information on potential government support / bail-in impact - reports in the quality financial press and analysis and advice from the Council’s treasury management adviser, Arlingclose. <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 and 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 share price information.</p> <p>Arlingclose also undertakes analysis on the balance sheet structure of key banking institutions to help inform the potential restructure (i.e. bail-in) of a bank’s unsecured liabilities should this be required by the regulatory authorities.</p> <p>In addition, the Treasury Team reads quality financial press for information on counterparties.</p>
<p>Full individual listings of counterparties and counterparty limits</p>	<p>An up-to-date individual listing of banking counterparties based on the criteria is maintained and saved in the Council’s systems available to all Treasury Officers. As credit ratings etc. are subject to change without notice, an up-to-date lending list will be maintained on an ongoing basis.</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>Country, sector and group listings of counterparties and the overall limits applied to each, where appropriate</p>	<p>Monetary limits for any one organisation (other than the UK government) are set in the TMSS with reference to general revenue reserves available to cover investment losses in order to minimise the impact on reserves in the case of a single default.</p> <p>The level of general revenue reserves, and therefore the monetary limit, will be reviewed at least annually.</p> <p>A group of entities under the same ownership will be treated as a single organisation for limit purposes.</p> <p>Limits are also placed on</p> <ul style="list-style-type: none"> - foreign countries, i.e. deposits with and CDs/bonds issued by non-UK organisations - total amounts invested with one fund management company, - investments in brokers' nominee accounts. <p>Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.</p>
<p>Responsible Investment / ESG</p>	<p>The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.</p> <p>ESG policy: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level.</p> <p>When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.</p>

[2] Liquidity risk

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

Principle

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

Schedule

Details of cash flow and cash balances	The Council will aim for effective cash flow forecasting and monitoring of cash balances and will maintain a rolling cash flow forecast to determine the maximum period for which funds may be prudently committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments.
Amounts of approved minimum cash balances and short-term investments	A minimum balance of £50k is retained within the operational bank account to deal with daily fluctuations The Council also uses various Money Market Funds to manage its liquidity requirements. The maximum balance on each of these accounts is reviewed and set as part of the Council's TMSS.
Details of short-term borrowing facilities	Temporary borrowing up to 1 year through the Local Authority Market is available should there be a cash flow deficit at any point during the year. At no time will the outstanding total of temporary and long-term borrowing together with any bank overdraft exceed the Prudential Indicator for the Authorised Borrowing Limit which is determined and approved before the start of each financial year. The Authorised Limit for the current financial year is in the TMSS.
Details of bank overdraft arrangements and standby facilities	The Council has an authorised overdraft limit with its bankers of £750k, chargeable at 1.5% above the banks base rate. The facility is used as a contingency and only in a last resort when temporary borrowing is not available.
Details of insurance/guarantee facilities	There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

[3] Interest Rate Risk Management:

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

Principle

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

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

The Council will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

Schedule

<p>Proportions of fixed/variable rate debt</p>	<p>Borrowing/investments may be at a fixed or variable interest rate.</p> <p>In setting its forward Treasury Strategy on an annual basis, the Council will determine the necessary degree of certainty required for its capital plans and budgets but will, at the same time, allow sufficient flexibility to enable it to benefit from potentially advantageous changes in market condition.</p> <p>A fall in interest rates is beneficial for variable rate debt and short-term borrowing which needs to be refinanced, but not for variable rate investments.</p> <p>Conversely, a rise in interest rates is beneficial for short-term investments which can be reinvested at higher rates but will be a cost for variable rate borrowing or short-term borrowing which needs to be refinanced.</p> <p>The Council sets an Interest Rate Risk indicator as part of its TMSS to control exposure to interest rate risk. This is set as</p> <p>(a) Upper limit on one-year revenue impact of a 1% rise in interest rates and (b) Upper limit on one-year revenue impact of a 1% fall in interest rates.</p> <p>Interest rates can rise and fall sharply and can also rise/fall by more than 1% in a 12-month period.</p> <p>The Interest Rate Risk indicator is not mandatory, but CIPFA encourages its use. The indicator above matches the one in the statement of accounts disclosure notes.</p>
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<p>Guidelines for managing changes to interest rate levels</p>	<p>The main impact of changes in interest rate levels is to monies borrowed and invested at variable rates of interest.</p> <p>Interest rate forecasts are provided by the Council's <u>Treasury Advisors</u> 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 Executive Committee as necessary.</p> <p>Alternatively, the Council may consider forward starting loans for its non-PWLB loans portfolio where the interest rate is agreed and fixed in advance but the cash is received at a later date. This would enable certainty of cost to be achieved without suffering a 'cost of carry' in the intervening period. There is, however, a risk in that interest rates may fall in the intervening period but the Council is committed to the pre-agreed drawdown of the loan on the relevant date at the higher rate.</p> <p>For its investments, the Council may consider dealing from forward periods dependent upon market conditions. The Council's counterparty term limits will apply and will include the forward period of the investment. There are, however, risks (i) that interest rates may rise in the intervening period and/or (ii) the creditworthiness of the borrower has deteriorated during the forward period, but the Council is committed to the pre-agreed lending of monies to the counterparty on the relevant date.</p>
<p>Policies concerning the use of financial derivatives for interest rate risk management</p>	<p>The Council will only use the following standalone financial derivatives as permitted in the TMSS as the Council has determined these can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. The policy on the use of derivatives can be found in the TMSS.</p> <p>The use of derivatives is outlined in TMP4 Approved instruments, methods and techniques and the Council will seek proper advice before entering into arrangements for such products and will ensure it has the necessary knowledge and understanding of them before doing so.</p>
<p>Negative interest rates</p>	<p>Should economic conditions be such that the Bank of England sets Bank Rate at or below zero, this is likely to feed through into negative rates on short term, low risk investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even if it is below the amount originally invested.</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 manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

Schedule

Details of approved exchange rate exposure limits for cash investments/debt	<p>This Authority 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 and professional advice sought.</p> <p>At the present time statute prevents the Council borrowing in currencies other than sterling.</p>
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[5] Inflation Risk Management

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

Principle

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

Investments over one year	Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation (within reason and without taking undue risk), in order to maintain the spending power of the sum invested.
Contractual obligations linked to inflation	<p>The Council will identify all contractual obligations which are linked to inflation, whether receipts or payments, in relation to its treasury assets and liabilities and regularly review the financial impact of a <+/- 1%> increase/decrease in inflation from existing levels.</p> <p>Service and commercial loans and investments which are linked to inflation will also be identified and their impact monitored.</p>

[6] Refinancing Risk Management

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

Principle

The Council will ensure that its borrowing and other long-term liabilities are negotiated, structured and documented, and the maturity profile of the monies so raised is managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.

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

Schedule

<p>Projected capital financing requirements</p>	<p>Four year projections are in place for capital expenditure and its financing or funding. Financing will be from capital receipts, reserves and any grants or contributions awarded, revenue resources or reserves. Funding will be from internal or external borrowing, as decided.</p> <p>As required by the Prudential Code, the Council will undertake Options Appraisal to evaluate the best capital expenditure financing route.</p>
<p>Debt/other capital financing maturity profiling, policies and practices</p> <p>Liability Benchmark</p>	<p>The Council will maintain through its treasury system, Treasury Live, 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>To assist with long-term borrowing decision making the Council creates, with advice and assistance from its treasury advisor, a 'Liability Benchmark' [LB] which is the lowest risk level of borrowing. The LB is an important tool which takes into account maturing loans and represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.</p> <p>The Liability Benchmark</p> <ul style="list-style-type: none"> - is represented as a graph in the annual treasury management strategy. - updated regularly through the year by the Council with developments and/or timing changes in the capital programme as well as changes to balance sheet resources. - is reported on quarterly alongside the Council's capital monitoring reports. <p>Based on the output of the Liability Benchmark and the Council's outlook on interest rates, any longer-term borrowing will be undertaken in accordance with the CIPFA Codes and will comply with the Council's Prudential Indicators and the Annual Treasury Management Strategy.</p>
<p>Debt Maturity Profile</p>	<p>The Council will maintain in its borrowing records a debt maturity profile showing the amount of loans maturing in each financial year.</p> <p>Avoiding a concentration of loan maturities in a single financial year and over any 2-3 year period will reduce the risk of having to refinance maturing loans at a time when interest rates are high and unfavourable to the Council.</p>

Borrowing from commercial lenders	Where lenders to the Council are commercial bodies, the Council will aim for diversification in order to spread risk and avoid over-reliance on a small number of counterparties.
Policy on LOBO call options	<p>The Council's debt portfolio includes four loans totalling £37m borrowed on a Lender's Option Borrower's Option (LOBO) basis.</p> <p>The lender can exercise their call to change the rate on the LOBO loan at each call date. The call dates for each LOBO loan are noted within the Treasury Live and are referenced to the LOBO documentation.</p> <p>Prior to each call date, the Council will take a proactive approach and determine the response should the LOBO loan be called and evaluate alternative funding sources for comparable interest rates/maturities. This will be discussed at the <i>monthly</i> 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>The Council will exercise caution where the new rate offered by the lender on the LOBO is slightly lower than prevailing PWLB rates. While the rate revision may look "cheaper" than PWLB debt, it only provides protection from further rate rises until the next option date.</p> <p>Should the lender exercise its call on the LOBO, it is important to remain within the timescale for the Council to exercise its option, but not be rushed into a decision.</p>

[7] Legal and Regulatory Risk Management

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

Principle

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] *Counterparty credit risk management*, it will ensure that there is evidence of counterparties' powers, 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

<p>References to relevant statute, regulations, statutory guidance and recognised codes of practice</p>	<p>The treasury management activities of the Council shall comply fully with statute and regulations and have regard to statutory guidance and recognised Codes of Practice. These are:</p> <ul style="list-style-type: none"> ▪ Local Government Act 2003 ▪ Localism Act 2011 (in relation to general power of competence) ▪ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and subsequent amendments ▪ The Local Authorities (Contracting out of Investment Functions) Order 1996 and subsequent amendments ▪ MHCLG (NOW DLUHC) Statutory Guidance on Local Government Investments (2018 Edition) ▪ CIPFA Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes (2021 Edition) and Guidance Notes for Local Authorities ▪ CIPFA The Prudential Code for Capital Finance in Local Authorities (2021 Edition) and Guidance Notes for Practitioners ▪ Relevant CIPFA Bulletins ▪ Bank of England Money Markets Code (2021 Edition) and Explanatory Notes
<p>PWLB Borrowing</p>	<p>HM Treasury have also issued guidance regarding PWLB lending which will apply to any loan arranged from 26th November 2020.</p> <p>The guidance is updated from time to time and can be found on https://www.dmo.gov.uk/responsibilities/local-authority-lending/lending-arrangements/</p>
<p>References to relevant parts of the Council's constitution</p>	<ul style="list-style-type: none"> ▪ Section 9 part 2 - Scheme of Delegation ▪ Section 9 part 6 - Standing Order relating to Contract ▪ Section 9 part 7 - Financial Regulations
<p>Procedures for evidencing the organisation's powers/authorities to counterparties</p>	<p>To avoid the potential for illegal or irregular dealings in its treasury management activities the Council will maintain and make available up-to-date records of its powers and of the regulatory regime under which the TM activities are undertaken.</p> <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 Executive Committee.</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>

<p>Markets in Financial Instruments Directive II (MiFID II)</p>	<p>The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies.</p> <p>Given the size and range of the Council’s treasury management activities, the CFO believes this to be the most appropriate status.</p>
<p>Reporting and audit trail</p>	<p>To demonstrate openness and accountability and to minimise the risk of being challenged over whether the Council pursued due processes, the Council will maintain an audit trail of treasury management decisions and transactions.</p> <p>This not only dovetails with transparency on the Council’s decision-making process and assessment of the effectiveness of TM decisions, it also helps if it becomes necessary to demonstrate the legality or probity of transactions.</p> <p>See TMP 6 – Reporting Requirements and Management Arrangement Information Arrangements for more detail.</p>
<p>Statement on the organisation’s political risks and management of the same</p>	<p>Political risk is managed by:</p> <ul style="list-style-type: none"> • adherence to Corporate Governance (TMP12 <i>Corporate Governance</i>) • the roles of the Scrutiny Committee.

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

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

Principle

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

Schedule

<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 TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements.</p> <p>1. Electronic Banking and Dealing</p> <p>(a) The Council's online banking service provided 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.</p> <p>Officer access is reviewed as necessary.</p> <p>(b) Access to the Council's treasury management system, Treasury Live is limited to Treasury Officers, each having a separate log-on and password.</p> <p>These also are reviewed as necessary.</p> <p>(c) Access to the FIS Online platform to agree placement of funds into Money Markets is completed electronically. Access to FIS Online is limited to Treasury Officers, each having a separate log-on and password.</p> <p>These also are reviewed as necessary.</p> <p>2. Standard Settlement Instructions (SSIs): a list is maintained of named officers who have the authority to transact for loans and investments, delegated from the CFO, following approval of the TMSS.</p> <p>3. <u>Payment Authorisation</u>:</p> <ul style="list-style-type: none"> • 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. • Inflow and outflow of monies borrowed and invested will only be from the counterparty's bank accounts. • Separate officers will carry out (a) dealing and (b) authorising of transactions and disbursements.
<p>Verification</p>	<p>Loans and investments will be maintained in <u>the treasury management system</u> which will include fees and brokerage paid.</p> <p>Transactions will be cross-checked against broker notes /counterparty confirmations / contract notes / PWLB loan confirmations by verifying dates, amounts, interest rates, maturity, interest payment dates, etc.</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"> 1. The Treasury Management system balances are reconciled with financial ledger codes at the end of each month and at the financial year end 2. Working papers are retained for audit inspection 3. The bank reconciliation is carried out monthly from the bank statement to the financial ledger.
Internal Audit	Internal Audit carry out an annual review of the treasury management function including probity testing. See <i>TMP7 Budgeting, accounting and audit arrangements</i> .
Emergency and contingency planning arrangements	<ol style="list-style-type: none"> 1. All treasury systems are retained on the Council's network. Daily back-ups are taken and maintained, and network back-ups can be used by the IT department to restore files, if necessary 3. Electronic Banking System Failure: In this event, instructions over the phone will be delivered as necessary 5. The Business Continuity plan is maintained within the Finance Team.
Insurance cover details	The Council has insurance cover. Details of the provider and cover are held by the Insurance team.

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

Principle

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

Schedule

<p>Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate</p>	<p>Investment instruments used by the external fund managers (for example CDs, bonds or funds investing in equities/bonds/property etc) are subject to fluctuation in capital movements and exposed to interest rate risk. 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>The Council may consider investment in Pooled Funds with a Variable Net Asset Value (VNAV), as appropriate, in line with its treasury strategy and on advice from its treasury advisors.</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>The Council also sets monetary limits for the Price Risk prudential indicator as part of its TM strategy. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.</p>
<p>Accounting for unrealised gains/losses</p>	<p>A statutory override is in place until March 2025, currently out for consultation, for fair value gains and losses on most pooled investment funds not to be taken to revenue (capital finance regulation 30K).</p> <p>The regulation requires fair value gains and losses on pooled investment funds to be taken to an unusable reserve, the Pooled Investment Fund Adjustment Account, except those:</p> <ul style="list-style-type: none"> • held on behalf of a pension fund or trust fund, • classed as capital expenditure, • that are neither UCITS funds nor approved by HM Treasury for use by local authorities, • that have been elected to fair value through other comprehensive income (FVOCI), or • that have been redeemed, sold or otherwise disposed of. <p>IFRS 9 includes an option to irrevocably elect to account for equity instruments at fair value through other comprehensive income (FVOCI). Gains and losses from changes in fair value (often called capital gains and losses) are taken to Finance I&E under FVPL accounting but are taken to the Financial Instruments Revaluation Reserve (FIRR) under FVOCI accounting. The election is therefore suitable for long-term holdings of strategic investments where fair value changes are not considered part of the Council's annual performance.</p> <p>The Council's view is that the strategic pooled funds in our portfolio meet the definition of an equity instrument in IAS 32 and are therefore eligible to be elected to FVOCI.</p> <p>An election to FVOCI may only be made on initial recognition of an investment (or upon transition to IFRS 9 on 1st April 2018 if later), and it is irrevocable.</p>

TMP2: PERFORMANCE MEASUREMENT

Principle

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

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

The performance of the treasury management function will be measured using the criteria set out below. The criteria will include measures of effective treasury risk management and not only measures of financial performance (income or savings).

Schedule

<p>Policy concerning methods for testing value for money</p>	<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"> ▪ Challenging ▪ Comparing performance ▪ Consulting with other users and interested parties ▪ Applying competition principles <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>
<p>Policy concerning methods for performance measurement</p>	<ul style="list-style-type: none"> • Performance measurement at the Council is intended to calculate the effectiveness of treasury activity in delivering the strategic objectives set through the Treasury Management Strategy and the Council's Prudential Indicators and to enhance accountability. • Prudential Indicators are specific to the Council and not intended as a comparator between authorities. • The performance review will be made in the light of general trends in interest rates during the year and how the decisions made corresponded with these trends and the Council's agreed strategy (i.e. the Council will avoid hindsight analysis). <p>Any comparison of the Council's treasury portfolio against recognised industry standards, market indices and other portfolios is intended to:</p> <ol style="list-style-type: none"> (i) allow the Council the opportunity to assess the potential to add value through changes to the existing ways in which its portfolio is managed, and (ii) permit an informed judgement about the merits or otherwise of using new treasury management techniques or instruments. <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 effective management of 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 (PIs) approved by the Council will be carried out as part of the budget monitoring reports to Executive Committee on a quarterly basis.</p> <p>The semi-annual and year-end Annual Treasury Report will also include, as a matter of course, the outturn against the PIs set prior to the commencement of the financial year and any in-year amendments.</p> <p>As the Council's treasury activities generally involves both borrowing and lending at various times, it will measure the performance of the borrowing and investment portfolios on an individual as well as net treasury basis. Metrics may include average rate, average maturity, credit risk, volatility, etc</p> <p>The Council participates in the Treasury Management Advisor's quarterly investment benchmarking and from time to time, other benchmarking such as for Balance Sheet and Debt.</p>
<p>Methods 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 Quarterly Treasury Management Performance report presented to Executive Committee.</p> <p>Examples of performance measures:</p> <ul style="list-style-type: none"> a) CFR Funding Ratio (gross borrowing as a % of the Loans CFR) b) Gross and Net Borrowing; Leverage Ratio (gross borrowing as a proportion of net borrowing) c) Average rate on gross borrowing vs weighted average maturity d) Leveraged Rate on Net Borrowing vs Leverage Ratio e) The effect of any debt restructuring on the debt portfolio f) An analysis of any risks inherent within the debt portfolio (e.g. £Xm of loans, i.e. % of total portfolio exposed to variable rates and/or borrowed on a temporary basis which needs regular refinancing; LOBOs in their call period) g) Average rate on gross investments, average life, credit and maturity profile h) The effect of new instruments / techniques on the above (this is to help make an informed judgement about the merits of their use) i) The rate of return on investments against their credit quality j) An analysis of any risks inherent within the investment portfolio (e.g. exposure to market movements and volatility in price of CDs, gilts/bonds, pooled funds) k) Whether the treasury management activity resulted in a breach of the Prudential Indicators and other limits set within treasury strategy l) Daily bank balances: any major deviations from the target bank balances

<p>Benchmarks and calculation methodology with regard to risk and return: debt management and investment</p>	<p>All benchmarking should consider risk as well as return/cost.</p> <p>Investment returns:</p> <ul style="list-style-type: none"> • Internally Managed Investment Returns - total interest accruing during the month or year on average daily balances invested during the calendar month. ▪ Externally Managed Investment Returns – income return and capital growth/loss ▪ Credit risk and credit profile ▪ Volatility of funds operating on a variable net asset value (VNAV) basis <p>Debt Management</p> <ul style="list-style-type: none"> ▪ Percentage of debt maturing in (i) 12 months and (ii) 12-24 months which will need refinancing ▪ Value of PWLB and market debt (beginning and end of period) ▪ Percentage of fixed and variable rate debt (beginning and end of period) ▪ Value of temporary loans (under 1 year) which will need refinancing on maturity ▪ Value of LOBO loans with call frequency of (i) six months, (ii) 12 months, (iii) 2 years (iv) 3-5 years (v) greater than 5 years
<p>Policy concerning methods for testing value for money in treasury management</p>	<p>The treasury management function will be the subject of ongoing analysis of the value for money it adds in support of the Council’s stated corporate and service objectives.</p> <p>When tendering for treasury-related or banking services, the Council adheres to its Financial Regulations.</p>

TMP3: DECISION MAKING AND ANALYSIS

Principle

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

The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed below.

Schedule

<p>Capital expenditure and investment plans</p>	<p>The Prudential Code requires the Council to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long run financing implications and potential risks to the Council. Therefore, effective financial planning, option appraisal and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt.</p> <p>The Prudential Code encourages determining spending priorities and affordability criteria. The fundamental objective in the consideration of the affordability of the Council's capital plans is to ensure that the total capital investment of the Council remains within sustainable limits.</p> <p>In considering the affordability of the capital plans, the Council is required to consider all of the resources available to it or estimated for the future, together with the totality of the capital plans, income and expenditure forecasts.</p> <p>The risks of the Council's commercial investments should be proportionate to the Council's overall capacity – ie that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services and the level of resources available to the Council.</p>
<p>Major treasury decisions</p>	<p>As a public service organisation, the Council will demonstrate openness and accountability in treasury management activities and will create and maintain an audit trail of treasury management decisions which comprise:</p> <ul style="list-style-type: none"> a) setting and any in-year changes to changes to Prudential Indicator(s) b) options appraisal to determine a funding decision c) raising new short-term or long-term loans/ other long-term source of finance d) prematurely rescheduling/redeeming an existing loan(s) e) short- and long-term (i.e. in excess of 1 year) investments f) utilisation of investment instruments which constitute capital expenditure (i.e. loan capital/share capital in a body corporate) g) leasing h) use of derivatives i) change in banking arrangements j) appointing/replacing a treasury advisor k) appointing/replacing a fund manager

Borrowing purpose	<p>The 2021 Prudential Code is clear that in order to comply with this Code, an authority must not borrow to invest primarily for financial return.</p> <p>It is not prudent for the Council to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the Council's functions and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.</p> <p>The Statutory Guidance of Local Authority Investments in England 2018 considers that borrowing in advance of need purely to profit from the investment of the extra sums borrowed is against the principles in the statutory framework. If the Council chooses not to comply with this principle in order to invest in property or other financial assets for commercial return, then the Council must make additional disclosures about the reasons for doing so.</p>
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Process	<p>Liability benchmark [LB]: The Liability Benchmark is a long-term measure of the underlying need to borrow for <u>all</u> purposes over the long term and is based on its current capital programme and other forecast cash flow movements.</p> <p>It is a tool to compare the current loans portfolio against the current and planned need to borrow, in terms of both the level and term of borrowing. It indicates whether long term borrowing (or long term investments, if the Council is a net investor) are more appropriate.</p> <p>The LB an important borrowing risk management measure and will be inclusive in the decision-making process so as to prevent over-borrowing; it will also therefore form part of the Council’s audit trail justifying long-term borrowing decisions.</p> <p>To determine future years’ debt requirement or, conversely, monies available for longer-term investment, the Council will estimate and measure the LB. It is presented as a chart showing:</p> <ul style="list-style-type: none"> • the Council’s current and projected Loans CFR and MRP • existing loan debt (does not include forecast debt), • net loans requirement, taking into account balance sheet resources which are the Council’s usable reserves and working capital surplus • liability benchmark, which also takes into account the Council’s required liquidity allowance. <p>The LB is analysed as part of the annual treasury management strategy.</p> <p><i>* as a minimum the 2021 TM Code requires authorities to estimate and measure the LB for the forthcoming financial year and the following two financial years. CIPFA recommends that the LB is produced for at least 10 years and should ideally cover the full debt maturity profile of the Council.</i></p> <p><i>Chapter 3 of the 2021 TM Code Guidance Notes has detail on the LB.</i></p> <p>The years where actual loans are less than the benchmark indicate a future borrowing requirement; years where actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment.</p> <p>Our treasury advisor Arlingclose provides the Council with an online live tool (using Microsoft Teams) to assist with the preparation and regular updating of this important treasury management indicator.</p>
Delegated powers for treasury management	The CFO has delegated powers to carry out the Council’s strategy for debt management, capital finance and borrowing, depositing surplus funds and managing the cash flows of the Council.
Issues to be addressed	<p>In exercising these powers, the CFO and those to whom treasury activities have been delegated will</p> <ul style="list-style-type: none"> • be clear about the nature and extent of any associated risks to which the Council may become exposed and put in place effective mechanisms for risk management and mitigation • be certain about the legality of the decision reached and that the necessary authority to proceed has been obtained • ensure that relevant due diligence has taken place

- be satisfied that the documentation is appropriate to deliver the Council's objectives, protect the Council's interests, and to maintain an effective audit trail
- ensure that the perceived credit risk associated with the approved counterparties parties is judged satisfactory and is within agreed limits
- be satisfied that the terms of any transactions have been fully checked against the market, and have been found to be competitive
- follow best practice in implementing the treasury transaction

Borrowing objective: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

In exercising **borrowing and funding decisions**, the CFO will:

- evaluate economic and market factors that may influence the manner and timing of any decision to fund
- evaluate the amount, structure, and duration of new borrowing and the timing thereof in relation to the Council's planned borrowing needs (e.g. by use of a liability benchmark)
- consider ongoing revenue liabilities created and the implications for the organisation's future plans and budgets
- consider alternative forms of funding, including use of revenue resources, leasing and private partnerships
- consider the use of internal resources and/or the most appropriate periods to fund and repayment profiles to use
- where applicable, monitor regularly the benefits of internal borrowing against the potential for incurring additional costs by deferring borrowing into future years.

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms.

The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Investment objective: The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

In exercising Investment decisions, the CFO will:

- determine that the investment is within the Council's pre-determined strategy and comply with instruments (set out in TMP 4) and any credit criteria (set out in TMP 1) as well as the credit risk associated with unsecured investments with banks and building societies
- consider the risks to capital and returns and the implications for the Council's future plans and budgets, including implications of any market-related changes to the value of the capital invested
- consider whether invested monies can be used in lieu of externally borrowing

	<ul style="list-style-type: none"> • consider the optimum period, in the light of cash flow availability and prevailing market conditions • consider alternative investment products and techniques available, if appropriate.
Processes to be pursued	The processes to be followed will be in keeping with TMP4 <i>Approved instruments, methods and techniques</i> .
Records to be kept	<p>The Council will maintain a record of all treasury management decisions, the processes undertaken and the rationale for reaching the decision made. These will allow for an historical assessment of decisions made and verification that any checks and safeguards are indeed in place and operating correctly.</p> <p>Records and working papers will be maintained by the Council electronically.</p>
Other – LOBO call dates	<p>Prior to each of the Council’s LOBO loan call date, the Council will take a proactive approach and determine the response should the LOBO loan be called and evaluate alternative funding sources for comparable interest rates/maturities. 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>The Council will exercise caution where the new rate offered by the lender on the LOBO is slightly lower than prevailing PWLB rates. While the rate revision may look “cheaper” than PWLB debt, it only provides protection from further rate rises until the next option date.</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>

TMP4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

Principle

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

Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

The Council has reviewed its classification with financial institutions under MiFID II and has set out below those organisations with which it is registered as a as a professional client and those with which it has an application outstanding to register as a professional client.

Schedule

Approved treasury management activities	<p>The Council is permitted to undertake the following activities:</p> <ul style="list-style-type: none"> ▪ Managing cashflow ▪ Capital financing ▪ Borrowing including debt restructuring and debt repayment ▪ Investing including redemption of investments ▪ Banking ▪ Leasing ▪ Managing the underlying risk associated with the Council's capital financing and surplus funds activities <p>The above list is not definitive and the Council would, from time to time, consider new financial instruments and treasury management techniques. However, the Council will consider carefully whether the officers have the skills and experience to identify and manage the advantages and risks associated with using the instruments/techniques before undertaking them, more so as some risks may not be wholly or immediately transparent.</p>
Sources of borrowing	<p>Approved sources of long-term and short-term borrowing include</p> <ul style="list-style-type: none"> • HM Treasury's PWLB lending facility (formerly the Public Works Loan Board) • any institution approved for investments (see below) • any other bank or building society authorised to operate in the UK • any other UK public sector body • UK public and private sector pension funds (except [your local] Pension Fund) • capital market bond investors • UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues • <i>include any other counterparties you intend to borrow from</i> <p>* HM Treasury has issued new guidance regarding PWLB lending which will apply to any loan arranged from 26 November 2020. https://www.dmo.gov.uk/responsibilities/local-authority-lending/lending-arrangements/</p>

Other sources of debt finance	<p>In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:</p> <ul style="list-style-type: none"> • leasing • hire purchase • Private Finance Initiative • sale and leaseback <p>The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.</p>
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Approved treasury investment instruments	<p>The Council will determine through its Annual Investment Strategy (AIS) which instruments it will use, giving priority to the security and liquidity and then yield (in that order) of its invested monies in keeping with MHCLG’s Investment Guidance issued in 2018.</p> <p>The Annual Investment Strategy should be approved by full Council</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"> ▪ Deposits with the UK government, the Debt Management Account Deposit Facility (DMADF), ▪ Loans to other UK local authorities ▪ Banks and building societies unsecured short-term (call and notice accounts, deposits, certificates of deposit) ▪ Investments in Money Market Funds ▪ Treasury Bills (short-dated UK government debt) ▪ UK government bonds (Gilts) ▪ Sterling denominated bonds by non-UK sovereign governments ▪ Bonds issued by multilateral development banks ▪ Covered bonds (i.e. those with underlying collateral) ▪ Loans, bonds and commercial paper issued by corporates other than banks (secured and unsecured) ▪ Reverse Repurchase Agreements (‘reverse repos’) ▪ Investments with Registered Providers of Social Housing (i.e. housing associations) ▪ Pooled funds meeting the definition of Collective Investment Schemes in SI 2004 No 534 and subsequent amendments and which invest in cash instruments /bonds / equities / property – (bond, equity, property and multi asset funds will be long-dated strategic investments) ▪ Real Estate Investment Trusts (REITs) <p>Investments secured on the borrower’s assets limit potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision.</p>
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	<p>Covered bonds and reverse repurchase agreements (reverse repos) with banks and building societies are exempt from bail-in.</p> <p>The Council will ensure it maintains the skills and experience necessary to evaluate the benefits and control the risks associated with the above investment instruments.</p>
<p>Investments that are not part of treasury management activity</p>	<p>These relate to monies which the Council invests in other financial assets and property primarily for financial return, which are detailed in the Investment Strategy.</p> <p>The Council ensures that it has the same robust procedures for the consideration of risk and return and</p> <ul style="list-style-type: none"> • ensures that all investments, including non-treasury investments are covered in the Capital Strategy. • maintains a schedule of existing material investments, subsidiaries, joint ventures, and liabilities including financial guarantees and the corresponding risk exposure. • maintains separate management practices for non treasury investments as detailed in the Investment Strategy. <p>Contribution: The Council will disclose in its Annual Investment Strategy and the Capital Strategy the contribution that non-treasury investments make to the overall financial and/or service delivery objectives of the Council. In this regard, where appropriate the Council will group individual investments into categories.</p> <p>In 2025/26, the Council has set a Prudential indicator: “Investment Rate of Return (Net of All Costs)”. This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested.</p> <p>The Informal Commentary to the 2018 Investment Guidance also recommends that the Council’s Investment Strategy include for existing and planned investments:</p> <ul style="list-style-type: none"> • quantitative indicators that allow Councillors and the public to assess both the opportunities of the investments as well as the total risk exposure as a result of its investment decisions over both, the payback period and over the repayment period of any debt taken out (the indicators are not mandatory but should be taken as examples); • how investments are funded and the rate of return received. <p>Proportionality: Should the Council become or plans to become dependent on profit generating investment activity to achieve a balanced revenue budget, the Investment Strategy will:</p> <ul style="list-style-type: none"> • detail the extent to which funding expenditure to meet the service delivery objectives is dependent on achieving the expected net profit • outline the Council’s contingency plans should it fail to achieve the expected net profit.

	<p>The Informal Commentary to the Investment Guidance also recommends that the Council set a limit that cannot be exceeded for gross debt compared to net service expenditure.</p>
<p>Use of Derivatives</p>	<p><u>Financial derivatives:</u></p> <p>Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).</p> <p>The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to.</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, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.</p> <p>Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in this TMP document will count against the counterparty credit limit and the relevant foreign country limit.</p> <p>The Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.</p> <p>Additionally, the use of derivatives is restricted to only those officers who have completed the appropriate training for their use.</p> <p>Embedded derivatives: Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.</p>
<p>MiFID II professional client status</p>	<p>The Council has reviewed its classification with financial institutions under MiFID II and has set out below those organisations with which it is registered as a Professional client and those which it has an application outstanding to register as a professional client.</p>

	<p>The Council has opted up to Professional Status which allows it a wider range of financial investment instruments. Organisations with whom the Council has opted up to professional client status:</p> <ul style="list-style-type: none">• Arlingclose <p>The consideration of skills and experience is particularly critical where the Council has requested to be treated as a professional client under MiFID II.</p>
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TMP5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

Principles

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

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

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the CFO 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 CFO 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 CFO 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 Treasury Team will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule below.

The delegations to the CFO in respect of treasury management are set out in the schedule below. The CFO will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on treasury management.

Schedule

An organisational chart for the Treasury Team is detailed at Appendix A.

Limits to responsibilities / discretion at committee / executive levels	<p>Full Council: receiving and reviewing</p> <ul style="list-style-type: none"> • Capital Strategy • Prudential Indicators (Capital Expenditure, Authorised Limit, Operational Boundary) • Treasury Management Strategy Statement • Investment Strategy • Annual treasury update reports <p>The Executive Committee</p> <ul style="list-style-type: none"> • approval of amendments to adopted clauses, treasury management policy statement, Treasury management strategy and treasury management practices • budget consideration and approval • approving the selection of external service providers and agreeing terms of appointment • Quarterly treasury update reports
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	<p>The Scrutiny Committee</p> <ul style="list-style-type: none"> • Review of quarterly treasury update reports <p>The Audit and Governance Committee</p> <ul style="list-style-type: none"> • receiving and reviewing external audit reports and acting on recommendations
<p>Principles and practices concerning segregation of duties</p>	<p>The segregation of duties will be determined by CFO.</p> <p>Segregation of duties exists in that:</p> <ul style="list-style-type: none"> • the officer(s) responsible for negotiating and closing treasury management deals is/are completely separate from the officer(s) with responsibility for recording the transactions in the cash book and completing cheque and bank reconciliations • the officer(s) responsible for negotiating and closing treasury management deals is separate from officer(s) authorising deals • all borrowing/investments decisions must be authorised by a separate appropriate officer, as detailed in the Treasury Scheme of Delegation. <p>Additionally, the Council receives bank statements on a daily basis by the reconciliation team within the Lead Authority arrangement. These are posted independent of the treasury function in order to maintain an adequate separation of duties.</p>
<p>Statement of duties/ responsibilities of each treasury / relevant post</p>	<p>The responsibilities per Treasury post are detailed in Appendix A.</p>
<p>Absence cover arrangements</p>	<p>Cover in the absence of the treasury management officers is provided within the Treasury team, with additional support from suitably trained Finance staff from within the wider finance team, as detailed in Appendix A.</p> <p>Cover is reviewed at least every 12 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>
<p>Description of the relationships between the chief finance officer, the monitoring officer and the head of paid service.</p>	<p>The Senior Management Structure in Part 9.1 of The Constitution sets out the relationship between the Head of Paid Service, Monitoring Office and Chief Finance Officer.</p> <p>Appendix A highlights the relationship within the Treasury Team.</p>

Locally Managed Schools: compliance with the TM Code and the Council'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>
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Dealing

Authorised officers	See Appendix A for authorised officers in relation to Treasury activities.
Dealing limits	<p>Internally Managed Investments:</p> <ul style="list-style-type: none"> the maximum for any one investment deal is set out in the Counter Party limits within the TMSS.
PWLB lending facility – terms and conditions	<p>The Operational Circular which contains the PWLB's current terms and conditions for lending as well the guidance issued by HM Treasury (which will apply to any PWLB loan arranged from 26/11/2020 are available on https://www.dmo.gov.uk/responsibilities/local-authority-lending/lending-arrangements/</p> <p>The current terms and application process are in Operational Circular [163], applicable to loans arranged from [21/10/21].</p> <ol style="list-style-type: none"> Under current lending terms HM Treasury requires all major authorities wishing to access PWLB borrowing to have an up-to-date PWLB Lending Access form, submitted to DLUHC via the DELTA platform. The form captures a high-level version of an authority's borrowing and capital expenditure plans. Applications are completed using the PWLB's electronic template. It must be completed by an authorised dealer from the names previously notified to the DMO. In addition to loan details, the form includes qualifying questions to be submitted during the PWLB's operational hours (0930-1615). A Loan Conditional Confirmation letter is received. The loan application is subject to a review by HM Treasury. If no queries/objections are raised by trade date + 4, the loan advance is made on trade date + 5. <p>Any changes to PWLB terms as documented in subsequent circulars will be communicated to all officers in the Treasury Team.</p>
PWLB authorised dealers	All Treasury Officers are authorised to communicate with PWLB. The schedule of what they can agree with PWLB is set out in Appendix A below.
Dealing platforms / portals	FIS Online iDeal trade
List of approved brokers	Brokers used by the Council are specified in TMP11 <i>External service providers</i>

Policy on brokers' services	It is the Council's policy to utilise the services between at least two brokers. The Council will maintain a spread of business between them in order to avoid relying on the services of any one broker.
Policy on taping of conversations	Conversations with brokers are taped by the brokers.
Direct dealing practices	<p>Direct dealing is carried out with institutions and with externally managed pooled funds identified in the Operational Schedule subject to counterparty and maturity limits and dealing limits.</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>
Inter-authority dealing	<p>The Council also deals with other local authorities to invest and borrow funds for treasury management purposes.</p> <p>In addition to transactions conducted through brokers, deals are conducted direct with other authorities and also via the iDealTrade execution-only dealing platform.</p> <p>A record of all deals, together with their specific terms, will be maintained by the Council.</p>
Deal Ticket proforma	Deals will be recorded as per the deal ticket proforma (<i>proforma maintained at operational level</i>)
Settlement transmission procedures	<p>For all treasury related transactions:</p> <ul style="list-style-type: none"> • settlements are made by CHAPS • all CHAPS payments relating to settlement transactions require authorisation as per Appendix A • the details are transmitted to the Council's bankers
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"> • deal ticket with signature to agree the investment • confirmation from the broker • confirmation from the counterparty • Contract notes for purchase and sale of shares/units in pooled funds from the fund's manager/administrator • CHAPS payment transmission document <p>Loans:</p> <ul style="list-style-type: none"> • deal ticket with signature to agree the loan • confirmation from the broker and market counterparty • confirmation from PWLB • CHAPS payment transmission document.
Arrangements concerning the management of counterparty lists	<ul style="list-style-type: none"> • The Senior FBP – Treasury and Tax has responsibility for updating the Council's records with any credit developments. • The Senior FBP – Treasury and Tax is tasked with checking that records have been correctly updated to reflect any credit developments.

TMP6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

Principles

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

As a minimum, Full Council will receive:

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

The Executive Committee to which some treasury responsibilities are delegated, will receive regular monitoring reports on treasury management activities and risks.

The Scrutiny Committee will have responsibility for the scrutiny of treasury management policies and practices.

The Council will report the treasury management indicators [and any other investment indicators](#) required by regulation as detailed in the TM Code’s sector-specific guidance notes.

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

Schedule

<p>Clauses to be adopted as part of the Council’s Standing Orders</p> <p>Treasury Management Policy Statement</p>	<p>The recommended clauses to be adopted as part of the Council’s standing orders, financial regulations or other formal policy documents is in Section 5 of the 2021 Treasury Management Code.</p> <p>The Treasury Management Policy Statement is a short document defines the policies and objectives of the Council’s treasury management activities.</p> <p>The recommended text for adoption is provided by CIPFA in Section 6 of the 2021 Treasury Management Code.</p> <p>The Treasury Management Policy Statement is adopted by Full Council</p>				
<p>Prudential Indicators</p>	<p>The Council will cover the Prudential Indicators in its annual strategy documents determined before the beginning of each financial year:</p> <table border="1" data-bbox="483 1787 1334 2038"> <thead> <tr> <th data-bbox="483 1787 906 1823"><u>Capital Strategy</u></th> <th data-bbox="906 1787 1334 1823"><u>Treasury Management Strategy</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="483 1823 906 2038"> <ul style="list-style-type: none"> • Estimates of Capital expenditure • Estimates of Capital financing requirement (CFR) • Gross debt and the CFR </td> <td data-bbox="906 1823 1334 2038"> <ul style="list-style-type: none"> • Liability benchmark • Maturity structure of borrowing • Long-term treasury management investments </td> </tr> </tbody> </table>	<u>Capital Strategy</u>	<u>Treasury Management Strategy</u>	<ul style="list-style-type: none"> • Estimates of Capital expenditure • Estimates of Capital financing requirement (CFR) • Gross debt and the CFR 	<ul style="list-style-type: none"> • Liability benchmark • Maturity structure of borrowing • Long-term treasury management investments
<u>Capital Strategy</u>	<u>Treasury Management Strategy</u>				
<ul style="list-style-type: none"> • Estimates of Capital expenditure • Estimates of Capital financing requirement (CFR) • Gross debt and the CFR 	<ul style="list-style-type: none"> • Liability benchmark • Maturity structure of borrowing • Long-term treasury management investments 				

	<ul style="list-style-type: none"> • Authorised Limit and Operational Boundary for External Debt • Proportion of financing costs to net revenue stream • Net income from commercial and service investments to net revenue stream (<i>note here that only direct costs such as property management can be netted off gross income, not related interest and MRP costs</i>) <ul style="list-style-type: none"> • Interest rate exposures <p>The 2021 Prudential Code Guidance Notes cover indicators for Affordability and Prudence (pages 41-61). The 2021 Treasury Management Code Guidance Notes cover treasury indicators (pages 15-24). CIPFA's definitions are cross-referenced to the respective Codes.</p> <p>Prudential indicators will be reported to Executive Committee quarterly.</p>
Capital Strategy	<p>This document, approved by Full Council <u>annually before the start of each financial year</u>, gives a high-level overview of (i) how capital expenditure, capital financing and treasury management activity contribute to the provision of services, (ii) management of the associated risk is managed and (iii) implications for future financial sustainability.</p> <p>It is tailored to the Council's circumstances and covers</p> <ul style="list-style-type: none"> - Capital expenditure, its financing, the governance process, long-term financing strategy, asset management, maintenance requirements, planned disposals and funding restrictions - Debt, borrowing, MRP, investments; borrowing strategy, treasury investment strategy - Investments for service purposes and their risk management and governance - Commercial activities, Investments for commercial purposes and their risk management and governance - Other long-term liabilities, such as financial guarantees and their governance - Prudential indicators (<i>see above section</i>) - Revenue Budget implications - Knowledge and skills, and confirmation that these are commensurate with the Council's risk appetite and activities. <p>The CFO reports explicitly on the affordability and risk associated with the Capital Strategy and whether they are satisfied that the proposed capital programme is prudent, affordable and sustainable, with an explanation how the conclusion has been reached.</p> <p>The CFO also ensures that where detailed information is required, this will be made available in a format to encourage active engagement and, if necessary, any associated training needs of members.</p>

<p>Treasury Management Strategy Statement</p>	<p>This document, approved by Full Council <u>annually before the start of each financial year</u>, covers</p> <p><u>External Context</u>: economic background; credit outlook; interest rate forecast</p> <p><u>Local context</u>:</p> <ul style="list-style-type: none"> - Balance sheet summary and forecast and an explanation of the movements - Liability benchmark - The existing investment and debt portfolio position - The Council's borrowing strategy; approved sources of borrowing and other sources of debt finance; <i>(if applicable)</i> LOBOs, debt rescheduling - The Council's Treasury investment strategy, ESG policy for investments, approved investment instruments, counterparties and time/monetary limits; minimum credit ratings (where applicable) and risk assessment; - Treasury management prudential indicators - Related matters -e.g. use of financial derivatives - MiFID II status - Financial implications of the strategy
<p>Investment Strategy</p>	<p>This strategy covers the requirements of the 2018 MHCLG (now DLUHC) Investment Guidance, including the investment indicators. It covers:</p> <ul style="list-style-type: none"> - Treasury management investments - Service investments (.e.g. loans to or shares in subsidiaries / suppliers / local businesses / local charities / housing associations / local residents / employees] and their contribution; limits; risk assessment - Commercial investments - property (MHCLG (NOW DLUHC) defines property to be an investment if it is held primarily or partially to generate a profit), its contribution towards the service delivery objectives and/or place making role of the Council; risk and security assessments; - Loan commitments and financial guarantees - Proportionality - the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Council is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan. - Borrowing in advance of need (if relevant) - Capacity, Skills and Culture of elected members and statutory officers involved in the investments decision making process - Investment indicators <ul style="list-style-type: none"> o Total investment exposure o Investments funded by borrowing o Investment Rate of Return (net of all costs) o Other indicators such as: Debt to net service expenditure ratio; Commercial income to net service expenditure ratio

<p>Treasury Activity Reports, quarterly reporting of Prudential Indicators</p>	<p>The Annual Treasury Outturn Report will be prepared as soon as practicable after the financial year end. It covers the treasury activity undertaken against the forecast and prevailing economic and interest rate backdrop for the full financial year.</p> <p>This annual report includes:</p> <ul style="list-style-type: none"> - borrowing and investment activities undertaken including forward deals agreed and their revenue (current) effects - report of material treasury decisions taken in year - risk implications of decisions taken and transactions executed - compliance with agreed policies/practices and on statutory/regulatory requirements - report on compliance with CIPFA TM Code recommendations - monitoring of treasury management indicators for local authorities <p>A Quarterly Treasury Outturn Report will be prepared and reported on treasury management activities for each quarter of the financial year. It covers the treasury activity undertaken against the forecast and prevailing economic and interest rate backdrop for each quarter.</p> <p>This quarterly review includes:</p> <ul style="list-style-type: none"> - borrowing and investment activities undertaken including forward deals agreed - report of material treasury decisions - variations (if any) from agreed policies/practices - interim performance report - monitoring of treasury management indicators - forecast for the remainder of the financial year <p>Prudential Indicators: The 2021 Treasury Management Code introduced a requirement that monitoring of the treasury management indicators should be reported quarterly (along with the other prudential indicators) as part of the Council's general revenue and capital monitoring.</p> <p>Non-treasury indicators are incorporated into the Council's quarterly reports.</p> <p>Reports will be submitted to the Executive Committee and the Scrutiny Committee responsible for the scrutiny of treasury management policies, practices and activity.</p>
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TMP7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The CFO 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 CFO will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangements*.

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

Schedule

<p>Statutory/regulatory requirements</p>	<p><i>Balanced Budget Requirement:</i> Part I of the Local Government Finance Act 1992 sets out what the Council has to base its budget calculations upon and requires the 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>The Act requires the Council to set a council tax sufficient to meet expenditure after taking into account other sources of income.</p>
<p>Accounting practices and standards</p>	<ul style="list-style-type: none"> ▪ The Accounts and Audit Regulations 2015 and subsequent amendments ▪ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and subsequent amendments ▪ MHCLG (NOW DLUHC) Statutory Guidance on Minimum Revenue Provision (2018 Edition) ▪ CIPFA/LASAAC Code of Practice 2024/25 edition CIPFA (2024/25 Edition) ▪ Relevant CIPFA Bulletins ▪ IFRS 7 Financial Instruments: Disclosures ▪ IFRS 9 Financial Instruments ▪ IAS 23 Borrowing Costs ▪ IAS 32 Financial Instruments: Presentation ▪ IPSAS 28 Financial Instruments: Presentation ▪ IPSAS 30 Financial Instruments: Disclosures ▪ IPSAS 41 Financial Instruments

Financial Statements	<p>The Financial Statements comprise:</p> <ul style="list-style-type: none"> ▪ Narrative Report ▪ Responsibilities for the Statement of Accounts ▪ Annual Governance Statement ▪ Comprehensive Income and Expenditure Statement (Group and Authority) ▪ Movement in Reserves Statement ▪ Balance Sheet (Group and Authority) ▪ Cash Flow Statement (Group and Authority) ▪ Notes to the Financial Statements ▪ Housing Revenue Account Income and Expenditure Statement and notes ▪ Collection Fund ▪ Remuneration Report ▪ Glossary and abbreviations
Format of the Council's accounts	<p>The current form of the Council's accounts is available on the Council's website.</p>
Disclosures relating to treasury management	<p>Notes to the annual Statement of Accounts include:</p> <ul style="list-style-type: none"> • Financial Instruments – Financial Assets, Financial Liabilities; Income, Expense, Gains and Losses on Financial Instruments • Fair Value of Financial Assets and Liabilities • Nature and Extent of Risks arising from Financial Instruments: Credit Risk, Liquidity Risk, Refinancing and Maturity Risk, Market Risks (Interest rate risk, Price risk and Exchange Rate Risk) <p>The Council's treasury advisor, Arlingclose, provides a template for the above each year.</p> <p>The Council will exercise judgement on the level of detail to be disclosed about particular financial instruments, taking into account the relative significance of those instruments.</p> <p>So that the information is comprehensible, material information should not be obscured by immaterial information or by aggregating material items that have different natures or functions.</p>
Internal and External Audit	<p>Internal Audit generally conducts an annual review of the treasury management function and probity testing.</p> <p>The internal and external auditors will be given access to treasury management information/documentation as required by them.</p>
List of information requirements of external auditors	<p>The following information is usually requested by the external auditor and should be considered an initial request for information. It is followed by more detailed audit testing work which often requires further information and/or explanations from the Council's officers.</p> <ul style="list-style-type: none"> ▪ Determination of Affordable Borrowing Limit under Section 3 of the Local Government Act 2003 ▪ Prudential Indicators ▪ Treasury Management Strategy including Annual Investment Strategy

External borrowing

- New loans borrowed during the year: PWLB certificates / documentation in relation to market loans borrowed (including copy of agreements, schedule of commitments)
- Loan maturities
- Compliance with proper accounting practice, regulations and determinations for the amortisation of premiums and discounts arising on loans restructured during the year and previous years.
- Analysis of loans outstanding at year end including maturity analysis
- Analysis of borrowing between long- and short-term
- Debt management and financing costs
 - calculation of (i) interest paid (ii) accrued interest
 - interest paid
- MRP calculation and analysis of movement in the CFR.
- Bank overdraft position.
- Brokerage/commissions/transaction related costs

Investments

- Investment transactions during the year including any transaction-related costs
- cash and bank balances at year end
- Short-term investments at year end
- Long-term investments at year end (including investments in associates and joint ventures) by asset type, including unrealised gains or losses at year end
- calculation of (i) interest received (ii) accrued interest
- actual interest received
- Pooled funds' purchase and sale contract notes; notification of income distributions (if any)
- Evidence of existence and title to investments (month-end / quarter-end statements)
- Schedule of any investments in companies together with their latest financial statements); statement of transactions between the company and the Council.

Cash Flow

- Reconciliation of the movement in cash to the movement in net debt
- Cash inflows and outflows (in respect of long-term financing)
- Cash inflows and outflows (in respect of purchase/sale of long-term investments)
- Net increase/decrease in (i) short-term loans (ii) short-term deposits (iii) other liquid resources

Other – for example

- Amounts which are held on behalf of schools
- Details of (treasury-related) material events after balance sheet date not reflected in the financial statements.
- External advisors'/consultants' charges

Prudential Indicators	<p>The treasury management indicators must be considered together with indicators in the Prudential Code as part of the budget approval process.</p> <p>Monitoring of the treasury management indicators will be reported quarterly (along with the other prudential indicators) as part of the Council's general revenue and capital monitoring.</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>They may also be expected to enquire as to whether the TM Code has been adopted and whether its principles and recommendations have been implemented and adhered to.</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	<p>The budget for treasury management forms part of the Corporate budgets and includes</p> <ul style="list-style-type: none"> • interest and other investment income • debt and other financing costs (or charges for the use of assets) • bank and overdraft charges • brokerages, commissions and other transaction-related costs • external advisors' and consultants' charges.

TMP8: CASH AND CASH FLOW MANAGEMENT

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

Schedule

<p>Arrangements for preparing /submitting cash flow statements</p>	<p>Cash flow forecasts will be viewed over <u>1-year</u> time horizon 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>A detailed annual cash flow is prepared for the financial year once the budget for the ensuing year has been agreed, which is monitored and updated on a regular basis. It identifies the major inflows and outflows on a month-by-month basis.</p> <p>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>Daily cash flows show forecast and planned movements of cash on a daily basis, including the matching of known inflows and payments. This is recorded in Treasury Live.</p>
<p>Liability Benchmark (LB)</p>	<p>The Liability benchmark helps establish whether the Council is likely to be a long-term borrower or long-term investor in the future and represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level to manage day-to-day cash flow.</p> <p>The LB will be updated regularly through the year by the Council (using the Arlingclose online LB tool on Microsoft Teams) with developments and/or timing changes in the capital programme as well as changes to balance sheet resources.</p> <p>Please see TMP 5 for more information on its use.</p>

<p>Content and frequency of cash flow budgets</p>	<p>The detailed annual cash flow model includes the following:</p> <ul style="list-style-type: none"> • revenue income and expenditure based on the budget • profiled capital income and expenditure as per the capital programme <p>Revenue activities</p> <p><u>Inflows</u></p> <ul style="list-style-type: none"> ▪ Revenue Support Grant ▪ Precepts received ▪ Non-domestic rates receipts ▪ NNDR receipts from national pool ▪ Council tax receipts ▪ Other government grants ▪ Cash for goods and services ▪ Other operating cash receipts <p><u>Outflows</u></p> <ul style="list-style-type: none"> ▪ Salaries and payments on behalf of employees ▪ Operating cash payments ▪ Housing Benefit paid ▪ Precepts paid ▪ NNDR payments to national pool ▪ Payments to the capital receipts pool <p>Capital activities including financing</p> <p><u>Inflows</u></p> <ul style="list-style-type: none"> ▪ Capital grants received ▪ Sale of fixed assets ▪ Other capital cash receipts <p><u>Outflows</u></p> <ul style="list-style-type: none"> ▪ Purchase of fixed assets ▪ Purchase of long-term investments ▪ Other capital cash payments <p>Financing, servicing of finance/returns on investments</p> <p><u>Inflows</u></p> <ul style="list-style-type: none"> ▪ New long-term loans raised ▪ New short-term loans raised ▪ Interest received ▪ Discount on premature repayment of loan <p><u>Outflows</u></p> <ul style="list-style-type: none"> ▪ Loan repayments ▪ Premia on premature repayment of loan ▪ Short-term investments ▪ Capital element of finance lease rental payments ▪ Interest paid ▪ Interest element of finance lease rental payments
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Monitoring, frequency of cash flow updates	<p>The annual cash flow statement is updated monthly 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, for example:</p> <ul style="list-style-type: none"> • Net RSG and NNDR payments as notified • Police and Fire authority precepts as notified • Actual salaries and other employee costs paid from account bank statements • Actual payments to Inland Revenue from general account bank statements • Actual council tax received • Actual rent allowances paid • Actual housing benefit • Actual council house rent cash received • Actual capital programme expenditure and receipts
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 general ledger.</p>
Payment scheduling and agreed terms of trade with creditors	<p>The Council has a policy of paying suppliers in line with agreed terms of trade.</p>
Arrangements for monitoring debtor/ creditor levels	<p>Debtor levels are monitored by a Sundry Debtors Monitoring Report 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 through the Lead Authority arrangement .</p>
Procedures for banking of funds	<p>Instructions for the banking of income are set out in the Financial Regulations.</p> <p>All the Council's sections are advised of the requirement to bank on a regular basis to comply with recommended best practice and also remain within the particular insurance limits for the Council's premises.</p>

TMP9: MONEY LAUNDERING

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

Schedule

<p>Anti-money laundering policy</p>	<p>This Authority's policy is to prevent, wherever possible, the organisation and its employees being exposed to money laundering, to identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.</p> <p>The Council has accepted responsibility to ensure those of its staff who are most likely to be exposed to money laundering can make themselves fully aware of the law and, where necessary, are suitably trained.</p>
<p>Main offences relating to money laundering</p>	<p>The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:</p> <ul style="list-style-type: none"> • concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland • being concerned in an arrangement that a person knows or suspects facilitates the acquisition, retention, use or control of criminal property • acquiring, using or possessing criminal property. <p>These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money laundering activity in the UK risks a criminal conviction.</p> <p>Other offences include:</p> <ul style="list-style-type: none"> • failure to disclose money laundering offences • tipping off a suspect, either directly or indirectly • doing something that might prejudice an investigation – for example, falsifying a document. <p>The Terrorism Act 2000 made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism or resulting from acts of terrorism.</p> <p>All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment.</p>

Documentation	<p>The Council will reflect the anti-money laundering measures it has in place as part of its Anti-money laundering policy. Such measures include:</p> <ul style="list-style-type: none"> • Awareness of what constitutes money laundering and training for employees most likely to encounter it, • The obligation to report knowledge of/having reasonable grounds to believe an offence might be committed, • Maintaining up-to-date direct dealing and SSI mandates with counterparties.
Nomination of Responsible Officer(s)	<p>(a) The Council has nominated the Head of Internal Audit to be the responsible officer(s) to whom any suspicions relating to transactions involving the Council will be communicated</p> <p>(b) The Head of Internal Audit 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 Head of Internal Audit 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>
Procedures for establishing the identity/authenticity of Lenders and Borrowers	<p>(a) In the course of its treasury activities, the Council will only borrow from permitted sources identified in <i>TMP4 Approved instruments, methods and techniques</i></p> <p>(b) The Council will not accept loans from individuals.</p> <p>(c) In the course of its treasury activities, the Council will only invest with those counterparties which are on its approved lending list</p> <p>(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 https://www.bankofengland.co.uk/prudential-regulation/authorisations/which-firms-does-the-pra-regulate</p> <p>(e) All receipts/disbursements of funds will be undertaken by <u>BACS or CHAPS</u> settlement</p> <p>(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</p> <p>(g) All banking transactions will only be undertaken by the personnel authorised to operate the Council's banks accounts</p>

	<p>(h) If the Council takes/provides loans from individuals, it will establish robust procedures for verifying and recording the appropriate financial and personal information of such individuals</p> <p>(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</p>
Counterparties	<p>When borrowing/investing funds for treasury management purposes, the Council will only borrow from and invest with sources and counterparties as identified in the Treasury Management Strategy. The criteria for the construction and management of the lending list are detailed in <i>TMP1 Risk Management</i>.</p>

TMP10: TRAINING AND QUALIFICATIONS

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The CFO will recommend and implement the necessary arrangements, including the specification of the expertise, knowledge and skills required by each role or member of staff.

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

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

The present arrangements are detailed in the schedule below.

Schedule

Details of approved qualifications	See Appendix A
Details of approved training courses	The courses/events the Council would expect its treasury personnel to consider are for example: <ul style="list-style-type: none">▪ Training courses for Accounting, Auditing, Best Value/Competition, Budgeting, Capital Finance & Borrowing, Financial Management run by CIPFA and the Association of Corporate Treasurers and other appropriate organisations▪ Any workshops/seminars run by Treasury Management Consultants▪ Attending CIPFA Conference▪ Training attended by those responsible for scrutiny of the treasury function
Records of training received by treasury and other relevant staff	Treasury-related training records are maintained by the Treasury Team.
Records of training received by those charged with governance	Training records are maintained of members/committees responsible for governance of treasury management.

TMP11: USE OF EXTERNAL SERVICE PROVIDERS

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

The monitoring of such arrangements rests with the CFO and details of the current arrangements are set out in the schedule below.

Schedule

Contract threshold	The Council's Financial Regulations set out limits in regards to contract arrangements.
Details of contracts with service providers, including bankers, brokers, consultants, advisers and details of the services provided	<p>(a) Bankers to the Council Barclays HSBC Lloyds Nat West</p> <p>(b) Treasury advisor Arlingclose</p> <p>The Council recognises that responsibility for borrowing, investments and risk management remains with the Council.</p> <p>(c) Brokers It is considered good practice for the Council to have at least two brokers and to spread business between them. The Council currently uses the following brokers:</p> <p>ICAP (TP ICAP Group plc) RP Martin (Martin Brokers is a division of GFI Securities Limited) Tradition (UK) Ltd Tullet Prebon (TP ICAP Group plc) Imperial Treasury Services Limited BCG Brokers LP King and Shaxson Ltd</p>

	<p>The Council recognises that is not the role of brokers to provide advice on the creditworthiness of those organisations to which the Council may lend.</p>
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"> • Bankers to the Council – regulated by Prudential Regulation Authority • Treasury Adviser – regulated by Financial Conduct Authority • Collective Investment Schemes (pooled funds) – regulated by the UK's Financial Conduct Authority / Central Bank of Ireland or a recognised, competent EU authority. • Brokers – regulated by Financial Conduct Authority
Bribery Act	<p>The Council is mindful of the requirements of the Bribery Act 2011 in its dealings with external providers.</p>

TMP12: CORPORATE GOVERNANCE

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

The Council has adopted and has implemented the key principles of the Treasury Management Code of Practice.

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

Schedule

Stewardship responsibilities	<p>The CFO ensures that:</p> <ul style="list-style-type: none"> ▪ systems exist to deliver proper financial administration and control and maintaining a framework for overseeing and reviewing the treasury management function. ▪ formal policy documents will define clearly procedures for monitoring, control and internal check and reporting lines are well defined.
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"> ▪ Annual Statement of Accounts ▪ Treasury Management Policy ▪ Capital Strategy ▪ Treasury Management Strategy including the Annual Investment Strategy (which will include treasury and non-treasury investments) ▪ Budget Monitoring Reports ▪ Quarterly Treasury Update Report
Authority's website	<p>Financial information is additionally available on the Council's website.</p>
Responsibility for treasury management	<p>The CFO will ensure that</p> <ul style="list-style-type: none"> ▪ those charged with responsibility for the treasury management policy, i.e. The Executive have all the information necessary to enable them to openly fulfil their obligations, and are fully appraised of and consulted on the Council's treasury management activities on a regular basis. ▪ the procedures for monitoring treasury management activities through audit, scrutiny and inspection are sound and rigorously applied, with an openness of access to information and well-defined arrangements for the review and implementation of recommendations for change.

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

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

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

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

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

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

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

For further details, see the Council's Investment Strategy.

Appendix A

Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

The Treasury Team

1. The Treasury and Tax team comprises three full time officers, plus a Strategic Manager overseeing the Treasury Function. This service is headed up the Assistant Director of Finance and Accountancy who has overall operational responsibility for the service area.

This role reports directly into the Director of Finance and Performance - Chief Finance Officer (Section 151 Officer) who has direct delegated responsibility from Full Council and is the Accountable Officer for the Treasury Management function for North Northamptonshire Council.

The structure is detailed in the organisational chart below.

2. Treasury Officers undertake operational decisions on behalf of the Chief Finance Officer via their delegation from Full Council. These operational decisions are taken in line with the following policies and procedures that are approved by Full Council:
 - Treasury Management Policy Statement
 - Treasury Management Strategy Statement
 - Minimum Revenue Provision Policy
 - Investment Strategy
 - Treasury Management Practices
3. All Senior Officers with Treasury responsibilities are fully qualified accountants who are registered with the following professional accountancy bodies:

Officer	Full Membership to Recognised Accountancy Body
Director of Finance and Performance – Chief Finance Officer (Section 151 Officer)	Association of Chartered Certified Accountants (ACCA)
Assistant Director of Finance and Accountancy (Deputy Section 151 Officer)	Chartered Institute of Public Finance and Accountancy (CIPFA)
Strategic Finance Business Partner – Capital, Treasury and Systems	Chartered Institute of Public Finance and Accountancy (CIPFA)
Senior Finance Business Partner – Treasury and Tax	Institute of Chartered Accountants in England and Wales (ICAEW)

4. A training record is held detailing all of the training undertaken by the Treasury Team during the year.

Segregation of Duties

5. Segregation of Duties underpins all operational controls and processes within the treasury function. The underlying fundamental principle of ensuring segregation of duties also encompasses the following:

- two officers are required in all dealing functions, one to undertake the originating transaction and one to approve.
- The approver must always be at least one grade above the originator, except that the Finance Business Partner for Treasury and Tax can approve daily dealing completed by the Finance Business Partner for Closedown.
- Officers who can authorise transactions are not permitted to record the transactions on ERPG to retain segregation of duties.

The below roles apply to the Treasury Function, shown on the Organisational Chart:

ROLE	ROLE DESCRIPTION	Officers authorised
CFO AUTHORITY	Delegated authority for any Treasury related items as part of Statutory S151 role. If uncertainty arises with regard to any treasury transaction/approval required, written/ electronic sign off by CFO must be obtained (or Deputy CFO in their absence)	Executive Director of Finance - CFO AD of Finance & Accountancy - Deputy CFO (in CFO's absence)
REPAYMENT APPROVE	Repayment Approver - approval to repay long-term borrowing eg. Following LOBO Option	Executive Director of Finance - CFO AD of Finance & Accountancy - Deputy CFO (in CFO's absence)
LT BORROW APPROVE	Long Term Borrowing Approver - CFO or Deputy CFO in their absence to approve the externalisation of any new Long Term Borrowing transactions (following approval from Full Council as part of Capital Strategy/ Capital Update Reports for discretionary schemes)	Executive Director of Finance - CFO AD of Finance & Accountancy - Deputy CFO (in CFO's absence)
DEAL APPROVE	Deal Approver - authorised to negotiate placement of investments via Brokers and to negotiate short term operational borrowing via Brokers	Executive Director of Finance - CFO AD of Finance & Accountancy Strategic Finance Business Partner - Capital, Treasury & Systems
DEAL NEGOT	Deal Negotiations - authorised to negotiate placement of investments via Brokers and to negotiate short term operational borrowing via Brokers	AD of Finance & Accountancy Strategic Finance Business Partner - Capital, Treasury & Systems Senior Finance Business Partner - Treasury & Tax
DD TRANS APPROVE	Daily Dealing transactional approver - checking of daily dealing transactions in wizard, approving transactions and approving and making CHAPs payments in line with TMSS and TMPs	AD of Finance & Accountancy Strategic Finance Business Partner - Capital, Treasury & Systems Senior Finance Business Partner - Treasury & Tax Finance Business Partner - Treasury & Tax
DD TRANS ENTRY	Daily dealing transactional entry - undertaking daily treasury activities and setting up all transactions and CHAPs payments to be approved and made in line with deals/ MMFs that have been negotiated and approved/ approved in TMSS.	Senior Finance Business Partner - Treasury & Tax Finance Business Partner - Treasury & Tax Finance Business Partner - Closedown Accountant - Treasury & Tax
RECORD	Recording journal entries on ERPG	Accountant - Treasury & Tax Accountant - Closedown

6. All investment deals and short-term borrowing required must be negotiated by one officer and signed off by a second authorising officer, in line with the roles above.
7. All daily dealing transactions must be completed in line with the delegated approvals in place from the CFO and the polices outlined at point 2 by one officer and signed off by a second authorising officer, in line with the roles above.
8. Segregation of duties in regards to online banking is maintained by ensuring the administrators of these systems (that set up approval rules) are completely separate to the Treasury Team.
9. All CHAPS payments made through the online banking portal require one officer to raise the payment and one separate officer to approve the payment.
10. Where legacy bank accounts exist and online transfers are required from these accounts into the main NNC bank accounts, the transfers will be transacted and authorised in line with the principles set out here within points 5, 7, 8, and 9.

Main Duties of Treasury Roles

11. The below highlights the main roles within the Treasury Function, but **are not limited** to the following:

Director of Finance and Performance – Chief Section 151 Officer

- 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.
- Determining long-term capital financing and investment decisions
- The CFO has delegated their power to borrow and invest on an operational, day-to-day basis to the Senior Finance Business Partner, Treasury and Tax, the Strategic Finance Business Partner, Capital Treasury and Systems and the Assistant Director of Finance and Accountancy.
- Submitting regular treasury management policy reports to Executive and Full Council
- Determining Prudential Indicators and Treasury Management Strategy including the Annual Investment Strategy

Assistant Director of Finance and Accountancy (Deputy Section 151 Officer)

- Reviewing the performance of the treasury management function
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Ensuring the adequacy of internal audit
- Recommending the appointment of external service providers
- Approving transactions in line with the roles identified above

Strategic Finance Business Partner – Capital, Treasury and Systems

- Over-seeing the management of the Treasury Team
- Receiving and reviewing management information reports
- Approving transactions in line with the roles identified above
- Recommending clauses, treasury management policy, practices for approval, reviewing the same regularly and monitoring compliance

Senior Finance Business Partner – Treasury and Tax

- Operational Manager of Treasury function, responsible for co-ordination of the treasury team on a daily basis
- Adherence to agreed policies and practices on a day to day basis
- Maintaining relationships with third parties and external service providers
- Monitoring performance on a day to day basis
- Submitting management information reports
- Identifying and recommending opportunities for improved practices
- Main officer responsible for arranging investment deals with the brokers (which must be signed off in line with the roles above)
- Main officer responsible for arranging short-term, operational borrowing with the brokers (which must be signed off in line with the roles above)
- Responsible for the oversight of the daily cash flow forecast
- Approving transactions in line with the roles identified above

Finance Business Partner – Treasury and Tax

- Execution of transactions as required by Senior Finance Business Partner – Treasury and Tax, in line with roles set out above
- Approving transactions in line with the roles identified above
- Identifying and recommending opportunities for improved practices

Accountant – Treasury and Tax

- Execution of transactions as required by Senior Finance Business Partner – Treasury and Tax, in line with roles set out above
- Recording treasury management transactions
- Reconciling treasury management transactions with the financial ledger

Holiday and Absence Cover

12. Holiday and absence cover is generally provided by other officers within the Treasury Team in line with the segregation of duties principles set out in section 5 above.

To ensure strong business continuity measures, there are also officers within the Closedown Finance Team who are trained to provide treasury transactional support across dealing and recording. These officers are built into the dealing rota to ensure their knowledge and experience is kept up to date.

Amendments required to the TMP or operational practices

13. The CFO may authorise any amendments required to this document and the wider Treasury Management Practices (TMP's) throughout the year to ensure compliance with the treasury policies and strategies outlined in section 2.

These TMP's will be brought back to Full Council annually when there are material changes.

Organisational Chart

North Northamptonshire Council Finance Team -Treasury Functions

