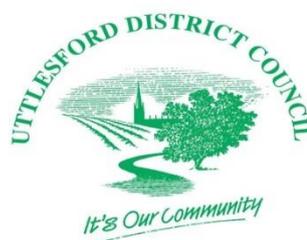


Uttlesford District Council Treasury Management Practices Principles and Schedules



To be submitted to Full Council
22 April 2020



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

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Introduction:

The CIPFA Code of Practice on Treasury Management in the Public Services (the Code) was last revised in December 2017. The Code requires setting out the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. There is now no longer a requirement to formally adopt the Treasury Management Code, but instead the Authority is now required by law to have regard to the Code.

Treasury Management is defined by CIPFA as

The management of the Authority's investments, cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with these activities; and the pursuit of optimum performance consistent with those risks.

'Investments' in the definition above covers all the financial assets of the Authority, as well as other non-financial assets which the Authority holds primarily for financial returns, including but not limited to investment property portfolios. Such non-financial assets are not managed as part of the Authority's normal treasury management or under treasury management delegations, but they nonetheless require appropriate investment and risk management under the Code; a separate Treasury Management Practice (TMP 13) in this document is therefore included, 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

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

- (2) The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy 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
- (3) The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Director of Finance and Corporate Services, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management
- (4) Should the treasury management strategy and policies require scrutinising, the Council nominates Scrutiny Committee to perform this function

Where a Capital Strategy is produced and approved by full council, then the Cabinet may also set the detailed treasury management policies, whilst being clear that overall responsibility remains with full council.

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	Money laundering
TMP10	Training and qualifications
TMP11	Use of external service providers
TMP12	Corporate governance
TMP 13	Non-Treasury Investments (Investments that are not part of Treasury Management Activity)

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.

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 Director of Finance and Corporate Services 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 organisation's capital or current (revenue) resources.

The Council will ensure 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, methods and techniques* listed in the schedule below. 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.

Schedule

<p>Criteria to be used for creating and managing approved counterparty lists and limits</p>	<p>The Assistant Director Resources 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.</p> <p>The current criteria are contained in the current Treasury Management Strategy.</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 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 and other relevant factors, including external advice. The Council will also take into account information on corporate developments and market sentiment towards investment counterparties.</p> <p>The credit rating criteria will also apply to securities issued by financial and non-financial institutions, which in some instances, might be higher than that of the issuing institution.</p> <p>Higher time and cash limits may be set for secured investments (e.g. those with underlying collateral or which are by regulation excluded from being bailed-in/restructured in the event of financial distress.)</p> <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>
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<p>Approved methodology for changing limits and adding or removing counterparties</p> <p>Risk management: (a) creditworthiness deteriorates below the minimum criteria</p> <p>(b) ratings are placed on review for possible downgrade</p>	<p>The Assistant Director Resources 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 made with that organisation until the rating review has been completed and its outcome known.</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>Full individual listings of counterparties and counterparty limits</p>	<p>A full individual listing of banking* counterparties based on the criteria will be maintained. As credit ratings etc. are subject to change without notice, an up-to-date lending list will be maintained on an ongoing basis within the Operations Manual.</p> <p>*It may be impractical to determine a specific list of non-financial counterparties in whose securities investments might be made. The minimum credit rating criteria, whether the security is secured or unsecured, and due diligence on the counterparty's creditworthiness will determine its selection for investment.</p>
<p>Details of credit rating agencies' services and their application</p>	<p>The Council considers the ratings of the main ratings agencies 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>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>Country, sector and group listings of counterparties and the overall limits applied to each, where appropriate</p>	<p>Investments will be shown against total group exposure, total country exposure and total sector exposure.</p> <p>Group limits will be set for the above, in terms of monetary value/percentage of overall portfolio, where appropriate. Group limits for organisations under the same ownership will be set at the same level as the lead institution in that group.</p>

[2] Liquidity risk

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

Principle

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

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 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	<p>A balance in the region of £1m to deal with day to day cash flow fluctuations is maintained by investing money overnight with the Council's bankers.</p> <p>The Council also uses various deposit accounts and Money Market Funds to manage its liquidity requirements. These are named on the Council's approved counterparty list. The maximum balance on each of these accounts is reviewed and set as part of the Council's investment strategy.</p>
Details of short-term borrowing facilities	<p>Temporary borrowing up to 1 year through the money market is available should there be a cash flow deficit at any point during the year.</p> <p>At no time will the outstanding total of temporary and long-term borrowing together with any bank overdraft exceed the Prudential Indicator for the Authorised Borrowing Limit agreed by the Council before the start of each financial year.</p>
Policy in terms of borrowing in advance of need	<p>The Council may need to borrow in advance of need where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council may be exposed to the risk of both the loss of the borrowed sums, and also that investment and borrowing rates may change during the intervening period. These risks will be managed as part of the Council's overall treasury risk management.</p> <p>The total amount borrowed will not exceed the authorised borrowing limit of £250m.</p>

[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 interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with *TMP6 Reporting requirements and management information arrangements*.

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

Proportions of fixed and variable rate debt/interest, Long or short term loans	<p>Borrowing and 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 plans and budgets but will, at the same time, allow sufficient flexibility to enable it to benefit from potentially advantageous changes in market conditions and level of interest rates and also to mitigate the effects of potentially disadvantageous changes.</p> <p>The proportion of fixed and variable rate debt will be determined as part of the annual borrowing strategy to address the issues of affordability but without compromising the longer-term stability of the debt portfolio. The proportion will be kept under review on a regular basis.</p>
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<p>Trigger points and other 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>The Council will consider matching borrowing at variable rates with investments similarly exposed to changes in interest rates as a way of mitigating any adverse budgetary impact.</p> <p>The Council may determine it is more cost effective in the short-term to fund its borrowing requirement through the use of internal resources ('internal borrowing') or short-term loans. The benefits of such borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing or refinancing in future years when interest rates are expected to be higher.</p> <p>Alternatively, the Council may consider forward starting loans where the interest rate is agreed and fixed in advance but the cash is received in later years. This would enable certainty of cost be achieved without suffering a 'cost of carry' in the intervening period.</p> <p>Interest rate forecasts are provided by the <u>Council's treasury advisors/brokers</u> and are monitored by the Senior Accountant. Variations from original estimates and their impact on the Council's debt and investments are notified to Cabinet as necessary.</p> <p>For its investments, the Council also considers dealing from forward periods dependent upon market conditions. The Council's counterparty term limits will apply and will include the forward period of the investment.</p>
<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

<p>Details of approved exchange rate exposure limits for cash investments/debt</p>	<p>This Council does not, on a day to day basis, have foreign currency transactions or receipts. Unexpected receipt of foreign currency will be converted to sterling at the earliest opportunity.</p> <p>If the Council has a contractual obligation to make a payment in a currency other than sterling, then forward foreign exchange transactions will be considered and professional advice sought.</p> <p>At the present time statute prevents the Council borrowing in currencies other than sterling. The Council has also determined that all its investments will be in 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 an investment 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 organisation's inflation exposures.

<p>Investments over one year</p>	<p>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, in order to maintain the spending power of the sum invested.</p>
<p>Contractual obligations linked to inflation</p>	<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>

[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 organisation for those refinancing's, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

Principle

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

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

Schedule

<p>Projected capital investment requirements</p>	<p>Five-year projections are in place for capital expenditure and its financing or funding. Financing will be from capital receipts, reserves, revenue resources and any grants or contributions. Funding will be from internal or external borrowing, as decided.</p> <p>As required by the Code, the Council will undertake Options Appraisal to evaluate the best capital expenditure financing route.</p> <p>The Council's projected long-term borrowing requirement will be linked to the projected Capital Financing Requirement (CFR) and Liability Benchmark.</p>
<p>Debt/other capital financing maturity profiling, policies and practices</p>	<p>The Council will maintain through its treasury system, 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 refinancing's.</p> <p>To assist with long-term borrowing decision making the Council creates, with advice and assistance from its treasury advisor, a 'Liability Benchmark' which forecasts the need to borrow over the medium- to longer-term, taking into account usable reserves and working capital projections.</p> <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 Code and will comply with the Council's Prudential Indicators and the Annual Treasury Management Strategy.</p> <p>The avoidance of bunching of loan maturities will reduce the risk of having to refinance at a time when interest rates are unfavourable to the Council.</p> <p>Where the lender to the Council is a commercial body the Council will aim for diversification in order to spread risk and avoid over-reliance on a small number of counterparties.</p>
<p>Policy concerning limits on revenue consequences of capital financings</p>	<p>The revenue consequences of financing the capital programme are included in cash flow models, annual revenue estimates and medium-term forecasts.</p>
<p>Financial Guarantees</p>	<p>The Council has provided financial guarantees to Landlords of private tenants. These are reviewed annually and their risk assessment including probability the guarantees will be called upon is included in the Risks and Assumptions appendix to Full Council.</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 Treasury Management Practices, Principles and Schedules (April 2020)

activities. In framing its credit and counterparty policy under TMP1[1] *credit and counterparty risk management*, it will ensure that there is evidence of counterparties’ powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

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

Schedule

References to relevant statutes and regulations	<p>The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council. These are:</p> <ul style="list-style-type: none"> • CIPFA’s Treasury Management Code of Practice and accompanying Guidance Notes • CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities. • CIPFA Prudential Code for Capital Finance in Local Authorities and subsequent amendments. • CIPFA Standard of Professional Practice on Treasury Management • The Local Government Act 2003 • The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003 No 3146, and subsequent amendments • The MHCLG’s statutory Guidance on Minimum Revenue Provision (MRP) • The MHCLG’s Guidance on Local Government Investments in England The Local Authorities (Contracting out of Investment Functions) Order 1996 SI 1996 No 1883 • LAAP Bulletins • Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards (from 2010/11 onwards) • Accounts and Audit Regulations 2003, as amended together with MHCLG’s Guidance • The Localism Act 2011 • The Bank of England’s 2017 Money Markets Code (which replaces the former Non-Investment Products Code) • Council’s Constitution including: <ul style="list-style-type: none"> * Standing Order relating to Contracts * Financial Regulations * Scheme of Delegation • MHCLG’s Self-Financing Policy Documentation and subsequent amendments
Procedures for evidencing the organisation’s powers/authorities to counterparties	<p>The Council’s Financial Regulations contain evidence of the power/authority to act as required by section 151 of the Local Government Act 1972, under the general direction of Full Council.</p> <p>The Council will confirm, if requested to do so by counterparties, the powers and authorities under which the Council effects transactions with them.</p> <p>Where required, the Council will also establish the powers of those with whom they enter into transactions, including any compliance requirements in respect of a duty of care and best practice.</p>

Required information from counterparties concerning their powers/authorities	Investments shall only be made with institutions on the Council’s authorised lending list or in securities which meet the Council’s approved credit criteria. The Council will only undertake borrowing from approved sources listed in TMP4 <i>Approved instruments, methods and techniques</i> .
Statement on the organisation’s political risks and management of the same	Political risk is managed by: <ul style="list-style-type: none"> • adoption of the CIPFA Treasury Management Code of Practice • adherence to Corporate Governance (TMP12 <i>Corporate Governance</i>) • adherence to the Statement of Professional Practice • the roles of the Scrutiny Committee.

[8] Fraud, error and corruption, and contingency management

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

Principle

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

Schedule

<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 <i>Organisation, clarity and segregation of responsibilities, and dealing arrangements</i>.</p> <p>1. Electronic Banking and Dealing</p> <p>(a) The Council's online banking service provided by Barclays Bank PLC is subject to separate log-on and password control allowing varying levels of access. Details of transactions and balances are available as required, and the system also holds historic data. Officers having access to the bank's online system are as follows:</p> <ul style="list-style-type: none"> • Director of Finance and Corporate Services • Assistant Director Resources • Finance Manager • Senior Accountant • Trainee Accountant <p>Officer access is reviewed as necessary.</p> <p>(b) Access to the Council's treasury management system, is limited to those officers listed below.</p> <ul style="list-style-type: none"> • Assistant Director Resources • Finance Manager • Senior Accountant • Trainee Accountant <p>Officer access is reviewed as necessary.</p> <p>(c) Access to the Money Market Fund Portal, is limited to those officers listed below.</p> <ul style="list-style-type: none"> • Assistant Director Resources • Finance Manager • Senior Accountant • Trainee Accountant <p>Officer access is reviewed as necessary.</p> <p>Full procedure notes covering the day to day operation of the online banking system, the treasury management system and the MMF portal are documented and included in the <u>procedure notes</u>.</p> <p>2. Standard Settlement Instructions (SSIs): a list is maintained of named officers who have the authority to transact for loans and investments</p> <ul style="list-style-type: none"> • Brokers and counterparties with whom the Council deals direct. • PWLB and Debt Management Agency Deposit Facility (DMADF). • Money Market Funds and other externally managed pooled funds managers. <p>3. Payment Authorisation:</p> <ul style="list-style-type: none"> • Payments can only be authorised by agreed signatories 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) authorisation of deals
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Verification	<p>Loans and investments will be maintained in <u>registers</u> which will include fees and brokerage paid.</p> <p>Transactions will be cross-checked against broker notes, counterparty confirmations and PWLB loan schedules by verifying dates, amounts, interest rates, maturity, interest payment dates etc.</p> <p>When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before amending payment details.</p>
Substantiation	<ol style="list-style-type: none"> 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 daily from the bank statement to the General Ledger.
Internal Audit	Internal Audit generally conducts a tri-annual review of the treasury management function including probity testing. See TMP7 <i>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 2. Home working facility: The officers who can avail of this facility following an emergency are the Director of Finance and Corporate Services, Assistant Director Resources and the Finance Manager who are aware of the procedures to follow 3. Electronic Banking System Failure: Balances are obtainable via email/over the telephone. If necessary temporary overdraft facility would be arranged. CHAPS payments can be made via email/over the phone. 4. The Business Continuity Plan is maintained and printed copies are retained in a secure location by the Finance Manager.
Insurance cover details	The Council has Fidelity Guarantee cover. Details of the provider and cover are held by the Finance Department.

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

Principle

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

Schedule

<p>Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate</p>	<p>Investment instruments used by external fund managers (equities, bonds, CDs 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 an 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>Accounting for unrealised gains/losses</p>	<p>The method of accounting for unrealised gains or losses on the valuation of financial assets will comply with the Accounting Code of Practice.</p>

TMP2: 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 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.

CIPFA supports the use of risk benchmarks in measuring treasury management performance.

The performance of the treasury management function will be measured using the criteria set out below.

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>
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<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> <p>(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</p> <p>(ii) permit an informed judgement about the merits or otherwise of using new treasury management techniques or instruments.</p> <p>In drawing any conclusions, the Council will bear in mind that the characteristics of its treasury operations may differ from those of other councils, particularly with regard to the position on risk.</p>
<p>Methodology to be applied for evaluating the impact of treasury management decisions</p>	<p>Monitoring of the outcome of treasury management activity against Prudential Indicators (PIs) approved by the Council will be carried out as part of the Treasury mid-year review to Cabinet.</p> <p>The year-end Annual Treasury Report will also include, as a matter of course, the outturn against the PIs set prior to the commencement of the financial year and any in-year amendments.</p> <p>The Council’s Treasury Management advisers review the existing debt portfolio and all transactions that have occurred in the interim in order to ensure that best practice has been achieved.</p> <p>The Council participates in the Treasury Management Advisor’s quarterly investment benchmarking as well as the Treasury Management Advisor’s annual Balance Sheet and Debt benchmarking.</p>

<p>Methods to be employed for measuring the performance of the Council's treasury management activities</p>	<p>Treasury management activity is reviewed half yearly against strategy and prevailing economic and market conditions through the Treasury mid-year review and treasury outturn to Cabinet.</p> <p>The report will include:</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 new borrowing and/or maturities on the above f) The effect of any debt restructuring on the debt portfolio g) An analysis of any risks inherent within the debt portfolio (e.g. exposure to variable rate) h) Total investments including average rate, credit and maturity profile i) The effect of new investments/redemptions/maturities on the above j) The rate of return on investments against their indices for internally and externally managed funds k) 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) l) A statement whether the treasury management activity resulted in a breach of the Prudential Indicators and other limits set within treasury strategy m) Daily bank balances: any major deviations from the target bank balances
<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 and Contracts Procedure Rules. These require that:</p> <ul style="list-style-type: none"> a) For placing a contract with a value between £10,001 and £50,000, a minimum of three written quotations shall be obtained in consultation with the Procurement Manager. b) when placing a contract with a value in excess of £50,000, a tendering process that meets the requirements of the EU procurement procedures (OJEU) is undertaken c) If necessary, the Council will also consult with other users of similar services as well as with interested parties d) The Council will also evaluate alternative methods of the availability of fiscal, grant or subsidy initiatives, and service delivery

TMP3: 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 guidance on decision making states that relevant due diligence should take place on all transactions. In respect of investment decisions, the organisation should consider the risks to capital and returns and the implications for the organisation’s future plans and budgets.

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 2017 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 authority.</p> <p>Effective financial planning, option appraisal and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt.</p> <ul style="list-style-type: none"> • The Council has an investment Strategy and a Capital Strategy that is prepared/reviewed alongside the Medium Term Financial Strategy, for Scrutiny, Cabinet and Council to review and approve • The council has established an investment steering group (ISG) which is a working group of Cabinet, to evaluate and recommend to Cabinet potential new investments. The ISG will also oversee performance of the existing portfolio of commercial investments and loans. In addition to elected members, the ISG will have a number of independent people with experience in commercial investments, as non-voting members, providing additional guidance and support to councillors and officers. An annual report on the performance of the investment portfolio will be presented to the Governance, Audit and Performance (GAP) Committee • The Capital Programme is reviewed annually and all capital expenditure is subject to the submission of a business case and bid request
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Major treasury decisions	<p>As a public service organisation, there is a requirement to demonstrate openness and accountability in treasury management activities. Accordingly, the Council will create and maintain an audit trail of major treasury management decisions which comprise either:</p> <p>a) changes to Prudential Indicator(s) during the course of the financial year b) options appraisal to determine a funding decision c) raising a new long-term loan/long-term source of finance d) prematurely restructuring/redeeming an existing long-term loan(s) e) investing longer-term (i.e. in excess of 1 year) f) utilisation of investment instruments which constitute capital expenditure (i.e. loan capital/share capital in a body corporate) g) leasing h) change in banking arrangements i) appointing/replacing a treasury advisor j) appointing/replacing a fund manager</p>
Process	<p>The Council's strategy for the application of its treasury policy is set out in the annual Treasury Management Strategy.</p> <p>Based on the Annual Treasury Management Strategy, the Director of Finance and Corporate Services will prepare monthly for the ensuing 12 months rolling forecasts of the financing, borrowing and surplus cash requirements of the Council, for the purpose of:</p> <ul style="list-style-type: none"> • applying the strategy on a day to day basis • monitoring the results of the strategy • recommending amendments to the strategy to Cabinet where applicable during the course of the year
Delegated powers for treasury management	<p>The Director of Finance and Corporate Services has delegated powers to carry out the Council's strategy for debt management, capital finance and borrowing, depositing surplus funds and managing the cash flows of the Council.</p>

Issues to be addressed	<p>In exercising these powers, the Director of Finance and Corporate Services and those to whom the treasury activities have been delegated will:</p> <ul style="list-style-type: none"> • have regard to the nature and extent of any associated risks to which the Council may become exposed and put in place effective mechanisms for risk management and mitigation • be certain about the legality of the decision reached and that the necessary authority to proceed has been obtained • 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 <p>In exercising borrowing and funding decisions, the Director of Finance and Corporate Services will:</p> <ul style="list-style-type: none"> • evaluate economic and market factors that may influence the manner and timing of any decision to fund • 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 • consider ongoing revenue liabilities created • where applicable, monitor regularly the benefits of internal borrowing against the potential for incurring additional costs by deferring borrowing into future years <p>The Authority’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.</p> <p>In exercising Investment decisions, the Director of Finance and Corporate Services will:</p> <ul style="list-style-type: none"> • Determine that the investment is within the Council’s strategy and pre-determined instruments and criteria; • consider the optimum period, in the light of core balances and reserves, cash flow availability and prevailing market conditions; • the credit risk associated with unsecured investments with banks and building societies • consider the alternative investment products and techniques available if appropriate.
Processes to be pursued	The processes to be followed will be in keeping with <i>TMP4 Approved instruments, methods and techniques.</i>

Records to be kept	<p>The Council will maintain a record of all major treasury management decisions, the processes undertaken and the rationale for reaching the decision made. These will allow for an historical assessment of decisions made and verification that any checks and safeguards are indeed in place and operating correctly.</p> <p>Records and working papers will be maintained by the Council electronically, and in relevant files.</p>
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TMP4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

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 consideration of skills and experience is particularly critical where organisations request to be treated as professional clients under MIFID II. Designation under MIFID II should be endorsed by the treasury management strategy and regularly reviewed to ensure that designation remains appropriate.”

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>
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<p>Approved capital financing methods and types/sources of funding</p>	<ul style="list-style-type: none"> • Public Works Loans Board (PWLB) loans and its successor body • Long term money market loans including forward starting loans and LOBOs • Temporary money market loans (up to 364 days) • Bank overdraft • Loans from bodies such as the European Investment Bank (EIB) • Stock issues • Deferred Purchase • Government and EU Capital Grants • Lottery monies • Other Capital Grants and Contributions • Private Finance Initiative • Operating and finance leases • Hire purchase • Sale and leaseback <p>The Council may also use internal resources:</p> <ul style="list-style-type: none"> • Capital Receipts • Revenue Balances • Reserves <p>Approved sources of long-term and short-term borrowing include:</p> <ul style="list-style-type: none"> • Public Works Loan Board (PWLB) and its successor body • Any institution approved for investments • Any other bank or building society authorised to operate in the UK • UK public and private sector pension funds (except Essex Pension Fund) • UK Municipal Bonds Agency and other special purpose vehicles created to enable local authority bond issues • <i>Any other counterparty you intend to borrow from</i> <p>The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.</p>
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<p>Approved treasury investment instruments</p>	<p>The Council will determine through its Annual Investment Strategy (AIS) which instruments it will use, giving priority to the security and liquidity (in that order) of its invested monies. The investments will be categorised as 'Specified' or 'Non-Specified' based on the criteria set out by the ODPM (now MHCLG) in its Investment Guidance March 2004 (as amended).</p> <p>The Council will determine through the AIS which instruments will be used in-house and which will be used by the appointed external fund manager(s) including the maximum exposure for each category of non-specified investments. Where applicable, the Council's credit criteria will also apply.</p> <ul style="list-style-type: none"> • Deposits with the UK government, the Debt Management Agency Deposit Facility (DMADF), and UK local authorities • Banks and building societies unsecured short-term (call and notice accounts, deposits, certificates of deposit) • Investments in Money Market Funds, i.e. 'AAA' liquidity funds • Treasury Bills • UK government bonds (Gilts) • Sterling denominated bonds by non-UK sovereign governments • Bonds issued by multilateral development banks • Sterling denominated bonds by non-UK sovereign governments • 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) <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 are investments which the Council invests in other financial assets and property primarily for financial return. Such activity includes investments in subsidiaries.</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.

Use of Derivatives	<p>The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).</p> <p>As the Council is using/likely to use derivatives, it is a requirement of the CIPFA Code to clearly detail our policy on their use in the annual treasury strategy.</p> <p>The Council will only use the following standalone financial derivatives, swaps, forwards, futures and options as these can be clearly demonstrated to reduce the overall level of the financial risks the Council is exposed to.</p> <p>Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk.</p> <p>Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.</p> <p>Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.</p> <p>The use of derivatives is restricted to only those officers who have completed the appropriate training for their use.</p>
MiFID II professional client status	<p>The Council has reviewed its classification with financial institutions under MiFID II and has set out in the schedule 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>Organisations with whom the Council has opted up to professional client status</p> <ul style="list-style-type: none"> • Arlingclose • Tradition (UK) Ltd • BGC Partners LP • Tullett Prebon (Europe) Ltd • ICAP Global Brokering Holdings Ltd • Imperial Treasury Services • Federated Investors (UK) LLP <p>Organisations with whom the Council has an application to register as a professional client outstanding</p> <ul style="list-style-type: none"> • Invesco Global Asset Management Ltd <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. Designation under MiFID II will be endorsed by the treasury strategy and reviewed annually to ensure the designation remains appropriate.</p>

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.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Director of Finance and Corporate Services 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.

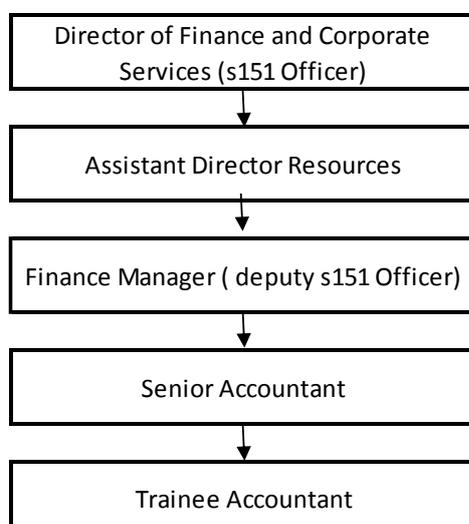
The Director of Finance and Corporate Services will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Director of Finance and Corporate Services will also ensure that at all times those engaged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

The Director of Finance and Corporate Services 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 Director of Finance and Corporate Services in respect of treasury management are set out in the schedule below. The Director of Finance and Corporate Services 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

Organisational Chart of the Treasury Management Function



<p>Limits to responsibilities / discretion at committee / executive levels</p>	<p>Full Council: receiving and reviewing</p> <ul style="list-style-type: none"> • Capital Strategy • Prudential Indicators • Treasury Management Strategy • Annual Investment Strategy • receiving and reviewing reports on treasury management policies, practices and activities (following receipt by Cabinet) <p>Cabinet:</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 • receiving and reviewing external audit reports and acting on recommendations • approving the selection of external service providers and agreeing terms of appointment
<p>Principles and practices concerning segregation of duties</p>	<p>The segregation of duties will be determined by Director of Finance and Corporate Services (Section 151 Officer).</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 payments • all borrowing/investments decisions must be authorised by the Assistant Director Resources. <p>Additionally, The Council receives bank statements on a daily basis. These are posted independent of the treasury function in order to maintain an adequate separation of duties.</p>

<p>Statement of duties/ responsibilities of each treasury / relevant post</p>	<p>Assistant Director Resources:</p> <ul style="list-style-type: none"> • submitting budgets and budget variations • recommending clauses, treasury management policy, practices for approval, reviewing the same regularly and monitoring compliance • determining Prudential Indicators and Treasury Management Strategy including the Annual Investment Strategy • submitting regular treasury management policy reports • receiving and reviewing management information reports • reviewing the performance of the treasury management function and promoting best value reviews • 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 and liaising with external audit • recommending the appointment of external service providers • determining long-term capital financing and investment decisions • The Assistant Director Resources has delegated powers to determine and undertake the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments <p>Senior Accountant</p> <ul style="list-style-type: none"> • execution of transactions • 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 to the responsible officer • identifying and recommending opportunities for improved practices • recording treasury management transactions, • reconciling treasury management transactions with the financial ledger • recording/reconciling counterparty documentation
<p>Absence cover arrangements</p>	<p>Cover in the absence of the relevant treasury management officer is provided by:</p> <ul style="list-style-type: none"> • Finance Manager • Trainee Accountant <p>Cover is reviewed at least annually, 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>

Dealing

<p>Authorised officers</p>	<p>Responsible officer for borrowing/investment decisions :</p> <p>Borrowing activity: Assistant Director Resources</p> <p>Lending activity: Assistant Director Resources</p> <p>Authorising payments for borrowing/lending : Finance Manager</p> <p>Transaction recording: Senior Accountant</p>
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Dealing limits	Internally Managed Investments: the maximum for any one investment deal other than DMADF is £3 million, (subject to the lending limits detailed in the Council's Annual Investment Strategy.)
Dealing platforms / portals	ICD Money Market Fund Portal
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> <p>The template for the Council's Standard Settlement Procedures is included in the Operational Schedule.</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.</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	<ul style="list-style-type: none"> • settlements are made by <u>CHAPS/BACS</u> • all <u>CHAPS/BACS</u> payments relating to settlement transactions require authorisation by the Finance Manager • the details are transmitted through Barclays.net

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 • confirmation from PWLB/market counterparty • CHAPS payment transmission document.
Arrangements concerning the management of counterparty lists	<ul style="list-style-type: none"> • The Senior Accountant responsible for Treasury Management has responsibility for updating the Council's records with any credit developments. • The Senior Accountant responsible for Treasury Management is tasked with checking that records have been correctly updated to reflect any credit developments.

TMP6: 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.

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.

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

The Council will report the treasury management indicators as detailed in the TM Code's sector-specific guidance notes.

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

Schedule

Capital Strategy:	<p>This is a summary document approved by Full Council covering capital expenditure and financing, treasury management and non-treasury investments. It is intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability. The Capital Strategy will include:</p> <ul style="list-style-type: none">• Capital expenditure, including the approval process, long-term financing strategy, asset management, maintenance requirements, planned disposals and funding restrictions.• Commercial activities, including due diligence processes, the authority's risk appetite, proportionality in respect of overall resources, requirements for independent and expert advice and scrutiny arrangements.• Long-term context in which capital expenditure decisions are made for the above, risk and reward considerations and impact on the achievement of priority outcomes.• Debt management, including projections for the level of borrowing, capital financing requirement and liability benchmark, provision for the repayment of debt, the authorised limit and operational boundary for the coming year and the authority's approach to treasury management.• Other long-term liabilities, such as financial guarantees.• Knowledge and skills, including a summary of that available to the authority and its link to the authority's risk appetite. <p>The strategy should include sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured and to meet legislative requirements on reporting.</p> <p>The Director of Finance and Corporate Services will report explicitly on the affordability and risk associated with the Capital Strategy and, where appropriate, have access to specialised advice to enable the members to reach their conclusions.</p> <p>The Director of Finance and Corporate Services will also ensure 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>
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<p>Content and frequency of other board / committee reporting requirements</p>	<p>The Director of Finance and Corporate Services will annually submit budgets and report on budget variations as appropriate.</p> <p>The <i>Assistant Director Resources</i> will submit the Prudential Indicators and the Treasury Strategy Statement (including Annual Investment Strategy) and report on the projected borrowing and investment strategy and activity for the forthcoming financial year to full Council before the start of the financial year.</p> <p>The Annual Treasury Report will be prepared as soon as practicable after the financial year end and, in all cases, before the end of September.</p> <p>A Mid-Year Treasury Report will be prepared by the Assistant Director Resources, which will report on treasury management activities for the first part of the financial year. The report will also provide a forecast for the current year. The Mid-Year Report will be submitted to Cabinet during the year.</p>
<p>Content of Reporting: 1. Prudential Indicators</p>	<p>The Council will set the following Prudential Indicators in its annual / semi-annual reports and publish actual outturn (where appropriate) in respect of:</p> <ul style="list-style-type: none"> • Capital expenditure (estimates; actual) • Capital Financing Requirement (estimates; actual) • Gross Debt and the Capital Financing Requirement • Financing costs as a proportion of net revenue stream (estimate; actual) • Authorised limit for external debt • Operational boundary for external debt • Treasury indicators • Upper and lower limits to maturity structure of borrowing • Upper limit to total of principal sums invested longer than 365 days. <p>Add any voluntary indicators, as applicable</p> <ul style="list-style-type: none"> • Exposure to credit risk • Exposure to liquidity risk • Exposure to Interest Rate Risk <p>The Prudential Indicators are approved and revised by full Council and are integrated into the Council's overall financial planning and budget process.</p> <p>The Scrutiny committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>

<p>2. Treasury Strategy Statement including the Annual Investment Strategy</p>	<p>The Treasury Strategy Statement integrates with the Prudential Indicators being set and will include the following:</p> <ul style="list-style-type: none"> • Link to Capital Financing and Treasury Management Prudential Indicators for the current and ensuing <u>three</u> years • Strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next three years and for restructuring of debt • the extent to which surplus funds are earmarked for short term requirements • the investment strategy for the forthcoming year(s)* • the minimum to be held in short term/specified investment during the coming year • the interest rate outlook against which the treasury activities are likely to be undertaken. <p>*Based on the MHCLG’s Guidance on Investments, the Council will produce an Annual Investment Strategy (AIS) which sets out</p> <ul style="list-style-type: none"> • the objectives, policies and strategy for managing its investments • the determination of which Specified and Non-Specified Investments the Council will utilise during the forthcoming financial year(s) based on the Council’s economic and investment outlook and the expected level of investment balances • the limits for the use of Non-Specified Investments <p>The AIS will be integrated into the Treasury Strategy Statement.</p> <p>The Scrutiny committee will also receive a copy of this report to carry out its scrutiny role of treasury management as part of the annual budget setting.</p>
<p>3. Mid-Year and Annual Treasury Outturn Reports</p>	<p>The Assistant Director Resources will produce a mid-year and an annual report for the Cabinet on all activities of the treasury management function (including the performance of fund managers) as soon as practicable after the end of the relevant period.</p> <p>The main contents of the report will comprise:</p> <ul style="list-style-type: none"> • the prevailing economic and credit environment • a commentary on treasury operations (borrowing and investments) for the period, including their revenue effects; • commentary on the risk implications of treasury activities undertaken and the overall impact on the treasury portfolio • any future implications for the treasury portfolio • compliance with agreed policies/practices and statutory/regulatory requirements • compliance with agreed policies / practices and statutory / regulatory requirements • performance measurement • training /continuous professional development undertaken by treasury officers. <p>The mid-year and annual reports will include compliance with the treasury indicators. Compliance with non-treasury prudential indicators will be reported along with the capital outturn report.</p>

Content and frequency of management information reports	<p>The Assistant Director Resources produces a quarterly monitoring report for Cabinet.</p> <p>This report includes details of:</p> <ul style="list-style-type: none">• borrowing and investment activity undertaken including forward deals• brokers' fees• interest rates and forecasts• extent of compliance with the treasury strategy and reasons for variance (if any)
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TMP7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

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

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

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

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

Schedule

Statutory/regulatory requirements	<p><i>Balanced Budget Requirement:</i> The provisions of S32 and S43 of the Local Government Finance Act 1992 require this Council to calculate its budget requirement for each financial year including, among other aspects:</p> <ul style="list-style-type: none">(a) the expenditure which is estimated to be incurred in the year of performing its functions and which will be charged to a revenue account, and(b) revenue costs which flow from capital financing decisions <p>S33 of the Act requires the Council to set a council tax sufficient to meet expenditure after taking into account other sources of income.</p>
Accounting practices and standards	CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the local authority SORP) constitutes "proper accounting practice under the terms of S21 (2) of the Local Government Act 2003".

Financial Statements	<p>The Financial Statements comprise:</p> <ul style="list-style-type: none"> • Management commentary • Statement of Responsibilities for the annual accounts • Movement in Reserves Statement • Comprehensive Income and Expenditure Statement (Group and Council) • Balance Sheet (Group and Council) • Cash Flow Statement (Group and Council) • Notes to the Financial Statements • Housing Revenue Account • Council Tax Income Account • Non-Domestic Rates Income Account • Common Good Fund • Annual Governance Statement • Statement of Accounting Policies • Remuneration Report • Independent Auditor's Report/Certificate • Glossary of Terms
Format of the Council's accounts	<p>The current form of the Council's accounts is available www.uttlesford.gov.uk/finance</p>
Disclosures relating to treasury management	<p>Due regard will be given to the disclosure requirements under CIPFA's Accounting Code of Practice.</p>
List of information requirements of external auditors	<p>The following information is specifically requested by the external auditor and should be considered an initial request for information. It is usually followed by more detailed audit testing work which often requires further information and/or explanations from the Council's officers.</p> <p>Information in this context includes internally generated documents including those from the Council's Treasury Management System, externally generated documents, observation of treasury management practices which support and explain the operation and activities of the treasury management function.</p> <ul style="list-style-type: none"> • Determination of Affordable Borrowing Limit under Section 3 of the Local Government Act 2003 • Prudential Indicators • Treasury Management Strategy including Annual Investment Strategy <p><u>External borrowing</u></p> <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> * calculation of (i) interest paid (ii) accrued interest * interest paid • MRP calculation and analysis of movement in the CFR.

	<ul style="list-style-type: none"> • Bank overdraft position. • Brokerage/commissions/transaction related costs <p><u>Investments</u></p> <ul style="list-style-type: none"> • 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. <p><u>Cash Flow</u></p> <ul style="list-style-type: none"> • 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 <p><u>Other</u></p> <ul style="list-style-type: none"> • Details of (treasury-related) material events after balance sheet date not reflected in the financial statements. • External advisors'/consultants' charges
Internal Audit	<p>Internal Audit generally conducts a tri annual review of the treasury management function and probity testing.</p> <p>The internal auditors will be given access to treasury management information/documentation as required by them.</p>
Compliance with CIPFA Treasury Management and Prudential Codes	<p>Auditors may require evidence/demonstration of compliance with external and internal treasury management policies and strategy.</p> <p>Any serious breach of the TM Code's recommendations or Prudential Indicators should be brought to the attention of the external auditor.</p>
Costs for treasury management	<p>The budget for treasury management forms part of the Financial Services budget.</p>

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 Director of Finance and Corporate Services, 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 Assistant Director Resources will ensure that these are adequate for the purposes of monitoring compliance with TMP1[2] *liquidity risk management*. The present arrangements for preparing cash flow projections and their form are set out in the schedule below.

Schedule

<p>Arrangements for preparing /submitting cash flow statements</p>	<p>Cash flow forecasts will be viewed over 2-year time horizons and will be used to formulate the Council’s borrowing and investment strategy by identifying periods of surplus or shortfall of cash balances.</p> <p>The cash flow forecasts and statements are held at operational level.</p> <p>The accuracy and effectiveness of the Council’s cash flows are dependent on the accuracy of estimating expenditure, income and their corresponding time periods.</p> <p>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 daily 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.</p>
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<p>Content and frequency of cash flow budgets</p>	<p>The detailed 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 • DSS / 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 as necessary with the actual cash inflows and outflows after taking account of any revisions including those relating to grant income and capital expenditure and will be reconciled with:</p> <ul style="list-style-type: none"> • Net RSG and NNDR payments as notified • County council, 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 on a daily basis.</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 using a monthly Sundry Debtors Monitoring Report to the Assistant Director Resources which will include an analysis of debt by age and details of recovery status.</p> <p>The level of creditor invoices being processed/remaining unpaid is monitored on a daily basis by the Payments Team. A weekly report is produced that details all BACS and cheque payments for the next payment run and recorded in P drive.</p>														
Procedures for banking of funds	<p>Instructions for the banking of income are set out in the Financial Regulations. Cash and cheques received in the cashier's section are banked daily.</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>														
Listing of sources of information	<p>The treasury function receives cash flow information from the following persons/departments:</p> <table border="1" data-bbox="440 1615 1286 1906"> <thead> <tr> <th>Type of Information</th> <th>Source</th> </tr> </thead> <tbody> <tr> <td>NNDR Refunds</td> <td>Revenues Team Leader</td> </tr> <tr> <td>S106 payments/receipts</td> <td>S106 Monitoring and Enforcement Officer</td> </tr> <tr> <td>Weekly Payment runs</td> <td>Finance Officer</td> </tr> <tr> <td>Monthly VAT returns</td> <td>Senior Accountant</td> </tr> <tr> <td>Right to buy receipts</td> <td>Legal Department</td> </tr> <tr> <td>Large purchase orders</td> <td>Procurement Manager</td> </tr> </tbody> </table>	Type of Information	Source	NNDR Refunds	Revenues Team Leader	S106 payments/receipts	S106 Monitoring and Enforcement Officer	Weekly Payment runs	Finance Officer	Monthly VAT returns	Senior Accountant	Right to buy receipts	Legal Department	Large purchase orders	Procurement Manager
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Right to buy receipts	Legal Department														
Large purchase orders	Procurement Manager														

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

Prevention of Money Laundering Procedures	<p>This Council's policy is to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.</p> <p>The Council has accepted responsibility to ensure 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>
Treasury documentation	<p>The Council will reflect the anti-money laundering measures it has in place as part of its treasury documentation. Such measures include:</p> <ul style="list-style-type: none"> • Awareness of what constitutes money laundering • 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 Monitoring Officer to be the responsible officer(s) to whom any suspicions relating to transactions involving the Council will be communicated</p> <p>(b) The Monitoring Officer 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 Monitoring Officer will make arrangements to receive and manage the concerns of staff about money laundering and their suspicion of it, to make internal enquiries and to make reports, where necessary, to National Criminal Intelligence Services (NCIS)</p>

<p>Procedures for establishing the identity/authenticity of Lenders and Borrowers</p>	<ul style="list-style-type: none"> (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> (b) The Council will not accept loans from individuals. (c) In the course of its treasury activities, the Council will only invest with those counterparties which are on its approved lending list (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 (e) All receipts/disbursements of funds will be undertaken by <u>Bacs</u> or <u>CHAPS</u> settlement (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 (g) All banking transactions will only be undertaken by the personnel authorised to operate the Council's banks accounts (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 (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>Identifying sources of borrowing/investment</p>	<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 Director of Finance and Corporate Services will recommend and implement the necessary arrangements.

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

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

The present arrangements are detailed in the schedule below.

Schedule

<p>Details of approved qualifications</p>	<p>There is a fully qualified accountant within the team to manage Treasury Management functions. The administrative role should have demonstrable experience of Treasury Management administration and activities</p>
<p>Details of approved training courses</p>	<p>The courses/events the Council would expect its treasury personnel to consider are:</p> <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 • Treasury Management working Groups
<p>Records of training received by treasury and other relevant staff</p>	<p>Treasury-related training records are maintained</p>

TMP11: USE OF EXTERNAL SERVICE PROVIDERS

The Council recognises that responsibility for the treasury management decisions remains with the organisation 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 Procurement Manager, and details of the current arrangements are set out in the schedule below.

Schedule

Contract threshold	The Council's Financial Regulations require that a formal contract is in place with external service providers where the contract value is £50,000 and above. The contract will clearly state the services to be provided and the terms on which they will be provided.
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<p>Service providers, including bankers, brokers, consultants and advisers</p>	<p>(a) Bankers to the Council Barclays Bank PLC 12a Market Place Saffron Walden Essex CB10 1HR Tel: 03301 502 724 Contract period: Ongoing Formal agreement in place: yes</p> <p>(b) Treasury advisor: Arlingclose 35 Chiswell Street London EC1Y 4SE Tel: 08448 808 200 Contract period: Dec 2018 to Dec 2019 Formal agreement in place: yes</p> <p>(c) Brokers It is considered good practice for the Council to have at least two brokers and to spread business between them.</p> <table data-bbox="446 1030 1340 1680"> <tr> <td data-bbox="446 1030 861 1366"> <p>Tradition (UK) Ltd Beaufort House 15 St. Botolph Street London EC3A 7QX Tel: 02074223566 Contract period: none Formal agreement in place: no</p> </td> <td data-bbox="861 1030 1340 1366"> <p>BGC Partners LP 1 Churchill Place London E14 5RD Tel: 02078947742 Contract period: none Formal agreement in place: no</p> </td> </tr> <tr> <td data-bbox="446 1388 861 1680"> <p>Tullett Prebon 155 Bishopsgate London EC2M 3TQ Tel: 02072 007 042 Contract period: none Formal agreement in place: no</p> </td> <td data-bbox="861 1388 1340 1680"> <p>Imperial Treasury Services 25 St Andrews St Hertford SG141HZ Tel: 01992 945 550 Contract period: none Formal agreement in place: no</p> </td> </tr> </table>	<p>Tradition (UK) Ltd Beaufort House 15 St. Botolph Street London EC3A 7QX Tel: 02074223566 Contract period: none Formal agreement in place: no</p>	<p>BGC Partners LP 1 Churchill Place London E14 5RD Tel: 02078947742 Contract period: none Formal agreement in place: no</p>	<p>Tullett Prebon 155 Bishopsgate London EC2M 3TQ Tel: 02072 007 042 Contract period: none Formal agreement in place: no</p>	<p>Imperial Treasury Services 25 St Andrews St Hertford SG141HZ Tel: 01992 945 550 Contract period: none Formal agreement in place: no</p>
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Regulatory status of services provided	<p>The Council’s external service providers are listed below, along with their regulatory status:</p> <ul style="list-style-type: none"> • Bankers to the Council – Barclays plc is regulated by the Prudential Regulation Authority and the Financial Conduct Authority • Treasury Adviser – Arlingclose Ltd is regulated by the 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. • Broker’s – Tradition (UK) Ltd, BGC Partners LP, Tullet Prebon, Imperial Financial Services and ICAP are all regulated by the Financial Conduct Authority
Details of service provided by Treasury Advisor	<ul style="list-style-type: none"> • Attend up to four client meeting per annum – to formulate strategy, to discuss matters arising in the Treasury function of the Authority and its subsidiary companies, strategy, timing and objectives, and staff/member training • Advise the Authority in regard to the timing of Debt and Investment transactions and restructuring • Supply valuations of Investment portfolios when appropriate • Assist the authority in the compilation of the: <ul style="list-style-type: none"> * Treasury Management Policy Statement * Treasury Management practices * Treasury Management Strategy Statement * Annual Investment Strategy Statement * Annual Treasury Management Review * Capital Strategy • Provide the Authority with relevant and timely economic information and economic forecasts to underpin the agreed strategy • Monitor and comment on the performance of the Authority’s investments • Reconcile the counterparty list of the Authority, in relation to the criteria set out in the Authority’s Treasury Strategy • Attendance by an officer at each workshop and training event <p>It must be remembered that responsibility for borrowing, investments and risk management remains with the Council.</p>
Bribery Act	The Council is mindful of the requirements of the Bribery Act 2011 in its dealings with external providers

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 Director of Finance and Corporate Services will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Schedule

Stewardship responsibilities	The Director of Finance and Corporate Services ensures that systems exist to deliver proper financial administration and control and maintaining a framework for overseeing and reviewing the treasury management function.
List of documents to be made available for public inspection	The following documents are freely available for public inspection: <ul style="list-style-type: none">• Annual Statement of Accounts• Budget Book• 5 Year Capital Plan• Treasury Management Policy• Capital Strategy• Treasury Management Strategy• Budget Monitoring Reports• Annual and Mid-Year Treasury Report
Council's website	Financial information is additionally available on the Council's website.
Procedures for consultation with stakeholders	Members and senior officers of the Council are consulted via reports to the Scrutiny Committee (annual strategy only), Cabinet and Full Council, plus officer/member briefing sessions.

TMP13: INVESTMENTS THAT ARE NOT PART OF TREASURY MANAGEMENT ACTIVITY

The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all its investments are covered in the Capital Strategy, investment strategy or equivalent, and will set out, where relevant, the Council’s risk appetite and specific policies and arrangements for non-treasury investments. It is recognised that the risk appetite for these activities may differ from that for treasury management.

The Council will maintain a schedule setting out a summary of existing material investment, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation’s risk exposure.

The Council recognises that many of the principles underlying TMPs 1 to 12 will apply to non-treasury investments as they do to treasury investments. However, some aspects are likely to differ significantly. A published schedule has been agreed by Full Council that sets out the investment practices for non-treasury investments and this will be complied with by all officers or agencies responsible for such investments.

Schedule

Register of non-treasury investments and financial guarantees	<p>A regularly updated list of non-treasury investments, existing material investment, subsidiaries, joint ventures and liabilities and financial guarantees is maintained. An outline of such investments is in the Council’s Capital Strategy/Non-Treasury Investment Strategy and a summary is below.</p> <p>Commercial Investments (Non Treasury) made primarily for financial benefit: Investment in subsidiaries</p> <ul style="list-style-type: none"> • Aspire (CRP) Ltd type of holding: equity, amount: £1, 100% holding • Aspire (CRP) Ltd type of holding: loans, amount: £54,241,00 <p>Parent Company guarantee</p> <ul style="list-style-type: none"> • Aspire (CRP) Ltd – given to Aviva Life and Pensions as surety for the joint venture acquisition of Chesterford Research Park
Due diligence process	<p>In May 2017 the Council, through its wholly owned subsidiary Aspire (CRP) Ltd, acquired a 50% share in Chesterford Research Park and in doing so created a joint venture partnership with Aviva Life and Pensions. Legal due diligence was undertaken by Hogan Lovells an international law firm. Land and buildings due diligence was undertaken by Cushman and Wakefield an international firm of commercial real estate brokers.</p>

Schedules maintained	<p>The published schedule is agreed by full Council and sets out the organisation's investment management practices for non-treasury investments. Schedules will be maintained for non-treasury investments covering the following (suggested by CIPFA):</p> <ul style="list-style-type: none"> • Risk management including investment and risk management criteria; • Decision making, governance and organisation including a statement of your Council's governance requirements for decision making and arrangements to ensure proper due diligence support decision making; • Reporting and management information; • Performance measurement and management including methodology for assessing performance and success; • Training and qualifications including acquiring the necessary knowledge and skills for the management of non-treasury investments <p>The Council has a revised Investment Strategy adopted by Full Council. This will be underpinned by an investment protocol and reporting template for future acquisitions. The Investment Steering Group will both review existing performance and future acquisitions and disposals, recommending suitable opportunities to Cabinet for approval. The performance of the commercial portfolio and the loans to the Aspire companies are reported annually to the audit committee. Officers directly involved in asset management are undertaking the CIPFA Commercial Mini MBA qualification.</p>
1. Risk Management	This will primarily be the mix of the portfolio and the risk in the time taken to build the entire portfolio. Risks will remain whilst elements of the portfolio are yet to be acquired. Risks are an inherent part of the strategy protocol and associated scoring matrix. Due diligence risks are mitigated by using expert lawyers and land agents.
Independent and expert advice	Hogan Lovells will be retained for all legal due diligence. Land and property due diligence will be undertaken by specialists retained following an appointment process. The Investment Steering Group will have independent experts appointed to it. Each of the Aspire companies involved in asset acquisition will have two non-executive directors appointed.
2. Decision making, governance and organisation	The council has established an investment steering group (ISG) which is a working group of Cabinet, to evaluate and recommend to Cabinet potential new investments. The ISG will also oversee performance of the existing portfolio of commercial investments and loans. In addition to elected members, the ISG will have a number of independent people with experience in commercial investments, as non-voting members, providing additional guidance and support to councillors and officers. An annual report on the performance of the investment portfolio will be presented to the Governance, Audit and Performance (GAP) Committee

3. Performance measurement and management	<p>A number of standard KPIs will be adopted; these include</p> <table border="1" data-bbox="438 197 1364 1348"> <tr> <td data-bbox="438 197 762 353">Debt to net service expenditure (NSE) ratio</td> <td data-bbox="762 197 1364 353">Gross debt as a % of net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.</td> </tr> <tr> <td data-bbox="438 353 762 521">Commercial income to NSE ratio</td> <td data-bbox="762 353 1364 521">Dependence on non-fees and charges income to deliver core services. Fees and charges should be netted off gross service expenditure to calculate NSE.</td> </tr> <tr> <td data-bbox="438 521 762 645">Investment cover ratio</td> <td data-bbox="762 521 1364 645">The total net income from property investments, compared to the interest expense.</td> </tr> <tr> <td data-bbox="438 645 762 734">Loan to value ratio</td> <td data-bbox="762 645 1364 734">The amount of debt compared to the total asset value</td> </tr> <tr> <td data-bbox="438 734 762 857">Target income returns</td> <td data-bbox="762 734 1364 857">Net revenue income compared to equity. This is a measure of achievement of the portfolio of properties.</td> </tr> <tr> <td data-bbox="438 857 762 936">Benchmarking of returns</td> <td data-bbox="762 857 1364 936">As a measure against other investments and against other council's property portfolio's.</td> </tr> <tr> <td data-bbox="438 936 762 1059">Gross and net income</td> <td data-bbox="762 936 1364 1059">The income received from the investment portfolio at a gross level and net level (less costs) over time.</td> </tr> <tr> <td data-bbox="438 1059 762 1182">Operating Costs</td> <td data-bbox="762 1059 1364 1182">The trend in operating costs of the non-financial investment portfolio over time, as the portfolio of non-financial investments expands.</td> </tr> <tr> <td data-bbox="438 1182 762 1348">Vacancy levels and Tenant exposures for non-financial investments</td> <td data-bbox="762 1182 1364 1348">Monitoring vacancy levels (voids) ensure the property portfolio is being managed (including marketing and tenant relations) to ensure the portfolio is productive as possible.</td> </tr> </table>	Debt to net service expenditure (NSE) ratio	Gross debt as a % of net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.	Commercial income to NSE ratio	Dependence on non-fees and charges income to deliver core services. Fees and charges should be netted off gross service expenditure to calculate NSE.	Investment cover ratio	The total net income from property investments, compared to the interest expense.	Loan to value ratio	The amount of debt compared to the total asset value	Target income returns	Net revenue income compared to equity. This is a measure of achievement of the portfolio of properties.	Benchmarking of returns	As a measure against other investments and against other council's property portfolio's.	Gross and net income	The income received from the investment portfolio at a gross level and net level (less costs) over time.	Operating Costs	The trend in operating costs of the non-financial investment portfolio over time, as the portfolio of non-financial investments expands.	Vacancy levels and Tenant exposures for non-financial investments	Monitoring vacancy levels (voids) ensure the property portfolio is being managed (including marketing and tenant relations) to ensure the portfolio is productive as possible.
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4. Reporting and management information	Quarterly to the Investment Steering Group and annually to the relevant audit committees																		
5. Training and qualifications	Officers directly involved in asset management are undertaking the CIPFA Commercial Mini MBA qualification																		

Notes:

Items the Council would maintain at operational level in an 'Operations Manual' as referred to in this template:

- The Council's Credit Criteria
- Current Lending List
- Business Reserve Accounts / Money Market Funds
- Counterparties with whom the Council deals direct
- Dealing checklist
- Deal ticket proforma
- Format of the Council's Standard Settlement Instructions form
- Settlement Procedures
- Procedure Notes for the Council's on-line banking system
- Procedure Notes for the Council's treasury management system
- Procedure Notes for dealing online with counterparties
- Procedure for dealing with requests for change of banking/payment details