GREATER MANCHESTER COMBINED AUTHORITY

Appendix 2

Treasury Management Practices 2022/23

TMP1 Risk Management

1.1 This organisation regards a key objective of its treasury management and other investment activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures covering all external investment including investment properties.

1.2 The responsible officer 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. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

1.3 Credit and Counterparty Risk Management

1.3.1 Credit and counter-party risk is 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.

1.3.2 This organisation regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 and listed in the schedule to this document. 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 arrangements.

1.3.3 Policy on the use of credit risk analysis techniques

This organisation will use the Link Treasury solutions creditworthiness service based on using colours determined by minimum combinations of ratings to derive maturity limits as follows:

Yellow	5 years
Dark pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
Light pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	1 year
Red	6 months

Green	100 days
No colour	Not to be used

In addition, a credit default swap overlay is used as a further safeguard to give early warning of potential creditworthiness problems which may only belatedly lead to actual changes in credit ratings.

a) The Authority will use credit criteria in order to select creditworthy counterparties for placing investments with.

b) Credit ratings will be used as supplied from all three rating agencies - Fitch, Moodys and Standard & Poors

c) Treasury Management Consultants will provide regular updates of changes to all ratings relevant to the Authority.

d) The responsible officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.

e) Credit ratings for individual counterparties can change at any time. The Senior Finance Manager is responsible for applying approved credit rating criteria for selecting approved counterparties. Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.

f) This organisation will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings, it will therefore use other sources of information including: -

   i. The quality financial press

   ii. Market data

   iii. Information on government support for banks

   iv. The credit ratings of that government support

g) maximum maturity periods and amounts to be placed in different types of investment instrument can be found in the Treasury Management Strategy Statement (TMSS)

h) Diversification: this organisation will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following:

   i. Maximum amount to be placed with any one institution - £25m

   ii. Group limits where a number of institutions are under one ownership – maximum of £25m

i) Country limits – a minimum sovereign rating of AA- is required for an institution to be placed on our approved lending list. The list of countries which currently meet this criterion is in the TMSS.

1.3.4 Policy on environmental, social and governance (ESG) considerations

The organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level. See Appendix 1 for further detail.

1.4 Liquidity Risk Management

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

1.4.2 This organisation 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.

1.4.3 This organisation will only **borrow in advance of need** where there is a clear business case for doing so and will only do so for the following reasons: -

a) to fund the current capital programme

b) to finance future debt maturities, or

c) to ensure an adequate level of short-term investments to provide liquidity for the organisation.

1.4.4 Amounts of approved minimum cash balances and short-term investments

The Treasury Management section shall seek to minimise the balance held in the Authority's main bank accounts at the close of each working day. Borrowing or lending shall be arranged in order to achieve this aim.

1.4.5 Details of:

a) Standby facilities

At the end of each financial day any unexpected surplus funds are transferred to the call deposit account which is available from the Authority's main bank. The balance on this account is instantly accessible if the group bank account becomes overdrawn.

b) Bank overdraft arrangements

An overdraft at 4% over base rate has been agreed as part of the banking services contract. The overdraft is assessed on a group basis for the Authority's accounts.

c) Short-term borrowing facilities

The Authority accesses temporary loans through approved brokers on the London money market or other local authorities.

d) Insurance/guarantee facilities

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

1.5 Interest Rate Risk Management

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

1.5.2 This organisation 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.

1.5.3 It will achieve this by the prudent use of its approved financing and investment 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 the subject to the consideration and, if required, approval of any policy or budgetary implications.

1.5.4 Details of approved interest rate exposure limits

1.5.5 Trigger points and other guidelines for managing changes to interest rate levels

1.5.6 Upper limit for fixed interest rate exposure and Upper limit for variable interest rate exposure - refer to the annual Treasury Management Strategy Statement

1.5.7 Policies concerning the use of instruments for interest rate management**.**

a) forward dealing

Consideration will be given to dealing from forward periods dependent upon market conditions. When forward dealing is more than 30 days forward then the approval of the Head of Finance, Capital and Treasury is required.

b) callable deposits

The Authority can use callable deposits as part as of its Annual Investment Strategy (AIS). The credit criteria and maximum periods are set out in the Schedule of Specified and Non-Specified Investments appended to the AIS.

c) LOBOS (borrowing under lender's option/borrower's option)

Use of LOBOs are not currently considered as part of the annual borrowing strategy. All borrowing for periods in excess of 364 days must be approved by the Treasurer.

1.6 Exchange Rate Risk Management

1.6.1 The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

1.6.2 It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

1.7 Inflation Risk Management

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

1.8 Refinancing Risk Management

1.8.1 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, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

1.8.2 This organisation will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are 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.

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

1.8.4 Debt/Other Capital Financing, Maturity Profiling, Policies and Practices

The Authority will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year/period.

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

a) the generation of cash savings at minimum risk;

b) to reduce the average interest rate;

c) to amend the maturity profile and /or the balance of volatility of the debt portfolio.

Rescheduling will be reported to the Audit Committee in the annual Review Report.

1.8.5 Projected Capital Investment Requirements

The responsible officer will prepare a three-year plan for capital expenditure for the Authority. The capital plan will be used to prepare a three-year revenue budget for all forms of financing charges.

In addition, the responsible officer will draw up a capital strategy report which will give a longer-term view.

The definition of capital expenditure and long-term liabilities used in the Code will follow recommended accounting practice as per the Code of Practice on Local Authority Accounting.

1.8.6 Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing

In considering the affordability of its capital plans, the Authority will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on Authority tax levels.

It will also consider affordability in the longer term beyond this three-year period and assess the risks and rewards of significant investments to ensure the long-term financial sustainability of the authority.

The Authority will also undertake an annual review of commercial, (debt for yield), investments with a view to divest, where appropriate, so as to avoid or minimise additional external borrowing.

The Authority will use the definitions provided in the Prudential Code for borrowing (88), capital expenditure (89), capital financing requirement (90), commercial property (91), debt (92), financing costs (93), investments (95), net revenue stream (96), other long-term liabilities (97), treasury management (98) and transferred debt (99).

1.8.7 Private Finance Initiative (PFI), Partnerships, Arm’s Length Management Operation (ALMO) and guarantees

The Authority has entered into the PFI’s as below:

a) Construction, maintenance and provision of a Fire station at Stretford ending October 2024
b) Construction and maintenance of seventeen Police stations ending in 2030.

1.9 Legal and Regulatory Risk Management

1.9.1 The risk that the organisation 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 organisation suffers losses accordingly.

1.9.2 This organisation will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

1.9.3 This organisation 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.

1.9.4 References to Relevant Statutes and Regulations

The treasury management activities of the Authority shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Authority. These are:

Statutes

a) Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Authority is likely to get into a financially unviable position.

b) Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.

c) Local Government Act 2003

d) S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03

e) S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03

f) S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04

g) S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04

h) S.I. 2004 no. 3055 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) (No. 2) Regulations 2004

i) S.I. 2006 no. 521 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006

j) S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007

k) Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP

l) S.I. 2008 no. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008

m) S.I. 2009 no. 321 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2009

n) S.I. 2009 no. 2272 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.2) Regulations 2009

o) S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009

p) S.I. 2010 no. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010

q) Localism Act 2011

r) S.I. 2012 no. 265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012

s) S.I. 2012 No. 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012

t) S.I. 2012 No. 1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012

u) S.I. 2012 No. 2269 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 4) Regulations 2012

v) S.I. 2013 no. 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013

w) S.I. 2015 no. 234 Accounts and Audit Regulations 2015

x) There has not been an issue of a Local Authorities (Capital Finance and Accounting) (England) Regulations statutory instrument in 2005, 2011 and 2016

y) S.I. 2017 no. 536 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2017

z) S.I. 2018 no. 1207 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2018

aa) Statutory Guidance on Investments 2018

bb) Statutory Guidance on MRP 2018

cc) 2019 No. 394 Exiting the European Union financial services: The Money Market Funds (Amendment) (EU Exit) Regulations 2019

dd) S.I. 2019 no. 396 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2019

ee) S.I. 2020 no. 1212 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 ff) S.I. 2021 no. 611 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2021

Guidance and codes of practice

a) CIPFA Local Authority Capital Accounting - a reference manual for practitioners' latest year Edition

b) CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996

c) CIPFA Standard of Professional Practice on Treasury Management 2002

d) CIPFA Standard of Professional Practice on Continuous professional Development 2005

e) CIPFA Standard of Professional Practice on Ethics 2006

f) The Good Governance Standard for Public Services 2004

g) CIPFA's Treasury Management Codes of Practice and Guidance Notes 2021,

h) CIPFA Prudential Code for Capital Finance in Local Authorities and Guidance Notes revised 2021

Others

a) LAAP Bulletins

b) IFRS - Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice

c) PWLB circulars on Lending Policy

d) The UK Money Markets Code (issued by the Bank of England – it was formerly known as the Code of Market Conduct issued by the Financial Conduct Authority.)

e) The Authority's Standing Orders relating to Contracts

f) The Authority's Financial Regulations

g) The Authority's Scheme of Delegated Functions

1.9.5 Procedures for Evidencing the Authority's Powers/Authorities to Counterparties

The Authority's powers to borrow and invest are contained in legislation.

Investing: Local Government Act 2003, section 12

Borrowing: Local Government Act 2003, section 1

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

a) the scheme of delegation of treasury management activities which is contained in <<name of document>> which states which officers carry out these duties

b) the document which sets which officers are the authorised signatories.

1.9.6 Required Information on Counterparties

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Authority's treasury advisers based upon credit ratings supplied by Fitch, Moodys and Standard & Poors.

1.9.7 Statement on the Authority's Political Risks and Management of Same

The responsible officer shall take appropriate action with the Authority, the Chief Executive and the Mayor to respond to and manage appropriately political risks such as change of Leaders in the constituent Districts, leadership in the Authority, change of Government etc.

1.9.8 Monitoring Officer

The monitoring officer is the Solicitor. The duty of this officer is to ensure that the treasury management activities of the Authority are lawful.

1.9.9 Chief Financial Officer

The Chief Financial Officer is the Treasurer; the duty of this officer is to ensure that the financial affairs of the Authority are conducted in a prudent manner and to make a report to the Authority if he has concerns as to the financial prudence of its actions or its expected financial position.

1.10 Operational risk, including fraud, error and corruption

1.10.1 The risk that an organisation 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 commonly referred to as operational risk.

1.10.2 This organisation 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.

1.10.3 The Authority will therefore:

a) seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.

b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.

c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.

d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

1.10.4 Details of Systems and Procedures to be Followed, Including Internet Services

a) Authority

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans and investments are negotiated by the responsible officer or authorised persons.
- Loan procedures are defined in the Authority's Financial Regulations.

b) Procedures

- CHAPS request form completed with supporting evidence and independently verified Settlement Instructions; this is then approved by 2 bank mandates before being processed on the bank for payment

c) Investment and borrowing transactions

- A detailed register of all loans and investments is maintained in the Logotech system.
- A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the organisation.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the Senior Finance Manager for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Senior Finance Manager for resolution.

d) Regularity and security

- Lending is only made to institutions on the Approved List of Counterparties.
- The Logotech system prompts the Finance Manager that money borrowed, or lent is due to be repaid.
- All loans raised and repayments made go directly to and from the bank account of approved counterparties.

- Counterparty limits are set for every institution that the Authority invests with.
- Brokers have a list of named officials authorised to agree deals.
- There is a separation of duties in the section between dealers and the checking and authorisation of all deals.
- The Authority's bank holds a list of Authority officials who are authorised signatories for treasury management transactions.
- No member of the treasury management team is an authorised signatory.
- The Logotech system can only be accessed by a password.

e) Checks

- The bank reconciliation is carried out monthly from the bank statement to the financial ledger.
- The Logotech system balances are proved to the balance sheet ledger codes at the end of each month and at the financial year end.

f) Calculations

- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Logotech system.
- The Logotech system automatically calculates periodic interest payments of PWLB and other long-term loans. This is used to check the amount paid to lenders.

1.10.5 Emergency and Contingency Planning Arrangements

Disaster Recovery Plan

The treasury management team are able to work remotely. If the Logotech system was unavailable, the download from the previous day would be used to assess the cashflow needs for the day.

There are procedures in place with Barclays for payments to be made should the electronic system not be available.

All members of the treasury management team are familiar with this plan and new members will be briefed on it.

All computer files are backed up on the server to enable files to be accessed from remote sites.

1.10.6 Insurance Cover Details

a) Fidelity Insurance

The Authority has 'Fidelity' insurance cover with Zurich Municipal. This covers the loss of cash by fraud or dishonesty of employees.

This cover is limited to £10m for any one event with an excess of £5,000 for any one event

b) Professional Indemnity Insurance

The Authority also has a ‘Professional Indemnity’ insurance policy with Zurich Municipal which covers loss to the Authority from the actions and advice of its officers which are negligent and without due care. This cover is limited to £10m for any one event with an excess of £10,000 for any one event.

c) Business Interruption

The Authority also has a ‘Business Interruption’ cover as part of its property insurance with Zurich Municipal.

1.11 Price Risk Management

1.11.1 The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

1.11.2 This organisation 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.

1.11.3 Approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (Gilts, CDs, Etc.)

These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Investment Strategy.

TMP 2 PERFORMANCE MEASUREMENT

2.1 Evaluation and Review of Treasury Management Decisions

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

a) reviews are carried out by the treasury management team

b) reviews with our treasury management consultants

c) annual review after the end of the year as reported to full Authority

d) half yearly monitoring reports to the Audit Committee

e) comparative reviews

f) strategic, scrutiny and efficiency value for money reviews

2.1.2 Periodic reviews during the financial year

The Head of Finance, Capital and Treasury, holds a treasury management review meeting with the treasury management team every quarter to review actual activity against the Treasury Management Strategy Statement and cash flow forecasts.

This will include:

a) Total debt (both on- and off-balance sheet) including average rate and maturity profile

b) Total investments including average rate and maturity profile and changes to the above from the previous review and against the TMSS.

2.1.3 Reviews with our treasury management consultants

The treasury management team holds reviews with our consultants to review the performance of the investment and debt portfolios.

2.1.4 Review reports on treasury management

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

a) total external debt (gross external borrowing plus other long-term liabilities such as finance leases) and average interest rates at the beginning and close of the financial year compared to the Capital Financing Requirement

b) borrowing strategy for the year compared to actual strategy

c) whether or not a decision was made to defer borrowing or to borrow in advance

d) comment on the level of internal borrowing and how it has changed during the year

e) assumptions made about interest rates

f) investment strategy for the year compared to actual strategy

g) explanations for variance between original borrowing and investment strategies and actual

h) debt rescheduling done in the year

i) actual borrowing and investment rates available through the year

j) the performance and return of all investments by type of investment, evaluated against the stated investment objectives

k) the Report shall identify investments where any specific risks have materialised during the year and report on any financial consequences of that risk; together will details of any remedial action take. This includes reporting any short-term borrowing costs incurred to remediate any liquidity problem.

l) the Report shall include details of any review of long-term investments, held by the authority, which was undertaken in the year in accordance with the Annual Investment Strategy.

m) compliance with Prudential and Treasury Indicators

In addition, half yearly reports will be submitted to the Audit Committee each year to provide updates on the above.

2.1.5 Comparative reviews

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

a) CIPFA Treasury Management statistics published each year for the last complete financial year

b) CIPFA Benchmarking Club

c) other

2.2 Benchmarks and Calculation Methodology:

2.2.1 Debt management

a) Average rate on all external debt

b) Average rate on external debt borrowed in previous financial year

c) Average rate on internal borrowing

d) Average period to maturity of external debt

e) Average period to maturity of new loans in previous year

f) Debt portfolio compared to the debt liability benchmark

2.2.2 Investment

The performance of investment earnings will be measured using an appropriate benchmark:

2.3 Policy Concerning Methods for Testing Value for money in Treasury Management

2.3.1 Frequency and processes for tendering

The process for advertising and awarding contracts will be in line with the Authority's Contract Standing Orders.

2.3.2 Banking services

The Authority's banking arrangements are to be subject to competitive tender as part of an AGMA wide framework.

If tendering is not considered appropriate a specialist banking company must be appointed to ensure that the terms offered represent value for money.

2.3.3 Money-broking services

The Authority 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 prices and quality of services.

TMP 3 DECISION-MAKING AND ANALYSIS

3.1 Records to be kept

The Treasury section has a computerised cash management system in which all investment and loan transactions are recorded. Full details of the system are covered in the user manual. The following records will be retained:

a) Daily cash balance forecasts

b) Money market rates obtained by telephone from brokers

c) Dealing slips for all money market transactions

d) Brokers' confirmations for investment and temporary borrowing transactions

e) Confirmations from borrowing /lending institutions where deals are done directly

f) PWLB loan confirmations

g) PWLB debt portfolio schedules.

h) Certificates for market loans, local bonds and other loans

3.2 Processes to be pursued

a) Cash flow analysis.

b) Debt and investment maturity analysis

c) Ledger reconciliation

d) Review of opportunities for debt restructuring

e) Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money)

f) Performance information (e.g., monitoring of actuals against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns, etc).

3.3 Issues to be addressed.

3.3.1 In respect of every treasury management decision made the Authority will:

a) Above all be clear about the nature and extent of the risks to which the Authority may become exposed

b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained

c) Be content that the documentation is adequate both to deliver the Authority's objectives and protect the Authority's interests, and to deliver good housekeeping

d) Ensure that third parties are judged satisfactory in the context of the Authority's creditworthiness policies, and that limits have not been exceeded

e) Be content that the terms of any transactions have been fully checked against the market and have been found to be competitive.

3.3.2 In respect of borrowing and other funding decisions, the Authority will:

a) consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets to ensure that Its capital plans and investment plans are affordable, proportionate to the Authority's overall financial capacity, and are within prudent and sustainable levels. This evaluation will be carried out in detail for three budget years ahead.

b) not borrow to invest primarily for financial return.

c) not borrow earlier than required to meet cash flow needs unless there is a clear business case for doing so.

d) not borrow unless it is to finance the current capital programme or to fund future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the Authority.

e) increase its CFR and borrowing solely for purposes directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.

f) undertake an annual review of any investments in commercial (debt for yield) schemes with a view to identify whether such assets should be sold to provide resources to finance capital expenditure plans or refinance maturing debt.

g) evaluate the economic and market factors that might influence the manner and timing of any decision to fund.

h) consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships.

i) consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.

j) ensure that treasury management decisions are made in accordance with good professional practice.

3.3.3 In respect of investment decisions, the Authority 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 Authority to changes in the value of its capital;

c) ensure that any long-term treasury investment is supported by a business case.

TMP 4 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 Authority’s capital financing and surplus funds activities;

f) managing cash flow;

g) banking activities;

h) leasing.

4.2 Approved Instruments for Investments

Please see the Annual Investment Strategy.

4.3 Implementation of MIFID II requirements

4.3.1 Since 3 January 2018, UK public sector bodies have been defaulted to “retail” status under the requirements of MiFID II. However, for each counterparty it is looking to transact with, (e.g., financial institution, fund management operator, broker), there remains the option to opt up to “professional” status, subject to meeting certain requirements specified by MIFID II and that it has the appropriate level of knowledge and experience and decision-making processes in place in order to use regulated investment products.

4.3.2 MIFID II does not cover term deposits so local authorities should not be required to opt up to professional status. However, some non-UK banks do not have the necessary regulatory permissions to deal with retail clients, so opting up to professional status would be required.

4.3.3 For investing in negotiable investment instruments, (e.g., certificates of deposit, gilts, corporate bonds), money market funds and other types of investment funds, which are covered by MIFID II, a schedule is maintained of all counterparties that the treasury management team are authorised to place investments with. This specifies for each investment instrument and for each counterparty, whether the authority has been opted up to professional status. (N.B. some money markets funds will deal with both retail and professional clients.)

4.4 Approved Techniques

a) Forward dealing

b) LOBOs – lenders option, borrower's option borrowing instrument

c) The use of structured products such as callable deposits

4.5 Approved Methods and Sources of Raising Capital Finance

4.5.1 Finance will only be raised in accordance with the Local Government Act 2003), and within this limit the Authority has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet	Fixed	Variable
PWLB	✓	✓
Municipal Bond Agency	✓	✓
UK Infrastructure Bank	✓	✓
Market (long-term)	✓	✓
Market (temporary)	✓	✓
Market (LOBOs)	✓	✓
Stock Issues	✓	✓
Local temporary	✓	✓
Local Bonds	✓	
Local authority bills	✓	✓
Overdraft	✓	✓
Negotiable Bonds		✓
Internal (capital receipts * revenue balances)	✓	✓
Commercial Paper	✓	
Medium Term Notes	✓	
Leasing (not operating leases)	✓	✓
Deferred Purchase	✓	✓

Other Methods of Financing

a) Government and EC Capital Grants

b) Lottery monies

c) PFI/PPP

d) Operating leases

4.5.2 Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The responsible officer has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

4.6 Investment Limits

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

4.7 Borrowing Limits

4.7.1 See the Treasury Management Strategy Statement and Prudential and Treasury Indicators.

TMP 5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

5.1 Allocation of responsibilities

5.1.1 Full Authority

a) receiving and reviewing reports on treasury management policies, practices and activities

b) approval of annual treasury management strategy

c) approval of capital strategy

5.1.2 Audit Committee

a) approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices

b) budget consideration and approval

c) approval of the division of responsibilities

d) receiving and reviewing regular monitoring reports and acting on recommendation

5.1.3 Body/person(s) with responsibility for scrutiny

a) reviewing the treasury management policy and procedures and making recommendations to the responsible body.

5.2 Principles and Practices Concerning Segregation of Duties

5.2.1 The following duties must be undertaken by separate officers: -

Dealing	Negotiation and approval of deal.
	Receipt and checking of brokers confirmation note against loans diary.
	Reconciliation of cash control account.
	Bank reconciliation
Accounting Entry	Production of transfer note.
	Processing of accounting entry
Authorisation/Payment of Deal	Entry onto system.
	Approval and payment.

5.3 Treasury Management Organisation Chart

Treasurer

I

Deputy Treasurer

I

Head of Finance,
Capital and
Treasury
Management

I

Principal
Accountant

I

**Treasury
Management
Team**

Finance Manager ______________ Senior Finance Manager ____________ Finance Officer

5.4 Statement of the treasury management duties/responsibilities of each treasury post

5.4.1. The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Authority is the Treasurer. This person will carry out the following duties:

a) recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance

b) submitting regular treasury management policy reports

c) submitting budgets and budget variations

d) receiving and reviewing management information reports

e) reviewing the performance of the treasury management function

f) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function

g) ensuring the adequacy of internal audit, and liaising with external audit

h) recommending the appointment of external service providers.

i) The responsible officer has delegated powers 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.

j) The responsible officer may delegate his power to borrow and invest to members of his staff. The Treasury Management Team must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave/sickness.

k) The responsible officer will ensure that treasury management policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.

l) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Authority's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Authority's Financial Regulations

m) It is also the responsibility of the responsible officer to ensure that the Authority complies with the requirements of the UK Money Markets Code (formerly known as the Non-Investment Products Code) for principals and broking firms in the wholesale markets.

5.4.2. The Treasury Management Team

The responsibilities of the Senior Finance Manager will be: -

a) execution of transactions

b) adherence to agreed policies and practices on a day-to-day basis

c) maintaining relationships with counterparties and external service providers

d) supervising treasury management staff

e) monitoring performance on a day-to-day basis

f) submitting management information reports to the responsible officer

g) identifying and recommending opportunities for improved practices

h) opportunities for improved practices

5.4.3 The treasury management team includes the following persons:

Position	**Qualifications**	**Experience**
Senior Finance Manager	ACCA part qualified	7 years
Finance Manager	AAT qualified	5 years
Finance Officer	AAT part qualified	3 years

5.4.4 The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be:

a) Ensuring that the system is specified and implemented

b) Ensuring that the responsible officer reports regularly on treasury policy, activity and performance.

5.4.5 The Monitoring Officer – the Head of Legal Services

The responsibilities of this post will be: -

a) Ensuring compliance by the responsible officer with the treasury management policy statement and treasury management practices and that they comply with the law.

b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.

c) Giving advice to the responsible officer when advice is sought.

5.4.6 Internal Audit

The responsibilities of Internal Audit will be:

a) Reviewing compliance with approved policy and treasury management practices.

b) Reviewing division of duties and operational practice.

c) Assessing value for money from treasury activities.

d) Undertaking probity audit of treasury function.

5.5 Absence Cover Arrangements

The Principal Accountant and the Head of Finance, Capital and Treasury Management, have the appropriate authorisations in place to be able to cover during periods of absence.

5.6 Dealing Limits

The following posts are authorised to deal: -

- Head of Finance, Capital and Treasury
- Principal Accountant
- Senior Finance Manager
- Finance Manager

5.7 List of Approved Brokers

5.7.1 A list of approved brokers is maintained within the Treasury Team and a record of all transactions recorded against them. See TMP 11.

5.8 Policy on Brokers’ Services

5.8.1 It is this Authority’s policy to rotate business between brokers.

5.9 Policy on Taping of Conversations

5.9.1 It is not this Authority’s policy to tape brokers conversations

5.10 Direct Dealing Practices

5.10.1 The Authority will consider dealing directly with counterparties if it is appropriate and the Authority believes that better terms will be available. At present, most deals are arranged through brokers. There are certain types of accounts and facilities, however, where direct dealing is required, as follows:

a) Business Reserve Accounts:

b) Call Accounts:

c) Money Market Funds.

5.11 Documentation Requirements

5.11.1 For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

TMP 6 Reporting Requirements and Management Information Arrangements

6.1 Annual programme of reporting

6.1.1 Annual reporting requirements before the start of the year:

a) review of the organisation's approved clauses, treasury management policy statement and practices

b) **treasury management strategy report** on proposed treasury management activities for the year comprising of the Treasury management strategy statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement

c) **capital strategy** to cover the following: -

i. give a long-term view of the capital programme and treasury management implications thereof beyond the three-year time horizon for detailed planning.

ii. an overview of treasury and non-treasury investments to highlight the risks and returns involved in each and the balance, (proportionality), between both types of investments.

iii. The authorities risk appetite and specific policies and arrangements for non-treasury investments

6.1.2 Mid-year review

6.1.3 Quarterly monitoring or review

6.1.4 Annual review report after the end of the year

6.2 Annual Treasury Management Strategy Statement

6.2.1 The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted Audit Committee and then the full Authority for approval before the commencement of each financial year.

6.2.2 The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter -term variable interest rates. For instance, this Authority may decide to postpone borrowing if fixed interest rates are expected to fall or borrow early if fixed interest rates are expected to rise.

6.2.3 The Treasury Management Strategy Statement is concerned with the following elements:

a) Prudential and Treasury Indicators

b) current Treasury portfolio position

c) borrowing requirement

d) prospects for interest rates

e) borrowing strategy

f) policy on borrowing in advance of need

g) debt rescheduling

h) investment strategy

i) creditworthiness policy

j) policy on the use of external service providers

k) any extraordinary treasury issues

l) the MRP strategy

6.2.4 The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

6.3 The Annual Investment Strategy Statement

6.3.1 At the same time as the Authority receives the Treasury Management Strategy Statement it will also receive a report on the Annual Investment Strategy which will set out the following: -

a) The Authority’s risk appetite in respect of security, liquidity and optimum performance

b) The definition of high credit quality to determine what are specified investments as distinct from non-specified investments

c) Which specified and non-specified instruments the Authority will use

d) Whether they will be used by the in-house team, external managers or both (if applicable)

e) The Authority’s policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list

f) Which credit rating agencies the Authority will use

g) How the Authority will deal with changes in ratings, rating watches and rating outlooks

h) Limits of value and time for individual counterparties and groups

i) Country limits

j) Maximum value and maximum periods for which funds may be prudently invested

k) Levels of cash balances and investments over the same time period (as a minimum) as the authority's capital investment plans and how the use of internal borrowing and borrowing in advance will influence those levels

l) Interest rate outlook

m) Budget for investment earnings

n) A review of the holding of longer-term investments

o) Policy on the use of external service providers

6.4 The Annual Minimum Revenue Provision Statement

6.4.1 This statement will set out how the Authority will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

6.5 Policy on Prudential and Treasury Indicators

6.5.1 The Authority approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.

6.5.2 The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the full Authority

6.6 Quarterly and Mid-year reviews

6.6.1 The Authority will review its treasury management activities and strategy on a quarterly basis. The mid-year review will be presented to the Audit Committee. This review will consider the following: -

a) activities undertaken

b) variations (if any) from agreed policies/practices

c) interim performance report

d) regular monitoring

e) monitoring of treasury management and prudential indicators

6.6.2 The quarterly review will monitor the treasury management and prudential indicators as part of the Authority's general revenue and capital monitoring.

6.7 Annual Review Report on Treasury Management Activity

6.7.1 An annual report will be presented to the Audit Committee and then to the full Authority 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 (current) effects

b) report on risk implications of decisions taken and transactions executed

c) compliance report on agreed policies and practices, and on statutory/regulatory requirements

d) performance report

e) report on compliance with CIPFA Code recommendations, approved policies and practices, the member approved treasury management strategy and on statutory/regulatory requirements

f) monitoring of treasury management indicators

6.8 Management Information Reports

6.8.1 Management information reports will be prepared every month by the Senior Finance Manager and will be presented to the Head of Finance, Capital and Treasury Management.

6.8.2 These reports will contain the following information: -

a) a summary of transactions executed (may want to add brokers used and fees paid) and their revenue (current effects);

b) measurements of performance including effect on loan charges/ investment income;

c) degree of compliance with original strategy and explanation of variances.

d) any non-compliance with Prudential limits or other treasury management limits.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Statutory/Regulatory Requirements

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

7.1.2 The Authority has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Authority's treasury management activities.

7.2 Sample Budgets / Accounts / Prudential and Treasury Indicators

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

7.3 List of Information Requirements of External Auditors.

a) Reconciliation of loans outstanding in the financial ledger to treasury management records

b) Maturity analysis of loans outstanding

c) Certificates for new long-term loans taken out in the year

d) Reconciliation of loan interest, discounts received, and premiums paid to financial ledger by loan type

e) Calculation of loans fund interest and debt management expenses

f) Details of interest rates applied to internal investments

g) Calculation of interest on working balances

h) Interest accrual calculation

i) Principal and interest charges reports from the Logotech system

j) Analysis of any deferred charges

k) Calculation of loans fund creditors and debtors

l) Annual Treasury Report

m) Treasury Management Strategy Statement and Prudential and Treasury Indicators

n) Review of observance of limits set by Prudential and Treasury Indicators

o) Calculation of the Minimum Revenue Provision

7.4 Monthly Budget Monitoring Report

7.4.1 A quarterly budget monitoring report goes to the Authority. The report is intended to highlight any variances between budgets and spend in order that the Authority can assess its financial position.

TMP 8 Cash and Cash Flow Management

8.1 Arrangements for Preparing/Submitting Cash Flow Statements

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

8.1.2 A debt liability benchmark will be created and monitored on a quarterly basis to inform a long-term view of liquidity requirements.

8.2 Bank Statements Procedures

8.2.1 The Authority receives a daily download of data from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc.

8.2.2 A formal bank reconciliation is undertaken on a monthly basis by the Finance Officer.

8.3 Payment Scheduling and Agreed Terms of Trade with Creditors

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

8.4 Arrangements for Monitoring Debtors / Creditors Levels

8.4.1 The Exchequer Manager is responsible for monitoring the levels of debtors and creditors. Details are passed to the treasury team on a weekly basis to assist in updating the cash flow models.

8.5 Procedures for Banking of Funds

8.5.1 All money received by an officer on behalf of the Authority will without unreasonable delay be deposited in the Authority's banking accounts. This will be incorporated into the daily cashflow.

8.6 Practices Concerning Prepayments to Obtain Benefits

8.6.1 The Authority has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the responsible officer.

TMP 9 Money Laundering

9.1 Proceeds of Crime Act 2002

9.1.1 Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

a) concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland

b) being concerned in an arrangement which a person knows, or suspects facilitates the acquisition, retention, use or control of criminal property

c) acquiring, using or possessing criminal property.

9.1.2 These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

a) failure to disclose money-laundering offences

b) tipping off a suspect, either directly or indirectly

c) doing something that might prejudice an investigation – for example, falsifying a document.

9.2 The Terrorism Act 2000

9.2.1 This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment

9.3 The Money Laundering Regulations 2012, 2015 and 2017

9.3.1 Organisations pursuing relevant business (especially those in the financial services industry regulated by the FCA) are required to do the following: -

a) identify and assess the risks of money laundering and terrorist financing

b) have policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing identified through the risk assessments

c) appoint a nominated officer

d) implement internal reporting procedures

e) train relevant staff in the subject

f) obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken

g) report their suspicions.

9.4 Local authorities

9.4.1 Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and subsequent Terrorism Acts and may commit most of the principal offences under the POCA but are not legally obliged to apply the provisions of the Money Laundering Regulations 2012, 2015 and 2017. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly, this Authority will do the following:

a) evaluate the prospect of laundered monies being handled by them

b) determine the appropriate safeguards to be put in place

c) require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness

d) make all its staff aware of their responsibilities under POCA

e) appoint a member of staff to whom they can report any suspicions. This person is the Head of Audit and Assurance.

f) in order to ensure compliance is appropriately managed, this Authority will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.

g) The officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures is Head of Audit and Assurance and it shall be a requirement that all services and departments implement this corporate policy and procedures.

9.5 Procedures for Establishing Identity / Authenticity of Lenders

9.5.1 It is not a requirement under POCA for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, there is a need for due diligence. However, the Authority does not accept loans from individuals.

9.5.2 All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FCA website on www.fca.gov.uk.

9.5.3 When repaying loans, the procedures in 9.6.1 will be followed to check the bank details of the recipient.

9.6 Methodologies for Identifying Deposit Takers

9.6.1 In the course of its Treasury activities, the Authority will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FCA register can be accessed through their website on www.fca.gov.uk).

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

TMP 10 Training and Qualifications

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

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

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

10.4 All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Authority operates a Professional Development Review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

10.5 Additionally, training may also be provided on the job, and it will be the responsibility of the Senor Finance Manager to ensure that all staff under his / her authority receive the level of training appropriate to their duties. This will also apply to those staff who from time-to-time cover for absences from the treasury management team.

10.6 Details of Approved Training Courses

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

10.7 Records of Training Received by Treasury Staff

10.7.1 The Senior Finance Manager will maintain records on all staff and the training they receive.

10.8 Record of Secondment of Senior Management

10.8.1 Records will be kept of senior management who are seconded into the treasury management section in order to gain first-hand experience of treasury management operations.

10.9 Statement of Professional Practice (SOPP)

10.9.1 Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

10.9.2 Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

10.10 Member training records

10.10.1 Records will be kept of all training in treasury management provided to Members.

10.11 Members charged with governance

10.11.1 Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

TMP 11 Use of External Service Providers

11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers

11.1.1 This Authority will employ the services of other organisations to assist it in the field of treasury management. It will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

11.1.2 It will also ensure that the skills of the in-house treasury management team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

11.1.3 Treasury management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

a) The quality financial press

b) Market data

c) Information on government support for banks an

d) The credit ratings of that government support

11.2 Banking Services

11.2.1 Name of supplier of service is the Barclays Bank PLC.

11.2.2 Regulatory status – banking institution authorised to undertake banking activities by the FCA

11.2.3 The branch address is:

51 Mosley Street

Manchester

M2 3HQ

Tel :- 0845 755 5555

11.2.4 Contract runs until 30 September 2025.

11.2.5 Cost of service is variable depending on schedule of tariffs and volumes

11.2.6 Payments due monthly

11.3 Money-Broking Services

11.3.1 The Authority will use money brokers for temporary borrowing and investment and long-term borrowing. It will seek to give an even spread of business amongst the approved brokers.

11.4 Consultants'/Advisers' Services

11.4.1 Treasury Consultancy Services

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

The performance of consultants will be reviewed to check whether performance has met expectations.

a) Name of supplier of service is Link Group, Treasury solutions. Their address is 65 Gresham Street London EC2V 7NQ

b) Regulatory status: investment adviser authorised by the FCA

c) Contract commenced 1 April 2021 and runs for 3 years.

11.5 Credit Rating Agency

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

11.6 Procedures and Frequency for Tendering Services

See TMP2

TMP 12 Corporate Governance

12.1 List of Documents to be Made Available for Public Inspection

12.1.1 The Authority is committed to the principle of openness and transparency in its treasury management function and in all its functions.

12.1.2 It has adopted the CIPFA Code of Practice on Treasury Management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

12.1.3 The following documents are available for public inspection: -

a) Treasury Management Policy Statement

b) Treasury Management Strategy Statement

c) Annual Investment Strategy

d) Minimum Revenue provision policy statement

e) Annual Treasury Review Report

f) Treasury Management monitoring reports (e.g. half yearly, quarterly)

g) Annual accounts and financial instruments disclosure notes

h) Annual budget

i) Year Capital Plan

j) Capital Strategy

k) Minutes of Authority / Committee meetings

l) Schedule of all external funds managed by the Authority on behalf of others and the basis of attributing interest earned and costs of these investments.

Appendix 1. Environmental, Social and Governance (ESG) risk management

Policy on ESG issues

ESG is an area that CIPFA is still working on after the 2022 revised codes. In particular, work will be needed to coordinate the priority which needs to be given to issues of security, liquidity and yield (SLY) while also accommodating ESG principles as a fourth priority and principle to apply.

The assessment and implementation of ESG considerations are better developed in equity and bond markets than for short-term cash deposits, primarily due to the wider scope of potential investment opportunities. Furthermore, there is a diversity of market approaches to ESG classification, analysis and integration. This means that a consistent and developed approach to ESG for public service organisations, focussed on more typical Treasury-type investments, is currently difficult to achieve. CIPFA, therefore, recommends authorities to consider their credit and counterparty policies in light of ESG information and develop their own ESG investment policies and treasury management practices consistent with their organisation's own relevant policies, such as environmental and climate change policies.

CIPFA does not expect that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.

When drafting an ESG policy, authorities will need to understand that anything too "broad" in its approach could have a material impact on potential counterparties, which could then limit diversification and / or security considerations in investment processes. Furthermore, Authority's will also need to be clear that when choosing between two counterparties that pass all relevant "security" tests, that the additional implementation of an ESG policy may mean that a lower investment rate is achieved by choosing the counterparty that passes the authorities ESG requirements.

Typical ESG considerations are shown below. Please note that these are examples of ESG factors that are considered by Credit Rating Agencies, such as Fitch, Moody's and Standard & Poor's when assigning credit ratings to counterparties. The credit ratings provided by these agencies are also used as the basis for selecting suitable counterparties by Authority's.

- ***Environmental:*** *Emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact.*
- ***Social:*** *Human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impacts.*
- ***Governance:*** *Management structure, governance structure, group structure, financial transparency.*

This Authority is supportive of the Principles for Responsible Investment (www.unpri.org) and will seek to bring ESG (environmental, social and governance) factors into the decision-making process for investments. Within this, the Authority is also appreciative of the Statement on ESG in Credit Risk and Ratings which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way. The Authority uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement, which is as follows:

"We, the undersigned, recognise that environmental, social and governance (ESG) factors can affect borrowers' cash flows and the likelihood that they will default on their debt obligations. ESG factors are therefore important elements in assessing the creditworthiness of borrowers. For corporates, concerns such as stranded assets linked to climate change, labour relations challenges or lack of transparency around accounting practices can cause unexpected losses, expenditure, inefficiencies, litigation, regulatory pressure and reputational impacts.

At a sovereign level, risks related to, inter alia, natural resource management, public health standards and corruption can all affect tax revenues, trade balance and foreign investment. The same is true for local governments and special purpose vehicles issuing project bonds. Such events can result in bond price volatility and increase the risk of defaults.

In order to more fully address major market and idiosyncratic risk in debt capital markets, underwriters, credit rating agencies and investors should consider the potential financial materiality of ESG factors in a strategic and systematic way. Transparency on which ESG factors are considered, how these are integrated, and the extent to which they are deemed material in credit assessments will enable better alignment of key stakeholders.

In doing this the stakeholders should recognise that credit ratings reflect exclusively an assessment of an issuer's creditworthiness. Credit rating agencies must be allowed to maintain full independence in determining which criteria may be material to their ratings. While issuer ESG analysis may be considered an important part of a credit rating, the two assessments should not be confused or seen as interchangeable.

With this in mind, we share a common vision ***to enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness****."*

For short term investments with counterparties, this Authority utilises the ratings provided by Fitch, Moody's and Standard & Poor's to assess creditworthiness, which do include analysis of ESG factors when assigning ratings. The Authority will continue to evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment process and will update accordingly.