Audit and Governance Committee

PLYMOUTH CITY COUNCIL

Date of meeting:	12 March 2024
Title of Report:	**Treasury Management Practices, Principles and Schedules 2024/25**
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey (Service Director for Finance)
Author:	Wendy Eldridge Lead Accountancy Manager Capital & Treasury Management
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Your Reference:	Fin/TM/PPS 24-25
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report
The CIPFA Code of Practice on Treasury Management requires the Council to publish its practices, principles and schedules each year. The Treasury Management practices, principles and schedules are in place to ensure the Council's Treasury Management policy is adhered to and that working practices and controls are in place to meet the approved strategy.

Recommendations and Reasons

1. To approve the Treasury Management Practices, Principles and Schedules for 2024/25 as set out in this report.
   Reason: This will ensure compliance with the CIPFA Code of Practice for Treasury Management.

Alternative options considered and rejected

1. There are no alternative options. The Council has adopted the CIPFA Code of Practice for Treasury Management which requires the Treasury Management Practices, Principles and Schedules to be scrutinised and approved by the Audit Committee.

Relevance to the Corporate Plan and/or the Plymouth Plan
Effective financial management is fundamental to the delivery of corporate improvement priorities. Treasury Management activity has a significant impact on the Council's activity both in revenue budget terms and capital investment and is a key factor in facilitating the delivery against several corporate priorities

Implications for the Medium Term Financial Plan and Resource Implications:
Treasury Management affects the Council's budget in terms of borrowing costs and investment returns. The Treasury Management Strategy sets the authorised limits and operational boundaries within which

investment and borrowing decisions are taken and risks managed. Effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Financial Risks

The Council has current borrowing of £629.532m with further borrowing required to support an ambitious capital programme during a period of higher borrowing rates and inflation risk to projects.

Carbon Footprint (Environmental) Implications:

Treasury Management budgets include borrowing to support the provision for a Climate Emergency Investment Fund in the Capital Programme and cash management to support projects within the Net Zero Action Plan 2023-2026 which is reviewed annually.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

The current volatility and uncertainty within the global financial markets has had a substantial effect on Treasury Management activities. The risk in the Council's investments and loans will be constantly monitored and acted upon in accordance with the principles and procedures set out in the Council's Treasury Management Practices, Principles and Schedules

Appendices

**Add rows as required to box below*

Ref.	**Title of Appendix**	**Exemption Paragraph Number** (if applicable) *If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*						
		1	**2**	**3**	**4**	**5**	**6**	**7**
A	Treasury Management Practices, Principals and Schedules 2024-25							

Background papers:

**Add rows as required to box below*

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are <u>unpublished</u> works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	**Exemption Paragraph Number** (if applicable) *If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*						
	1	**2**	**3**	**4**	**5**	**6**	**7**

Sign off:

Fin	CH 29.02.24 0903	Leg	LS/00001075/1/AC/ 4/3/24	Mon Off	Click here to enter text.	HR	Click here to enter text.	Assets	Click here to enter text.	Strat Proc	Click here to enter text.
Originating Senior Leadership Team member: David Northey											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 29/02/2024											
Cabinet Member approval: *approved by email* Date approved: 01/03/2024											

TREASURY MANAGEMENT POLICY STATEMENT

1. INTRODUCTION AND BACKGROUND

1.1 Plymouth City Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.

1.2 Accordingly, the Authority will create and maintain, as the cornerstones for effective treasury management: -

- A treasury management policy statement stating the policies, objectives, and approach to risk management of its treasury management activities.
- Suitable treasury management practices (TMPs), setting out the way the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- Investment management practices (IMPs) for investments that are not for treasury management purposes.

1.3 The Authority's Council (i.e. full Council) will receive reports on its treasury and investment management policies, practices and activities including, as a minimum, an annual strategy and plan of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs and IMPs.

1.4 The Authority delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Audit & Governance Committee and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the organisation's policy statement and TMPs, IMPs and CIPFA's Standard of Professional Practice on treasury management.

1.5 The Authority nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

2.1 Plymouth City Council defines its treasury management activities as the management of the Authority's borrowing, investments, and cash flows, including 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.

2.2 Plymouth City Council regards the successful identification, monitoring, and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered to manage these risks.

2.3 Plymouth City Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

2.4 Plymouth City Council borrowing will be affordable, sustainable, and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source of borrowing and the type of borrowing should allow the Authority transparency and control over its debt.

The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

2.5 Plymouth City Council priority in relation to its treasury investments is the security of capital and liquidity (or accessibility) of these investments.

The Authority's objective when investing treasury monies is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve, where appropriate, a total return that is equal or higher than the prevailing rate of inflation to maintain the spending power of the sum invested.

TREASURY MANAGEMENT PRACTICES PRINCIPLES AND SCHEDULES 2024-25

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

INTRODUCTION

The Audit and Governance Committee is required to approve the Treasury Management Practices, Principles and Schedules report each year as a requirement of the Council's Treasury Management Strategy.

The CIPFA Code of Practice on Treasury Management in the Public Services (the TM Code) was last revised in December 2021. The TM Code requires The Authority to create and maintain, as the cornerstones for effective treasury and investment management:

- a treasury management policy statement stating the policies, objectives, and approach to risk management of its treasury management activities.

- suitable treasury management practices (TMPs – i.e. this document) setting out the way the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

This TMP document also sets out the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management.

Treasury Management is defined by CIPFA as:

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

'Investments' now covers all the financial assets of the Council, as well as other non-financial assets which the Council holds primarily for financial returns, including but not limited to commercial property.

Investments will be categorised in accordance with the primary purpose of the investment.

- Treasury management investments are those investments that arise from the Authority's cash flows or treasury risk management activity and ultimately represent balances that need to be invested until the cash is required for use in the course of the Councils business.
- Service investments are those held primarily and directly for the delivery of public services (including housing, regeneration, and local infrastructure) or in support of joint working with others to deliver such services. They may or may not involve financial returns.
- Commercial investments are those held primarily for financial return and are not linked to treasury management activity or directly part of delivering services.

Service and commercial investments assets are not managed as part of the Council's normal treasury management or under treasury management delegations, but they nonetheless require appropriate investment and risk management under the Code; a separate Treasury Management Practice (TMP 13) in this document is therefore included, specific to these investments.

The Code identifies three key principles:

(1) Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

(2) Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.

(3) They should acknowledge that the pursuit for value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following five clauses.

(1) The Council will create and maintain, as the cornerstones for effective treasury and investment management:

   a. A treasury management policy statement, stating the policies, objectives, and approach to risk management of its treasury management activities.

   b. Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

   c. Investment management practices (IMPs) for investments that are not for treasury management purposes.

   The content of the policy statement, TMPs and IMPs will follow the recommendations contained in Section 6, 7 and 8 of the TM Code, subject only to amendment where necessary to reflect the particular circumstances of the Authority. Such amendments will not result in material deviation from the Code's key principles.

(2) The Council will receive reports on its treasury and investment management policies, practices, and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

(3) The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Audit and Governance Committee and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

(4) The Council nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

(5) The Council produces a Capital Financing Strategy which is approved by full council, the Audit Committee may also set the detailed treasury management policies, whilst being clear that overall responsibility remains with full council.

The Treasury Management Practices (TMPs) comprise:

TMP 1: Risk management

TMP 2: Performance measurement

TMP 3: Decision-making and analysis

TMP 4: Approved instruments, methods and techniques

TMP 5: Organisation, clarity and segregation of responsibilities and dealing arrangements

TMP 6: Reporting requirements and management information arrangements

TMP 7: Budgeting, accounting and audit arrangements

TMP 8: Cash and cash flow management

TMP 9: Money laundering

TMP 10: Training and qualifications

TMP 11: Use of external service providers

TMP 12: Corporate governance

TMP 13 Non-Treasury Investments (Investments that are not part of Treasury Management Activity)

Schedules supporting these practices and other documents held at an operational level specify the systems and routines to be employed and the records to be maintained in fulfilling the Council's treasury functions.

1. TMP 1: RISK MANAGEMENT

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

1.1 The Section 151 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 Reporting requirements and management information arrangements.

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out as schedules below. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

1.2 **Credit and Counterparty Risk Management**: Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the Council's capital and revenue resources.

1.2.1 ***Principle:*** *The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved instruments, methods and techniques, and listed in the schedule. 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, as per the Treasury Management Strategy, or with whom it may enter into other financing arrangements.*

The Authority'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 Authority's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.

1.2.2 **Schedule:**

Criteria to be used for creating/managing approved counterparty lists/limits	The Section 151 Officer is responsible for setting prudent criteria and the Council's treasury advisors will also provide guidance and assistance in setting the criteria. The criteria will be agreed by Council. The current criteria are contained in the Treasury Management Strategy. The Council's treasury management advisors will advise on credit policy and creditworthiness related issues. The Council's treasury management advisors will provide a counterparty list based on its criteria (determined at least annually) and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include consideration of credit ratings from main ratings agencies and other alternative assessments of credit strength (for example, statements of potential government support where applicable, resolution mechanisms for failing financial institution's balance sheet liabilities, CDS information, the composition of an institution's balance sheet liabilities). Investment limits are set by reference to the lowest long-term rating from the agencies [currently A-] and other relevant factors, including external advice. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered including information on corporate developments and market sentiment towards investment counterparties. Higher time and cash limits may be set for secured investments (e.g. those with underlying collateral or which are by regulation excluded from being bailed-in/restructured in the event of financial distress.) 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.

Approved methodology for changing limits and adding/removing counterparties. Risk management: creditworthiness deteriorates below the minimum criteria. (a) ratings are placed on review for downgrade.	The Section 151 Officer has delegated responsibility to add or delete counterparties and to review limits to the Council's treasury management advisors as detailed above. Where an entity's credit rating is downgraded so that it fails to meet the minimum criteria, then. - No new investments will be made. - Any existing investments that can be recalled or sold at no cost will be recalled or sold. - Full consideration will be given to the recall or sale of other existing investments with the affected counterparty. Where a credit rating is placed on 'review' for possible downgrade (also termed 'rating watch negative' or 'credit watch negative') so that it may fall below the minimum approved credit criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the rating review has been completed and its outcome known. This policy will not apply for 'negative outlooks' which indicate a long-term direction of travel rather than a possibility of an imminent downgrade.
Counterparty list and limits	A full individual listing of banking* counterparties based on the criteria will be provided by the Council's treasury management advisors. As credit ratings etc. are subject to change without notice, any changes will be advised by the Council's treasury management advisors. * It may be impractical to determine a specific list of non-financial counterparties in whose securities investments might be made. The minimum credit rating criteria, whether the security is secured or unsecured, and due diligence on the counterparty's creditworthiness will determine its selection for investment.
Details of credit rating agencies' services and their application Limitations of credit ratings and other information on security of investments	The Council considers the ratings of the main ratings agencies when making investment decisions. Credit rating agency information is just one of a range of instruments used to assess creditworthiness of institutions. The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including. - bail-in risk metrics - credit default swap prices, - financial statements, - information on potential government support / bail-in impact - reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the minimum credit rating criteria.

Description of the general approach to collecting/using information other than credit ratings for counterparty risk assessment	The Council's Treasury Advisor, Arlingclose, provides timely information on counterparties, in terms of credit rating updates and economic summaries. Credit default swap information is received monthly, as well as information on share price. 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. In addition, the Council's S151 Officer reads the quality financial press for information on counterparties.
Full individual listings of counterparties and counterparty limits	An up-to-date individual listing of banking counterparties based on the criteria is maintained and saved in the Authority's systems. As credit ratings etc. are subject to change without notice, an up-to-date lending list will be maintained on an ongoing basis.
Country, sector and group listings of counterparties and the overall limits applied to each, where appropriate	Monetary limits for any one organisation (other than the UK government) are set with reference to [revenue reserves available to cover investment losses to minimise the impact on reserves in the case of a single default]. The level of [revenue reserves], and therefore the monetary limit, will be reviewed at least annually. A group of entities under the same ownership will be treated as a single organisation for limit purposes. Limits are also placed on. - foreign countries, i.e. deposits with and CDs/bonds issued by non-UK organisations. - total amounts invested with one fund management company, - investments in brokers' nominee accounts. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.
Responsible Investment / ESG	The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing. **ESG policy**: The CIPFA Treasury Management Code requires local authorities to consider their counterparty policies considering environmental, social, and governance (ESG) information while recognising that there is not a developed approach to ESG for public sector organisations and not expecting authorities to use real-time ESG scoring/criteria for individual investments. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code 2020.

1.3 Liquidity Risk Management: Liquidity risk 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 Council's business/service objectives will be thereby compromised.

1.3.1 Principle: *The Section 151 Officer will ensure the Council has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.*

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

1.3.2 Schedule:

Cash flow and cash Balances	The Council will aim for effective cash flow forecasting and monitoring of cash balances and will maintain a single cash flow forecast to determine the maximum period for which funds may be prudently committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments.
Amounts of approved minimum cash balances and short-term investments	A balance in the region of £15m to deal with day to day cash flow fluctuations is maintained by investing money overnight with the Council's bankers. The Council uses various Reserve Accounts, Call Accounts and Money Market Funds to manage its liquidity requirements These Accounts/Funds are named on the Council's approved counterparty list. The maximum balance on each of these accounts is reviewed and set as part of the Council's investment strategy.
Details of short-term borrowing facilities	Temporary borrowing up to 1 year through the money market is available should there be a cash flow deficit at any point during the year. At no time will the outstanding total of temporary and long-term borrowing together with any bank overdraft exceed the Prudential Indicator for the Authorised Borrowing Limit agreed by the Council before the start of each financial year.
Bank Overdraft and standby facilities	The Council has an authorised overdraft limit with its bankers Barclays of £100,000 at an agreed rate of 1% above base rate. The facility is used as a contingency.
Policy in terms of borrowing in advance of need	The Council may need to borrow in advance of need where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council may be exposed to the risk of both the loss of the borrowed sums, and that investment and borrowing rates may change during the intervening period. These risks will be managed as part of the Council's overall treasury risk management. The total amount borrowed will not exceed the authorised borrowing limit. The maximum period between borrowing and expenditure is expected to be 2 years, although linking loans with particular items of expenditure is not required.

1.4 Interest Rate Risk Management: Interest Rate risk is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

1.4.1 Principle: *The Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs or revenues, in accordance with its treasury management policy and strategy and in accordance with TMP6 Reporting requirements and management information arrangements.*

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

The Council will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

1.4.2 Schedule:

Proportions of fixed/variable rate debt/interest	Borrowing/investments may be at a fixed or variable rate. In setting its forward Treasury Strategy on an annual basis, the Council will determine the necessary degree of certainty required for its plans and budgets but will, at the same time, allow sufficient flexibility to enable it to benefit from potentially advantageous changes in market conditions and level of interest rates and also to mitigate the effects of potentially disadvantageous changes. A fall in interest rates is beneficial for variable rate debt and short-term borrowing which needs to be refinanced, but not for variable rate investments. Conversely, a rise in interest rates is beneficial for short-term investments which can be reinvested at higher rates but will be a cost for variable rate borrowing or short-term borrowing which needs to be refinanced. The Authority sets an Interest Rate Risk indicator as part of its Treasury Management Strategy to control exposure to interest rate risk. This is set as (a) Upper limit on one-year revenue impact of a 1% rise in interest rates and (b) Upper limit on one-year revenue impact of a 1% fall in interest rates. The proportion of fixed and variable rate debt will be determined as part of the annual borrowing strategy to address the issues of affordability but without compromising the longer-term stability of the debt portfolio. The proportion will be kept under review on a regular basis.
Managing changes to interest rate levels	The main impact of changes in interest rate levels is to monies borrowed and invested at variable rates of interest. The Council will consider matching borrowing at variable rates with investments similarly exposed to changes in interest rates as a way of mitigating any adverse budgetary impact. The Council may determine it is more cost effect in the short-term to fund its borrowing requirement through the use of 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 borrowing or refinancing in future years when interest rates are expected to be higher. Alternatively, the Council may consider forward starting loans where the interest rate is agreed and fixed in advance but the cash is received in later years. This would enable certainty of cost be achieved without suffering a 'cost of carry' in the intervening period. Interest rate forecasts are provided by the Council's advisors and are closely monitored by the Treasury Management Team. Variations from original estimates and their impact on the Council's debt and investments are notified to the Treasury Management Board as necessary. 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.
Negative interest rates	Should economic conditions be such that the Bank of England sets Bank Rate at or below zero, this is likely to feed through into negative rates on short term, low risk investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even if it is below the amount originally invested.

1.5 Exchange Rate Risk Management: The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances against which the Council has failed to protect itself adequately.

1.5.1 Principle: The Council will manage any exposure to fluctuations in exchange rates to minimise any detrimental impact on its budgeted income/expenditure levels.

1.5.2 Schedule:

Exchange rate risk management	This Council does not, on a day-to-day basis, have foreign currency transactions or receipts. The Council holds a Euro account for specific European joint working projects. Any unexpected receipts of foreign currency will be converted to sterling at the earliest opportunity. If the Council has a contractual obligation to make a payment in a currency other than sterling then forward foreign exchange transactions will be considered, with professional advice. At the present time statute prevents the Council borrowing in currencies other than Sterling. The Council has also determined that all its investments will be in sterling.

1.6 Inflation risk

Inflation risk, also called purchasing power risk, is the chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.

1.6.1 Principle

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

Investments over one year	Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, to maintain the spending power of the sum invested.
Contractual obligations linked to inflation	The Council will identify all contractual obligations which are linked to inflation, whether receipts or payments, in relation to its treasury assets and liabilities and regularly review the financial impact of a <+/- 1%> increase/decrease in inflation from existing levels.

1.7 Refinancing Risk Management: The risk that maturing borrowings, capital, project, or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

1.7.1 Principle: *The Council will ensure that its borrowing and other long-term liabilities such as 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.*

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.

1.7.2 Schedule:

Projected capital financing requirements	Five-year projections are in place for capital expenditure and it's financing or funding. Financing will be from capital receipts, reserves and any grants or contributions awarded revenue resources or reserves. Funding will be from internal or external borrowing, as decided. As required by the Prudential Code, the Council will undertake Options Appraisal to evaluate the best capital expenditure financing route. The Council's projected long-term borrowing requirement will be linked to the projected Capital Financing Requirement.
Debt/ other capital financing profiling, policies and practices Liability Benchmark	The Council will maintain through its treasury system – Logotech, reliable records of the terms and maturities of its borrowings, capital, project, and partnership funding and, where appropriate, plan and successfully negotiate terms for its refinancing. To assist with long-term borrowing decision making the Council creates, with advice and assistance from its treasury advisor, a 'Liability Benchmark' (LB) which forecasts the need to borrow over the medium- to longer-term. The LB is an important tool which considers maturing loans and represents an estimate of the cumulative amount of external borrowing the Authority must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow. The LB is represented as a graph in the annual treasury management strategy. It will be updated regularly through the year by the Authority in conjunction with the treasury management advisors with developments and/or timing changes in the capital programme as well as changes to balance sheet resources. Based on the output of the Liability Benchmark and the Council's outlook on interest rates, any longer-term borrowing will be undertaken in accordance with the Code and will comply with the Council's Prudential Indicators and the Annual Treasury Management Strategy. Where the lender to the Council is a commercial body, the Council will aim for diversification in order to spread risk and avoid over-reliance on a small number of counterparties.

Policy on LOBO call options	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 denoted within the Operations Folder and are referenced to the LOBO documentation. Prior to each call date, the Council will evaluate alternative funding sources for comparable interest rates/maturities. If the Lender exercises the call option (directly or via the broker) for a revision to the terms of the loan, the Council will thoroughly evaluate the new terms and additionally seek advice from the Council's advisor. The Authority will exercise caution where the new rate offered by the lender on the LOBO is slightly lower than prevailing PWLB rates. While the rate revision may look "cheaper" than PWLB debt, it only provides protection from further rate rises until the next option date. Should the lender exercise its call on the LOBO, it is important to remain within the timescale for the Authority to exercise its option, but not be rushed into a decision.
Policy concerning limits on revenue consequences of capital financings	The revenue consequences of financing the capital programme are included in cash flow models, annual revenue estimates and medium-term forecasts.

1.8 Legal and Regulatory Risk Management: The risk that the Council itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

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

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

1.8.2 Schedule:

References to relevant statutes and regulations statutory guidance and recognised codes of practice	The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council such as: ▪ Local Government Act 2003 ▪ Localism Act 2011 (in relation to general power of competence) ▪ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and subsequent amendments ▪ The Local Authorities (Contracting out of Investment Functions) Order 1996 and subsequent amendments ▪ MHCLG Statutory Guidance on Local Government Investments (2018 Edition) ▪ CIPFA Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes (2021 Edition) and Guidance Notes for Local Authorities ▪ CIPFA The Prudential Code for Capital Finance in Local Authorities (2021 Edition) and Guidance Notes for Practitioners ▪ Relevant CIPFA Bulletins ▪ Bank of England Money Markets Code (2021 Edition) and Explanatory Notes ▪ Council's Constitution including: • Standing Order relating to Contracts • Financial Regulations • Scheme of Delegation
PWLB Borrowing	HM Treasury have also issued guidance regarding PWLB lending which will apply to any loan arranged from 26th November 2020. The guidance is updated from time to time and can be found on https://www.dmo.gov.uk/responsibilities/local-authority-lending/lending-arrangements/
Procedures for evidencing the organisation's powers/ authorities to counterparties	To avoid the potential for illegal or irregular dealings in its treasury management activities the Authority will maintain and make available up-to-date records of its powers and of the regulatory regime under which the TM activities are undertaken. The Council's Financial Regulations contain evidence of the power/ authority to act as required by section 151 of the Local Government Act 1972, under the general direction of the Audit and Governance Committee. The Council will confirm, if requested to do so by counterparties, the powers and authorities under which the Council effects transactions with them. 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.
Required information from counterparties concerning their powers/ authorities	Investments shall only be made with institutions on the Council's authorised lending list or in securities which meet the Council's approved credit criteria. The Council will only undertake borrowing from approved sources listed in TMP 4.

Statement on political risks and management of the same	Political risk is managed by: • adoption of the CIPFA Treasury Management Code of Practice • adherence to Corporate Governance (TMP 12 – Corporate Governance) • adherence to the Statement of Professional Practice by the Section 151 Officer • the roles of the Audit and Governance Committee.

1.9 Operational Risk, including Fraud, Error and Corruption and Contingency Management: This is the risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption, or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk referred to as operational risk.

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

1.9.2 ***Schedule as set out in table below***

Details of systems and procedures to be followed, including Internet services	Segregation of duties minimises the possibility of fraud and loss due to error, and is detailed in **TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements.**
	
	1. Electronic Banking and Dealing
	(a) Banking: The Council's online banking service provided by Barclays is subject to separate log-on and password control allowing varying levels of access. Details of transactions and balances are available as required, and the system also holds historic data. Officers having access to the bank's online system are as follows:
	• Within the Treasury Management Function
	  o Head of Finance
	  o Lead Accountancy Manager
	  o Lead Accountants
	  o Service Accountants
	  o Assistant Accountant
	  o Finance Apprentice
	Officer access is reviewed at least 6 monthly or as necessary.
	
	(b) Access to the Council's treasury management system, Logotech is limited to those officers listed below, each having a separate log-on and password.
	• Within the *Capital &Treasury Management Team to officers with direct Treasury Management functions or a supporting role.
	  o Lead Accountancy Manager
	  o Lead Accountants
	  o Service Accountants
	  o Assistant Accountant
	These also are reviewed at least 6 monthly or as necessary.
	
	(c) *Access and use of the online ICD Portal, for our Money Market Funds and iDeal for Arlingclose dealing platform, is listed below:*
	• For Fund Selection
	  o Head of Finance
	  o Lead Accountancy Manager
	• For Trading, the following members of the Treasury Management team
	  o Lead Accountants
	  o Service Accountants
	Full procedure notes covering the day to day operation of the on-line banking system and the treasury management system are documented.
	
	2. Standard Settlement Instructions (SSI) list : a list is maintained of named officers who have the authority to transact loans and investments
	• Brokers and counterparties with whom the Council deals direct are provided a copy of the SSI list.
	• A list of named officers with authority to borrow from the PWLB and invest with the Debt Management Agency Deposit Facility is also maintained with the PWLB/DMADF.
	• Money Market Funds/MMF portal clearing
	• Externally managed pooled funds.
	• Payment Authorisation:
	• Payments can only be authorised by an agreed cheque signatory(ies) of the Council, the list of signatories having previously been agreed with the Council's bank.
	• Other payments made using online banking system and BACS payments can be authorised by an approved list of signatories.
	• Inflow and outflow of monies borrowed and invested will only be from the counterparty's bank accounts.

	• Separate officers will carry out (a) dealing and (b) recording of transactions and disbursements.
Verification	Loans and investments will be maintained in registers/treasury management system which will include fees and brokerage paid. Transactions will be cross-checked against broker notes, counterparty confirmations and PWLB loan schedules by verifying dates, amounts, interest rates, maturity, interest payment dates etc. When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before amending payment details.
Substantiation	1. The Treasury Management system balances are reconciled with financial ledger codes at the end of each quarter and at the financial year end. 2. Working papers are retained for audit inspection. 3. The bank reconciliation is carried out monthly from the bank statement to Civica general ledger.
Internal Audit	Internal Audit carry out an annual regulatory review of the treasury management function including probity testing. See TMP7 Budgeting, accounting and audit arrangements.
Contingency Management	1. All treasury systems are retained on the Council's network. Daily back-ups are taken and maintained, and network back-ups can be used by the service provider, DELT, to restore files, if necessary. 2. Temporary off-site working facility: The officers who can avail of this facility following an emergency are The Treasury Management Officers who will individually be made aware of the procedures to follow. 3. Electronic Banking System Failure: The Council's bank including the mode of obtaining balance details and information on inflow/outflow of monies and instructions for CHAPS payments can be made over the phone. Hard copies of contact details and account numbers are held onsite and work mobile phones will be made available. 4. A Business continuity plan and IT disaster recovery.
Insurance Cover details	The Council has Fidelity Guarantee cover. Details of the provider and cover are held by the Corporate Risk and Insurance Team.

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

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

1.10.2 Schedule:

Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDs etc.)	Investment instruments used by the external fund managers are subject to fluctuation in capital movements and exposed to interest rate risk. In order to minimise these risks capital preservation is set as the primary objective and pursuit of investment performance should be commensurate with this objective. The Council may consider an investment in Pooled Funds with a Variable Net Asset Value (VNAV), as appropriate, in line with its treasury strategy and on advice from its treasury advisors. The value of the pooled funds will change in line with market prices and, in some instances, may also have a notice period prior to redemption. Such funds will therefore be used for longer investment periods. The limits per fund/asset class will be as determined in the Council's annual investment strategy. The Authority also sets monetary limits for the Price Risk prudential indicator as part of its TM strategy. The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments.
Accounting for unrealised gains/losses	The method of accounting for unrealised gains or losses on the valuation of financial assets will comply with the Accounting Code of Practice. The statutory override for pooled funds in England – which requires fair value gains and losses to be taken to an unusable reserve unless the fund is sold – is set to end in 2025/26, i.e. the last year it will be in place will be 2024/25. In its April 2023 consultation response, DLUHC agreed with the viewpoint of CIPFA and ICAEW that the override was unwelcome in the long-term and that the current two-year extension would give authorities sufficient time to "carefully consider their current and future investments, including whether volatility and risk can be managed without detriment to service delivery and sustainability". The CIPFA/LASAAC Code Board has recently re-iterated this view in its August 2023 Code consultation, preferring "that fair value movements on pooled investments should be recognised in General Fund balances" The regulation requires fair value gains and losses on pooled investment funds to be taken to an unusable reserve, the Pooled Investment Fund Adjustment Account, except those: • held on behalf of a pension fund or trust fund, • classed as capital expenditure, • that are neither UCITS funds nor approved by HM Treasury for use by local authorities, • that have been elected to fair value through another comprehensive income (FVOCI), or • that have been redeemed, sold, or otherwise disposed of. Where pooled funds are classed as capital expenditure, any fair value gains and losses charged to Finance I&E will be reversed out to the Capital Adjustment Account via the MiRS. It might therefore appear that the election to FVOCI is unnecessary, however, since regulations might change in future and the election can only be made on initial recognition or on transition to IFRS 9, the Council has including capital expenditure funds in its election.

2 TMP 2: PERFORMANCE MEASUREMENT

***2.1 Principle**: The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.*

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, or the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. CIPFA supports the use of risk benchmarks in measuring treasury management performance.

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

2.2 Schedule:

Policy concerning methods for testing value for money	Best value reviews will include the production of plans to review the way services are provided by ▪ Challenging ▪ Comparing performance ▪ Consulting with other users and interested parties. ▪ Applying competition principles To pursue continuous improvement in the way the Council's functions are exercised, having regard to a combination of value for money, efficiency, and effectiveness.
Policy concerning methods for performance measurement	• Performance measurement at this Council is intended to calculate the effectiveness of treasury activity in delivering the strategic objectives set through the Treasury Management Strategy and the Council's Prudential Indicators and to enhance accountability. • Prudential Indicators are local to the Council and are not intended as a comparator between authorities. • The performance review will be made in the light of general trends in interest rates during the year and how the decisions made corresponded with these trends and the Council's agreed strategy, i.e. the Council will avoid hindsight analysis. Any comparison of the Council's treasury portfolio against recognised industry standards, market indices and other portfolios is intended to (i) allow the Council the opportunity to assess the potential to add value through changes to the existing ways in which its portfolio is managed and (ii) permit an informed judgement about the merits or otherwise of using new treasury management techniques or instruments. In drawing any conclusions, the Council will bear in mind that the characteristics of its treasury operations may differ from those of other councils, particularly regarding the effective management of risk.

Methodology to be applied for evaluating the impact of treasury management decisions.	Monitoring of the outcome of treasury management activity against Prudential Indicators approved by the Council will be carried out as part of the budget monitoring reports to the Treasury Management Meetings throughout the year. The year-end Annual Treasury Report will also include, as a matter of course, the outturn against the PIs set prior to the commencement of the financial year and any in-year amendments. The Council's Treasury Management advisers review the existing borrowing and investments, and they produce a quarterly report to review the Council's position and benchmark this against other local authorities. The Council participates in the Treasury Management Advisor's quarterly investment benchmarking as well as the Treasury Management Advisor's annual Balance Sheet and Debt benchmarking.
Methodology to be employed for measuring the performance of the Council's treasury management activities	Treasury management activity is reviewed half yearly against strategy and prevailing economic and market conditions through the treasury monitoring report to Audit and Governance Committee. The report will include: a) CFR Funding Ratio (gross borrowing as a % of the Loans CFR) b) Gross and Net Borrowing; Leverage Ratio (gross borrowing as a proportion of net borrowing) c) Average rate on gross borrowing vs weighted average maturity. d) The effect of new borrowing and/or maturities on the above e) An analysis of any risks inherent within the debt portfolio (e.g. exposure to variable rate; LOBOs in their call period) f) Total investments including average rate and maturity profile. g) The rate of return on investments against their indices for internally and externally managed funds h) An analysis of any risks inherent within the investment portfolio (e.g. exposure to market movements in the value of CDs, gilts/bonds, callable deposits in their call period) i) A statement whether the treasury management activity resulted in a breach of the Prudential Indicators and other limits set within treasury strategy. j) Daily bank balances: any major deviations from the target bank balances.

Benchmarks and calculation methodology with regard to risk and return	**Treasury Management Costs** – Costs are split into Debt Management, Investment Management and Other. Investment Management invested, and Debt Management Cost of debt. **Investment returns** are reported and compared with current market returns. • Internally Managed Investment Returns - total interest accruing during the month or year on average daily balances invested during the calendar month. • Externally Managed Investment Returns - the growth (i.e. increase in value of the fund) in respect of the monthly average value of the fund. • Credit risk and credit profile • Volatility of funds operation on a variable net asset value (VNAV) basis. **Debt Management** ▪ Average Rate on external debt borrowed in financial year. ▪ Average period to maturity of external debt ▪ Average period to maturity of new loans in financial year ▪ Ratio of PWLB and market debt (beginning and end of period) ▪ Ratio of fixed and variable rate debt (beginning and end of period) ▪ Percentage of debt maturing in (i) 12 months and (ii) 12-24 months which will need refinancing. ▪ Percentage of LOBO loans with call frequency of (i) six months, (ii) 12 months, (iii) 2 years (iv) 3-5 years (v) greater than 5 years
Policy concerning methods for testing value for money in treasury management	The treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated corporate and service objectives. When tendering for treasury-related or banking services, the Council adheres to its Financial Regulations. These require that: a) For placing a contract with a value below £100k, at least 3 quotes are required, for contracts between £100k - £150k 5 quotes are required. Above this a formal tender is required. b) When placing a contract with a value more than £172.5k, a tendering process that meets the requirements of the EU procurement procedures (OJEU) is undertaken. c) If necessary, the Council will also consult with other users of similar services as well as with interested parties. d) The Council will also evaluate alternative methods service delivery.

3 TMP 3: DECISION-MAKING AND ANALYSIS

***3.1 Principle**: The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issued relevant to those decisions were taken into account at the time.*

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

The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed below.

3.2 Schedule:

Capital expenditure and investment plans	The 2017 Prudential Code requires the Council to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long run financing implications and potential risks to the Council. Effective financial planning, option appraisal and governance processes are essential in achieving a prudential approach to capital expenditure, investment, and debt. The Prudential Code encourages determining spending priorities and affordability criteria. The fundamental objective in the consideration of the affordability of the Authority's capital plans is to ensure that the total capital investment of the authority remains within sustainable limits. In considering the affordability of the capital plans, the Council is required to consider all of the resources available to it or estimated for the future, together with the totality of the capital plans, income and expenditure forecasts.
Major treasury decisions	As a public service organisation, there is a requirement to demonstrate openness and accountability in treasury management activities. Accordingly, the Council will create and maintain an audit trail of major treasury management decisions which comprise either: a) Changes to Prudential Indicator(s) during the financial year b) Options Appraisal to determine a funding decision c) raising a new long-term loan / long-term source of finance d) prematurely restructuring/redeeming an existing long-term loan(s) d) investing longer-term (i.e. more than 1 year) f) utilisation of investment instruments which constitute capital expenditure (i.e. loan capital/share capital in a body corporate) g) leasing h) change in banking arrangements i) appointing/replacing a treasury advisor j) appointing/replacing a fund manager k) any other determined by the Council

Borrowing purpose	The 2021 Prudential Code is clear that to comply with this Code, an authority must not borrow to invest primarily for financial return. It is not prudent for the Authority to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the Authority's functions and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose. The Statutory Guidance of Local Authority Investments in England 2018 considers that borrowing in advance of need purely to profit from the investment of the extra sums borrowed is against the principles in the statutory framework. If the Authority chooses not to comply with this principle in order to invest in property or other financial assets for commercial return, then the Authority must make additional disclosures about the reasons for doing so.
Process	**Liability benchmark [LB]:** The Liability Benchmark is a long-term measure of the underlying need to borrow for all purposes over the long term and is based on its current capital programme and other forecast cash flow movements. It is a tool to compare the current loans portfolio against the current and planned need to borrow, in terms of both the level and term of borrowing. It indicates whether long term borrowing (or long-term investments if the Authority is a net investor) are more appropriate. The LB an important borrowing risk management measure and will be inclusive in the decision-making process to prevent over-borrowing; it will also therefore form part of the Authority's audit trail justifying long-term borrowing decisions. The Council's strategy for the application of its treasury policy is set out in the annual Treasury Management Strategy. A rolling monthly cashflow forecast will be prepared for the ensuing 12 months and will include the financing, borrowing and surplus cash requirements of the Council, for the purpose of: • applying the strategy on a day-to-day basis • monitoring the results of the strategy • recommending amendments to the strategy to the Council where applicable during the course of the year.
Delegated powers for treasury management	The Section 151 Officer has delegated powers to carry out the Council's strategy for debt management, capital finance and borrowing, depositing surplus funds and managing the cash flows of the Council.

Issues to be addressed, evaluation, authorisation.	**Borrowing objective:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective. In exercising these powers, the Section 151 Officer and those to whom the treasury activity has been delegated will • have regard to the nature and extent of any associated risks to which the Council may become exposed and put in place effective mechanisms for risk management and mitigation. • be certain about the legality of the decision reached and that the necessary authority to proceed has been obtained. • be satisfied that the documentation is appropriate to deliver the Council's objectives, protect the Council's interests, and to maintain an effective audit trail. • ensure that the perceived credit risk associated with the approved counterparties parties is judged satisfactory and is within agreed limits. • be satisfied that the terms of any transactions have been fully checked against the market and have been found to be competitive; is this being carried out. • follow best practice in implementing the treasury transaction. In exercising Borrowing and Funding decisions, the Section 151 Officer will with advice from the council's Treasury Management Advisors: • evaluate economic and market factors that may influence the manner and timing of any decision to fund. • evaluate the amount, structure, and duration of new borrowing and the timing thereof in relation to the Authority's planned borrowing needs (e.g. by use of a liability benchmark) • consider alternative forms of funding, including use of revenue resources, leasing and private partnerships. • consider the use of internal resources and/or the most appropriate periods to fund and repayment profiles to use. • consider ongoing revenue liabilities created. • where applicable, regularly monitor the benefits of internal borrowing against the potential for incurring additional costs by deferring borrowing into future years. • The Council's objective when investing money is to strike an **appropriate balance between risk and return**, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. In exercising Investment decisions, the Section 151 Officer will: • Determine that the investment is within the Council's strategy and pre-determined instruments and criteria. • consider the risks to capital and returns and the implications for the Authority's future plans and budgets, including implications of any market-related changes to the value of the capital invested. • consider whether monies can be used in lieu of externally borrowing. • consider the optimum period, in the light of core balances and reserves, cash flow availability and prevailing market conditions. • the credit risk associated with unsecured investments with banks and building societies. consider the alternative investment products and techniques available if appropriate.

Processes to be followed	The processes to be followed will be in keeping with TMP 4: The Council's Approved, Instruments, Methods and Techniques.
Evidence and records to be kept	The Council will maintain a record of all major treasury management decisions, the processes undertaken and the rationale for reaching the decision made. These will allow for an historical assessment of decisions made and verification that any checks and safeguards are indeed in place and operating correctly. Records and working papers will be maintained by the Council electronically and/or in relevant files.
Other	Prior to each of the Authority's LOBO loan call date, the Authority will take a proactive approach and determine the response should the LOBO loan be called and evaluate alternative funding sources for comparable interest rates/maturities. If the Lender exercises the call option (directly or via the broker) for a revision to the terms of the loan, the Authority will thoroughly evaluate the new terms and additionally seek advice from the Authority's advisor. The Authority will exercise caution where the new rate offered by the lender on the LOBO is slightly lower than prevailing PWLB rates. While the rate revision may look "cheaper" than PWLB debt, it only provides protection from further rate rises until the next option date. It is important to remain within the timescale for the Authority to exercise its option should the call be made, but not be rushed into a decision. .

4 TMP 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Principle: *The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in **TMP1 Risk Management.***

Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

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

4.2 Schedule:

Approved treasury management activities	The Council is permitted to undertake the following activities: ▪ Managing cashflow ▪ Capital financing. ▪ Borrowing including debt restructuring and debt repayment ▪ Lending to third party organisations ▪ Redemption of investments ▪ Banking ▪ Leasing ▪ Managing the underlying risk associated with the Council's capital financing and surplus funds activities. The above list is not finite, and the Council would, from time to time, consider and determine new financial instruments and treasury management techniques; however, the Council will consider carefully whether the officers have the skills and experience to identify and manage the advantages and risks associated with using the instruments/techniques before undertaking them, more so as some risks may not be wholly or immediately transparent.

Approved capital financing methods and types/sources of funding	• long term money market loans including forward starting loans and LOBOs • temporary money market loans (up to 364 days) • bank overdraft • loans from bodies such as the European Investment Bank (EIB) • Stock issues • Deferred Purchase • Government and EU Capital Grants • Lottery monies • Other Capital Grants and Contributions ▪ Private Finance Initiative ▪ Leasing ▪ Hire purchase. ▪ Sale and leaseback The Authority may also use internal resources: • Capital Receipts • Revenue Balances • Reserves <u>Approved sources of long-term and short-term borrowing include</u> • HM Treasury's PWLB lending facility (formerly the Public Works Loans Board) * • UK Infrastructure Bank • Any institution approved for investments. • Any other bank or building society authorised to operate in the UK • UK public and private sector pension funds (except [your local] Pension Fund) • UK Municipal Bonds Agency and other special purpose companies created to enable local authority bond issues. * HM Treasury has issued guidance regarding PWLB lending which will apply to any loan arranged from 26 November 2020. https://www.dmo.gov.uk/media/17136/pwlb-guidance-for-applicants.pdf The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.

Approved treasury investment instruments	The Council will determine through its Annual Investment Strategy (AIS) which instruments it will use, giving priority to the security and liquidity (in that order) of its invested monies. The investments will be categorised as 'Specified' or 'Non Specified' based on the criteria set out by the MHCLG in its Investment Guidance March 2018 (as amended). The Annual Investment Strategy should be approved by full Council. The Council will determine through the AIS which instruments will be used in-house and which will be used by the appointed external fund manager(s) including the maximum exposure for each category of non-specified investments. Where applicable, the Council's credit criteria will also apply. The Council will, where applicable, use the Council's credit criteria. *examples* ▪ Deposits with the UK government, the Debt Management Agency Office (DMO), and UK local authorities ▪ Term deposits with banks and building societies. ▪ Banks and building societies unsecured short-term (call and notice accounts, deposits, certificates of deposit) ▪ Certificates of deposit ▪ Callable deposits ▪ Investments in Money Market Funds, i.e. 'AAA' liquidity funds with a 60-day Weighted Average Maturity (WAM) ▪ Treasury Bills ▪ Gilts ▪ Bonds issued by multilateral development banks. ▪ Sterling denominated bonds by non-UK sovereign governments. ▪ Covered bonds (i.e. those with underlying collateral) ▪ Unsecured corporate bonds ▪ Reverse Repurchase Agreements ('reverse repos') ▪ Investments with Registered Providers of Social Housing (i.e. housing associations) ▪ Commercial paper ▪ Floating Rate Notes The Council will ensure it maintains the skills and experience necessary to evaluate the benefits and control the risks associated with the above investment instruments.

Investments that are not part of treasury management activity	These are investments which the Council invests in other financial assets and property primarily for financial return. Such activity includes loans supporting service outcomes, investments in subsidiaries and the investment property portfolio. The Council ensures that it has the same robust procedures for the consideration of risk and return and • ensures that all investments, including non-treasury investments are covered in the Capital Strategy. • maintains a schedule of existing material investments, subsidiaries, joint ventures, and liabilities including financial guarantees. Contribution: The Authority will disclose in its Annual Investment Strategy and the Capital Strategy the contribution that non-treasury investments make to the overall financial and/or service delivery objectives of the Authority. In this regard, where appropriate the Authority will group individual investments into categories. The Authority has also set an additional Prudential indicator: "Net income from commercial and service investments to net revenue stream". In calculating net income only direct costs such as property management are netted off gross income, not related interest and MRP costs. The Informal Commentary to the 2018 Investment Guidance also recommends that the Authority's Investment Strategy include for existing and planned investments: • quantitative indicators that allow Councillors and the public to assess both the opportunities of the investments as well as the total risk exposure as a result of its investment decisions over both, the payback period and over the repayment period of any debt taken out (the indicators are not mandatory but should be taken as examples); • how investments are funded and the rate of return received. **Proportionality**: Should the Authority become or plans to become dependent on profit generating investment activity to achieve a balanced revenue budget, the Investment Strategy will: • detail the extent to which funding expenditure to meet the service delivery objectives is dependent on achieving the expected net profit [MHCLG (NOW DLUHC)'s suggested indicator "Commercial Income to NSE (net service income) ratio"] • outline the Authority's contingency plans should it fail to achieve the expected net profit. The Informal Commentary to the Investment Guidance also recommends that the Authority set a limit that cannot be exceeded for gross debt compared to net service expenditure.

Use of Derivatives	**Financial derivatives**: The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in this TMP document will count against the counterparty credit limit and the relevant foreign country limit. In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications. Additionally, the use of derivatives is restricted to only those officers who have completed the appropriate training for their use. **Embedded derivatives:** Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.
MiFID II professional client status	The Council has reviewed its classification with financial institutions under MiFID II and has registered as a professional client. The consideration of skills and experience is particularly critical where the Council has requested to be treated as a professional client under MiFID II. Designation under MiFID II will be endorsed by the treasury strategy and reviewed frequently to ensure the designation remains appropriate.
Legal Entity Identifier (LEI)	The Council is registered with the London Stock Exchange as a Local Operating Unit to obtain a Legal Entity Identifier (LEI).

5 TMP 5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

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

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

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Section 151 Officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Section 151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Section 151 Officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule below.

The Section 151 Officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule below.

The delegations to the Section 151 Officer in respect of treasury management are set out in the schedule below. The Section 151 Officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

5.2 Schedule:

See Appendix 1 for Organisation Charts

5.3 Schedule:

Limits to responsibilities at Executive levels	Full Council: receiving and reviewing: • Prudential Indicators (Capital Expenditure, Authorised Limit, Operational Boundary) • Treasury Management Strategy including the Annual Investment Strategy • Capital Financing Strategy • Receiving and reviewing reports on treasury management policies, practices and activities responsibility has been delegated to the Audit and Governance Committee The Cabinet: • approval of amendments to adopted clauses, treasury management policy statement, Treasury Management Strategy and Capital Financing Strategy • budget consideration and approval • receiving and reviewing external audit reports and acting on recommendations has been delegated to the Audit and Governance committee

Principles and practices concerning segregation of duties	The segregation of duties will be determined by the Treasury Management Lead Accountancy Manager. Segregation of duties exists in that: • the officers responsible for negotiating and closing treasury management deals also record the transactions in the cash book and completing bank reconciliations but are separate from the officer(s) who authorise the deals and any payments. • all borrowing/investments decisions must be authorised by the Section 151 officer or other nominated authorised officers (see below), depending on authorisation levels.
Statement of duties/ responsibilities of each treasury post Including absence cover arrangements	The Section 151 Officer • Submit budgets and budget variations in accordance with Financial Regulations and guidance. • Recommend clauses, treasury management policy / practices for approval, reviewing the same on a regular basis, and monitoring compliance. • Determine Prudential Indicators and Treasury Management Strategy including the Annual Investment Strategy. • In setting the prudential indicators, be responsible for ensuring that all matters are considered and reported to the Council so as to ensure the Council's financial plans are affordable, prudent and sustainable in the long term. • Establish a measurement and reporting process that highlights significant variations from expectations. • Submit regular treasury management reports as required to the Audit and Governance Committee. • Receiving and reviewing management information reports. • Review the performance of the treasury management function and promote best value reviews. • Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function. • Ensure the adequacy of internal audit and liaising with external audit. • Recommend on appointment of external service providers in accordance with council standing orders. • Provide regular updates to relevant Cabinet Members. • Delegated authority to approve loans over 1 year and investments up to 10 years. • Delegated authority to approve loan repayments/rescheduling. • The Section 151 Officer may delegate his power to borrow and invest to the Head of Finance, Lead Accountancy Manager, Lead Accountant and Service Accountants as appropriate.

	Head of Finance • The responsibilities of this post will include covering the full responsibilities of the Section 151 Officer in their absence. • Delegated authority to approve loans over 1 year and investments up to 50 years. • Delegated authority to approve loan repayments/rescheduling. • Submit budgets and budget variations in accordance with Financial Regulations and guidance. • Establish a measurement and reporting process that highlights significant variations from expectations. Lead Accountancy Manager • Prepare draft Treasury Management Policy, Treasury Management strategy and investment strategy, mid-year and annual Treasury Management report and Treasury Management Practices. • Recommend early repayment of debt over one year and subject to the approval of the Section 151 Officer, or the Head of Finance arrange the repayment of these loans. • Prepare budget for capital financing including all treasury management loan and investment activities including MTFS. • Submitting management information reports to the Treasury Management Board, Section 151 Officer and Head of Finance. Lead Accountancy Manager and Lead Accountant • To provide cover in the absence of the Service Accountants cover the full responsibilities of this post. • Maintaining relationships with third parties and external service providers and reviewing their performance. • Adherence to agreed policies and practices on a day-to-day basis. • Identifying and recommending opportunities for improved practices. • Authority to borrow for periods up to 1 year and lending up to 3 months. Lending more than 3 months subject to the agreement of the Section 151 Officer or Head of Finance. • Following approval by the Section 151 Officer undertake all borrowing over 1 year and deposits/investments up to 10-year maturity. • Make recommendations on all lending up to 10 years and borrowing over 1 year maturity. • Updating the Treasury Management Board with information on credit ratings, share prices, economic and press news impacting on the credit quality of the Council's deposits. Service Accountant • Negotiates and closes treasury management deals and records the transaction and payments obtaining authorisation as described above. • Carrying out the execution of transactions • Monitoring performance on a day-to-day basis. • Identifying and recommending opportunities for improved practices. • Using the counterparties list provided by the Council's Treasury Management advisers. • Maintaining the Council's cash flow forecast ensuring funds are available to meet the Council's financial commitments. Cover is reviewed at least every 12 months, or as necessary. Full procedure notes are available, detailing the processes required to enable the day-to-day operation of the treasury management function.

Absence cover arrangements	Cover in the absence of the relevant treasury management officer is provided by (depending on authorisation levels): Head of Finance Lead Accountancy Manager Lead Accountant Service Accountant
Description of the relationships between the chief finance officer, the monitoring officer and the head of paid service.	The Council's Section 151 Officer (Chief Finance Officer) is being undertaken by the Service Director for Finance who reports to the Chief Executive. The Head of Legal Services (Monitoring Officer) reports to the Assistant Chief Executive. Both posts are statutory Chief Officers and form part of the Councils Management Team.

5.4 Dealing

Authorised officers	Responsible officer for borrowing/investment decisions:
	
	Borrowing activity:
	• Section 151 Officer
	• Head of Finance
	• Lead Accountancy Manager
	Lending activity:
	• Section 151 Officer
	• Head of Finance
	• Lead Accountancy Manager
	
	Authorising payments for borrowing/lending
	• Overnight;
	    o Service Accountant
	• Under 1 year
	    o Lead Accountancy Manager
	• Over 1 year
	    o Section 151 Officer
	    o Head of Finance
	Transaction recording:
	• Lead Accountant
	• Service Accountant

Dealing limits	Internally Managed Investments: • Deposits up to 3 months with unlimited value with the Debt Management Office or Money Market Funds, £20m with a Local Government organisation or £20m with an approved bank or building society subject to the limits detailed in the Council's Annual Treasury Management Strategy and the approved lending list.

PWLB lending facility - terms and conditions	The lending arrangements for PWLB loans are provided by HM Treasury. https://www.dmo.gov.uk/responsibilities/local-authority-lending/lending-arrangements/ HM Treasury has issued new guidance regarding PWLB lending which applies to any loan arranged from 26 November 2020. This guidance was updated on 12 May 2022, inserting new paragraphs 12 -17. https://www.dmo.gov.uk/media/zuxnuyir/pwlb-guidance-for-applicants-may-2022.pdf The current terms and application process are in Operational Circular 163, applicable to loans arranged from 21/10/21. a. Applications are completed using the PWLB's electronic template. In addition to loan details, the form includes qualifying questions to be submitted during the PWLB's operational hours (0930-1615). b. A Loan Conditional Confirmation letter is received. The loan application is subject to a review by HM Treasury. If no queries/objections are raised by trade date + 4, the loan advance is made on trade date + 5. Any changes to PWLB terms as documented in subsequent circulars will be communicated to all officers in the Treasury Management Finance Team.
PWLB authorised dealers	Dealers authorised to transact with the PWLB are: • David Northey Section 151 Officer • Carolyn Haynes Head of Finance • Helen Slater, Lead Accountancy Manager • Wendy Eldridge Lead Accountancy Manager A complete list of officers authorised to transact with the PWLB, and any amendment thereto, is provided to the PWLB using the authorisation amendment form available on the website.
Dealing platforms / portals	iDealTrade and Money Market Fund portals used by the Council
List of approved brokers	Brokers used by the Council are named in TMP 11: External Service Providers
Policy on brokers' services	It is the Council's policy to utilise the services between at least three brokers. The Council will maintain a spread of business between them in order to avoid relying on the services of any one broker.
Policy on taping of conversations	Conversations with brokers are taped by the brokers, but not by the Council.
Direct dealing practices	Direct dealing is carried out with institutions and with externally managed pooled funds identified in the Operational Schedule subject to counterparty and maturity limits and dealing limits. Prior to undertaking direct dealing, the Council will ensure that each counterparty / fund has been provided with the Council's list of authorised dealers and the Council's Standard Settlement Procedures.

Inter-authority dealing	The Council also deals with other local government authorities to invest and borrow funds for treasury management purposes. In addition to transactions conducted through brokers, deals are conducted direct with other authorities and also via the iDealTrade execution-only dealing platform. A record of all deals, together with their specific terms, will be maintained by the Council.
Deal Ticket pro-forma	Deals will be recorded as per the deal ticket pro-forma (pro-forma maintained at operational level)
Settlement transmission procedures	• settlements are made by CHAPS. • all CHAPS payments relating to settlement transactions requires 1 signature by Lead Accountant or Service Accountant. • all CHAPS payments relating to settlement transactions require authorisation by a Lead Accountancy Manager or Head of Planning and Reporting • the details are transmitted online to the Council's bankers.
Documentation requirements	For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payments date(s), broker. Investments • deal ticket authorising the investment • confirmation from the broker • confirmation from the counterparty • Contract notes for purchase and sale of shares/units in pooled funds from the fund's manager/administrator • Chaps payment transmission document Loans: • deal ticket with signature to agree loan • confirmation from the broker • confirmation from PWLB/market counterparty • Chaps payment transmission document for repayment of loan.
Arrangements concerning the management of counterparty funds	• The Treasury Management Lead Accountancy Manager has responsibility for updating the Council's records with any credit developments. • The Treasury Management Lead Accountancy Manager is tasked with the responsibility for checking that records have been correctly updated to reflect any credit developments.

6 TMP 6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

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

As a minimum, the Council and Audit and Governance Committee will receive:

- An annual report on the Treasury Management Strategy and plan to be pursued in the coming year
- A mid-year review
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

The Strategic Treasury Management Board will receive regular monitoring reports on treasury management activities and risks.

The Audit and Governance Committee will have responsibility for the scrutiny of treasury management policies and practices.

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

6.2 Schedule:

Clauses to be adopted as part of the Authority's Standing Orders	The recommended clauses to be adopted as part of the Authority's standing orders, financial regulations or other formal policy documents is in Section 5 of the 2021 Treasury Management Code.
Treasury Management Policy Statement	The Treasury Management Policy Statement is a short document defines the policies and objectives of the Authority's treasury management activities. The recommended text for adoption is provided by CIPFA in Section 6 of the 2021 Treasury Management Code. The Treasury Management Policy Statement is adopted by Full Council

<table>
<tr>
<td>Prudential Indicators</td>
<td>
The Authority will cover the Prudential Indicators in its annual strategy documents determined before the beginning of each financial year:
<table>
<tr>
<td>
<u>Capital Strategy</u>

Estimates of Capital expenditure
Estimates of Capital financing requirement (CFR)
Gross debt and the CFR
Authorised Limit and Operational Boundary for External Debt
Proportion of financing costs to net revenue stream
Net income from commercial and service investments to net revenue stream (note here that only direct costs such as property management can be netted off gross income, not related interest and MRP costs)

</td>
<td>
<u>Treasury Management Strategy</u>

Liability benchmark (from 2023/24)
Maturity structure of borrowing
Long-term treasury management investments
Interest rate exposures
Credit risk *
Price risk *

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</tr>
</table>
* Recommended but not mandatory indicator.

The 2021 Prudential Code Guidance Notes cover indicators for Affordability and Prudence (pages 41-61). The 2021 Treasury Management Code Guidance Notes cover treasury indicators (pages 15-24). CIPFA's definitions are cross-referenced to the respective Codes.

Prudential indicators will be reported to quarterly.
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Capital Strategy:	This document, approved by Full Council annually before the start of each financial year, gives a high-level overview of (i) how capital expenditure, capital financing and treasury management activity contribute to the provision of services, (ii) management of the associated risk is managed and (iii) implications for future financial sustainability. The Capital Strategy should include: • Capital expenditure, including the approval process, long-term financing strategy, asset management, maintenance requirements, planned disposals and funding restrictions. • Commercial activities, including due diligence processes, the Council's risk appetite, proportionality in respect of overall resources, requirements for independent and expert advice and scrutiny arrangements. • Long-term context in which capital expenditure decisions are made for the above, risk and reward considerations and impact on the achievement of priority outcomes. • Debt management, including projections for the level of borrowing, capital financing requirement and liability benchmark, provision for the repayment of debt, the authorised limit and operational boundary for the coming year and the Council's approach to treasury management. • Other long-term liabilities, such as financial guarantees. • Knowledge and skills, including a summary of that available to the Council and its link to the Council's risk appetite. The strategy should include sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured and to meet legislative requirements on reporting. The Section 151 Officer will report explicitly on the affordability and risk associated with the Capital Strategy and, where appropriate, have access to specialised advice to enable the members to reach their conclusions. The Section 151 Officer will also ensure that where detailed information is required, this will be made available in a format to encourage active engagement and, if necessary, any associated training needs of members.
Frequency of executive reporting requirements	The Section 151 Officer will annually submit budgets and will report on budget variations as appropriate. The Section 151 Officer will submit the Prudential Indicators as part of the Treasury Management Strategy and to report on the projected borrowing and investment strategy and activities for the forthcoming financial year to the Council before the start of the year. The Annual Treasury Report will be prepared as soon as practicable after the financial year end and, in all cases, before the end of September. A Mid-Year Treasury Report will be prepared by the Section 151 Officer, which will report on treasury management activities for the first part of the financial year. The report will also provide a forecast for the current year. The Mid-Year Report will be submitted to Audit and Governance Committee during the year.

Content of Reporting: Prudential Indicators	The Council will set the following Prudential Indicators, revise if necessary, and in its annual / semi-annual reports publish 45actual outturn (where appropriate) in respect of: ▪ Financing costs as a proportion of net revenue stream (estimate; actual) ▪ Capital expenditure (estimate; actual) ▪ Capital Financing Requirement (estimates; actual) ▪ Authorised limit for external debt ▪ Operational boundary for external debt ▪ Forecast external debt Treasury indicators ▪ Upper and lower limits to maturity structure of fixed rate borrowing ▪ Upper limit to total of principal sums invested longer than 364 days. The Prudential Indicators are approved and revised by Council and are integrated into the Council's overall financial planning and budget process. The 2021 Prudential Code Guidance Notes cover indicators for Affordability and Prudence (pages 41-61). The 2021 Treasury Management Code Guidance Notes cover treasury indicators (pages 15-24). CIPFA's definitions are cross-referenced to the respective Codes. The Audit and Governance Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.
Treasury Strategy Statement including the Annual Investment Strategy	This document, approved by Full Council annually before the start of each financial year, covers External Context: economic background; credit outlook; interest rate forecast Local context: - Balance sheet summary and forecast and an explanation of the movements - Liability benchmark - The existing investment and debt portfolio position - The Authority's borrowing strategy; approved sources of borrowing and other sources of debt finance; *(if applicable)* LOBOs - The Authority's Treasury investment strategy, ESG policy for investments, approved investment instruments, counterparties and time/monetary limits; minimum credit ratings (where applicable) and risk assessment; - Treasury management prudential indicators - Related matters -e.g. use of financial derivatives - MiFID II status - Financial implications of the strategy

Investment Strategy	This strategy covers the requirements of the 2018 MHCLG (now DLUHC) Investment Guidance, including the investment indicators. It covers:
	- Treasury management investments
	- Service investments (.e.g. loans to or shares in subsidiaries / suppliers / local businesses / local charities / housing associations / local residents / employees] and their contribution; limits; risk assessment
	- Commercial investments - property (MHCLG defines property to be an investment if it is held primarily or partially to generate a profit), its contribution towards the service delivery objectives and/or place making role of the Authority; risk and security assessments;
	- Loan commitments and financial guarantees
	- Proportionality - the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan.
	- Borrowing in advance of need (if relevant)
	- Capacity, Skills and Culture of elected members and statutory officers involved in the investments decision making process
	- Investment indicators
	  o Total investment exposure
	  o Investments funded by borrowing
	  o Investment Rate of Return (net of all costs)
	  o Other indicators such as: Debt to net service expenditure ratio; Commercial income to net service expenditure ratio

3. Annual Treasury Outturn Report	The Section 151 Officer will produce an annual report for the Audit and Governance Committee on all activities of the treasury management function (including the performance of investment groups) as soon as practicable after year end and in all cases no later than 30 September of the succeeding financial year. The main contents of the report will comprise: ▪ confirmation that the Council calculated its budget requirements and set a balanced budget for the Financial Year; ▪ the prevailing economic environment ▪ a commentary on treasury operations for the year, including their revenue effects; ▪ commentary on the risk implications of treasury activities undertaken and the future impact on treasury activities of the Council ▪ compliance with agreed policies/practices and statutory/regulatory requirements ▪ compliance with Prudential Indicators; ▪ performance measures. ▪ training /continuous professional development undertaken by treasury officers. The Audit and Governance Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.

4. Mid-Year Treasury Report	The Section 151 Officer will produce a mid-year report for Council on the borrowing and investment activities of the treasury management function for the first six months of the financial year. The main contents of the report will comprise: • the prevailing economic and credit environment • economic forecast (including interest rates forecast) • a commentary on treasury operations (borrowing and investments) for the period, including their revenue effects • commentary on the risk implications of treasury activities undertaken and the overall impact on the treasury portfolio • any future implications for the treasury portfolio • compliance with agreed policies/practices and statutory/regulatory requirements • performance measurement • training /continuous professional development undertaken by treasury officers The Audit and Governance Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.
Content and frequency of management information reports	The Lead Accountancy Manager for Treasury Management provides information of the council's Treasury Management activities in a dashboard report and also through Key Performance Indicators report to senior management. This reports includes details of: • borrowing and investment activity undertaken • performance of internal and external investments • cash flow monitoring • average interest rates for borrowing and investments • any other, e.g. details of daily bank balances against target balances The Lead Accountancy Manager for Treasury Management provides information of the Council's Treasury Management activities to the Council's advisors who provide full report to the Treasury Management Board 3-4 times a year.

7 TMP 7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 ***Principle:*** *The Section 151 Officer will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with* ***TMP1 Risk management, TMP2 Performance measurement, and TMP4 Approved instruments, methods and techniques.*** *The form which the Council's budget will take is set out in the schedule below.*

The Section 151 Officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with ***TMP6 Reporting requirements and management information arrangements.***

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

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

7.2 Schedule:

Statutory/regulatory requirements	***Balanced Budget Requirement***: The provisions of S32 and S43 of the Local Government Finance Act 1992 require this Council to calculate its budget requirement for each financial year including, among other aspects:, (a) the expenditure which is estimated to be incurred in the year in performing its functions and which will be charged to a revenue account and (b) revenue costs which flow from capital financing decisions. S33 of the Act requires the Council to set a council tax sufficient to meet expenditure after taking into account other sources of income.
Accounting practices and standards	• The Accounts and Audit Regulations 2015 and subsequent amendments • The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and subsequent amendments • MHCLG Statutory Guidance on Minimum Revenue Provision (2018 Edition) • CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK (2022/23 Edition) • Relevant CIPFA Bulletins • IFRS 7 Financial Instruments: Disclosures • IFRS 9 Financial Instruments • IAS 23 Borrowing Costs • IAS 32 Financial Instruments: Presentation • IPSAS 28 Financial Instruments: Presentation • IPSAS 30 Financial Instruments: Disclosures • IPSAS 41 Financial Instruments

Financial Statements	• The Financial Statements comprise: • A Narrative Report • Responsibilities for the Statement of Accounts • Annual Governance Statement • Comprehensive Income and Expenditure Statement (Group and Authority) • Movement in Reserves Statement • Balance Sheet (Group and Authority) • Cash Flow Statement (Group and Authority) • Notes to the Financial Statements • Collection Fund • Remuneration Report • Glossary and abbreviations
Format of the Council's accounts	The current form of the Council's accounts is available online at www.plymouth.gov.uk/aboutcouncil/councilfinancesandaccounts/statementaccounts
Disclosures relating to treasury management	Notes to the annual Statement of Accounts include: • Financial Instruments – Financial Assets, Financial Liabilities; Income, Expense, Gains and Losses on Financial Instruments • Fair Value of Financial Assets and Liabilities • Nature and Extent of Risks arising from Financial Instruments: Credit Risk, Liquidity Risk, Refinancing and Maturity Risk, Market Risks (Interest rate risk, Price risk and Exchange Rate Risk) The Authority will exercise judgement on the level of detail to be disclosed about particular financial instruments, taking into account the relative significance of those instruments. So that the information is comprehensible, material information should not be obscured by immaterial information or by aggregating material items that have different natures or functions.

Treasury-related information requirements of external auditors	The following information is specifically requested by the external auditor and should be considered an initial request for information. It is usually followed by more detailed audit testing work which often requires further information and/or explanations from the Council's officers.
	
	Information is this context includes internally generated documents including those from the Council's Treasury Management System, externally generated documents, observation of treasury management practices which support and explain the operation and activities of the treasury management function.
	
	▪ Determination of Affordable Borrowing Limit under Section 3 of the Local Government Act 2003.
	▪ Prudential Indicators.
	▪ Treasury Management Strategy including Annual Investment Strategy.
	
	<u>External borrowing</u>:
	• New loans borrowed during the year : PWLB certificates / documentation in relation to market loans borrowed (including copy of agreements, schedule of commitments)
	• Loan maturities.
	• Compliance with proper accounting practice, regulations and determinations for the amortisation of premiums and discounts arising on loans restructured during the year and previous years.
	• Analysis of loans outstanding at year end including maturity analysis.
	• Analysis of borrowing between long- and short-term
	• Debt management and financing costs
	    ▪ calculation of (i) interest paid (ii) accrued interest
	    ▪ interest paid
	• MRP calculation and analysis of movement in the CFR.
	• Bank overdraft position.
	• Brokerage/commissions/transaction related costs.

	<u>Investments</u>: • Investment transactions during the year including any transaction-related costs • cash and bank balances at year end • short-term investments at year end • long-term investments at year end (including investments in associates and joint ventures) by asset type, including unrealised gains or losses at year end • calculation of (i) interest received (ii) accrued interest • actual interest received • external fund manager valuations including investment income schedule and movement in capital values, transaction confirmations received (if any) • basis of valuation of investments • evidence of existence and title to investments (e.g. Custodian's Reports. • schedule of any investments in companies together with their latest financial statements); statement of transactions between the company and the Council.

	Cash Flow ▪ Reconciliation of the movement in cash to the movement in net debt ▪ Cash inflows and outflows (in respect of long-term financing) ▪ Cash inflows and outflows (in respect of purchase/sale of long-term investments) ▪ Net increase/decrease in (i) short-term loans (ii) short-term deposits (iii) other liquid resources Other ▪ Amounts which are held on behalf of schools, amounts which are held by schools under delegated schemes ▪ Details of (treasury-related) material events after balance sheet date not reflected in the financial statements. ▪ External advisors'/consultants' charges
Internal Audit	Internal Audit conducts a review of the treasury management function and probity testing on an annual basis. The internal auditors will be given access to treasury management information/documentation as required by them.
Compliance with CIPFA Treasury Management and Prudential Codes	Auditors may require evidence/demonstration of compliance with external and internal treasury management policies and strategy. Any serious breach of the TM Code's recommendations or Prudential Indicators should be brought to the attention of the external auditor.
Costs for treasury management	The budget for treasury management forms part of the Finance budget.

8 TMP 8: CASH AND CASH FLOW MANAGEMENT

***8.1 Principle**: Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Section 151 Officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Section 151 Officer will ensure that these are adequate for the purposes of monitoring compliance with **TMP1 [2] liquidity risk management**,* and for the purpose of identifying future borrowing needs (using a liability benchmark where appropriate). *The present arrangements for preparing cash flow projections and their form are set out in the schedule below.*

8.2 Schedule:

Arrangements for preparing /submitting cash flow statements	Cash flow forecasts will be viewed over one time horizons and will be used to formulate the Council's borrowing and investment strategy by identifying periods of surplus or shortfall of cash balances. The cash flow forecasts and statements are held at operational level. The accuracy and effectiveness of the Council's cash flows are dependent on the accuracy of estimating expenditure, income and their corresponding time periods. An **outline medium-term cash flow** model is prepared as part of the MTFP budget process, with projections for 2 further years. It is highly summarised and looks mainly at cash flows arising from the capital programme, the in-year capital financing requirement, scheduled loan repayments and long-term investment maturities, and anticipated movements in reserves. A **detailed annual cash flow** is prepared for the financial year once the budget for the ensuing year has been agreed, which is monitored and updated on a monthly basis. It identifies the major inflows and outflows on a month by month basis. It is prepared using the agreed revenue budget and capital programme for the financial year and based on the knowledge obtained from the Council's various service sections incurring the expenditure /receiving the income and can be supplemented by the experience from previous years. **Daily cash flows** show forecast and planned movements of cash on a daily basis, including the matching of known inflows and payments. This is recorded in the excel cashflow document.
Liability Benchmark (LB)	The LB is helps establish whether the Authority is likely to be a long-term borrower or long-term investor in the future and represents an estimate of the cumulative amount of external borrowing the Authority must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level to manage day-to-day cash flow. The LB will be updated regularly through the year by the Authority with developments and/or timing changes in the capital programme as well as changes to balance sheet resources. ***Please see TMP 5 for more information on its use.***

Content and frequency of cash flow projections	The detailed annual cash flow model includes the following: • revenue income and expenditure based on the budget. • profiled capital income and expenditure as per the capital programme. **Revenue activities**: <u>Inflows</u>: ▪ Revenue Support Grant ▪ Precepts received ▪ Non domestic rates receipts ▪ NDR receipts from national pool ▪ Council tax receipts ▪ DSS / other government grants ▪ Cash for goods and services ▪ Other operating cash receipts <u>Outflows</u>: ▪ Salaries and payments on behalf of employees ▪ Operating cash payments ▪ Housing Benefit paid ▪ Precepts paid ▪ NDR payments to national pool ▪ Payments to the capital receipts pool **Capital activities including financing** <u>Inflows</u>: ▪ Capital grants received ▪ Sale of fixed assets ▪ Other capital cash receipts <u>Outflows</u>: ▪ Purchase of fixed assets ▪ Purchase of long-term investments ▪ Other capital cash payments **Financing, Servicing of Finance/Returns on Investments** <u>Inflows:</u> ▪ New long-term loans raised ▪ New short-term loans raised ▪ Interest received ▪ Discount on premature repayment of loan <u>Outflows</u>: ▪ Loan repayments ▪ Premium on premature repayment of loan ▪ Short-term investments ▪ Capital element of finance lease rental payments ▪ Interest paid ▪ Interest element of finance lease rental payments

Monitoring, frequency of cash flow updates	The annual cash flow statement is updated monthly with the actual cash inflows and outflows after taking account of any revisions including those relating to grant income and capital expenditure and will be reconciled with: • net RSG and NDR payments as notified; • actual salaries and other employee costs paid from account bank statements; • actual payments to Inland Revenue from general account bank statements; • actual council tax received; • actual housing benefit; • actual capital programme expenditure and receipts.
Bank statements procedures	The Council receives online bank statements uploaded on a daily basis. These are posted independent of the treasury function and are reconciled to the general ledger on a monthly basis.
Payment scheduling	The Council has a policy of paying suppliers in line with agreed terms of trade and the following service standards: • Small and medium enterprises (SME's – business employing up to 250 people) to be paid within 15 days of receipt of invoice. • All other creditors to be paid within 30 days of receipt of invoice.
Monitoring debtor/ creditor levels	Debtor levels are monitored by a monthly Sundry Debtors Monitoring Report which will include an analysis of debt by age and details and details of recovery status. The level of Creditor invoices being processed / remaining unpaid is monitored on a daily basis by the Transaction Centre. A report is produced within three days of the BACS run with details all BACS and cheque payments for the next day in advance and recorded in the cashflow spreadsheet.
Banking of funds	Instructions for the banking of income are set out in the Financial Regulations. Cash and cheques received in the cashiers section are banked weekly. All the Council's sections are advised of the requirement to bank on a regular basis in order to comply with recommended best practice and also remain within the particular insurance limits for the Council's premises.
Listing of sources of information	The treasury function receives cash flow information from the following persons/departments: (see table below)
Practices concerning prepayments to obtain benefits	The following practices concerning prepayments are followed to obtain benefits: All prepayments must be authorised by the approved signatory in the respective department.

Type of Information	Source
Capital Spend and Receipts	Capital Accounting Team
Government Grants	Logasnet
Payroll	Delt Services
Debtors and Creditors	Transaction Centre
Loans and Deposits	Treasury Management Team
Other income and payments	Finance colleagues

9 TMP 9: MONEY LAUNDERING

9.1 Background: The Proceeds of Crime Act (POCA) 2002 consolidated, updated and reformed criminal law in the UK in relation to money laundering. The principal offences relating to money laundering are:

- Concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- Being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention use or control of criminal property
- Acquiring, using or possessing criminal property.

Other offences include failure to disclose money laundering offences, tipping off a suspect either directly or indirectly, and doing something that might prejudice an investigation.

9.2 Principle*: The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff members involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule below.*

9.3 Schedule:

Anti money laundering policy	This Council's policy is to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases. The Council has accepted responsibility to ensure that those of its staff who are most likely to be exposed to money laundering can make themselves fully aware of the law and, where necessary, are suitably trained.

Main offences relating to money laundering	The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are: • concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland • being concerned in an arrangement that a person knows or suspects facilitates the acquisition, retention, use or control of criminal property • acquiring, using or possessing criminal property. 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 include: • failure to disclose money laundering offences • tipping off a suspect, either directly or indirectly • doing something that might prejudice an investigation – for example, falsifying a document. The Terrorism Act 2000 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.
Treasury documentation	The Council will reflect the anti-money laundering measures it has in place as part of its treasury documentation. Such measures include: – Awareness of what constitutes money laundering; – The obligation to report knowledge of/having reasonable grounds to believe an offence might be committed; – Maintaining up-to-date direct dealing and SSI mandates with counterparties
Nomination of Responsible Officer(s)	(a) The Council has nominated the Section 151 Officer to be the responsible officer(s) to whom any suspicions relating to transactions involving the Council will be communicated. (b) The Section 151 Officer will be conversant with the requirements of the Proceeds of Crime Act 2002 and will ensure relevant staff are appropriately trained and informed so they are alert for suspicious transactions. (c) The Section 151 Officer will make arrangements to receive and manage the concerns of staff about money laundering and their suspicion of it, to make internal enquiries and to make reports, where necessary, to National Criminal Intelligence Services (NCIS).

Procedures for establishing the Identity of Lenders and Borrowers	(a) In the course of its treasury activities, the Council will only borrow from permitted sources identified in TMP 4. (b) The Council will not accept loans from individuals. (c) In the course of its treasury activities, the Council will only invest with those counterparties which are on its approved lending list. (d) The identity and authenticity of commercial institutions (banks, building societies and other financial institutions) authorised to carry out borrowing and lending activity in the UK will be checked via the Bank of England/Prudential Regulation Authority's website https://www.bankofengland.co.uk/prudential-regulation/authorisations/which-firms-does-the-pra-regulate (e) All receipts/disbursements of funds will be undertaken by BACS or CHAPS settlement. (f) Direct Dealing mandates: The Council will provide (in the case of lending) / obtain (in the case of borrowing) and maintain on file dealing mandates with any new money market counterparty. The mandates should be on letter-headed paper, dated and signed. (g) All banking transactions will only be undertaken by the personnel authorised to operate the Council's banks accounts. (h) If the Council takes/provides loans from individuals, it will establish robust procedures for verifying and recording the appropriate financial and personal information of such individuals. (i) When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before altering payment details.

10 TMP 10: TRAINING AND QUALIFICATIONS

10.1 Principle: *The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Section 151 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.*

The Section 151 Officer will ensure that council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.

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

The present arrangements are detailed in the schedule below.

10.2 Schedule:

Qualifications/ experience for treasury staff	Part or fully qualified or training towards qualification of one of the accepted accountancy bodies, i.e. CIPFA, ACA, ACCA, CIMA. Member of the Association of Accounting Technicians (AAT) part or fully qualified. Attend treasury training as provided by our Treasury Advisors, CIPFA and the auditors.
Details of approved training courses	The courses/events the Council would expect its treasury personnel to consider are: ▪ Training courses for Accounting, Auditing, Best Value/Competition, Budgeting, Capital Finance & Borrowing, or Financial Management. ▪ Any courses/seminars run by Treasury Management advisors. ▪ Attending CIPFA seminars and workshops. ▪ Attend external auditors training ▪ Training attended by those responsible for scrutiny of the treasury function The Council participates in CIPFA training and workshops for CPD development purposes.
Records of training received by treasury staff	Treasury-related training records are maintained by the Lead Accountancy Manager for Treasury Management.
Training received by those charged with governance	Training on Treasury Management should be provided for those people/committees responsible for governance of treasury management.

11 TMP 11: USE OF EXTERNAL SERVICE PROVIDERS

11.1 Principle: *The Council recognises that responsibility for the treasury management decisions remains with the organisation at all times. It recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Section 151 Officer, and details of the current arrangements are set out in the schedule below.*

11.2 Schedule:

Contract threshold	The Council's Financial Regulations require that a formal contract is in place with external service providers where the contract value is £200k and above. The contract will clearly state the services to be provided and the terms on which they will be provided.
Details of service providers and procedures and frequency for tendering services	(a) Bankers to the Council Barclays Bank 3 Bedford Street Exeter EX1 1LX Tel: 0330 1560 008 Contract period: 1 January 2023 ends 31 December 2025 (b) Treasury advisor Arlingclose Limited 217 Strand, London, WC2R 1AT Tel: 08448 808 200 Contract period: New contract commences 1 April 2024 to 31 March 2025.

Details of service providers and procedures and frequency for tendering services (cont'd)	(c) Brokers: It is considered good practice for the Council to have at least two brokers and to spread business between them. Tullett Prebon Limited 135 Bishopsgate, London, EC2M 3TP Tel: 020 7200 7042 King & Shaxson 155 Fenchurch Street, London, EC3M 6AL Tel: 020 7426 5950 Tradition (UK), Beaufort House, 15 St. Botolph Street, London, EC3A 7QX Tel: 020 7422 3566 Martin Brokers (UK) Plc, 1 Snowden Street, London, EC2A 2DQ Tel: 020 7894 8698 BGC Brokers 5 Churchill Place, London, E14 5RD Tel: 020 7894 7742 Imperial Treasury Services 5 Port Hill, Hertford, SG14 1PJ Tel: 01992 945550 Arlingclose Limited 217 Strand, London, WC2R 1AT Tel: 08448 808 200
Regulatory status of services provided	All financial services providers are regulated by the Financial Conduct Authority (FCA).
Details of service provided by Treasury Advisor	The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, debt rescheduling and use of various borrowing and investment instruments. The responsibility for borrowing, investments and risk management remains with the Council

Bribery Act	The Council is mindful of the requirements of the Bribery Act 2011 in its dealings with external providers

12 TMP 12: CORPORATE GOVERNANCE

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

The Council has adopted and has implemented the key principles of the Treasury Management Code of Practice. This, together with the other arrangements detailed in the schedule below, are considered vital to the achievement of proper corporate governance in treasury management, and the Section 151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

12.2 Schedule:

Stewardship responsibilities	The S151 Officer ensures that systems exist to deliver proper financial administration and control and maintaining a framework for overseeing and reviewing the treasury management function.
List of documents to be made available for public inspection.	The following documents are freely available for public inspection: ▪ Annual Statement of Accounts ▪ Council's Annual Budget ▪ 5 Year Capital Budget ▪ Treasury Management Strategy ▪ Annual Investment Strategy (which will include treasury and non-treasury investments) ▪ Minimum Revenue Provision policy ▪ Capital Finance Strategy ▪ Budget Monitoring Reports ▪ Annual and Mid-Year Treasury Report
Council's website.	Financial information is additionally available on the Council's website.
Procedures for consultation with stakeholders.	Members and senior officers of the Council are consulted via reports to the Audit and Governance Committee and officer/member briefing sessions.

TMP 13: INVESTMENTS THAT ARE NOT PART OF TREASURY MANAGEMENT ACTIVITY

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

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

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

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

13.1 Schedule

Register of non-treasury investments and financial guarantees	The Council will regularly updated a list of non-treasury investments, existing material investment, subsidiaries, joint ventures and liabilities and financial guarantees. An outline of such investments is in the Council's Capital Strategy.
Due diligence process	In carrying out due diligence, potential project risks are identified and relevant mitigation measures documented prior to approval. All risks are then managed in line with the Council's risk management policy which includes documenting risks on a risk register, assigning owners, regular review of risks and Red Amber Green (RAG) rating. A diversified income-expiry profile will ensure that the funds income return is robust across a number of scenarios. Verification of purchase prices by external suitably qualified RICS Approved Valuers is obtained prior to any investment.
Schedules to be maintained	The published schedule is agreed by full Council and sets out the organisation's investment management practices for non-treasury investments. Details are set out in the Council's capital strategy and will cover the following areas: • Risk management • Decision making, governance and organisation • Reporting and management information • Performance measurement and management • Training and qualifications.
Risk Management	Follow TMP1 and schedules as detailed previously, including investment and risk management criteria for any material non-treasury investment portfolios. Due diligence processes and procedures are undertaken to reflect the additional risk the Council is taking on.

Independent and expert advice	Independent expert advice is sought for property purchases as part of the due diligence.
Decision making, governance and organisation	The Financial Regulations detail how capital projects are approved and added into the capital programme. For non-treasury investments the appropriate professional due diligence is carried out to support the decision making.
Training and qualifications	Relevant knowledge and skills in relation to non-treasury investments will be arranged and maintained

Appendix I

Organisation Chart for Treasury Management Function (FTE)