

## **TREASURY MANAGEMENT PRACTICES**

### **AUDIT AND GOVERNANCE COMMITTEE**

<b>DATE</b>	30 January 2025
<b>REPORT OF</b>	Sharon Wroot, Executive Director, Place & Resources
<b>SUBJECT</b>	Treasury Management Practices
<b>STATUS</b>	Open

### **CONTRIBUTION TO OUR AIMS**

Effective treasury management will provide support towards the achievement of the Council's aims and objectives. Treasury management is an integral part of the Council's finances providing for cash flow management and financing of capital schemes. It therefore underpins all of the Council's aims.

### **EXECUTIVE SUMMARY**

The Council is required to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services (The Code) as revised in 2021.

In order to comply with the key requirements of the Code, the Council should create and keep under review.

- A Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities, as approved by Council.
- Suitable Treasury Management Practices setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.

Audit & Governance Committee is responsible for ensuring effective scrutiny of the treasury management arrangements.

### **RECOMMENDATIONS**

That the Audit and Governance Committee considers and approves the Treasury Management Practice 1 and any other listed amendments to other Practices (Appendix 1).

## 1. BACKGROUND AND ISSUES

- 1.1. The Local Government Act 2003 requires local authorities to have regard to such guidance as the Secretary of State may by regulations specify. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 specify the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (The Code) as such guidance.

- 1.2. CIPFA as adopted the following as its definition of treasury management activities:

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

- 1.3. The Code identifies three key principles:

*The Council should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.*

*The policies and practices make clear that the effective management and control of risk are the prime objectives of treasury management activities and that responsibility for these lies clearly within the Council. The Council's appetite for risk should form part of the annual strategy and should ensure that priority is given to security and liquidity when investing funds.*

*The pursuit of value for money in treasury management, and the use of suitable performance measures, are important tools in support of business and service objectives; and, within the context of effective risk management, the treasury management policies and practices reflect this.*

- 1.4. Specific details of the systems and routines to be employed in order to comply with the key requirements of the Code and the records to be maintained take the form of Schedules to the TMPs. The TMPs and associated schedules have been reviewed and updated in accordance with current guidance.
- 1.5. Link Treasury Services Ltd are our Treasury Advisors during 2025 and our existing TMPs have been cross-referenced to their guidance with changes only being made where there was material difference with those based on previous advice.
- 1.6. The CIPFA Treasury Management Code was revised in December 2021 and adopted by the Council for 2023-24 Financial Year. Key Changes included: -
- TMP 1 to reference Environmental, Sustainability and Governance (ESG) considerations in credit and counterparty policies.
  - TMP 10 to include the addition of a Knowledge and Skills Schedule informed

by a Member self-assessment exercise. We requested Audit & Governance Committee members to complete this assessment during 2023-24.

- The addition of the Liability Benchmark, which we have used informally for several years, as a formal Prudential Indicator
- A revised definition of 'Investments' to include non-treasury 'service-driven' and commercial activities. These items are covered in a separate Capital Strategy along with applicable Investment Management Principles (IMPs) which are complementary to the TMPs covered here which cover Treasury activity only.

- 1.7 Only TMP 1, covering investment counterparty policy requires approval each year. This is because TMP1 includes how our counterparty framework will be managed and therefore needs Members affirmative action to proceed. Other TMPs focus more on day-to-day operation and general principles and practice which may remain unchanged between years. Any changes to other TMPs for 2025 are flagged in the Appendix below. A full set of (marked up) TMPs were approved for 2023-24.

## **2. RISKS AND OPPORTUNITIES**

- 2.1 No treasury activity is risk free. The successful identification, monitoring and control of risk are the prime criteria by which the effectiveness of treasury management activities will be measured. A desktop risk and opportunities assessment has been undertaken in relation to the content of this report. The assessment in relation to three main areas is as follows:-

**Equalities** - There are no factors within this report that affect equality and access to services.

**Strategic environmental issues** - Issues in the report support positive effects on the environmental wellbeing of the Borough.

**General Data Protection Regulation 2018** – Relationships with external providers covered by the Treasury management Practices are governed by and operated in accordance with the act.

## **3. OTHER OPTIONS CONSIDERED**

- 3.1 These are workable Practices formulated in consultation with our Advisors, Link Asset Services after reference to the relevant legislation, whilst still recognizing local circumstances (team structures etc.).

## **4 REPUTATION AND COMMUNICATIONS CONSIDERATIONS**

- 4.1 As you would expect, with large sums of public money involved, any treasury activity carries a high degree of reputational risk. Any losses having not just financial but also significant, ongoing resource implications for the Council.

## **5. FINANCIAL CONSIDERATIONS**

- 5.1 As set out in the Appendix.

## **6. CONSULTATION WITH SCRUTINY**

- 6.1 Audit & Governance Committee fulfill the role of scrutiny body for Treasury Management activity.

## **7 FINANCIAL IMPLICATIONS**

- 7.1 As set out in the appendix.

## **8 LEGAL IMPLICATIONS**

- 8.1 There are no direct legal implications arising from the recommendations in this report which are not covered in the body of the report. The Council has complied with its statutory obligations arising from the Local Government Act, the Local Government Finance Act and all relevant CIPFA guidance.

## **9. HUMAN RESOURCES IMPLICATIONS**

- 9.1 There are no human resource implications arising from this report

## **10. WARD IMPLICATIONS**

- 10.1 All wards affected.

## **11. BACKGROUND PAPERS**

- 11.1 CIPFA Treasury Management Code and Guidance Notes

## **12. CONTACT OFFICER(S)**

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## **Appendix 1**

### **TMP1 Schedule 1 - Risk Management (Unchanged for 2025-26)**

#### **1. Credit and Counterparty Policies**

All treasury management activities present risk exposure for the Council. The council's policies and practices emphasise that the effective identification, management, and containment of risk are the prime objectives of treasury management activities.

The Section 151 Officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties in consultation with the Council's advisors.

The criteria will be agreed by Audit Committee. Investment with government offers the least risk but lower yields.

##### **1.1.1 Policy on the use of credit risk analysis techniques**

The Council selects countries and the institutions within them for the counterparty list after analysis and careful monitoring of:

- Credit Ratings - the Council will use credit rating criteria as the main means of assessing the creditworthiness of counterparties for placing investments with – where available this Rating information will be supplemented by additional risk indicators such as Credit Default Swap Rates.
- Sovereign credit ratings/sovereign support mechanisms (which now includes resolution mechanisms for failing financial institutions)
- The Council's Treasury Advisor also undertakes analysis on the balance sheet structure of key banking institutions to help inform the potential restructure (i.e. bail-in) of a bank's unsecured liabilities should this be required by the regulatory authorities.
- The credit rating criteria will also apply to securities issued by financial and non-financial institutions, which in some instances, might be higher than that of the issuing institution.
- Financial limits for individual counterparties and sectors will be set to ensure a sound diversification policy.
- Longer term and cash limits may be set for secured investments (e.g., those with underlying collateral or which are by regulation excluded from being bailed-in/restructured in the event of financial distress.)
- Where there is no investment-specific rating, but collateral upon which the investment secured is rated, then the higher of the collateral and counterparty rating will be used to determine time and cash limits.
- Credit Default Swap (CDS) information
- Macro-economic indicators

- Asset values - consideration of the use of building societies that do not meet credit rating criteria for banks may be based on asset size rather than a formal rating.
- Corporate developments, news and articles, market sentiment

Where one or more counterparties are part of a group a limit will be set for the aggregate for all investments with the group.

1.1.2 Treasury Advisors will construct a lending list comprising time, type, sector and specific counterparty limits based on the Councils approved Annual Investment Strategy. The counterparty list will be agreed and confirmed by the Section 151 officer.

- It may be impractical to determine a specific list of non-financial counterparties in whose securities investments might be made. The minimum credit rating criteria and whether the security is secured or unsecured will determine its selection for investment.
- The counterparty list will be checked in accordance with the Annual Investment Strategy.
- Credit ratings for individual counterparties can change at any time. The Treasury Advisors notify the Council of credit rate changes which affect the Councils counterparty list and any consequent change in limits. They also provide economic summaries, CDS information (monthly) and share price information.
- In addition, Treasury Management Officers will use their own means to monitor market sentiment (via Treasury Live software) and ratings changes.
- The Section 151 Officer will amend the approved list in line with the policy on criteria for selection of counterparties.
- Where an entity's credit rating is downgraded so that it fails to meet the minimum criteria, then only with the explicit approval of the S151 officer will a lower level of investment be permitted within the non-Specified category. This is particularly apposite for the Council's own bankers where overnight deposits may be required for Operational purposes.
- Where a credit rating is placed on review for possible downgrade (also termed 'rating watch negative') so that it may fall below the minimum approved credit criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the rating review has been completed and its outcome known. This will not apply for 'negative outlooks' which indicate a long-term direction of travel rather than a possibility of an imminent downgrade.
- Credit ratings will be used as supplied from one or more of the following credit ratings agencies.

:-

- Fitch Ratings Ltd
- Moody's Investors Services
- Standard & Poor's

- Operationally the Section 151 Officer may take measures to restrict (but not extend) the criteria approved in the Annual Investment Strategy.
- Advisers will be advised of changes to the Counterparty List where necessary.

### **1.1.3 Policy on environmental, social and governance (ESG) considerations**

- The Council is 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 Council 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:
- For short term investments with counterparties, this Council therefore utilises the ratings which include analysis of ESG factors when assigning ratings. The Council will continue to evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment process where available in a consistent manner,

## **1.2 Liquidity Risk Management**

- The Council will seek to maintain sufficient cash balances to meet its daily cash requirements without recourse to short-term borrowing, should unforeseen circumstances arise short-term borrowing will be undertaken to ensure liabilities are met as they fall due.
- Approved sources of short-term borrowing are: -
  - 1.The Council agrees an overdraft facility, if necessary, with its bankers.
  - 2.The Council accesses temporary loans either through money brokers or directly from financial institutions/other local authorities.
- The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current programme or to finance future debt maturities.

The Credit and Investment Manager maintains short and medium term cash flow forecasts (see TMP8)

## **1.3 Interest Rate Risk Management**

- ### **1.3.1**
- Treasury management strategies are prepared in consultation with treasury advisors where appointed to take account of interest rate forecasts (see TMP6). Trigger points for consideration of borrowing are included within

Borrowing Decision Notices where appropriate. The treasury management advisors where appointed periodically update the forecasts and any impact on trigger points. The Council may determine it is more cost effective in the short-term to fund its borrowing requirement using internal resources ('internal borrowing') or through borrowing short-term loans. The benefits of such borrowing will be monitored regularly against the potential for incurring additional costs by deferring or refinancing in future years when interest rates are expected to be higher.

- 1.3.2 For its investments, the Council also considers dealing from forward periods dependent upon market conditions. The Council's counterparty term limits will apply and will include the forward period of the investment.
- 1.3.3 The Prudential Code requires the Council to determine each year upper limits on net fixed interest rate and net variable interest rate exposures are determined each year as part of the Treasury Management Indicators included in the annual Treasury Management Strategy Statement.
- 1.3.4 The upper limits on net fixed interest rate and net variable interest rate are reviewed at least annually and are approved by Council within the Treasury Management Strategy reports. The Credit and Investment Manager maintains a spreadsheet to monitor compliance which is subject to regular review as part of the assurance arrangements.
- 1.3.5 Policies concerning the use of financial derivatives<sup>1</sup> and other instruments for interest rate management are set out in TMP4.
  - a. Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g., interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g., LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e., those that are not embedded into a loan or investment). The CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy. The authority does not currently intend to use derivatives. Should this position change, the Council will seek to develop a detailed and robust risk management framework governing the use of derivatives.
  - b. Forward Dealing – consideration will be given to forward lending or borrowing for a period up to 12 months in advance of the transaction subject to the Section 151 Officer's approval on each occasion.

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<sup>1</sup> Derivatives are financial instruments whose value is derived from the value of something else. They generally take the form of contracts under which the parties agree to payments between them based upon the value of an underlying asset or other data at a particular point in time. The main types of derivatives are futures, forwards, options and swaps.



- c. Lenders Option/Borrowers Option<sup>2</sup> - no new LOBO loans will be entered into and consideration will be given to any opportunities to exit/cap/reduce potential liability under existing contracts.

## **1.4 Exchange Rate**

- Borrowing and Lending will only be undertaken in £ Sterling.
- The Authority may have some exposure to exchange rate movements from time to time because expenditure or income is denominated in a foreign currency, but these transactions will generally be small and will normally be converted out of or into sterling at the time of the transaction.

## **1.5 Inflation Risk Management**

- 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.

## **1.6. Refinancing**

- 1.6.1 The Council will seek to limit refinancing exposure by ensuring that only a limited amount of loan debt will mature in any one year. This limit will be kept under review and reported annually as part of the Annual Treasury Strategy. The Prudential Code requires as a specific treasury management indicator, upper and lower limits for the maturity structure of the Council's debt.

The Section 151 Officer will by the 31 March of each year produce a borrowing strategy detailing the projected borrowing requirement for the subsequent year.

- 1.6.2 The opportunities for debt restructuring will be kept under review in line with market conditions. All loan debt rescheduling will be reported to the Council as part of the outturn report.
- 1.6.3 The Section 151 Officer will prepare as a minimum a three-year plan for capital expenditure for the Council. The Capital Investment Strategy and capital programme will be used as a basis for estimating the anticipated financing requirement and a three-year revenue budget for loan charges consisting of principal repayments, interest and expenses as well as loan repayments and forecast interest rates.

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<sup>2</sup> Lender Option Borrower Option (LOBO's) are typically very long-term loans - for example 40 to 60 years - and the interest rate is initially fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates, such as every 6 months after an initial fixed period. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.

- 1.6.4 The Council sets affordable limits for borrowing to inform the capital investment plans.

The main source of borrowing for the authority is the Public Works Loan Board (PWLB) and estimates shall be prepared using forecast PWLB rates.

- 1.6.5 The Council's debt portfolio includes loans borrowed on a LOBO (Lender's Option

Borrower's Option) basis. The call dates for each LOBO loan are referenced in the LOBO documentation. Whilst in the current interest rate environment LOBO calls are considered unlikely the Council will, prior to each call date, evaluate alternative funding sources for comparable interest rates/maturities. This will be discussed at the monthly treasury meeting.

If the Lender exercises the call option (directly or via the broker) for a revision to the terms of the loan, the Council's default position will be to repay the loan and re-finance via a vanilla loan elsewhere.

The importance of remaining within the timescale for the Council to exercise its option should the call be made is acknowledged, but it will not be rushed into a decision.

#### **1.6.6. Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing**

- In considering the affordability of its capital plans, the Council 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 council.
- 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. (CIPFA has not defined what longer term means but it is likely to infer 20-30 years in line with the financing time horizon and the expected life of the assets, while medium term financial planning, at a higher level of detail, is probably aimed at around a 10-year time frame and to focus on affordability in particular.)
- The Council will also undertake an annual review of commercial, (debt for yield), investments (where existing) with a view to divest, where appropriate, to avoid or minimise additional external borrowing.

- The Council will use the definitions provided in the Prudential Code for borrowing, capital expenditure, capital financing requirement, commercial property, debt, financing costs, investments, net revenue stream, other long term liabilities, treasury management and transferred debt.

## **1.7 Legal and Regulatory References to Relevant Statutes and Regulations**

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

### **English Authorities**

#### **Statutes**

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- S.I. 2004 no. 3055 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) (No. 2) Regulations 2004
- S.I. 2006 no. 521 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006
- S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
- S.I. 2008 no. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- S.I. 2009 no. 321 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2009
- S.I. 2009 no. 2272 The Local Authorities (Capital Finance And Accounting) (England) (Amendment) (No.2) Regulations 2009
- S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- S.I. 2010 no. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- Localism Act 2011
- S.I. 2012 no. 265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012

- S.I. 2012 No. 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012
- S.I. 2012 No. 1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012
- S.I. 2012 No. 2269 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 4) Regulations 2012
- S.I. 2013 no. 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013
- S.I. 2015 no. 234 Accounts and Audit Regulations 2015
- S.I. 2017 no. 536 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2017
- S.I. 2018 no. 1207 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2018
- Statutory Guidance on Investments 2018
- Statutory Guidance on MRP 2018
- 2019 No. 394 Exiting the European Union financial services: The Money Market Funds (Amendment) (EU Exit) Regulations 2019
- S.I. 2019 no. 396 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2019
- S.I. 2020 no. 1212 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020
- S.I. 2021 no. 611 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2021

### ***Guidance and codes of practice***

- CIPFA Local Authority Capital Accounting - a reference manual for practitioners' latest year Edition
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2021,
- CIPFA Prudential Code for Capital Finance in Local Authorities and Guidance Notes revised 2021
- LAAP Bulletins
- IFRS - Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
- PWLB circulars on Lending Policy
- The UK Money Markets Code (issued by the Bank of England)
- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations
- The Council's Scheme of Delegated Functions

1.7.2 The Council will confirm, if requested to do so by counterparties, the powers

and authorities under which the Council effects transactions with them.

#### 1.7.3 Statement on the Council's Political Risks and Management of Same

The responsible officer shall take appropriate action with the Council, the Chief Executive and the Leader of the Council to respond to and manage appropriately political risks such as change of majority group, leadership in the Council, change of Government etc.

#### 1.7.4 Monitoring Officer

The monitoring officer is the Chief Legal Officer the duty of this officer is to ensure that the treasury management activities of the Council are lawful.

#### 1.7.5. Chief Financial Officer/S151 Officer

The Chief Financial Officer is the Executive Director Environment, Economy & Resources the duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if he has concerns as to the financial prudence of its actions or its expected financial position.

#### 1.7.6 Where required, the Council will also establish the powers of those with whom they enter into transactions, including any compliance requirements in respect of a duty of care and best practice.

### **1.8 Operational risk, including fraud, error and corruption,**

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.

#### 1.8.1 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.

#### 1.8.2 TMP5 and TMP6 and supporting Schedules set out the Council's arrangements for clarity of organisation, reporting arrangements, and management information systems and controls.

#### 1.8.3 Emergency and Contingency Planning Arrangements

Disaster Recovery Plan.

Under established agile working practices, all members of the Treasury Management team have remote access to the required systems to enable continuity.

- An electronic record is kept of all necessary treasury management data.
- CHAPS payments can be given by instruction by hand to the Bank.
- Balances can also be obtained over the telephone.
- All computer files are “backed up” to enable files to be accessed from remote sites.
- Capability exists to make payments off-site following the adoption of agile working practices.

#### 1.8.4 Details of systems and procedures to be followed:

##### **Authority**

- The scheme of delegation to Officers sets out the appropriate delegated levels. All loans and investments, including PWLB, are negotiated by authorised persons.

##### **Occurrence**

- A detailed register of loans and investments is maintained as part of the treasury management system (Treasury Live). This is confirmed to the ledger balance.
- Adequate and effective cash flow forecasting records are maintained within the treasury management arrangements to support the decision to lend or borrow.
- Confirmation of a deal is received from the counterparty or trading portal. This could be in electronic or hardcopy format.
- A broker note showing details of the loan arranged confirming all transactions placed through brokers

##### **Completeness**

- The loans register (Treasury Live) is updated to record all lending and borrowing this includes the date of the transaction and its terms.

##### **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 Authority.

##### **Timeliness**

- The Treasury Live system highlights when money borrowed, or lent is due to be repaid. On a daily basis the Dealer will obtain from the Authority's bankers the intraday balance and ensure that allowance will be made for the repayment/ receipt of loans/ investment due.

## **Procedure**

- All lending is only made to institutions on the approved list.
- All loans raised and repayments made go directly to and from the Authority's designated bank account.
- Authorised limits are set for every institution, grouped entities and certain types of instruments.
- Transactions are cross-checked against broker notes, counterparty confirmations and schedules by dates, amounts, interest rates, maturity, interest payment dates, etc.
- Brokers will have a list of named officers authorised to perform loan transactions.
- The control totals on the Treasury Live system are reconciled quarterly with the ledger.
- There is a clear separation of duties between the authorisation, inputting and releasing a payment processing of a payment and its checking and authorisation.
- Bank reconciliation is carried out regularly from bank statement to financial ledger.

## **Security**

- Investment Payments - should only be authorised by an authorised signatory and payments over £3m require a second authorised signatory authoriser.
- Faster Payments –Payments should be authorised by a signatory from HR/Payroll services manager and an authorised signatory.
- Cards, PINs and card readers are required for Barclays.net transactions.
- When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through independently obtained contact details for the payee before altering payment details.

## **Internal Audit**

- 1.8.5 Internal Audit carries out an annual regulatory review of the treasury management function. (See TMP 7)

## **1.9 Price Risk Management**

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

- 1.9.1 The Council will from time to time access instruments in which there is an active secondary market (Certificates of Deposit, Treasury Bills etc.). The capital value of these instruments will fluctuate depending on the remaining period to maturity and prevailing market conditions. However, when using such instruments, the Council will always do so on the basis that it intends to hold them to maturity and thereby secure a fixed capital value.
- 1.9.2 The Council may consider Variable Net Asset Value (VNAV) funds, as appropriate, in line with its TMSS.
- 1.9.3 The method for accounting for unrealised gains or losses on the valuation of financial assets will comply with the Accounting Code of Practice.



### **1.10 Management practices for non-treasury investments**

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

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

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

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### **Changes to other TMPs**

- 2.1 Debt Management Performance Indicators updated to match those available in Benchmarking Reports.
- 5.6 Updated definition of 'Long-Term' funding to that in excess of 366 days (from 364 days).
- 7.3 Updated to reflect current information requirements of External Auditors.