

**THE TREASURY MANAGEMENT POLICY STATEMENT 2019-20**

- 1 Breckland Council defines its Treasury Management activities as *“the management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*
- 2 Breckland 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 the risk implications for the Council.
- 3 Breckland 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 performance measurement techniques, within the context of risk management.

## **TREASURY MANAGEMENT PRACTICES (TMP's)**

Breckland Council has in place the following Treasury Management practices to which schedules will be attached where appropriate to specify the systems and routines to be employed and the records to be maintained.

### **TMP 1**

Risk Management (including investment and risk management criteria for non-treasury investment portfolios).

### **TMP 2**

Performance Measurement (including methodology and criteria for assessing the performance and success of non-treasury investments).

### **TMP 3**

Decision Making and Analysis.

### **TMP 4**

Approved Instruments, Methods and Techniques.

### **TMP 5**

Organisation, Clarity and Segregation of responsibilities and dealing arrangements including a statement of the governance arrangements for decision making in relation to non-treasury investments.

### **TMP 6**

Reporting requirements and Management Information Arrangements including for non-treasury investments.

### **TMP 7**

Budgeting, Accounting and Audit Arrangements.

### **TMP 8**

Cash and Cash Flow Management.

### **TMP 9**

Money Laundering.

### **TMP 10**

Staff training and Qualifications including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

### **TMP 11**

Use of External service Providers for treasury and non-treasury.

### **TMP 12**

Corporate Governance.

## **TMP 1 RISK MANAGEMENT**

*This 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.*

*In addition, where investments do not give priority for security and liquidity over yield (non-treasury investments), the Council will ensure that the decision to invest is explicit and the additional risks are set out clearly and the impact on financial sustainability is identified and reported (TMP 1[10]).*

The Executive Director Commercialisation & S151 Officer will design, implement and monitor all arrangements for the identification, management and control of Treasury and Non-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 Council's objectives in this respect, all in accordance with the procedures set out in TMP6 reporting requirements and management information systems requirements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

### **TMP 1 [1]**

#### **Interest Risk Management**

To minimise the financial risk to which the Council is exposed in both cash deposits and borrowing i.e.

- (i) to minimise the interest burden to the Council arising from borrowing:
- (ii) whilst protecting capital sums deposited, to optimise interest earned, unless otherwise directed by the Council,.

In order to achieve this objective the following specific policies should be adopted:-

- (i) only undertake long term borrowing if approved by Council to ensure the impact on the Council's financial position is understood.
- (ii) Subject to the debt position (CFR), to retain appropriate levels of capital receipts in order to maintain flexibility in the use of interest earned from cash deposits.
- (iii) To lend surplus funds only to approved institutions in the Treasury Strategy in accordance with MHCLG Investment Guidance. A list of Approved Cash Deposit Instruments is attached at TMP 4[4].
- (iv) To minimise short term borrowing by efficient cash flow management.

In balancing risk against return, local authorities should be more concerned to avoid risks than to maximise returns

### **TMP 1 [2]**

#### **Liquidity Risk Management**

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its Corporate Plan.

### **TMP 1 [3]**

#### **Interest Rate/Inflation Risk Management**

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 reporting requirements and management information systems.

The effects of varying levels of inflation, as far as they can be identified as impacting directly on its Treasury Management activities, will be controlled by the Council as an integral part of its strategy for managing its overall exposure to inflation.

It will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of

unexpected, potentially advantageous changes in the level or structure of interest rates or inflation. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

#### **TMP 1 [4]**

##### **Credit and Counterparty Risk Management**

In accordance with the CIPFA Treasury Management Code, the *Executive Director Commercialisation & S151 Officer* has produced its treasury management practices (TMPs). This part: TMP 1[4], covering investment counterparty policy is covered under TMP4[4] and requires separate approval each year. The full recommendation is found at Appendix B1.

##### **Monitoring of Investment Counterparties**

The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the *Executive Director Commercialisation & S151* and if required new counterparties which meet the criteria will be added to the list.

#### **TMP 1 [5] Inflation**

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 exposure.

#### **TMP 1 [6] Refinancing Risk Management**

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

#### **TMP 1 [7]**

##### **Legal and Regulatory Risk Management**

The Council will ensure that its Treasury Management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1 [4], it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may affect 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 is reasonable to do so, will seek to minimise the risk of these impacting adversely on the Council.

#### **TMP 1 [8]**

##### **Fraud, Error and Corruption and Contingency Management**

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

#### **TMP 1 [9]**

##### **Price Risk Management**

The Council will seek to ensure that its stated Treasury Management policies and objectives will not be compressed 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.

## **TMP1 [10]**

### **Non-Treasury Investment Portfolios**

The Council will ensure that non-treasury investments comply with its statutory powers and regulatory requirements. Due diligence will be undertaken prior to purchasing an asset and whilst yield is a determining factor, due consideration will be given to the risks relating to:

1. failure to create income/ exposure to market changes
2. covenant strength/possibility of arrears
3. ongoing management/maintenance of the asset
4. lease arrangements
5. exposure in one sector (new in 19/20)
6. exposure to one/few tenants (new in 19/20)

Risks 1-4 are operational risks currently reported on through the Council's performance reporting system, Pentana and risks 5 and 6 will be reported on Pentana from 01/04/2019.

The Council's corporate risk register will also identify key corporate or operational risks on major assets .

## **TMP 2 PERFORMANCE MEASUREMENT**

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 formal analysis of the value it adds in support of the organisation's stated 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 subsidy incentives, and of the scope for innovation. The actual performance of the Treasury Management function will be measured using the criteria in TMP 2[1].

### **TMP 2 [1]**

#### **Performance Measurement**

The performance of investment earnings will be measured (and the results verified by Link Asset Services) against the following benchmarks:

- a) Maintain liquidity of £5m for less than 1 month maturity;
- b) The 3 month LIBID (London Interbank Bid Rate);
- c) The Yield/liquidity security indicator

### **TMP 2 [2]**

#### **Performance Measurement (non- treasury investments)**

The Council recognises the importance of managing the performance of its assets and the Corporate Asset Management Strategy 2012-20 features performance targets which are reported on the Council's performance management system. This further manages the Council's risk exposure to ensure the financial sustainability of the Council is maintained.

## **TMP2 [3]**

All financial and non-financial investments are made under relevant legal powers

Schedule of investments as at 31/12/2018

Investment type	Details	Notes
Financial investments		
Cash investments less than 1 year	£30,071,453	
Cash investments greater than 1 year	£4,875	Residual Icelandic investment .
Loans to third parties		See TMP 4[6] 1-4
Mid Norfolk railway Preservation Trust	£12,500	Receive £2,500 annually.
Breckland Bridge Working Capital	£270,000	Due to be repaid 31/3/2020.
Non-financial investments		
Capital Loans	Nil	See TMP 4[6] 4 Provision to make loans to Breckland Bridge. No loans currently outstanding.
Investment property	£26,392,731	Valuations for financial reporting
Finance Leases (residual value of lease)	£9,831,735	purposes as at 31/3/2018.
Joint Ventures		
Breckland Bridge Ltd	(£271,000)	Balance in accounts as at 31/3/2018

No borrowing has occurred in respect of any of the investments shown in the schedule above.

## **TMP 3 DECISION MAKING – AND ANALYSIS**

The Council will maintain full records of its Treasury Management decisions, and of the processes 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 to be pursued in reaching decisions are detailed in the following paragraphs.

### **TMP 3 [1]**

#### **Formulation of Treasury Management Strategy**

1. Whilst this document outlines the procedures and considerations for the treasury function as a whole requiring revision occasionally, the Treasury Management Strategy (Appendix A) sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to Council for approval prior to the commencement of each financial year.
2. MHCLG guidance allows the strategy to be varied at any time during the year with the approval of the Governance and Audit Committee, and by Full Council.
3. The formulation of the annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter term variable interest rates.

4. The Treasury Management Strategy is concerned with the following elements:

- *The current portfolio position*
- *Cash flow issues based on current activities*
- *The Medium Term Financial Plan*
- *The Prudential Code*
- *Advice from the Council's Treasury Management (TM) Advisors*
- *Prospects for interest rates, based on TM advisors guidance*
- *Treasury limits in force which will limit the treasury risk and activities of the Council*
- *The investments strategy*
- *Any extraordinary treasury issues*

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

### **TMP 3 [2]**

#### **Policy on Interest Rate Exposure**

In accordance with Local Government Act 2003 and the CIPFA Prudential Code the Council is required each year, to determine:-

- (i) an Authorised limit:
- (ii) an Operational Boundary:
- (iii) Prudential and treasury indicators that limit on the proportion of interest which is to be subject to fixed and variable rates, limit the maturity structure of borrowings and limit the use of long term investments.

### **TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

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 TMP 1, Risk Management.

#### **TMP 4 [1]**

##### **Approved Activities of the Treasury Management Operation**

*The Executive Director Commercialisation & S151 Officer shall be responsible for the management of all the Council's borrowing and cash deposit operations in accordance with the Treasury Management Strategy as determined by the relevant delegations set by Council.*

Subject to the scheme of Treasury Management approved by the Council:

- (a) to undertake to negotiation and receipt of or repayment of loans in accordance with such policy as may be laid down from time to time by the Cabinet and subject to the receipt of the necessary Government sanctions and consents;
- (b) to make suitable arrangements for the investment and realisation of monies surplus to the Council's requirements.

#### **TMP 4 [2]**

##### **Approved Methods of Raising Capital Finance**

*Part 1, section 1 of LGA 2003 allows Local Authorities to borrow from any source (provided it is in Sterling) for the following purposes, providing the Authority adheres to the Prudential Code:-*

- (i) *for any purpose relevant to its functions under any enactment*
- (ii) *for the purposes of the prudent management of its financial affairs*

### **TMP 4 [3]**

#### **Approved Sources of Funding**

There is no general restriction on the sources of local authority borrowing (except in foreign currency) but in practice it is anticipated that the Council will borrow on a short term basis from authorised banks or the Bank of England and/or PWLB Public Works Loan Board).

### **TMP4 [4]**

#### **Approved Organisations and instruments for Cash Deposits & Investments**

The *Executive Director Commercialisation & S151 Officer* will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to the Council for approval as necessary. These criteria are separate to that which chooses Specified and Non-Specified investments as they select which counterparties the Council will choose rather than defining what its investments are.

This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years \*
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

*\*Please note: the yellow colour category is for UK Government debt, or its equivalent, constant Net Asset Value money market funds and collateralised deposits where the collateral is UK Government debt.*

How the above translates into actual counterparties is shown in this Appendix B2 (shown separately for approval at Appendix B1).

The creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored on an ongoing basis and the Council is alerted to changes to ratings of all three agencies through its use of the creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

- In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

### Country limits

The Council has determined (at Council 8<sup>th</sup> October 2015) that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch. The individual counterparty must also have a minimum credit rating of AA-. (The minimum credit rating does not apply to UK counterparties). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix D. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

**Annual Investment Strategy** - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:
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**Strategy Guidelines** – The main strategy guidelines are contained in the body of the treasury strategy statement.

### **SPECIFIED INVESTMENTS:**

All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum quality criteria where applicable.

### **LOANS:**

- 1 Loans for financial assistance to third parties as part of a wider strategy for for local economic growth. A maximum of £500,000 will be held in aggregate in loans.
- 2 Loans for capital purposes. A maximum of £5,000,000 will be held in aggregate in loans for capital purposes

### **NON-SPECIFIED INVESTMENTS:**

- 1 (Financial investments) These are any investments which do not meet the specified investment criteria and the Council does not have a contractual right to repayment within 12 months. A maximum of £5,000,000 will be held in aggregate in non-specified investments.
- 2 (Non-financial investments).  
These are assets held primarily for financial return and are treated as capital expenditure.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

**Specified Investments –**

	<b>Colour (and long term rating where applicable)</b>	<b>Money and/or % Limit</b>	<b>Time Limit</b>
DMADF – UK Government	N/A	100%	6 months
Term deposits with banks and building societies	Blue Orange Red Green No Colour	100%	Up to 1 year ** Up to 1 year Up to 6 Months Up to 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	100%	Up to 1 year ** Up to 1 year Up to 6 Months Up to 100 days Not for use
Local authorities	N/A	100%	Approval will be made based on individual circumstances without further reference to the Governance and Audit Committee
The Council's own banker		100%	If the Council's own banker fails to meet the basic credit criteria balances will be minimised as far as possible.
Money Market Funds and Ultra Short Dated Bond Funds	N/A	100%	These funds will only be used as a last resort and Link Asset services will support the selection of appropriate Funds

**Loans**

Loans for capital expenditure purposes	N/A	£5m	Loans can be made to Breckland Bridge Ltd in accordance with TMP 4[6] note 5  Any other loans for capital purposes to be approved by Full Council. A maximum of £5m will be held in aggregate.
Loans for financial assistance	N/A	£0.5m	A maximum of £0.5m will be held in aggregate

### Non-Specified Investments – (financial)

	Minimum credit criteria / colour band	Max % of total investment s/ £ limit per institution	Max. maturity period
UK Government gilts	UK sovereign rating		Separate approval will be sought for this type of investment
UK Government Treasury Bills	UK sovereign rating		Separate approval will be sought for this type of investment
Bonds issued by multilateral development banks	UK sovereign rating		Separate approval will be sought for this type of investment
Term deposits with banks and building societies	Yellow Purple	100%	Up to 5 years * Up to 2 years
CDs or corporate bonds with banks and building societies	Yellow Purple	100%	Up to 5 years * Up to 2 years
Enhanced cash funds			Separate approval will be sought for this type of investment
Corporate bond funds			Separate approval will be sought for this type of investment
Gilt funds	UK sovereign rating		Separate approval will be sought for this type of investment
Property funds			Separate approval will be sought for this type of investment
Local authorities	N/A	100%	Approval will be made based on individual circumstances without further reference to the Governance and Audit Committee

\* The Council will only invest for over 2 years with the prior approval of the Governance and Audit Committee. In all circumstances the maximum amount with any one counterparty will be £5m

\*\* (only applies to nationalised/semi nationalised UK Banks as shown on Link Asset Services list)

NB: The criteria are intended to be the operational criteria in normal times. At times of heightened volatility, risk and concern in financial markets, this strategy may be amended by temporary operational criteria further limiting investments to counterparties of a higher creditworthiness and / or restricted time limits

### Non-Specified Investments – (non-financial)

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
Non-financial investments	N/A	N/A	The Council's approach to non-financial investments is set out at section 4 of the Capital Strategy

To ensure proportionality and affordability two new indicators have been added to the Treasury Management Strategy (Appendix A Tables 7 & 8) to identify:

1. How investments are funded and the rate of return achieved
2. If borrowing has occurred to finance the investment and if so
  - 2.1. debt to net service ratio
  - 2.2. Commercial income to net service ratio
  - 2.3. Investment cover ratio
  - 2.4. Loan to value ratio
  - 2.5. the opportunities and risks are over the repayment period.

**Accounting treatment of investments.** The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

#### **TMP 4 [5]**

##### **Approved Organisations for Investment – Criteria for selecting**

The Council as part of its Treasury Management activities employs a professional advisor (Link Asset Services) to:

- Advise on investment counterparty credit-worthiness, including provision of prudent parameters established in the light of information from the world's main Credit Rating Agencies, various other analysts (internal and external to Link Asset Services), and associations.
- To provide reports and analyses monthly or when required.
- Provide economic and interest rate forecasts
- Advise on establishing a sound investment policy and the drafting of best practice Policy, Strategy and Out-turn reports
- Provide general treasury management advice
- Provide one in-house treasury management workshop
- Provide a benchmarking service
- Provide seminars for attendance free of charge
- Provide weekly and periodic publications/directives
- Provide access to a helpline to provide advice on any Treasury Management issues

#### **TMP 4 [6]**

##### **Group, Maturity and Sector Limits**

These limits are reviewed periodically based upon advice received from Link Asset Services and are embedded in TMP4 [4]

**Country and sector considerations** - Due care will be taken to consider the country, group and sector exposure of the Council's investments. In addition:

- no more than £5m will be placed with any non-UK country at any time;
- limits in place above will apply to Group companies;
- Sector limits will be monitored regularly for appropriateness.

**Use of additional information other than credit ratings** – Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties.

There is a further treasury prudential indicator limiting the amount placed for greater than 364 & 365 days:

<b>£m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>
<b>Maximum principal sums invested either &gt; 364 or &gt;365 days</b>	14	5	0	0

##### **Loans:**

- 1 An interest-free loan of £50,000 to the Mid-Norfolk Railway Preservation Trust for a period of twenty five years with no payment for the first five years (1998 – 2002), followed by £2,500 each year after.
- 2 Car loans to employees with the length and rate of the loans in line with the Breckland *Assisted Car Purchase Scheme* guidelines.
- 3 Salary sacrifice schemes with the length of repayments in line with the Breckland salary sacrifice scheme guidelines

- 4 As agreed at ARP Joint Committee 10<sup>th</sup> June 2015 (and Council 3<sup>rd</sup> September 2015) allow a loan of £10,000 to ARP Trading to cover initial working capital requirements
- 5 As agreed at the Governance and Audit Committee 25<sup>th</sup> July 2015 (and Council 3<sup>rd</sup> September 2015) allow loans to be made to Breckland Bridge Ltd to enable the Council to exercise its “option to finance” agreed projects (in addition to the Riverside funding approved at Council on 26<sup>th</sup> March 2015)
  - a. Any loans to be approved by the S151 Officer on a project by project basis, subject to the project being part of a business plan approved by Council and the necessary due diligence being undertaken.
  - b. The total value of loans not to exceed £5m at any one time and no loans to be made for periods in excess of 2 years without prior approval of the Governance and Audit Committee and Full Council

All limits to be operated on a pragmatic basis relating to the particular circumstances.

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

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 principal on which this will be based is a clear distinction between 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 *Executive Director Commercialisation & S151* will ensure that the reasons are properly reported in accordance with TMP 6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The *Executive Director Commercialisation & S151* will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover TMP 5[1].

The *Executive Director Commercialisation & S151* will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. Procedure notes are maintained by the Senior Accountant (Capital and Treasury).

The delegations in respect of treasury management are set out in TMP 5 [2]. *Executive Director Commercialisation & S151* will fulfil all such responsibilities in accordance with the organisation's policy statement and TMP's and the Standard of Professional Practice on Treasury Management.

### **TMP 5 [ 1]**

#### **Statement of responsibilities**

Reporting lines for Treasury Management are:

Section 151 responsibilities are delegated to the *Executive Director Commercialisation & S151*

*Executive Director Commercialisation & S151* □ *Chief Accountant* □ *Senior Accountant (Capital and Treasury)* □ *Finance Officers (as described below)*.

*Executive Director Commercialisation & S151* is responsible for the management of all the Council's borrowing and cash deposit operations, which is then delegated to the Chief Accountant.

The Senior Accountant (*Capital and Treasury*) (*post number P0020*) is responsible for the day to day operation of Treasury Management.

- (a) Ensure compliance with Treasury Management Policy
- (b) Ensure the Council is aware of market conditions and risk verses profit factors
- (c) Monitoring council's cash flow and optimising cash deposits to meet with the interest requirements of the medium term financial plan.
- (d) Recommending value and maturity dates for cash deposits and maintaining all the necessary paperwork
- (e) Verification and authorisation of payments and beneficiary data base
- (f) Authorisation of inter account transfers
- (a) Liaising with Brokers, Link Asset Services and other financial institutions regarding interest rates
- (g) *Finance Officers - P0021, P1179 and P0028* act as additional authorisers and inputting UK payments and inter account transfers

The Finance Officer's post number's P1180, P1181 and F1238 are responsible for:

- (a) Inputting UK payments and inter account transfers
- (b) Maintaining all the necessary paperwork
- (c) Monitoring the day to day cash position to ensure the council does not need to make use of its overdraft facility

## **TMP 5 [2]**

### **Delegation of Treasury Management responsibilities**

1. This Council 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 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.
2. The Authority will receive reports on its treasury 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 monitoring of its treasury management policies and practices to the Governance and Audit Committee, and for the execution and administration of treasury management decisions to the *Executive Director Commercialisation & S151*, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
4. The organisation nominates the Governance and Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

## **TMP 5 [3]**

### **Governance arrangements for decision making in relation to non-treasury investments**

The delegation of responsibility for non-treasury investments varies depending on the value and the nature of the investment. The constitution sets out the standard procedures and other specific delegations will be used as appropriate. All decisions will follow the relevant approval route and the decision will be recorded

All requests to approve spend will follow the procedures as set out in the Capital Strategy to ensure that the balance of risk and reward is fully considered.

## **TMP 6 REPORTING REQUIREMENTS and MANAGEMENT INFORMATION ARRANGEMENTS**

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 (Governance and Audit Committee) will receive:

- An annual report on the activity in the Treasury Management operation in the preceding financial year, such reports to be submitted as soon as possible after 30th September in the succeeding financial year.
- An annual report on the strategy and plan to be pursued in the coming year and on the need to review the requirements for changes to be made to the Treasury Management Strategy Statement.
- Mid-year review of treasury activity (including non-financial investments)
- Notification of new cash deposits via e-mail, as and when they occur

Cabinet will receive:

- Quarterly Financial performance report on Security, Liquidity and Yield

Performance Board will receive

- Information on any non-financial performance indicators that are Red or Amber if applicable

## **TMP 7 BUDGETING, ACCOUNTING and AUDIT ARRANGEMENTS**

The *Executive Director Commercialisation & S151* will prepare, and 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 TMP 1 risk management, TMP 2 performance measurement and TMP 4 approved instruments, methods and techniques.

The *Executive Director Commercialisation & S151* will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP 6 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 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.

## **TMP 8 CASH FLOW AND CASH FLOW MANAGEMENT**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the *Executive Director Commercialisation & S151*, 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 *Executive Director Commercialisation & S151* will ensure that these are adequate for the purposes of monitoring compliance with TMP 1 [2] liquidity risk management.

## **TMP 9 MONEY LAUNDERING**

*Whilst the Council is not directly required to implement the requirements of the Money Laundering Regulations 2017 (except through this TMP), the implications of the Terrorism Act 2000 (amended by the Anti-Terrorism and Security Act 2001 and terrorism Act 2006) and the Proceeds of Crime Act 2002 (amended by the Serious organised Crime and Police Act 2005 and the serious Crime Act 2015) place an onus of responsibility on individuals associated with the treasury process to consider its implications.*

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.

Other related policies are the Anti-Fraud and Corruption Policy and the Whistle Blowing policy.

## **TMP 10 STAFF TRAINING AND QUALIFICATIONS**

### **TMP10 [1] – Staff training and qualifications (including non-financial investments)**

The Council recognises the importance of ensuring that all staff involved in the Treasury Management **function and non- treasury investments** is 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 *Executive Director Commercialisation & S151* will recommend and implement the necessary arrangements as part of the annual performance and development review.

## **TMP 11 USE OF EXTERNAL SERVICE PROVIDERS**

The Council 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 fully evaluated against 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 over reliance on one or a small number of companies. Where services are subject to a formal tender or re-tender arrangements, legislative requirements will also be observed as well as Breckland Council financial regulations. The monitoring of such arrangements rests with the *Executive Director Commercialisation & S151*.

### **TMP 11 [1]**

#### **Brokers and Direct Deals**

*There are various approved Brokers available for use, the main Brokers available are (but not limited to):*

*Sterling Brokers Ltd  
Tradition U.K.  
R P Martin*

*In addition to the use of Brokers, the Treasury Management team also deal directly with some Banks & Building Society's, providing there are on the approved Counterparty list and also use Agency services for deals as follows:*

*Kings and Shaxson Limited  
Link Agency Treasury Services*

**TMP11 [2]**

The Council does not have a retained advisor for non-financial investments but subject to procurement rules will engage the use of external advice on legal and property matters as required.

**(xii) TMP 12 CORPORATE GOVERNANCE**

Breckland 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.