

**ISLE OF ANGLESEY COUNTY COUNCIL**

<b>REPORT TO:</b>	<b>AUDIT COMMITTEE</b>	
<b>DATE:</b>	<b>06 DECEMBER 2016</b>	
<b>SUBJECT:</b>	<b>TREASURY MANAGEMENT PRACTICES (TMP)</b>	
<b>LEAD OFFICER:</b>	<b>MARC JONES</b>	
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<b>Nature and reason for reporting</b>		
For scrutiny - consistent with professional guidance.		

1. This report is presented to ensure that the Council is implementing best practice in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management. The code recommends that the Council document their treasury management procedures as Treasury Management Practices (TMPs)
2. The CIPFA Code of Practice on Treasury Management (Section 7) recommends that the Authority's Treasury Management Practices (TMPs) should be approved, documented and monitored. It goes on to state that the nature and extent of the involvement of an organisation's responsible body in approving and monitoring its TMPs and accompanying schedules is a matter for local decision and recognises that in some organisations this may be delegated to the responsible officer. In all cases it should be subjected to scrutiny by the responsible body following recommendations by the responsible officer. Appendix 1 presents the Authority's TMPs.
3. Recommendations:
  - To note the contents of this covering report;
  - To endorse the Treasury Management Practices included in Appendix 1.

## Isle of Anglesey County Council

### Treasury Management Practices

#### Introduction

The Council is committed to implementing best practice and to complying with the CIPFA Code of Practice on Treasury Management (2011) in all aspects of its Treasury Management.

Treasury Management is the management of the Council's cash-flows and investments to ensure that there is sufficient cash to pay the authority's bills on a day-to-day basis. Any surplus cash is invested in accordance with the Authority's Treasury Management Strategy Statement (TMSS).

Another important aspect of Treasury Management is the management of the Council's debt portfolio to ensure that loans are only taken out to fund capital expenditure and that all loans are affordable. The key objectives of the TMSS is that Treasury Management activities are low risk and will ensure that the authority has access to cash to meet its cash-flow needs.

The Code states that all authorities are required to produce a statement of Treasury Management Practices (TMPs). Section 7 and schedule 2 of the code include suggestions on what should be included in authorities' Treasury Management Practices. To ensure compliance with the Code and good practice these Treasury Management Practices endorse and include many of the suggestions provided in the CIPFA Code. These Treasury Management Practices also take into account and supplement the Authority's Treasury Management Strategy Statement.

#### TMP1 Risk Management

The Head of Function (Resources) / S151 Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. The Head of Function (Resources) / S151 Officer will report at least annually on the adequacy/suitability of treasury risk management practices, and will report, as a matter of urgency any actual or likely difficulty in achieving the organisation's objectives in this respect, 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 below.

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

Credit and counterparty risk management relates to minimising the risks to the council from loss of investment monies or breach of a borrowing arrangement with reference to counterparties reduced creditworthiness. The Council regards the security of its deposits and investments to be the key objective of its TMSS. The Council will ensure that the organisations with whom funds may be deposited or invested are selected on a prudent basis i.e. with caution with the security of the investment in mind not their rate of return. The Treasury Management Strategy Statement lists the minimum criteria an organisation must meet for deposits and investments. This includes cash-limits; time limits and the list of approved countries for investments. These provide additional controls in order to reduce risks (see Table 1).

**Table 1 Extract from TMSS 2017/18 – Counterparty Criteria**

Category	Short Term Credit Rating (Fitch)	Short Term Credit Rating (Moody's)	Short Term Credit Rating (Standard & Poor's)	Long Term Credit Rating (Fitch)	Long Term Credit Rating (Moody's)	Long Term Credit Rating (Standard & Poor's)	Cash Limit	Time Limit
Bank and Building Societies (not nationalised or part nationalised)	F1+	P-1	A-1+	AAA	Aaa	AAA	£10m	5 years
	F1+	P-1	A-1+	AA	Aa2	AA	£10m	3 years
	F1+	P-1	A-1+	AA-	Aa3	AA-	£10m	364 days
	F1	P-1	A-1	A	A2	A	£7.5m	6 months
Nationalised / Part Nationalised UK Banks	n/a	n/a	n/a	n/a	n/a	n/a	£10m	364 days
UK Central Government (irrespective of credit rating)	n/a	n/a	n/a	n/a	n/a	n/a	No maximum	No maximum
UK Local Authorities**	n/a	n/a	n/a	n/a	n/a	n/a	£5m	364 days
Money Market Funds	n/a	n/a	n/a	AAA	AAA	AAA	£5m	6 months

\* as defined in the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003

\*\* as defined in the Local Government Act 2003

\*\*\* Counterparty refers to the organisations that the Council invests in surplus balances in

<b>Criteria for creating and managing approved counter-party lists/limits</b>	<ul style="list-style-type: none"> <li>The Head of Function (Resources)/S151 is responsible for setting prudent criteria; with advice from the Council's Treasury advisors;</li> <li>The criteria will be included in the annual Treasury Management Strategy Statement (TMSS) each year;</li> <li>The criteria will be scrutinised by the Audit and Governance Committee and will be approved by the Executive and Full Council;</li> <li>The Council's Treasury Management advisors will advise on credit policy and creditworthiness.</li> </ul>
<b>Procedures for changing limits and changes to counterparties</b>	<ul style="list-style-type: none"> <li>All changes relating to counterparty limits and / or criteria within the TMSS will be scrutinised by Audit and Governance Committee and will be submitted to the Executive and subsequently Council for approval.</li> </ul>
<b>Counterparty Lists and Limits</b>	<ul style="list-style-type: none"> <li>Counterparties and market conditions will be monitored regularly. The Council receives information and advice from the Council's specialist Treasury Management Consultant to help monitor counterparties;</li> <li>A full individual listing of counterparties and their limits will be maintained. These will be in accordance with the criteria and limits set within the TMSS. The Section 151 Officer will approve any amendments to the list of counterparties in so far as they are consistent with the TMSS approved by Full Council. Any changes which do not fall within the TMSS will require an amendment to the TMSS if the change is necessary to achieve its key aims i.e. to ensure secure investments. The TMSS including the revised counterparty criteria will then go to Full Council for approval after being scrutinised by Audit and Governance Committee and considered by the Executive;</li> <li>Any investment in any counterparty which falls below the Council approved minimum criteria will be called back and invested in counterparties which do meet the minimum requirements and in accordance with the list. Where the Council is locked into a fixed-term arrangement, the investment will have to remain until the end of the term but will then be returned and invested in counterparties which do meet the criteria and who are on the list;</li> </ul>

	<ul style="list-style-type: none"> <li>The investments will be diversified as far as possible within the confines of ensuring the investment is secure.</li> </ul>
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## 1.2 Liquidity Risk Management

Liquidity risk management aims to protect the Council from running out of cash to ensure that the Council can pay its day-to-day costs. This 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 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 finance future debt maturities. (see section 3.4 of the TMSS 2017/18 for additional information). In addition, the organisation may need to convert previous internal borrowing into external borrowing to ensure the ongoing liquidity of the organisation.

<b>Cash-flow Forecast and Daily Cash-flow Management</b>	<ul style="list-style-type: none"> <li>An annual forecast of cash-flow balances is maintained covering a twelve-month period. This is to help inform more medium and long-term investment decisions;</li> <li>The Treasury Management team will ensure that the balance on the main bank accounts is adequate to minimise the risk of any increased charges from an overdraft and to maximise interest receivable;</li> <li>The banking arrangements have been implemented so that all bank accounts under the corporate contract with the Council's bank are taken into account when determining the Council's overall balance. This means, that if any account is overdrawn, if the other accounts are in credit to the amount overdrawn or more the council will not be in an overdraft position. There is no approved overdraft facility, however, the bank will honour all payments in the unlikely event of an overdraft for a small charge;</li> <li>A minimum £5m will be kept in instantly accessible investments. This is consistent with the rule of thumb minimum level of £5m in Council general reserves.</li> </ul>
<b>Duration of investments</b>	<ul style="list-style-type: none"> <li>Balances are generally held in short-term investments in line with the low risk and liquidity aims of the TMSS. This ensures that the Council has access to cash as needed;</li> <li>Balances will be transferred from the general account to short-term investments when the interest/income is greater than the cost of transferring the balance taking into account transaction costs e.g. CHAPS fees. As a general rule a minimum balance of £200k will be maintained across all the Natwest accounts to reduce the risk of overdraft fees and interest, however, this may fluctuate by up to £50k if it is impractical to transfer to or from a counterparty;</li> <li>A maximum time limit and cash amount is set per investment/deposit to reduce risks. See table 1 above.</li> </ul>
<b>Other contingency arrangements</b>	<ul style="list-style-type: none"> <li>The Authority has used internal borrowing over a number of years to fund its capital programme. This has reduced the Council's cash balances in order to save on interest payable costs. If there is the risk of a shortfall of cash, the Council will externalise internal borrowing to the amount required to ensure liquidity and taking into account the minimum instantly accessible cash target of £5m as noted above;</li> <li>The Council can also borrow temporarily up to a maximum of 364 days from other local authorities or the money market should there be a cash-flow shortage during the year.</li> <li></li> </ul>

<b>Borrowing in advance of need</b>	<ul style="list-style-type: none"> <li>As a general rule the Council will not borrow in advance of need. However, in exceptional cases this may be considered with the approval of the Section 151 Officer and the Portfolio holder for Finance with a full business case.</li> </ul>
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### 1.3 Interest Rate Risk Management

Interest rate risk management relates to the actions taken by the Council to reduce the risk of increased interest costs and to maximise interest receivable, within the constraint that all investments need to be highly secure and relatively liquid. The Authority 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 arrangements.

<b>Approved interest rate exposure limits</b>	<ul style="list-style-type: none"> <li>The Council will use a combination of variable and fixed interest rate investments to maximise returns while minimising risks. The investments/deposits will be low risk counterparties investments rather than high interest return investments. Fixed interest rate investments will be in secure short-term investments which are higher than the variable rates offered;</li> <li>Similarly, the Council's debt portfolio is comprised of loans some of which charge a fixed interest rate and some a variable rate. However, the significant majority of the current portfolio is fixed rate interest to ensure certainty and maximise lower interest rates;</li> <li>The Section 151 Officer and TM team will monitor interest rates and will make investment and borrowing decisions which are the most cost effective at the time using up-to-date information provided by the Council's Treasury Management Consultants.</li> </ul>
<b>Trigger points and guidelines for managing changes to interest rates</b>	<ul style="list-style-type: none"> <li>The significant majority of the Authority's debt portfolio is fixed interest to ensure certainty and stability of payments and to avoid exposure to any potential increased costs;</li> <li>Re-financing decisions and unsupported borrowing decisions will also consider interest rates at the time;</li> <li>Re-financing will be considered viable if the discount received outweighs premium charges.</li> </ul>
<b>Minimum/maximum proportions of variable rate debt/ interest and fixed rate debt / interest</b>	<ul style="list-style-type: none"> <li>The upper limits for fixed rate and variable rate exposures are reviewed each year and documented in the TMSS.</li> </ul>
<b>Use of financial derivative</b>	<ul style="list-style-type: none"> <li>The Council will not use Financial Derivatives as these are considered too high risk for the aims of the Council's TMSS.</li> </ul>

## 1.4 Exchange Rate Risk Management

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

<b>Exchange rate Exposure limits</b>	<ul style="list-style-type: none"><li>• Investments/debt will all be made in sterling. The Council will not invest in other currencies as part of its Treasury Management practices as this would expose the Council to too high a risk and could compromise liquidity. The only time the Council will be exposed to exchange rate risks will be in relation to operational activities where a grant is paid to the Council in another currency or the Council is required to pay a supplier in another currency. The Council is exposed to the risk of interest rate fluctuations as European grants are paid at the exchange rate on the date of the grant claim. However, there is usually several months' delay in the payment of the grant. Any foreign currencies paid to the Council will be converted to Sterling as soon as possible.</li></ul>
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## 1.5 Refinancing Risk Management

Refinancing risk management relates to managing the Council's debt portfolio in a way which reduces the risk of increased costs from refinancing activities. The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented. The maturity profile of the monies borrowed 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. The Council 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.

<b>Debt/other capital financing maturity, policies and practices</b>	<ul style="list-style-type: none"><li>• The Council will seek to manage its debt portfolio and other capital financing sources in the most cost effective way. The Council will use the cheapest sources of capital financing available first and unsupported borrowing would be used if the financial business case is viable;</li><li>• The Council will use council cash balances and reserves for internal borrowing to reduce its capital financing costs if this is cost effective. However, there will be a limit to how much the Council can use internal borrowing. The Council will not use cash balances to internally borrow if it would compromise liquidity. The Internal borrowing should not be used where it would leave Council cash balances below £10m;</li><li>• Longer-term borrowing will be in accordance with the Prudential Code and will therefore be affordable;</li><li>• Longer-term borrowing will be in accordance with the Treasury Management Strategy Statement and prudential indicators, for example, borrowing will be kept within the authorised borrowing limit;</li><li>• Debt will be rescheduled only if it is cost effective i.e. if the discounts received are higher than the premiums charged for early termination of the loans. This would be to benefit from lower interest rates and to prevent a number of loans being repayable at the same time to an extent which would be too costly. The Council will take advice from its Treasury Management Consultants on the benefits and costs of rescheduling debt;</li></ul>
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	<ul style="list-style-type: none"> <li>• The debt portfolio will be managed in such a way to avoid any significant refinancing problems in the future. When considering new borrowing the maturities of the current debt portfolio must be assessed so as to avoid future problems;</li> <li>• Before any new borrowing is taken out an option appraisal must be completed to determine the most cost effective and affordable time period to take the loan for. This appraisal will also take into account the existing debt profile and any refinancing requirements. The differing types of loan should be considered to determine the optimal impact on the Council. For example whether to take out a maturity which is a loan repayable at the end of the period or an annuity where some of the loan is paid off each year in addition to interest. For example, a maturity is more appropriate when interest rates are low to maximise on the low interest rates. Annuities are more appropriate when interest rates are high and the Council would benefit from regular instalments on the principal loan and reduced interest costs as the principal reduces over time.</li> <li>• The Council's Treasury Management Consultants provide the Council with interest rate projections to support treasury management decisions on investment and borrowing. These projections are included in the TMSS each year.</li> </ul>
<p><b>Projected capital investment requirements</b></p>	<ul style="list-style-type: none"> <li>• The annual TMSS provides details of the actual capital expenditure and funding for the last audited financial year. It also includes, projections for the year before the TMSS period, the year of the TMSS and two years beyond. This helps to identify the capital programme financing needs for each year;</li> <li>• The Council's long-term borrowing requirement is linked to the capital financing requirement (CFR);</li> <li>• The Council will complete option appraisals to ensure the most cost effective methods of capital financing are selected and that cheapest sources of capital financing are applied first.</li> </ul>
<p><b>Policy concerning capital financials limits on revenue consequences</b></p>	<ul style="list-style-type: none"> <li>• The Council is bound by the Prudential code and the requirement that borrowing must be affordable; sustainable and prudent;</li> <li>• The Council's debt must not except in the short-term exceed the total of the Capital Financing requirement in the preceding year plus the next two financial years;</li> <li>• Capital and revenue budgeting are interlinked. Capital external financing incurs financial costs which impacts on the revenue budget through interest costs and the MRP;</li> <li>• The estimated capital financing costs for each forthcoming year are built into annual budget setting;</li> <li>• Capital financing costs are also taken into account longer term in the Medium Term Strategy for the Council which covers a three-year period;</li> </ul>

	<ul style="list-style-type: none"> <li>The Council's Capital Strategy approved in September 2016 highlights that one of the main priorities for the Council is to reduce revenue expenditure to deliver a balanced budget. The strategy advocates that new capital projects should be limited to the level of capital financing which does not incur additional revenue costs. The strategy requires that unsupported borrowing should only be considered where the relevant service budget can be reduced by a sum greater than the MRP and interest costs. This excludes the 21<sup>st</sup> Century Schools programme with Welsh Government which has already been committed to.</li> </ul>
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## 1.6 Legal and Regulatory Risk Management

Legal and regulatory risks relate to the risk that the Council or third parties dealing with Treasury Management on the Council's behalf, fail to act in accordance with the Authority's legal powers or regulatory requirements. 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 credit and counterparty policy under TMP1[1] *credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged. This organisation recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

<b>Legislation which impact on Treasury Management Activities</b>	<ul style="list-style-type: none"> <li>Local Government Act 2003;</li> <li>The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 No. 3239 (W. 319) and subsequent amendments including the most recent;</li> <li>The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2016;</li> <li>The Accounts and Audit (Wales) Regulations 2014 3362 (W337);</li> <li>CIPFA, Treasury Management Code 2011;</li> <li>CIPFA, Prudential Code 2013;</li> <li>CIPFA Code of Practice on Local Authority Accounting;</li> <li>Isle of Anglesey, Treasury Management Strategy Statement;</li> <li>Isle of Anglesey, Finance Procedures Rules;</li> <li>Isle of Anglesey, Contract Procedure Rules.</li> </ul>
<b>Procedures for evidencing the Council's powers/authorities to counterparties</b>	<ul style="list-style-type: none"> <li>The Authority's powers and duties are enshrined in law. The Local Government Act 1972 is a key legislation in relation to councils' functions. The Local Government Act (Wales) 1994 is important legislation which led to the creation of the unitary authorities in Wales of which the Isle of Anglesey County Council is one and provides the law for the transfer of functions from the former authorities;</li> <li>Section 3.5.3.5 of the Council's constitution outlines the delegated authority of the Head of Function (Resources)/Section 151 Officer. 3.5.3.5.3 provides the acknowledgement that this role will be the Council's responsible finance officer under Section 151 of the Local Government Act 1972. The Section 151 Officer's responsibility for Investment and Capital Planning is noted under 3.5.3.5.8. In addition, 3.5.3.5.17 outlines the Section 151 Officer's responsibility to manage the authority's borrowing, lending and banking arrangements;</li> </ul>



	<ul style="list-style-type: none"> <li>• Constitution 4.3 budget and policy framework procedure rules outline the responsibilities within the Council in relation to Budgeting and Policy;</li> <li>• Constitution 4.8 outlines the Authority's financial procedure rules;</li> <li>• Constitution 4.9 provides the contract procedure rules the Council is bound by;</li> <li>• These can all be shared with counterparties and are also available on the Council's website.</li> </ul>
<b>Information required from counterparties in relation to their powers/authorities</b>	<ul style="list-style-type: none"> <li>• The Council will only make investments / deposits in organisations which have been independently rated by three credible sources. These ratings have to be above the minimum credit rating as specified in the TMSS. The Council's Treasury Management Consultants provide information to assist the Authority with monitoring these on a regular basis;</li> <li>• Lending to third party organisations will be an exception and will only be made to organisations which have been subject to a thorough financial appraisal;</li> <li>• The Council will only undertake borrowing from approved sources such as the PWLB, other local authorities and other commercial banks who are on the Council's list of authorised institutions.</li> </ul>
<b>Statement on the Council's political risks and management of these risks</b>	<ul style="list-style-type: none"> <li>• Legislation is in place to regulate any internal political risks. The Local Government Act 2000 legislates on the conduct of Members and officers;</li> <li>• The constitution of the Council and schemes of delegation help to reduce political risks;</li> <li>• Adoption by Council of each annual TMSS and the CIPFA Treasury Management Code of Practice provide further risk reduction;</li> <li>• The Members' and officers' codes of conduct also provide a framework for reduced risk;</li> <li>• The organisation's Corporate Governance Framework and in particular compliance with TMP12 mitigate risk;</li> <li>• External political risks are mitigated by having a robust TMSS and Treasury Management Practices (TMPs). Daily updates from the Council's Treasury Management Consultant will support action needed to mitigate risks.</li> </ul>

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

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

<b>Systems and procedures to reduce the risk of loss through fraud, error and corruption</b>	<ul style="list-style-type: none"> <li>• There are several stages of segregation of duties which are outlined in TMP5 below. The Treasury Management team monitor cash-flows and recommend transfers. The initial arrangement of investments/deposits is completed by the Treasury Management team with the approval of the S151 officer or his deputies. The Treasury Management team are not involved in any processing of treasury management transactions;</li> </ul>
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	<ul style="list-style-type: none"> <li>• Treasury Management transactions are only made with counterparties which the Council is authorised to deal with. All of the transactions will go from/to the general account. Bank reconciliations are completed which would also mitigate against risks;</li> <li>• All treasury management transactions are processed via CHAPs using the Natwest online banking system. This is a secure system which in addition to passwords requires use of card readers to authorise transactions. Segregation of duties exists so that no team member with direct responsibility for Treasury Management has access to process payments/transfers. The officers in the technical team who process the payments/transfers are not involved with authorisation of payments/transfers;</li> <li>• The Natwest Bankline system has been set up to ensure segregation of duties and allows access levels to the appropriate level for example the Treasury Management team have view only access to bankline;</li> <li>• The Council has a List of named officers who have the authority to transact loans and transactions. Brokers and counterparties with whom the Council deals directly with are provided with a copy of the named officers;</li> <li>• Treasury management reconciliations are completed monthly as a quality control check;</li> <li>• The treasury management team use Logotech a specialist treasury management software to support monitoring of treasury management activities;</li> <li>• Internal audit will undertake regular audits of the Treasury Management function.</li> </ul>
<p><b>Emergency and contingency planning</b></p>	<ul style="list-style-type: none"> <li>• There is a hard copy of all treasury management decisions and activities;</li> <li>• All IT systems including the Treasury Management systems are backed up by the ICT function and can be restored;</li> <li>• Each service / function of the Council has a Business Continuity plan;</li> <li>• In the event of a failure of the Natwest bankline system, balances can be gained from the Natwest branch in Llangefni. Most treasury management transactions are moving towards internet banking. If a counterparty's online banking facility is not available, the relationship manager would be contacted for their alternative procedures. This would involve the bank separately contacting an authorised signatory for approval. If the Council's internet is not available an internet source as part of the smarter working agenda could be used.</li> </ul>
<p><b>Insurance cover details</b></p>	<ul style="list-style-type: none"> <li>• Fidelity Guarantee Insurance is taken out by the Council to protect itself against any fraudulent activity within Treasury Management activities. It provides for a guaranteed sum of £10m should any of the officers directly involved with treasury management cause loss to the Authority and £1m for any other employee.</li> </ul>

## 1.8 Market Risk Management

The 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.

<p><b>Approved procedures and limits for controlling exposure to investments whose capital may fluctuate</b></p>	<ul style="list-style-type: none"> <li>The Treasury Management Strategy Statement (TMSS) does not allow high risk investments which are likely to fluctuate. Investments can only be made in accordance with the criteria set out in the TMSS as approved by Council. Where the Council invests or temporarily borrows from money markets, these can only be in AAA rated funds which are diversified over a number of investments which reduces the exposure to risk and capital fluctuations. (The counterparty criteria is included in Appendix 6 of the TMSS 2017/18 and is included above in table 1)</li> </ul>
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### TMP 2 – Performance Management

The Authority 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. Value for money must be within the framework set out in the TMSS. Accordingly, the treasury management function will be the subject of ongoing 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 or subsidy incentives, and of the scope for other potential improvements.

<p><b>Methodology to evaluate the impact of treasury management decisions</b></p>	<ul style="list-style-type: none"> <li>The core aims of the TMSS is that treasury management activities will prioritise security, liquidity and then return. The function is therefore not judged solely on the returns made. Treasury management decisions are evaluated against its core aims;</li> <li>The Treasury Management Mid-year and Outturn reports enables scrutiny of the performance of the key Treasury Management aims;</li> <li>The Prudential indicators included in the TMSS and above reports are fundamental for monitoring treasury management activity;</li> <li>Treasury management returns and activity are also monitored quarterly in the Corporate Scorecards.</li> </ul>
<p><b>Methodology for testing value for money in treasury management</b></p>	<ul style="list-style-type: none"> <li>The treasury management function is currently provided in-house. The market could be tested at any time via sell2wales;</li> <li>The specialist Treasury Management Consultants/Advisory service is advertised on sell2wales at the end of each contract period. The current contract was subject to a tendering process last year via sell2wales. The successful tender was Capita Asset Services and the contract is from 1 April 2016 to 31 March 2019 with an option to extend for up to two years;</li> <li>Banking services are tendered every five years via Sell2Wales. The current contract is with Natwest which is effective from 3 February 2016;</li> </ul>

	<ul style="list-style-type: none"> <li>• There is an approved list of money-broking services, where advice from 3 brokers will be sought when formulating options for treasury management investments;</li> <li>• The Council does not use cash/fund management services as part of its treasury management activities. However, fund managers are used for a number of charitable trusts which the Council is trustee for.</li> </ul>
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TMP 3 – Decision-making and analysis

The Council will maintain full records of its treasury management decisions and of the procedures and practices applied in reaching those decisions. The Council will learn from its past experiences and decisions and will build on its successes and take action to avoid any negative issues which may arise. The Council will record decisions so that the Authority can demonstrate that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

<p><b>Delegated powers and record-keeping</b></p>	<ul style="list-style-type: none"> <li>• Council approves the Treasury Management Strategy Statement (TMSS) each year after being scrutinised by the Audit and Governance Committee and considered by the Executive, these decisions are recorded formally;</li> <li>• The Head of Function (Resources)/Section 151 Officer has the delegated authority for all aspects of treasury management. All decisions will comply with the TMSS. The treasury management team will provide options and recommendations for the Section 151 Officer to consider when a new investment or loan is required. This will be documented and signed off by the Section 151 Officer or his nominated deputy. Day-to-day decisions with existing counterparties are made by the treasury management team with one team member recommending a transaction and another more senior member of the team approving this recommendation.</li> </ul>
<p><b>Continuous improvement</b></p>	<ul style="list-style-type: none"> <li>• The Council will evaluate treasury management activities and seek to avoid any negative outcomes and build upon good practice and treasury management results. This is done on a day-to-day basis operationally;</li> <li>• On a more formal basis, treasury management will be evaluated through the mid-year and end of year treasury management reports which will be scrutinised by Audit and Governance Committee, considered by the Executive and Council;</li> <li>• The historic and forecast performance of prudential indicators are provided within the annual TMSS which is scrutinised by Audit and Governance Committee; considered by the Executive and approved by Council.</li> </ul>

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the scheduled below and within the limits and parameters defined in TMP1 Risk management and the Council’s TMSS. All instruments, methods and techniques will be focussed on those which offer greatest security and liquidity. The Council will aim to maximise yield within these two main priorities. The Authority will seek proper advice from its commissioned specialist treasury management consultants/adviser and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

<p><b>Approved Capital Financing instruments, methods and techniques</b></p>	<p><b><u>External:</u></b></p> <ul style="list-style-type: none"> <li>• Public Works Loan Board (PWLB);</li> <li>• Temporary money-market loans (up to 364 days);</li> <li>• Long-term money-market loans;</li> <li>• Bank overdraft (only in exceptional circumstances and if this is the cheapest option for a very short-term need);</li> <li>• Commercial loans;</li> <li>• Loans from other organisations if terms and conditions are favourable. The organisations will need to be authorised to lend and should be regulated;</li> <li>• Finance leases;</li> <li>• Operating leases;</li> <li>• Capital Government grants and European grants;</li> <li>• Capital Grants from other organisations for example, the National Lottery;</li> <li>• Contributions/donations;</li> <li>• PFI/PPP.</li> </ul> <p><b><u>Internal:</u></b></p> <ul style="list-style-type: none"> <li>• Capital receipts;</li> <li>• Revenue contributions;</li> <li>• Use of reserves.</li> </ul>
<p><b>Approved Investment instruments, methods and techniques</b></p>	<ul style="list-style-type: none"> <li>• The Council’s investment policy has regard to the Welsh Government’s Guidance on Local Government Investments (“the Guidance”) and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross-Sectorial Guidance Notes (“the CIPFA TM Code”). The Council’s investment priorities will be security first, liquidity second, and then return;</li> <li>• In accordance with the above guidance from the Welsh Government and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings;</li> </ul>

	<ul style="list-style-type: none"> <li>• As with previous practice, ratings will not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings;</li> <li>• Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.</li> </ul> <p>The following are approved investments in accordance with the TMSS:</p> <ul style="list-style-type: none"> <li>• Investments in banks and building societies which meet the minimum criteria in appendix 6 of the TMSS (see also table 1 above);</li> <li>• Nationalised/part-nationalised UK banks up in accordance with the TMSS;</li> <li>• UK Central Government;</li> <li>• UK Local authorities;</li> <li>• AAA rated money market funds in accordance with the TMSS.</li> </ul>
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TMP 5 – Organisation; clarity; segregation of responsibilities and dealing arrangements

The Council considers that effective control and monitoring of its treasury management activities is essential, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance. 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 Authority intends, as a result of lack of resources or other circumstances, to depart from these principles, the S151 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 responsible 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 below.

The responsible 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 scheduled below. The delegations to the responsible officer in respect of treasury management are also set out below. The responsible officer will fulfil all such responsibilities in accordance with the organisation’s policy statement, TMPs and, if a CIPFA member, the *Standard of Professional Practice on Treasury Management*.

<p><b>Scheme of delegation</b></p>	<ul style="list-style-type: none"> <li>• Full council approves the TMSS and receives a mid-year review report and end of financial year report on the performance of the treasury management function;</li> <li>• The Executive consider the TMSS, mid-year and end of year report and makes recommendations to Council;</li> <li>• The Audit and Governance Committee scrutinises the TMSS, mid-year and end of year treasury management reports and the TMPs;</li> <li>• The Head of Function/(Resources)/Section 151 Officer has delegated authority for treasury management;</li> <li>• The Head of Function/(Resources)/Section 151 Officer has delegated day-to-day treasury management duties to the Finance Manager – Corporate, Systems and Technical and the Treasury Management team and the Technical team. The Service Senior Accountants and above are delegated to authorise treasury management transactions;</li> </ul>
<p><b>Principles and practices concerning segregation of duties</b></p>	<ul style="list-style-type: none"> <li>• The Council considers that segregation of duties is key to ensure robust controls and reduce risks in its treasury management activities. The above scheme of delegation in relation to treasury management ensures that there are adequate checks and balances and segregation of duties in the treasury management function;</li> <li>• Balances are checked each morning and assessed against known income due and payments being made by a treasury management team member (TM);</li> <li>• If payments are expected to exceed the minimum balance in the Natwest accounts, the Treasury Management TM team member will complete a transfer form detailing all the information for a transfer into the Natwest general account to meet the day's cash-flow needs. The details will be checked by the TM officer's line manager or a Finance Manager or higher and authorised if correct;</li> <li>• This transfer form is then passed to the Technical team to process the transfer;</li> <li>• Transfers are then approved by authorised signatories which are not part of the Corporate, Systems and Technical team and who have not authorised the transfer form to ensure segregation of duties before the transfer can take place;</li> <li>• The balances are checked regularly during the day to ensure the transfers are completed. An entry is made in the cash-flow summary sheet for that day with morning and afternoon balances counter-signed by the TM officer's line manager, a Finance Manager, a Senior Accountant not involved in the processing or authorisation of any required treasury management transactions or higher;</li> <li>• Any balances which are cost effective to invest with an approved counterparty will also follow all four stages of segregation of duties as the transfers into the Natwest.</li> </ul>

<p><b>Treasury Management Organisation Chart</b></p>	<pre> graph TD     A[Head of Function (Resources)/Section 151 Officer] --&gt; B[Accountancy Services Manager]     B --&gt; C[Finance Manager – Corporate, Systems and Technical]     B --&gt; D[Service Finance Managers and Senior Accountants – authorised signatories]     C --&gt; E["Capital, Treasury Management and Trusts Team: 1 Senior Accountant 1 Accountancy Assistant: The team monitors cash-flows; researches treasury management options; liaises with brokers; capital financing and accounting"]     D --&gt; F["Technical Team – The team process treasury management transactions within bankline and with other counterparties"] </pre>
<p><b>Statement of duties/ responsibilities of each treasury post</b></p>	<p>The Head of Function (Resources)/Section 151 Officer has through the constitution delegated powers for the management of the Treasury Management function as follows:</p> <ul style="list-style-type: none"> <li>• recommending clauses, treasury management policy / practices for approval, reviewing the same regularly, and monitoring compliance;</li> <li>• submitting regular treasury management policy reports;</li> <li>• submitting budgets and budget variations;</li> <li>• receiving and reviewing management information reports;</li> <li>• reviewing the performance of the treasury management function;</li> <li>• ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;</li> <li>• ensuring the adequacy of internal audit, and liaising with external audit; and</li> <li>• recommending the appointment of external service providers.</li> </ul>



	<ul style="list-style-type: none"> <li>• Responsibility for the execution and administration of its Treasury decisions, including decision on borrowing, investment and financing, have been delegated to the Section 151 Officer, who will act in accordance with the Council's policy statements and TMPs;</li> <li>• The Accountancy Services Manager deputises for the Head of Function (Resources)/S151 Officer in relation to the above duties;</li> <li>• The Finance Manager – Corporate, Systems and Technical has responsibility for day-to-day management of the treasury management function;</li> <li>• The Capital, Treasury Management and Trusts team has responsibility for the operation of the Treasury Management function. This includes estimating future cash-flows; monitoring daily cash-flows; researching various options for investments and in the event of any new loans required and completing treasury management transfer requests authorised in line with the team's delegated powers. The team also produce the TMSS, the TMPs and treasury management reports;</li> <li>• The Technical Team process any treasury management transactions within the banking systems. The technical team will double check the information before entering the transactions;</li> <li>• The Service Finance Managers and Senior Accountants authorise treasury management transactions on the basis of documentary evidence that the transactions are appropriate.</li> </ul>
<b>Absence cover arrangements</b>	<ul style="list-style-type: none"> <li>• The Finance Manager – Corporate, Systems and Technical and Accountancy Services Manager will provide absence cover arrangements in the event of the two treasury management team members being absent.</li> </ul>
<b>Dealing limits</b>	<ul style="list-style-type: none"> <li>• £10m per deal.</li> </ul>
<b>List of Approved Brokers</b>	<ul style="list-style-type: none"> <li>• BGC Partners;</li> <li>• ICAP;</li> <li>• King and Shaxson;</li> <li>• RP Martin;</li> <li>• Tullet Prebon;</li> <li>• Tradition UK.</li> </ul>
<b>Policy on Brokers' Services</b>	<ul style="list-style-type: none"> <li>• The Council will use the above named brokers to research treasury management options and actions necessary. The S151 Officer or Accountancy Services Manager will authorise the deal request. The Council will seek information from three of the above named brokers for any potential treasury management transaction. The team will seek to spread the business between them to ensure value for money and maintain business relationships.</li> </ul>
<b>Policy on taping conversations</b>	<ul style="list-style-type: none"> <li>• Conversations with brokers are recorded by the broking organisations.</li> </ul>

<p><b>Direct dealing practices</b></p>	<ul style="list-style-type: none"> <li>• Dealing options will be researched by the treasury management team and recommendations for new deals will be made to the S151 Officer or his deputy;</li> <li>• The treasury management team members confirm the selected deal with the broker once agreed by the S151 Officer;</li> <li>• A treasury management request form is completed with backing information by the treasury management team;</li> <li>• A member of the technical team will enter the transaction into bankline and will check the details and that the S151 officer has approved the deal;</li> <li>• The online payment is authorised by two authorised signatories after the details and approval of the S151 Officer has been checked;</li> <li>• The online payment is processed by CHAPS once authorised;</li> <li>• Written confirmation is provided to the counterparty;</li> <li>• Written confirmation of the deal is received from the broker and/or counterparty and is checked carefully and signed by a Finance Manager or above;</li> <li>• Any differences in the documented confirmation from the broker and that negotiated will be investigated immediately and corrected;</li> <li>• The deal is recorded in the daily cash-flow and record of investments/loans as relevant;</li> <li>• Investments with a counter-party can be rolled-over with the permission of the Section 151 Officer or his deputy, this will reduce transaction costs.</li> </ul>
<p><b>Documentation requirements</b></p>	<ul style="list-style-type: none"> <li>• For each deal undertaken a record should be kept giving details of amount, period, counterparty, interest rate, dealing date, payments date(s), broker.</li> </ul> <p><b>Investments</b></p> <ul style="list-style-type: none"> <li>• deal ticket authorising the investment;</li> <li>• confirmation from the broker</li> <li>• confirmation from the counterparty</li> <li>• Chaps payment transmission document</li> </ul> <p><b>Loans:</b></p> <ul style="list-style-type: none"> <li>• deal ticket with signature to agree loan</li> <li>• confirmation from the broker</li> <li>• confirmation from PWLB/market counterparty</li> <li>• Chaps payment transmission document for repayment of loan.</li> </ul>

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. These will consider 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 will receive:-

- an annual Treasury Management Strategy Statement which reports on the 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 Audit and Governance Committee is responsible for scrutinising treasury management activities and indicators. The present arrangements and the form of these reports are detailed below:-

<p><b>Content and frequency of board/committee reporting requirements</b></p>	<ul style="list-style-type: none"> <li>• All of the above reports will first go to the Audit and Governance Committee for scrutiny. They will then go to the Executive with any advice from the Audit and Governance Committee. Executive will recommendations and the reports will go to Council for approval. Any breaches of the TMSS and TMPs will be reported to the Audit and Governance Committee which will decide what additional reporting and actions are needed;</li> </ul>
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TMP 7 – Budgeting, accounting and audit arrangements

The responsible officer will prepare and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management. 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 responsible 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; standards, statutory and regulatory requirements in force for the time being.

<p><b>Statutory/regulatory requirements</b></p>	<ul style="list-style-type: none"> <li>• The Council will comply with all statutory and regulatory requirements relating to Treasury Management (see 1.6 above). The CIPFA Treasury Management Code 2011 and the CIPFA Prudential Code 2013 incorporate these legal requirements and supplement with practical guidance. The Council has therefore adopted the code and will manage its treasury management function in line with the CIPFA codes.</li> </ul>
<p><b>Accounting practices and standards</b></p>	<ul style="list-style-type: none"> <li>• The Council will as noted above comply with the following CIPFA codes to ensure proper accounting practice and compliance with standards in relation to its treasury management function:-</li> <li>• CIPFA Code of Practice on Treasury Management 2011 and related guidance;</li> <li>• CIPFA Prudential Code 2013;</li> <li>• CIPFA SerCOP;</li> <li>• CIPFA Code of Practice on Local Authority Accounting and related practitioners' guide.</li> </ul>

<p><b>List of information requirements of external auditors</b></p>	<ul style="list-style-type: none"> <li>• Treasury management transactions, assets and liabilities are reported in the Council's annual Statement of Accounts which are subject to external audit;</li> <li>• The Council will provide access to all treasury management information that the audit team requires to verify that the accounts represent a true and fair view of the council's financial affairs including treasury management activities;</li> <li>• There are a number of specific notes in relation to treasury management. Each of these notes will have robust working papers, source evidence and transactions and balances held with the financial system relating to the financial year;</li> <li>• The following are examples of the types of treasury management information which will be needed for audit;</li> <li>• Treasury Management Strategy Statement;</li> <li>• Annual and mid-year treasury management report;</li> <li>• Treasury Management Practices;</li> <li>• New loans borrowed during the year, source documentation;</li> <li>• Complete list of loans outstanding and their maturity dates;</li> <li>• Loans restructured during the year including premiums and discounts;</li> <li>• Compliance with accounting requirements;</li> <li>• Amortisation of gains or losses on repurchase of borrowing;</li> <li>• Analysis of borrowing between short and long-term;</li> <li>• Debt financing and financing costs including calculations and workings;</li> <li>• MRP calculations and analysis of the movement in CFR;</li> <li>• Bank overdraft position (if any);</li> <li>• Brokerage, commissions and transaction related costs;</li> <li>• Investment transactions during the year including any transaction costs;</li> <li>• Cash and bank balances at year-end;</li> <li>• Short and long-term investments at yearend including source documents;</li> <li>• Calculation of interest and interest accrued;</li> <li>• Actual interest received;</li> <li>• Capita Fair Value report;</li> <li>• Evidence of title to investments;</li> <li>• Reconciliation of the movement in cash to the movement in net debt;</li> <li>• Cash inflows and outflows;</li> <li>• Net increase/decrease in short-term loans, short-term deposits and other liquid sources.</li> </ul>
<p><b>Internal Audit</b></p>	<ul style="list-style-type: none"> <li>• Internal audit review treasury management systems and test transactions on a regular basis. Any information requests by internal audit will be provided at the earliest opportunity and within 3 working days at the latest.</li> </ul>

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the S151 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 responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1[1] *liquidity risk management*. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

<p><b>Arrangements for preparing/submitting cash flow statements</b></p>	<ul style="list-style-type: none"> <li>• A detailed annual cash-flow forecast is prepared for each financial year following approval of the budget;</li> <li>• This will take into account the budget and will look at historical information;</li> <li>• The cash-flow forecast will provide estimates of cash inflows and outflows each month and will be reviewed regularly each month;</li> <li>• In addition, a daily cash-flow record of movements and balances is kept and updated morning and afternoon. This is signed off by either the Senior Accountant for Capital, Treasury Management or if it has been completed by the Senior Accountant his line manager or another Finance Manager, Senior Accountant or higher who is not involved with authorising any treasury management transactions that day;</li> <li>• The cash-flow forecast and daily cash-flow record helps with decision-making and the identification of cash shortages/surpluses;</li> <li>• Treasury management transactions and balances are recorded on the Council's treasury management software Logotech for monitoring and management information purposes.</li> </ul>
<p><b>Content and frequency of cash flow management</b></p>	<ul style="list-style-type: none"> <li>• Cash-flow is monitored morning and afternoon and the annual cash-flow forecast is reviewed regularly;</li> <li>• Information for the cash-flow is as follows:-</li> <li>• Regular known inflows: RSG, NNDR receipts; Council tax receipts;</li> <li>• Estimated inflows: grants, miscellaneous income (fees and charges etc.); capital receipts;</li> <li>• Estimated outflows: salaries, pensions, etc.; housing benefits; creditors' runs; etc.</li> </ul>
<p><b>Listing of sources of information</b></p>	<ul style="list-style-type: none"> <li>• Systems are in place to ensure that the treasury management team are notified of significant cash-flows. There is a specific Treasury Management email account to which creditors, payroll etc. send details of amounts to be paid out;</li> <li>• Creditors notify the team of the amount of each creditors' run which provides 2 days to ensure adequate cash balances;</li> <li>• Payroll confirm the payroll amounts 2 days before salaries are paid;</li> <li>• The legal and property services notify the team of any capital receipts expected;</li> <li>• The grants manager notifies the Treasury Management team of estimated grants usually once grant claim forms have been completed;</li> <li>• The team look at average miscellaneous income in the past to estimate this.</li> </ul>

<b>Bank Statements procedures</b>	<ul style="list-style-type: none"> <li>• Paper bank statements are sent monthly by Natwest and the counterparties we hold deposits in;</li> <li>• In addition, real-time access is available via bankline or the online banking facilities of counterparties.</li> </ul>
<b>Payment scheduling and agree terms of trade with creditors</b>	<ul style="list-style-type: none"> <li>• The Council pays creditors on the next creditor run after the invoices have been authorised. This is likely to be before the terms of trade has expired. This is to support the local economy and small businesses. However, if there were cash-flow difficulties the Council would re-consider and return to paying in accordance with terms of trade usually 30 days.</li> </ul>
<b>Arrangements for monitoring creditor/debtor levels</b>	<ul style="list-style-type: none"> <li>• The Civica financials system produces report which have been scheduled regularly to allow the management team to monitor creditor and debtor levels. Each quarter the bad debt provision is reviewed.</li> </ul>
<b>Procedures for banking of funds</b>	<ul style="list-style-type: none"> <li>• The norm is for funds to be transferred electronically;</li> <li>• Where cash is collected at authority venues for example, leisure centres, Securityplus collects these and pays the cash and cheques into the Natwest coin/cash centre;</li> <li>• Cash paid at the Council county offices and schools is paid into the closest Natwest bank at the earliest opportunity in line with the Finance Procedure Rules.</li> </ul>

## TMP 9 – Money Laundering

This organisation 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 involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed below.

<b>Policy and procedures to reduce risk of fraud, bribery and money laundering</b>	<ul style="list-style-type: none"> <li>• Treasury Management activities will follow the Council's policies below to reduce the risk of fraud, bribery and money laundering:</li> <li>• Isle of Anglesey County Council Policy for the prevention of fraud and corruption, 2012;</li> <li>• Fraud response plan 2012;</li> <li>• The Section 151 Officer is the officer to whom money laundering concerns are raised.</li> </ul>
<b>Procedures for establishing identity/ authenticity of lenders</b>	<ul style="list-style-type: none"> <li>• The Council will only enter into borrowing arrangements with organisations which have been checked with the Financial Services Authority <a href="http://www.fsa.gov.uk">www.fsa.gov.uk</a> and with advice from our specialist Treasury Management Consultants.</li> </ul>
<b>Methodology for identifying sources of deposits</b>	<ul style="list-style-type: none"> <li>• All counterparties will be on the approved counterparty list and will comply with the TMSS. All counterparties will be rated organisations on the credit ratings list provided by Capita. These have long and short-term ratings from Fitch, Moodys and S&amp;P.</li> </ul>
<b>Treasury Management transactions</b>	<ul style="list-style-type: none"> <li>• The Council's segregation of duties documented above in TMP 5, reduces the risk of money laundering and fraud.</li> </ul>

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.

The Section 151 Officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

<b>Details of approved training courses</b>	<ul style="list-style-type: none"> <li>• CIPFA and Capita Treasury Management courses.</li> </ul>
<b>Details of approved qualifications</b>	<ul style="list-style-type: none"> <li>• CCAB accountancy qualifications, AAT, specific accredited Treasury Management qualifications.</li> </ul>
<b>Details of qualifications of treasury staff</b>	<ul style="list-style-type: none"> <li>• The Senior Accountant – Capital, Treasury Management and Trusts is a qualified CIPFA member and has a degree in Accounting and Finance;</li> <li>• The Finance Manager – Corporate, Technical and Systems is a qualified CIMA member, has a degree in Management Science – Economics and an MA in law.</li> </ul>
<b>Records of training received by training staff</b>	<ul style="list-style-type: none"> <li>• The team regularly attend CIPFA and Capita Treasury Management Courses to keep up-to-date with Treasury Management requirements;</li> <li>• Training records are kept by the function’s Training Coordinator and HR.</li> </ul>
<b>Records of training received by those charged with governance</b>	<ul style="list-style-type: none"> <li>• Members’ training is provided on an annual basis by Capita. Some members of SLT and the treasury management team attend these.</li> </ul>

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value in 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 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. And 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 responsible officer, and details of the current arrangements are set out below:-

<p><b>Details of contracts with service providers, including banking, brokers, consultants, advisers and details of the services provided</b></p>	<p><b><u>Banking:</u></b></p> <ul style="list-style-type: none"> <li>• The Councils main bankers are: NatWest which is part of the RBS group, Glanhwfa Road, Llangefni, Anglesey, LL77 7YW;</li> <li>• The Council also has accounts with Santander and the Cooperative bank for post office GIROs and paypoint.</li> </ul> <p><b><u>Treasury Advisor:</u></b></p> <ul style="list-style-type: none"> <li>• Capita Asset Services, 71 Victoria Street, Westminster, London, SW1H 0XA.</li> </ul> <p><b><u>Brokers:</u></b></p> <ul style="list-style-type: none"> <li>• BGC Partners;</li> <li>• ICAP;</li> <li>• King and Shaxson;</li> <li>• RP Martin;</li> <li>• Tullet Prebon;</li> <li>• Tradition UK.</li> </ul> <p><b><u>BACS Transmissions</u></b></p> <ul style="list-style-type: none"> <li>• Bottomline technologies.</li> </ul>
<p><b>Regulatory status of services provided</b></p>	<ul style="list-style-type: none"> <li>• All are regulated organisations.</li> </ul>
<p><b>Procedures and frequency for tendering services</b></p>	<ul style="list-style-type: none"> <li>• The Council is bound to follow the Contract Procedure rules which are part of the constitution. All contracts likely to be £25k or higher have to be advertised on sell2wales. The treasury management consultancy contract was also advertised on sell2wales and evaluated robustly even though the contract amount was less than the mandatory amount;</li> <li>• Contract periods are recommended as 3 years with up to 2 years option to extend with the agreement of both parties.</li> </ul>



The Authority 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 Code. This, together with the other arrangements detailed throughout this document, are considered vital to the achievement of proper corporate governance in treasury management. The S151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

<p><b>List of public documents to be made available for public inspection</b></p>	<ul style="list-style-type: none"> <li>• Annual Statement of Accounts;</li> <li>• Treasury Management Strategy Statement;</li> <li>• Mid-year Treasury Management Report;</li> <li>• Annual Treasury Management Report;</li> <li>• Treasury Management Practices.</li> </ul>
<p><b>Procedures for consultation with stakeholders</b></p>	<ul style="list-style-type: none"> <li>• Stakeholders are consulted on the annual budget each year which includes treasury management revenue budgets.</li> </ul>
<p><b>List of external funds managed on behalf of others and the basis of attributing interest earned and costs to these investments</b></p>	<ul style="list-style-type: none"> <li>• There are a number of appointeeship/guardianship accounts managed by the Council on behalf of individuals. These are not part of the Corporate Contract but are with the Council's banker Natwest. Any costs attributable to the accounts will be charged to the accounts and any interest earned will also be paid on an actual basis for that account;</li> <li>• The Council is trustee to a number of charitable trusts and smaller trusts. The average interest rate on deposits is applied to these trusts' balances. Where the trust has its own specific bank account the trust will receive actual interest earned on that account. Each trust is charged costs relating to the administration and management of the trusts in accordance with the Charities Commission;</li> <li>• The Council sometimes holds money on behalf of organisations for example, Advance Payment Code (APC) Bonds where the Council will hold money as a guarantee until the organisation has fulfilled its contractual requirements. Interest is paid as the average on deposit accounts on the principal sum. Often the law will prescribe how interest is paid and what costs can be charged;</li> <li>• Other deposits, bonds advance payments will accrue interest at the average rate on all deposit accounts for the year unless there is a specific account for that deposit, bond or prepayment where actual interest is earned.</li> </ul>

**Date scrutinised by Audit and Governance Committee:** 6 December 2016

**Date Approved by the Head of Function (Resources)/Section151 Officer:** 6 December 2016

**Author:** Claire Klimaszewski

**Date for Review:** November 2019 or earlier if there is a policy change included in the TMSS

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