

Treasury Management Practices

Treasury Management Practices (TMP) set out the manner in which this council will seek to achieve its treasury management policies and objectives and how it will manage and control those activities.

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.

CIPFA has recommended twelve TMP's as summarised below:

TMP 1	RISK MANAGEMENT
TMP 2	PERFORMANCE MEASUREMENT
TMP 3	DECISION MAKING AND ANALYSIS
TMP 4	APPROVED INSTRUMENTS, METHODS AND TECHNIQUES
TMP 5	ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS
TMP 6	REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS
TMP 7	BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS
TMP 8	CASH AND CASH FLOW MANAGEMENT
TMP 9	MONEY LAUNDERING
TMP 10	TRAINING AND QUALIFICATIONS
TMP 11	USE OF EXTERNAL SERVICE PROVIDERS
TMP 12	CORPORATE GOVERNANCE

1 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 responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report 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 in the Treasury Management Strategy or schedule to this document.

1.1 Credit and Counterparty risk management

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

Although, the Council's strategy is to remain debt free, however if there is a need for borrowing then it will borrow from Public Works Loan Board.

The Council will use credit criteria in order to select creditworthy counterparties with which to place investments using the approved counterparty criteria set in the counterparty policy. Credit rating will be from three rating agencies – Fitch, Moodys and Standard & Poors, provided by Link Asset Services with regular updates on counterparty credit rating changes. A full list of counterparties and limits is provided in the Council's Treasury Management policy which is updated for any changes in credit rating.

1.2 Liquidity risk management

The Council will ensure it has adequate though not excessive cash resources available for the achievement of its business/service objectives. At the end of each financial day any unexpected surplus funds are transferred to the Natwest SIBA account which is available from the Council's main bank.

The Council will not borrow in advance of need.

1.3 Interest rate risk management

Interest rates are managed on investments only, as the Council has planned to remain debt free. The Council will manage its exposure to fluctuations in interest rates with a view to securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of 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 will be subject to the consideration and, if required, approval of any policy or budgetary implications.

Interest rate forecasts are provided by the Council's advisors and are closely monitored on a daily basis any significant alterations would be reported immediately. Forward dealing consideration will be given to dealing from forward periods dependent on market conditions, in compliance to the Treasury Management Strategy.

1.4 Exchange rate risk management

The Council **does** not currently have any exposure to exchange rate risk. However, if circumstances change it will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

1.5 Inflation risk management

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 organisation's inflation exposures.

1.6 Refinancing risk management

Not applicable to the Council as it has planned to remain debt free.

1.7 Legal and regulatory risk management

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. In framing its credit and counterparty policy under TMP1[1.1] credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

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 Council.

1.8 Fraud, error and corruption, and contingency management

The Council has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it has employed suitable systems and procedures, and maintains effective contingency management arrangements as part of the corporate business continuity plan.

The council maintains adequate fidelity guarantee insurance cover. Internal Audit will report regularly on the treasury function as part of their normal audit programme.

1.9 Price risk management

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

The annual Treasury Management Strategy sets out the details and limits that can be invested in instruments whose capital value may fluctuate.

2 TMP 2 PERFORMANCE MEASUREMENT

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

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

The Council will benchmark against other Local Authorities performance. Additionally, The performance of the treasury management function which would include investment income and treasury management costs will be monitored and reported to Cabinet at quarterly intervals as part of the budget monitoring process. In addition to this the Treasury management activity and performance will be reported to cabinet in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements.

3 TMP 3 DECISION MAKING AND ANALYSIS

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all 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 in the schedule to this document.

4 TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUE

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the Treasury Management Strategy, and within the limits and parameters defined in TMP1 Risk management. The Council will not use derivative instruments for the management of risks.

The Council has reviewed its classification with financial institutions under MIFID II and the Treasury Management Strategy includes organisations only with which it is registered as a professional client

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

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

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

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegations to the responsible officer in respect of treasury management are set out in the Treasury Management Strategy. The responsible officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

6 TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

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

management function.

The Council will receive an annual report on the strategy and plan to be pursued in the coming year

The Treasury management responsibilities are delegated to Cabinet who will receive the following reports during the year:

- An annual report on the strategy and plan to be pursued in the coming year;
- a mid-year review; and
- 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 responsibilities for scrutiny has been delegated to the Audit Committee who will receive the following reports during the year:-

- a mid-year review; and
- 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.

7 TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The responsible officer will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk management, TMP2 Performance measurement, and TMP4 Approved instruments, methods and techniques. The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements.

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

8 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 responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1[2] liquidity risk management.

The cash flow model is maintained in the Logotech system. The system is updated on a daily basis based on the latest available information by the Treasury Officer. The system uses historic data on cash profiles, Medium Term Financial Strategy, 5 year Capital programme and future commitments for cash flow projections.

9 TMP9 MONEY LAUNDERING

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

10 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 responsible officer will ensure a review of training needs of the staff involved in treasury activities is carried out at least bi-annually as part of their performance development assessment.

The responsible officer will ensure that council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

11 TMP11 USE OF EXTERNAL SERVICE PROVIDERS

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

12 TMP12 CORPORATE GOVERNANCE

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

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

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