

**TREASURY MANAGEMENT PRACTICES – SCHEDULES**

This section contains the schedules which set out the details of how the Treasury Management Practices (TMPs) are put into effect by the Council. There are no major changes to practices from last year, only updates for the revised S151 Officer responsibilities implicit in the changes in both the Prudential Code and Treasury Management Code of Practice.

**1. TMP1 CREDIT AND COUNTERPARTY RISK MANAGEMENT**

The Ministry of Housing, Communities and Local Government (MHCLG) issued Investment Guidance in 2010, and this forms the structure of the Council's strategy. These guidelines do not apply to either trust funds or pension funds which are under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and ensure that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes". This Council adopted the Code on 10 February 2010 and will apply its principles to all investment activity. In accordance with the Code, the Section 151 Officer has produced its treasury management practices (TMPs).

**1.1. LIQUIDITY****1.1.1. Amounts of approved minimum cash balances and short-term investments**

The Treasury Management section shall seek to keep to a minimum the balance in the Council's main bank accounts at the close of each working day, in order to minimise the amount of bank overdraft interest payable, and maximise the amount of credit interest receivable. Borrowing or lending shall be arranged in order to achieve this aim.

**1.1.2. Standby facilities**

The Council has several instant access Money Market Funds and call accounts, where monies can be invested or withdrawn as required on the same day.

**1.1.3. Bank arrangements**

The balance held in Barclays can be up to the limit stipulated in the Credit and Counterparty Criteria list. A transfer called a 'sweep' can be made between the Barclays main bank account and a Barclays interest bearing account. The overdraft limit is £500,000, with an annual fee of £2,500 and interest is charged at 2%. An unauthorised overdraft will be charged at 3%. The overdraft is assessed on a group basis for the Council's accounts

## **1.2. INTEREST RATE**

### **1.2.1. Details of approved interest rate exposure limits**

Please refer to Prudential Indicators Appendix 3.

### **1.2.2. Trigger points and other guidelines for managing changes to interest rate levels**

Please refer to annual Treasury Strategy which will outline views for the year.

### **1.2.3. Minimum/maximum proportions of variable rate debt/interest**

The maximum proportion of interest on borrowing which is subject to variable rate interest permissible is 50%.

The minimum proportion of interest on borrowing which is subject to variable rate interest permissible is 0%.

### **1.2.4. Minimum/maximum proportions of fixed rate debt/interest**

The minimum proportion of interest on borrowing which is subject to fixed rate interest permissible is 50%.

The maximum proportion of interest on borrowing which is subject to fixed rate interest permissible is 100%.

### **1.2.5. Policies concerning the use of financial derivatives and other instruments for interest rate management**

- a) **Forward dealing (agreeing to invest money at a future date):** Consideration will be given to arranging forward deals, dependent upon market conditions. Any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs. The policy for the use of derivatives is clearly detailed in the annual strategy. All forward dealing should have the approval of either the Section 151 Officer or the Deputy Section 151 Officer.
- b) **Callable deposits:** Callable deposits are permitted subject to approval from the Section 151 Officer.
- c) **LOBOS (borrowing under lender's option/borrower's option):** The use of LOBOs is considered as part of the borrowing strategy. Any money borrowed for periods in excess of one month must be approved by either the Section 151 Officer, the Deputy Section 151 Officer or a Finance Manager.

## **1.3. EXCHANGE RATE**

### **1.3.1. Approved criteria for managing changes in exchange rate levels**

Exchange rate risk will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling. Northumberland County Council rarely deals with foreign currency so an exposure to exchange rate risk will be extremely minimal.

On rare occasions where investments are not made in sterling, advice on the risk to exchange rate fluctuations will be sought from the Council's bankers and other professionals as necessary.

Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange transactions will be considered, with professional advice. The unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity, unless the Council has a contractual obligation to make a payment in the same currency at a date in the future. In this instance, the currency will be held on deposit to meet this expenditure commitment.

## **1.4. INFLATION**

### **1.4.1. Details of approved inflation exposure limits for cash investments/debt**

There is significant uncertainty with economic forecasts. Whilst short term investment rates are expected to remain low, borrowing rates are expected to rise very gently. Inflation is expected to return to around 2%.

The key consideration is that investments reap the highest real rate of return, with debt costing the lowest real cost, consistent with other risks mentioned within this section.

### **1.4.2. Approved criteria for managing changes in inflation levels**

Inflation both current and projected will form part of the debt and investment decision making criteria within both the strategy and operational considerations.

## **1.5. CREDIT AND COUNTERPARTY POLICIES**

### **1.5.1. Criteria to be used for creating/managing approved counterpartylists/limits**

- a) Suitable criteria for assessing and monitoring the credit risk of investment counterparties will be formulated and a lending list comprising time, type, sector and specific counterparty limits will be constructed.
- b) Treasury management staff will decide which counterparties to use in line with the strategy on criteria for selection of counterparties. Changes to the Credit and Counterparty Criteria List will be included in the annual report, mid year report, or where necessary an ad hoc report to Council.
- c) Credit ratings will be used as supplied from at least two of the following credit rating agencies:
  - Fitch Ratings;
  - Moody's Investors Services;
  - Standard & Poor's.
- d) Treasury Management Advisors provide a weekly update of all ratings relevant to the Council, as well as any changes to individual counterparty

credit ratings. This information is accessible on line via Capita's new website - Passport.

- e) No lending is allowed without prior approval.
- f) Subsidiaries that do not have a credit rating in their own right may be used if they are guaranteed by a highly rated parent company.
- g) The maximum value for any one investment transaction will be £35 million.
- h) Investment in the building society sector should be limited to 30% of the average annual investment balances.

### **1.5.2. Approved methodology for changing limits and adding/removing counterparties**

Credit ratings for individual counterparties can change at any time. The Section 151 Officer is responsible for applying the credit rating criteria detailed in the Treasury Management Strategy Statement for selecting approved counterparties.

The Section 151 Officer will also adjust lending limits and periods when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers in accordance with the criteria set out in the Treasury Management Strategy Statement. This is delegated on a daily basis to staff in the treasury management function.

## **1.6. REFINANCING**

### **1.6.1. Debt/other capital financing maturity profiling, policies and practices**

Any debt rescheduling is likely to take place when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- a) The generation of cash savings at minimum risk;
- b) To reduce the average interest rate;
- c) To enhance the balance of the long term portfolio (amend the maturity profile and /or the balance of volatility).
- d) To reduce the risk associated with the investment of surplus funds.

The Section 151 Officer has delegated authority to reschedule current long-term debt and to arrange the necessary borrowings within the following remit:

- a) The maximum amount of outstanding borrowing shall be as stated in the prudential indicators.
- b) Within that sum the maximum amount of short term borrowing is 25%.
- c) The limit on the proportion of borrowings on which interest is payable at variable rates is 50%,

The Council will seek to limit refinancing exposure by ensuring that no more than 25% of the loan portfolio matures in any one year.

### **1.6.2. Projected capital investment requirements**

As part of the annual budget setting process a four year plan for capital expenditure for the Council is produced. The capital plan will be used to prepare a four year revenue budget for asset rentals which include loan charges for principal repayments, interest and expenses. These take account of the plans for capital expenditure, loan repayments and forecasts of interest rate changes.

### **1.6.3. Policy concerning limits on revenue consequences of capital financing**

The Prudential Code supports local authorities in determining their Capital Programmes, within the clear framework that the plans are affordable, prudent and sustainable. To demonstrate that local authorities fulfil these criteria the Code sets out indicators that must be used.

A number of these Prudential Indicators are relevant to setting an integrated Treasury Management Strategy. The indicators are set on a rolling basis, for the forthcoming financial year and two successive financial years. Please refer to the prudential Indicators are contained within Appendix 3.

## **1.7. LEGAL AND REGULATORY**

### **1.7.1. References to relevant statutes and regulations**

The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council. These are:

- a) CIPFA's Treasury Management Code of Practice (revised 2009,2011 and 2017)
- b) The Prudential Code for Capital Finance in Local Authorities 2003 (revised 2009, 2011,2017)
- c) CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities
- d) CIPFA Standard of Professional Practice on Treasury Management
- e) Local Government Act 2003 (revised 2010)
- f) The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
- g) Council's Constitution relating to Contracts
- h) Council's Finance and Contract Rules
- i) Council's Scheme of Delegations
- j) The Bribery Act 2010

### **1.7.2. Procedures for evidencing the organisation's powers/authorities to counterparties**

The Council will prepare, adopt, and maintain, as the cornerstone for effective treasury management:

- a) A Treasury Management Strategy Statement, stating the overriding principles and objectives of its treasury management activities; and,
- b) The Annual Investment Strategy.

### **1.7.3. Required information from counterparties concerning their powers / authorities**

Lending shall only be made to counterparties which meet the criteria set out in the Credit and Counterparty Criteria List.

Northumberland County Council hold letters verifying that the approved brokers are regulated by the Financial Services Authority under the provisions of the Financial Services and Markets Act 2000, under which Local Authorities are classified as market counterparties.

Building Societies are members of Building Society Association and are governed by Building Society Act 1986.

Banks are regulated by the Financial Conduct Authority under the provisions of the Financial Services and Markets Act 2000.

### **1.7.4. Statement on the organisation's political legislative or regulatory risks**

The Council recognises that future political, 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 authority.

## **1.8. FRAUD, ERROR AND CORRUPTION, AND CONTINGENCY MANAGEMENT**

### **1.8.1. Details of systems and procedures to be followed, including internet services**

- a) Authority:
  - Loan procedures are defined in the Council's Financial Regulations.
  - The Scheme of Delegation to Officers sets out the appropriate delegated levels. All loans and investments, including PWLB, are negotiated by authorised persons within the Corporate Services Group.
- b) Occurrence:
  - Detailed register of loans and investments is maintained on Excel spreadsheets in the Corporate Finance section. This is reconciled to the ledger balance.
  - Adequate and effective cash flow forecasting records are maintained to support the decision to lend, invest or borrow.

- Written confirmation is received from the lending, investment or borrowing institution
  - All transactions placed through the brokers are confirmed by a broker note, showing details of the loan arranged.
- c) Completeness:
- The loans register spreadsheet is updated to record all lending and borrowing. This includes the date of the transaction, interest rates etc.
- d) Measurement:
- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the senior accountant responsible for Treasury Management.
  - A senior accountant calculates periodic interest payments of loans. This is used to check the amount paid to these lenders.
- e) Timeliness:
- The Treasury Management spreadsheet prompts the treasury management officer that money borrowed or invested is due to be repaid.
- f) Regularity:
- Investments and loans are only made to institutions which meet the Credit and Counterparty Criteria List.
  - All loans and investments raised and repayments made go directly to and from the Council's bank account.
  - Authorisation limits are set for every institution by the Credit and Counterparty Criteria List. Brokers have a list of named officials authorised to perform investment transactions.
  - There is adequate insurance cover for employees involved in loans management and accounting.
  - There is a separation of duties in the Section between the authorisation of transactions and their execution.
  - The bank reconciliation is carried out monthly from the bank statement to the financial ledger by a senior accountant and checked by a Finance Manager.
- g) Security:
- Barclays Net can only be accessed by users using their individual security card and PIN through a card reader.

- Payments are checked and authorised by an agreed bank signatory. The list of signatories having previously been agreed with the current provider of our banking services.

h) Substantiation:

- A quarterly reconciliation is carried out matching transactions from the treasury management spreadsheets to the financial ledger codes.

### **1.8.2. Emergency and contingency planning arrangements**

Barclays Net online can be accessed on a number of PCs and mobile devices which have the necessary software installed. All spreadsheets are held on the shared drive and therefore can be accessed by other PCs if necessary. If Barclays Net cannot be accessed cash balances can be obtained from Barclays Bank via e-mail. CHAPs payments, which are normally input directly into Barclays Net by the income section, can be faxed, emailed or delivered to the bank for processing.

### **1.8.3. Insurance details**

The Council has 'Fidelity' insurance cover with Zurich Municipal. This covers the loss of cash by fraud or dishonesty of employees. The excess for Fidelity guarantee is £5,000. The Council also has a 'Professional Indemnity' insurance policy with Zurich Municipal which covers loss to the Council from the actions and advice of its officers which are negligent and without due care. This cover is limited to £5 million (named departments) for any one event with an excess of £25,000 for any one event with the exception of legal services where the limit is £1,000,000 with an excess of £1,000 for any one event.

The Council also has a 'Business Interruption' cover as part of its property insurance with Zurich Municipal.

## **1.9. MARKET VALUE OF INVESTMENTS**

### **1.9.1. Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDS etc.)**

In order to minimise the risk of fluctuations in the capital value of investments, capital preservation is set as the primary objective.

## **2. TMP 2 BEST VALUE AND PERFORMANCE MEASUREMENTS**

### **2.1. METHODOLOGY TO BE APPLIED FOR EVALUATING THE IMPACT OF TREASURY MANAGEMENT DECISIONS**

Northumberland County Council is a member of the CIPFA and Link Asset Services benchmarking clubs. Comparisons will be made with a number of similar authorities. The Council's treasury management consultant will carry out a regular health check of the treasury management function.



## **2.2. POLICY CONCERNING METHODS FOR TESTING BEST VALUE IN TREASURY MANAGEMENT**

### **2.2.1. Frequency and processes for tendering**

Tenders are normally awarded on a five yearly basis. The process for advertising and awarding contracts will be in line with the Council's Financial Regulations.

### **2.2.2. Banking services**

Banking services will be tendered for every 5 years to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends.

### **2.2.3. Money-broking services**

The Council will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. An approved list of brokers will be established which takes account of both price and quality of services.

### **2.2.4. Advisers' services**

This Council's policy is to appoint professional treasury management advisors.

### **2.2.5. Policy on External Managers (Excluding Superannuation Funds)**

The Council's current policy is not to use an external investment fund manager to manage a proportion of surplus cash. This will be kept under review.

## **2.3. METHODS TO BE EMPLOYED FOR MEASURING THE PERFORMANCE OF THE ORGANISATION'S TREASURY MANAGEMENT ACTIVITIES**

Performance is measured against Annual Treasury Management Strategy Statement targets.

- a) Compliance with CIPFA Code of Treasury Practice.
- b) Expenses contained within approved budget.
- c) Review of benchmarking club data.

## **2.4. BENCHMARKS AND CALCULATION METHODOLOGY**

### **2.4.1. Debt management**

- a) Average rate on all external debt.
- b) Average period to maturity of external debt.
- c) Average rate on external debt borrowed in previous financial year.

### **2.4.2. Investment**

The performance of in house investment earnings will be measured against 7 day LIBID, (London Inter-Bank Bid Rate). Performance will also be measured against other local authority funds with a similar benchmark.

### **3. TMP3 DECISION-MAKING AND ANALYSIS**

#### **3.1. FUNDING, BORROWING, LENDING, AND NEW INSTRUMENTS / TECHNIQUES:**

##### **3.1.1. Records to be kept**

- a) All loan transactions are recorded a spreadsheet.
- b) Daily cash projections.
- c) Telephone/e-mail rates.
- d) Dealing slips for all money market transactions – including rate changes.
- e) PWLB loan schedules.
- f) Temporary loan receipts.
- g) Brokers confirmations for deposits/investments.

##### **3.1.2. Processes to be pursued**

- a) Cash flow analysis.
- b) Maturity analysis.
- c) Ledger reconciliations
- d) Review of borrowing requirement.
- e) Comparison with prudential indicators.
- f) Monitoring of projected loan charges and interest and expenses costs.
- g) Review of opportunities for debt rescheduling.

##### **3.1.3. In respect of every decision made the organisation will:**

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

**3.1.4. In respect of borrowing and other funding decisions, the organisation will:**

- a) Evaluate the economic and market factors that might influence the manner and timing of any decision to fund;
- b) Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships;
- c) Consider the alternative interest rate bases available, the most appropriate periods to fund, and repayment profiles to use;
- d) Consider the on-going revenue liabilities created, and the implications for the Council's future plans and budgets.

**3.1.5. In respect of investment decisions, the organisation will:**

- a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions;
- b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the organisation to changes in the value of its capital.

**4. TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

**4.1. APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION**

- a) Borrowing;
- b) Lending;
- c) Debt repayment and rescheduling;
- d) Consideration, approval and use of new financial instruments and treasury management techniques;
- e) Managing the underlying risk associated with the Council's capital financing and surplus funds activities;
- f) Managing cash flow;
- g) Banking activities.

**4.2. APPROVED INSTRUMENTS FOR INVESTMENTS**

All investments will be made following the Approved Credit and Counterparty Criteria List.

Investments can be made through one of the following:

- a) The Council's bankers;
- b) The SunGard Portal or other online portals;
- c) Direct with banks and financial institutions;
- d) One of the Council's approved brokers shown in TMP 11.

All cash investments should be arranged by telephone call or e-mail to the above organisations and the borrower concerned will confirm each transaction. An authorised CHAPS payment form is then input into the Bank's electronic system by the Cashiers section and confirmation given that the transaction has been completed.

Derivative instruments. If the Council intends to use these instruments for the management of risk, these will be limited to those set out in its Annual Treasury Management Strategy, and the council will seek proper advice and consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

#### **4.3. APPROVED BORROWING TECHNIQUES**

- a) Market loans including LOBOs
- b) PWLB
- c) Local authorities

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

Finance will only be raised in accordance with the Local Government and Housing Act 1989, and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	*	*
EIB	*	*
Market (long-term)	*	*
Market (temporary)	*	*
Market (LOBOs)	*	*
Stock issues	*	*
Local temporary	*	*
Local Bonds	*	
Overdraft		*
Negotiable Bonds	*	*
Internal (capital receipts & revenue balances)	*	*
Commercial Paper		
Medium Term Notes	*	
Leasing (not operating leases)	*	*
<b>Other Methods of Financing</b>		

Government and EC Capital Grants

Lottery monies

PFI/PPP

Operating leases

All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Section 151 Officer has delegated powers in accordance with Financial Regulations, , and the Scheme of Delegation to Officers Policy; and, the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

## **5. TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS**

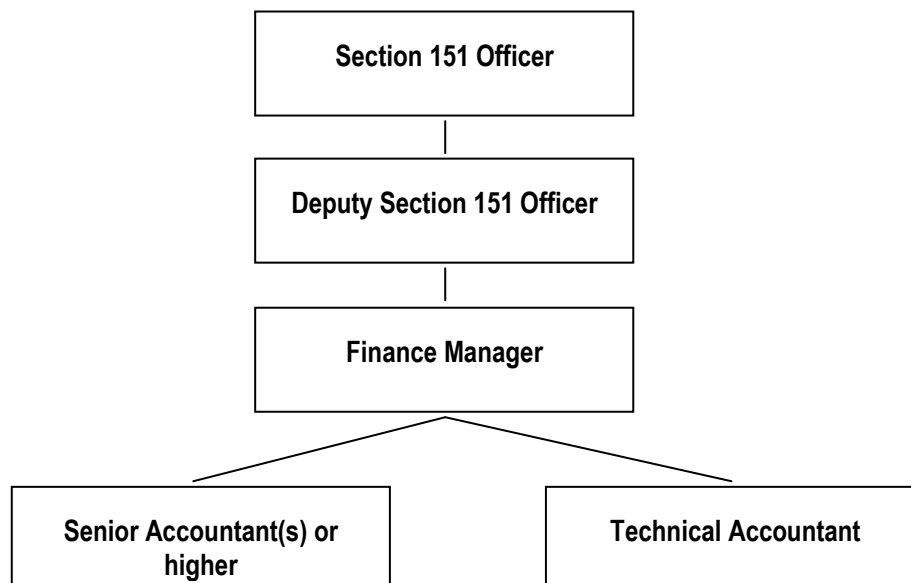
### **5.1. LIMITS TO RESPONSIBILITIES/DISCRETION AT COMMITTEE/POLICY BOARD LEVELS**

- a) Full Council will receive and approve reports on treasury management policies, practices and activities, the annual treasury management strategy and annual report on debt rescheduling.
- b) The Section 151 Officer will be responsible for amendments to the organisation's adopted clauses, treasury management strategy statement and treasury management practices. A formal report will be put to Cabinet to approve any formal amendments.
- c) The Section 151 Officer will approve the segregation of responsibilities.
- d) The Section 151 Officer will receive and review external audit reports and make recommendations to the Audit Committee.
- e) Approving the selection of external service providers and agreeing terms of appointment will be decided by the Section 151 Officer in accordance with Financial Regulations.

### **5.2. PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES**

- a) The Section 151 Officer will authorise all new long-term borrowing.
- b) Transactions relating to pre-existing agreements are delegated to the senior accountant responsible for treasury management.
- c) Short-term borrowing and investment are authorised by the Section 151 Officer, Deputy Section 151 Officer, or, in their absence, a Finance Manager.

### 5.3. TREASURY MANAGEMENT ORGANISATION CHART



### 5.4. STATEMENT OF DUTIES/RESPONSIBILITIES FOR EACH TREASURY POST

#### 5.4.1. Portfolio Holder for Corporate Resources

- a) The Portfolio Holder for Corporate Services has primary political responsibility for Treasury Management strategy and will be regularly briefed on Treasury Management performance and proposed policy changes by the Section 151 Officer.
- b) The Portfolio Holder for Corporate Services has the right to recommend to the Section 151 Officer that a particular transaction should go to the Risk Appraisal Panel.
- c) The Portfolio Holder for Corporate Services may attend Audit Committee.

#### 5.4.2. Section 151 Officer

The Section 151 Officer will:

- a) Recommend clauses, treasury management strategy / practices for approval reviewing the same on a regular basis, and monitoring compliance;
- b) Prepare treasury management strategy reports as required;
- c) Prepare budgets and budget variations in accordance with Financial Regulations and guidance;
- d) Review the performance of the treasury management function and promote best value reviews;
- e) Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- f) Ensure the adequacy of internal audit, and liaison with external audit;

- g) Appoint external service providers in accordance with the Council's Financial Regulations.
- h) Ensure preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe.
- i) Ensure the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money.
- j) Ensure that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority.
- k) Ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing.
- l) Ensure the proportionality of all investments, so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources.
- m) Ensure that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities.
- n) Provide members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees, as appropriate.
- o) Ensure that members are adequately informed and understand the risk exposures taken on by an authority.
- p) Ensure that the authority has adequate expertise, either in house or externally provided, to carry out the above.
- q) Produce Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following:
  - (i) Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
  - (ii) Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
  - (iii) Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

- (iv) Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
  - (v) Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.
- r) Have delegated power through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
  - s) May delegate his power to borrow and invest to members of his staff; the Deputy Section 151 Officer and Finance Managers. All transactions must be authorised by a named officer above.
  - t) Ensure that the Strategy is adhered to, and if not will bring the matter to the attention of elected Members as soon as is possible.
  - u) Prior to entering into any capital financing, lending or investment transaction, be responsible to ensure that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.
  - v) Be responsible to ensure that the Council complies with the requirements of The Non Investment Products Code for principals and broking firms in the wholesale markets.

#### **5.4.3. Senior Accountants responsible for treasury management**

The responsibilities of this post will be:

- a) Monitoring performance and market conditions on a day-to-day basis;
- b) Recommend investments and borrowing transactions;
- c) Execution of transactions;
- d) Adherence to agreed policies and practices on a day-to-day basis;
- e) Maintaining relationships with third parties and external service providers;
- f) Identifying and recommending opportunities for improved practices.

#### **5.4.4. Technical Accountant**

- a) Review and recommend investments and borrowing transactions;
- b) Maintaining relationships with third parties and external service providers;
- c) Identifying and recommending opportunities for improved practices;
- d) Produce the annual Treasury Management Strategy, Capital Strategy, Outturn and Mid-year review reports.



#### **5.4.5. Finance Manager**

The responsibilities of this post will be:

- a) Line management of the Technical Accountant and Senior Accountant(s) responsible for treasury management;
- b) Review and recommend investments and borrowing transactions;
- c) Authorise CHAPS payments;
- d) Adherence to agreed policies and practices on a day-to-day basis;
- e) Maintaining relationships with third parties and external service providers;
- f) Monitoring performance on a day-to-day basis;
- g) Identifying and recommending opportunities for improved practices;
- h) Reviewing the annual Treasury Management Strategy, Capital Strategy, Outturn and Mid year review reports

#### **5.4.6. Chief Legal Officer (in the role of monitoring officer)**

The responsibilities of this post will be:

- a) to ensure compliance by the Section 151 Officer with the Treasury Management Strategy statement and treasury management practices and that these practices comply with the law;
- b) to be satisfied that any proposal to vary treasury strategy or practice complies with law or any code of practice;
- c) to provide advice to the Section 151 Officer when advice is sought.

#### **5.4.7. Internal Audit**

The responsibilities of Internal Audit will be:

- a) to review compliance with approved policy and procedures;
- b) to review division of duties and operational practice;
- c) to assess value for money from treasury activities;
- d) to undertake probity audit of treasury function.

#### **5.5. ABSENCE COVER ARRANGEMENTS**

In the absence of the Senior Accountant(s) responsible for treasury management, another accountant in the Corporate Finance section with treasury management training / experience will perform the daily cash flow tasks.

#### **5.6. DEALING LIMITS**

Persons authorised to deal are identified at 5.4. above and dealing limits are as the Scheme of Delegation for Officers.

#### **5.7. LIST OF APPROVED BROKERS**

A list of approved brokers is maintained and is shown in TMP11.

## **5.8. POLICY ON BROKERS' SERVICES**

It is the Council's policy to divide business between brokers.

## **5.9. POLICY ON TAPING OF CONVERSATIONS**

It is not Council policy to tape brokers' conversations.

## **5.10. DIRECT DEALING PRACTICES**

The Council deals direct if appropriate contacts are established, and if it is advantageous to the Council.

## **5.11. SETTLEMENT TRANSMISSION PROCEDURES**

For each transaction a CHAPS form is completed and signed by an agreed bank signatory. The transfer is then processed by Cashiers, through the Barclays on-line banking system. This is to be completed by 3.30 pm on the same day.

## **5.12. DOCUMENTATION REQUIREMENTS**

For each deal undertaken details of dealer, amount, period, counterparty, interest rate, dealing date, payment date, broker, and credit ratings should be recorded. This should be reviewed and authorised in writing or e-mail by either by the Section 151 Officer, the Deputy Section 151 Officer or a Finance Manager.

## **6. TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**

### **6.1. ANNUAL REPORTING REQUIREMENTS BEFORE THE START OF THE YEAR**

- a) The Treasury Management Strategy statement and practices sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Council for approval before the commencement of each financial year.
- b) The Council must approve the Prudential Indicators.
- c) The Council must approve the Minimum Revenue Provision Policy.

### **6.2. REPORTING REQUIREMENTS DURING THE YEAR**

- a) A mid year review of the strategy statement
- b) Any variations to the agreed Treasury Management policies and practices will be reported to the Council at the earliest practicable meeting

### **6.3. ANNUAL REPORTING REQUIREMENT AFTER THE YEAR END**

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

- a) Transactions executed and their revenue effects;
- b) Report on risk implications of decisions taken and transactions executed;

- c) Monitoring of compliance with approved policy, practices and statutory/regulatory requirements;
- d) Performance report;
- e) Report on compliance with CIPFA Code recommendations.

## **7. TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

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

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in England and Wales that is recognised by statute as representing proper accounting practices.

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

Due regard is given to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in England and Wales. The Council adopts in full the principles set out in CIPFA's 'Code of Best Practice and Guide for Treasury Management in the Public Services' (the 'CIPFA Code and Guide'), together with those of its specific recommendations that are relevant to this organisation's treasury management activities.

### **7.3. SAMPLE BUDGETS / ACCOUNTS**

The Senior Accountant(s) responsible for treasury management will prepare an annual budget for the treasury management function, which will bring together all the costs involved in running the function, together with associated income.

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

- a) Reconciliation of loans, investments, interest, premiums and discounts to financial ledger.
- b) Confirmation of loans and investments balances.
- c) Maturity analysis of loans outstanding.
- d) Annual Treasury Report.
- e) Calculation of Revenue Interest.
- f) Analysis of accrued interest.

## **8. TMP8 CASH AND CASH FLOW MANAGEMENT**

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

Cash flow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous years daily cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates.

## **8.2. LISTING OF SOURCES OF INFORMATION**

Estimated cash flow details are compiled using:

- a) Schedule of Payment of Revenue Support Grant and National Non-domestic rates; CLG income;
- b) Schedule of Payment of the Dedicated Schools grant from Department for Children, Schools and Families (DCSF);
- c) Revenues payments dates and amounts;
- d) Notifications from the Business Support section of any significant grants expected during the year;
- e) Schedule of payroll payment dates supplied by the Employee services section with an estimated amount based on the previous years payments;
- f) Loan repayments spreadsheet;
- g) An estimated figure for creditor payments, based on previous patterns of expenditure. More accurate figures can be obtained two days before payment based on the Creditor BACs figure.

## **8.3. BANK STATEMENT PROCEDURES**

Payments by CHAPs, Direct Debits, standing orders and imprest accounts are now input by Accounts Payable directly to e-business rather than by journal which gives greater transparency and segregation of duties.

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

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

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

- a) The Accounts Receivable section provides monthly statistics of outstanding debtors to Directors who take appropriate action regarding the outstanding debt
- b) The Accounts Payable section provides monthly statistics of invoice performance to Directors who take appropriate action.

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

All money received by an officer on behalf of the Council will without unreasonable delay be paid into the Council's bank accounts. No deductions may be made from such money save to the extent that the Section 151 Officer may specifically authorise.

## **9. TMP9 MONEY LAUNDERING**

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

The Council does not usually accept loans from individuals. All material loans are obtained from the PWLB, other local authorities or from authorised institutions under the Banking Act 1987: the Financial Conduct Authority (FCA) is responsible for maintaining a register of authorised institutions. This register can be accessed through their website on [www.fca.gov.uk](http://www.fca.gov.uk).

### **9.2. METHODOLOGIES FOR IDENTIFYING SOURCES OF DEPOSITS**

In the course of its Treasury activities, the Council will only lend money to, or invest with, those counterparties that are on its approved lending list.

## **10. TMP10 TRAINING AND QUALIFICATIONS**

### **10.1. STAFF QUALIFICATIONS**

The daily treasury management function will be performed by a qualified accountant or a senior accountant (unqualified) holding a Certificate in International Treasury Management Public Finance, under the supervision of a qualified accountant.

### **10.2. STAFF TRAINING**

New staff will receive in-house on the job training before they commence their duties. Existing staff will attend treasury management seminars, at least annually, to keep up to date with changes in regulations and current practices. Additional staff training needs will be identified as part of the training needs analysis undertaken during Staff Appraisals.

### **10.3. THE SECTION 151 OFFICER**

The Section 151 Officer is committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

### **10.4. MEMBER TRAINING**

All members should have an appropriate level of training within a year of taking office. Members of the Audit Committee received training in August 2018, and it will be periodically updated or provided where membership changes. This will be carried out in-house in conjunction with the Council's treasury management advisors.

## **11. TMP11 USE OF EXTERNAL SERVICE PROVIDERS**

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

#### **11.1.1. Banking services**

- i) Name of supplier of service is Barclays Bank plc. The branch address is:

38 Bridge Street  
Morpeth  
Northumberland  
NE61 1NL

- ii) Initial contract commenced 1 June 2015.
- iii) The contract for 5 years until 31st May 2020.
- iv) Cost of service is variable depending on schedule of tariffs and volumes

#### **11.1.2. Money-broking and Custodian services**

Name of supplier of service:

- i) Sterling International Brokers Ltd  
10 Chiswell Street  
London, EC1Y 4UQ
- ii) ICAP Europe Ltd  
2 Broadgate,  
London, EC2M 7UR
- iii) Tullet Prebon (UK) Limited  
155 Bishopsgate,  
London, EC2N 3DA
- iv) Tradition (UK) Ltd  
Beaufort House,  
15 St Botolph Street,  
London, EC3A 7QX
- v) King and Shaxson Ltd  
Candlewick  
120 Cannon Street  
London, EC4N 6AS
- vi) Barclays Bank PLC  
Barclays Stockbrokers,  
Tay House,  
300 Bath Street,  
Glasgow, G2 4LH.
- vii) Link Asset Services  
65 Gresham Street

- London, EC2V 7NQ
- viii) BGC Brokers L.P.  
One Churchill Place  
London, E14 5RD

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

#### Treasury Consultancy Services

- i) Name of supplier of service is  
Link Assets Services  
65 Gresham Street  
London  
EC2V 7NQ  
Website: [www.linkassetservices.com](http://www.linkassetservices.com)

This contract has been extended for three years to July 2019 at a total cost of £41,850 (over the three years).

### **11.1.4. Leasing Consultancy Services**

Chrystal Consulting Ltd was awarded the contract for 4 years until 30 June 2019.

### **11.1.5. External Fund Managers**

None at present.

Other professional services may be employed on short term contracts as and when required.

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

Tenders are normally awarded on a five yearly basis. The process for advertising and awarding contracts will be in line with the Financial Regulations See TMP2.

## **12. TMP12 CORPORATE GOVERNANCE**

### **12.1. LIST OF DOCUMENTS TO BE MADE AVAILABLE FOR PUBLIC INSPECTION**

Annual Statement of Accounts  
Annual Budget  
Treasury Management Policy  
Treasury Management Strategy  
Annual Treasury Report