

TREASURY MANAGEMENT PRACTICES (TMP)

TMP1 RISK MANAGEMENT

1.1 General Statement

1.1.1 The Head of Financial Services will design, implement and monitor all arrangements for the identification, management and control of treasury management risk and will report at least annually on their adequacy/suitability. He will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in accordance with the procedures set out in *TMP6 Reporting requirements and management information arrangements*. In respect of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in Appendix 4 attached.

1.2 Liquidity risk management

1.2.1 Adequate, though not excessive, cash resources, borrowing arrangements, overdraft or standby facilities are needed at all times to ensure that the level of funds are available for the achievement of the service objectives.

1.3 Interest Rate/Inflation risk management

1.3.1 Exposure to fluctuations in interest rates should be managed with a view to containing interest costs, or securing interest revenues, in accordance with the amounts provided in the Budget in accordance with *TMP6 Reporting requirements and management information arrangements*.

1.3.2 The effects of varying levels of inflation, insofar as they can be identified as impacting directly on treasury management activities, should be controlled as an integral part of its strategy for managing the overall exposure to inflation.

1.3.3 These objectives shall be achieved by the prudent use of approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates or inflation. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

1.4 Credit and Counterparty risk management

1.4.1 A prime objective of treasury management activities is the security of the principal sums invested. Accordingly, Counterparty lists and limits will reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit investment activities to the instruments, methods and techniques referred to in *TMP4 Approved instruments, methods and techniques*. Therefore, there is a need to have, and

maintain, a formal counterparty policy in respect of those organisations from which to borrow, or with whom to enter into other financing arrangements.

1.5 Refinancing risk management

- 1.5.1 Borrowing, private financing and partnership arrangements need to be 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 Council as can reasonably be achieved in the light of market conditions prevailing at the time.
- 1.5.2 Relationships with counterparties should be actively managed in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise this achievement.

1.6 Legal and regulatory risk management

- 1.6.1 Treasury management activities shall comply with statutory powers and regulatory requirements. Compliance will be demonstrated, if required, to any party that is dealt with in such activities. In framing the credit and counterparty policy under TMP1.5 *Credit and Counterparty risk management* evidence of counterparties' powers, authority and compliance in respect of the transactions effected with the organisation, particularly with regard to duty of care and fees charged, will be ensured.
- 1.6.2 Where any future legislative or regulatory changes affect treasury management activities, any risk of these impacting adversely should be minimised so far as it is reasonably possible to do so.

1.7 Fraud, error, corruption and contingency management

- 1.7.1 Circumstances which may expose the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings should be identified. Suitable systems and procedures shall be employed and effective contingency management arrangements maintained.

1.8 Market risk management

- 1.8.1 Treasury management policies and objectives should not be compromised by adverse market fluctuations in the value of the principal sums invested and protection should be sought from the effects of such fluctuations.

TMP2 BEST VALUE AND PERFORMANCE MEASUREMENT

- 2.1 This Council is committed to the pursuit of best value in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in the treasury management policy statement.
- 2.2 Accordingly, the treasury management functions will be the subject of ongoing analysis of the value it adds in support of the Council's business or service objectives. It will be

the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria as determined by the Head of Financial Services.

TMP3 DECISION-MAKING AND ANALYSIS

- 3.1 There shall be maintenance of full records of treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued shall be determined by the Head of Financial Services.

TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

- 4.1 Treasury management activities shall be undertaken 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*.

TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

- 5.1 It is essential, for the purposes of the effective control and monitoring of 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 responsibility.
- 5.2 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.
- 5.3 If and when, as a result of lack of resources or other circumstances, it is intended to depart from these principles, the Head of Financial Services will ensure that the reasons are properly reported in accordance with TMP *Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.
- 5.4 The Head of Financial Services will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover.
- 5.5 The Head of Financial Services will ensure that there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

- 5.6 The delegations to the Head of Financial Services in respect of treasury management are set out in the schedule to this document. He 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*.

TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

- 6.1 Regular reports shall be prepared and considered on the implementation of 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.
- 6.2 As a minimum, The Cabinet will receive:
- an annual report on the strategy and investment policy to be pursued in the coming year.
 - 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.

TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

- 7.1 The Head of Financial Services will prepare, and this Council will approve 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 *Best value and performance measurement*, and TMP4 *Approved instruments, methods and techniques*. The Head of Financial Services will exercise effective controls over this budget, and will report upon and recommend any significant changes required in accordance with TMP6 *Reporting requirements and management information arrangements*.
- 7.2 All treasury management activities, decisions made and transactions executed, shall be accounted for in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.
- 7.3 This Council will ensure that its auditors and those charged with regulatory review, shall have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfillment 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 in the schedule to this document.

TMP8 CASH AND CASH FLOW MANAGEMENT

- 8.1 Unless statutory or regulatory requirements demand otherwise, all monies in the hand of this Council will be under the control of the Head of Financial Services, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Head of Financial Services will ensure that these are adequate for the purposes of monitoring compliance with TMP1(1) *liquidity risk management*.

TMP9 MONEY LAUNDERING

- 9.1 This 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, procedures shall be maintained for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

TMP10 STAFF TRAINING AND QUALIFICATIONS

- 10.1 It is important that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore be necessary to 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 Head of Financial Services will recommend and implement the necessary arrangements.

TMP11 USE OF EXTERNAL SERVICE PROVIDERS

- 11.1 The potential value of employing external providers of treasury management services is recognised, in order to acquire access to specialist skills and resources. When such service providers are employed it shall be for reasons which will have been submitted to a full evaluation of the costs and benefits.
- 11.2 The terms of their appointment and the methods by which their value shall be assessed, properly agreed and documented, and subjected to regular review. Where feasible and necessary, a spread of service providers shall be used, to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Head of Financial Services and details of the current arrangements are set out in the schedule to this document.

TMP12 CORPORATE GOVERNANCE

- 12.1 This 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 shall be undertaken with openness and transparency, honesty, integrity and accountability.
- 12.2 This Council has adopted and has implemented the key recommendations of the CIPFA Treasury Management in the Public Services Code of Practice. This, together with the other arrangements detailed in these Treasury Management Practices, are

considered vital to the achievement of proper corporate governance in treasury management, and the Head of Financial Services will monitor and, if and when necessary, report upon the effectiveness of these arrangements.