

# Bedfordshire and Fire and Rescue Service



## Fire and Rescue Service

### TREASURY MANAGEMENT PRACTICES

2016/17

## **TREASURY MANAGEMENT PRACTICES**

The Treasury Management Practices (TMPs) set out the manner in which this Authority will seek to achieve its treasury management policies and objectives and how it will arrange and control these activities.

The following Treasury Management Practices are in accordance with the requirements of the CIPFA Code on Treasury Management in the Public Services:

	<b>Page</b>
<b>TMP 1</b> Treasury Risk Management	3-15
<b>TMP 2</b> Performance Measurement	16-17
<b>TMP 3</b> Decision-making and analysis	18-19
<b>TMP 4</b> Approved instruments, methods and techniques	20-21
<b>TMP 5</b> Organisation, clarity and segregation of responsibilities, and dealing arrangements	22-25
<b>TMP 6</b> Reporting requirements and management information arrangements	26-28
<b>TMP 7</b> Budgeting, accounting and audit arrangements	29-30
<b>TMP 8</b> Cash and cash flow management	31
<b>TMP 9</b> Money Laundering	32-37
<b>TMP 10</b> Training and Qualifications	38-39
<b>TMP 11</b> Use of external service providers	40-41
<b>TMP 12</b> Corporate Governance	42

## **TMP1 RISK MANAGEMENT**

The Head of Finance and Treasurer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6, Reporting Requirements and Management Information Arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set below.

### **1. Credit and Counterparty Risk Management**

This Authority regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques as listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

#### **1.1. Policy on the Use of Credit Risk Analysis Techniques**

1. The Authority will use credit criteria in order to select creditworthy counterparties for placing investments with.
2. Credit ratings will be used as supplied from all three rating agencies - Fitch, Moodys and Standard and Poors.
3. Treasury management consultants will provide regular updates of changes to all ratings relevant to the Authority.
4. The responsible officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.

<b>Minimum Ratings 1</b>	<b>Fitch</b>	<b>Moodys</b>	<b>Standard &amp; Poors</b>
Short-term	<b>F1+</b>	<b>P1</b>	<b>A1+</b>
Long-term	AA-	Aa3	AA-
Individual*	C	C	n/a
Support	3	n/a	n/a

\* Moodys Financial Strength Rating

Maturity limits will vary from three to twelve months. The maximum limit being twelve months and guidance will be taken from Capita Asset Services creditworthiness service based on using colour, as shown below:

- Purple 2 years
  - Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
  - Orange 1 year
  - Red 6 months
  - Green 3 months
  - No Colour Not to be used for Investments
5. Credit ratings for individual counterparties can change at any time. The Head of Finance and Treasurer is responsible for applying approved credit rating criteria for selecting approved counterparties. Treasury Management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.
  6. This organisation will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including:
    - The quality financial press
    - Market data
    - Information on government support for banks and
    - The credit ratings of Banks/Building Societies that government support
  7. Maximum maturity periods and amounts to be placed in different types of investment instrument are as follows:
    - UK and Foreign Banks with a short-term rating of F1 or F1+ and a long-term rating of AA- or higher.
    - UK Building Societies with a short-term rating of F1 or F1+ and a long-term rating of AA- or higher.
  8. Diversification: this organisation will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following:
    - Maximum amount to be placed with any one institution - £5m.
    - Group limits where a number of institutions are under one ownership – maximum of £7m.
    - Capita limits.
    - Country limits – a minimum sovereign rating of AA- is required for an institution to be placed on our approved lending list.
  9. Investments will not be made with counterparties that do not have a credit rating in their own right.
  10. Full individual listings of counterparties and counterparty limits as at 19<sup>th</sup> February 2016 is attached at Annex A.

## 2. **Liquidity Risk Management**

This Authority 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.

This Authority 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.

The Treasury Management Section shall seek to minimise the balance held in the Authority's main bank accounts at the close of each working day. Borrowing or lending shall be arranged in order to achieve this aim. At the end of each financial day any unexpected surplus funds are transferred to the SIBA (Special Interest Bearing Account) account which is available from the Authority's main bank. The balance on this account is instantly accessible if the group bank account becomes overdrawn. Should this balance exceed the Group Limit then excess funds will be transferred to the Authority's Barclays account. The balance on the Barclays account is also instantly accessible.

- All payments over £50,000 have to be authorised by the Head of Finance and Treasurer.
- There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

## 3. **Interest Rate Risk Management**

This 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.

It will achieve this 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. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

The details of the Authority's views on interest rates are laid out for the coming financial year in the Treasury Management Strategy Report in the prior year to the activity.

The Treasury Management Strategy Report to the Authority each year approves the following limits:

- Authorised limit for external debt
- Operational boundary for external debt
- Upper limit on fixed interest rate exposures
- Upper limit on variable interest rate exposures
- Upper and lower limits for the maturity structure of borrowing
- Total principal sums invested for periods over 364 days

The indicator for the authorised limit for external debt is the maximum the Authority will allow itself to borrow in each financial year. It includes long-term debt, overdrafts, other long-term liabilities and short-term borrowing (to cover temporary cash shortages).

The operational boundary is the day-to-day or 'normal' limit for borrowing. It includes all long-term debt plus the normal overdraft limit.

#### 4. **Exchange Rate Risk Management**

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

The Authority will, as far as possible, limit its exposure to exchange rate fluctuations by ensuring as many transactions as possible are carried out in sterling.

#### 5. **Refinancing Risk Management**

This Authority 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.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

The Authority will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- a. the generation of cash savings at minimum risk;
- b. to reduce the average interest rate;
- c. to amend the maturity profile and /or the balance of volatility of the debt portfolio.

The maturity profile of the Authority's debt will be reviewed regularly in association with the Authority's Treasury Management Advisers where necessary. Such reviews will seek to determine whether or not market conditions are suitable for refinancing any of the Authority's debt to allow more advantageous borrowing terms. The revenue consequences of refinancing will be evaluated prior to the transaction being completed. The effect on the maturity profile prudential indicator will be analysed to ensure that any changes to the profile are within limits. Any rescheduling would only be undertaken after consultations between the Head of Finance and Treasurer.

*Rescheduling will be reported to the FRA (Fire and Rescue Authority) at the meeting immediately following it's action/in the annual review report.*

## **5.1 Projected Capital Investment Requirements**

The responsible officer will prepare a four year plan for capital expenditure for the Authority. The capital plan will be used to prepare a four year revenue budget for all forms of financing charges.

The definition of capital expenditure and long term liabilities used in the Code will follow recommended accounting practice as per the Code of Practice on Local Authority Accounting.

In considering the affordability of its capital plans, the Authority will consider all the resources currently available/estimated for the future together with the total of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the three following years and the impact these will have on council tax. It will also take into account affordability in the longer term beyond this four year period.

The Authority budgeted for revenue contributions for capital expenditure in the 2015/16 budget and continues to do so in the 2016/17 revenue budget.

The Authority will use the definitions provided in the Prudential Code for borrowing (65), capital expenditure (66), capital financing requirement (67), debt (68), financing costs (69), investments (70), net borrowing (71), net revenue stream (72), other long term liabilities (73).

## **6. Legal and Regulatory Risk Management**

This Authority 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 Authority 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.

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

- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2011
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2011
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- LAAP Bulletins
- Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
- Local Government Act 2003
- SI 2003 No 3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- SI 2004 No 533 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- SI 2003 No 3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- SI 2004 No 534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- Guidance on Investments ODPM 12.3.2004 (revised 1.4.10)
- Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006 Statutory Instrument No. 521
- SI 2007 No 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
- SI 2008 No 414 f(Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- SI 2009 No 321 (Capital Finance and Accounting) (Amendment) (England) Regulations 2009
- SI 2009 No 2272 The Local Authorities (Capital Finance And Accounting) (England) (Amendment) (No.2) Regulations 2009
- SI 2009 No 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- SI 2010 No 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- Revised Guidance on Investments CLG 1.4.2010
- PWLB circulars on Lending Policy
- Financial Services Authority's Code of Market Conduct
- The Authority's Standing Orders relating to Contracts



- The Authority's Financial Regulations
- The Authority's Scheme of Delegated Functions

## 6.1 Procedures for Evidencing the Authority's Powers to Counterparties

The Authority's powers to borrow and invest are contained in legislation:

Investing: Local Government Act 2003, Section 12

Borrowing: Local Government Act 2003, Section 1

In addition, it will make available on request the following:

- the Scheme of Delegation of Treasury Management activities which is contained in the Annual Investment Strategy, Appendix 6, which states which officers carry out these duties;
- the document which sets which Officers are the authorised signatories.

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Authority's treasury advisers based upon credit ratings supplied by Fitch, Moodys and Standard and Poors.

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

The Monitoring Officer is Mr John Atkinson. The duty of this officer is to ensure that the treasury management activities of the Authority are lawful.

The Chief Financial Officer is the Head of Finance and Treasurer, with the CA (Chief Accountant) who is the deputy S151 Officer; the duty of this officer is to ensure that the financial affairs of the Authority are conducted in a prudent manner and to make a report to the Authority if he/she has concerns as to the financial prudence of its actions or its expected financial position.

## 7. Fraud, Error and Corruption, and Contingency Management

The Authority 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.

The Authority will, therefore:

- seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks;
- fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are;

- c. staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision;
- d. records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

## **7.1. Systems and Procedures, Including Internet Services**

### **7.1.1 Authority**

The Scheme of Delegation to Officers is that overall responsibility for Treasury Management is delegated to the Head of Finance and Treasurer. Delegation of other officers is set out in TMP 5 below.

All loans and investments, including PWLB (Public Works Loan Board), are negotiated by the responsible officer or authorised persons.

### **7.1.2 Procedures**

The Treasury Team check and monitor the bank accounts daily by using the on-line service. This is password controlled and only delegated officers have access and are issued with 'Smartcards' to carry out transactions. The Team ensure that all necessary daily transactions are carried out to achieve the maximum interest possible on available funds.

These transactions are authorised and checked by at least three members of the Treasury Team.

CHAPS (Clearing House Automated Payment System) payments are now available on-line too. These are same-day payments. However, any CHAPS payments have to be authorised by the Head of Finance and Treasurer. These are very rarely used, normally for investments only.

### **7.1.3 Investment and Borrowing Transactions**

A detailed spreadsheet register of all loans and investments is maintained by the Treasury Management Team.

A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the organisation.

Written confirmation is received and checked against the dealer's records for the transaction.

Any discrepancies are immediately reported to the Head of Finance and Treasurer for resolution.

All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Head of Finance and Treasurer for resolution.

### **7.1.4 Regularity and Security**

Lending is only made to institutions on the approved list of counterparties.

The delegated officer has a record of all investments maturity dates and loan repayment dates.

All loans raised and repayments made go directly to and from the bank account of approved counterparties.

Brokers have a list of named officials authorised to agree deals.

#### **7.1.5 Checks**

- The bank reconciliation is carried out monthly from the bank statement to the financial ledger.
- A debt charge/investment income listing is produced every six months when a review is undertaken against the budget for interest earnings and debt costs
- The Authority will ensure that the external funds we invest in, are accounted for in accordance with proper accounting practices.
- The Authority will treat our external fund(s) as our own investments and will separate the assets into their component parts. As a result, the Authority will only take realised gains and losses and interest (accrued and received) to the Income and Expenditure Account.

#### **7.1.6 Calculations**

The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the delegated Treasury Officer.

The spreadsheet automatically calculates periodic interest payments of PWLB and other long-term loans. This is used to check the amount paid to lenders.

Average weighted capital loans fund interest rates and debt management expenses are calculated monthly using information from the spreadsheet and a monthly report from our Treasury consultants.

These interest and expense rates are then used to calculate the principal, interest and debt management expense charges to the Loans Fund.

## **7.2 Emergency and Contingency Planning Arrangements**

Arrangements are in place within the Finance Department's Business Continuity Plan for Treasury Management.

In the event of the failure of the Internet Banking System then all information required to carry out the daily procedures can be obtained by phone from the Authority's bank. BACS/CHAPS payments may be made by using paper forms and faxing to the bank, after all relevant authorising signatories are obtained.

It is possible for the delegated member of the Treasury Team to access the on-line banking from home, should the need arise.

All members of the Treasury Management Team are familiar with this plan and new members will be briefed on it.

All computer files are backed up on the server to enable files to be accessed from remote sites.

### 7.3 **Protection Programme/Insurance Cover Details**

The Authority's Protection Programme is with the Fire and Rescue Indemnity Company Limited (FRIC). This is for Motor, Property, Public Liability, Employees/Employers Liability, personal accident, business interruption and computers.

Business Travel and Engineering Inspection is procured from Zurich Municipal

As previously reported to and approved by the FRA, as from November 2015 the Authority, along with eight others is a member of FRIC. FRIC is managed on the authorities behalf by Regis Mutual Management Limited (RMML).

### 8. **Market Risk Management**

This Authority 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.

The Authority has no intention of making investments where the principal value can fluctuate (Gilts, CDs, Etc).

## **TMP 1 SCHEDULE 1 – SPECIFIED AND NON SPECIFIED INVESTMENTS**

### **SPECIFIED INVESTMENTS:**

These are sterling investments that do not exceed 364 days and are with:

- an organisation that has a high credit rating;
- other local authority or,
- Central Government.

### **Strategy for specified Investments:**

The Authority expects to have a net surplus of funds throughout 2015/16 and will invest those funds through the money market with those organisations included on its approved lending list (attached as Annex A).

The Authority's approved lending list includes the following organisations which are thus deemed to have a high credit rating:

- UK and Foreign Banks with a short-term rating of F1 or F1+ and a long-term rating of AA- or higher.
- UK Building Societies with a short-term rating of F1 or F1+ and a long-term rating of AA- or higher.

Ratings are those given by Fitch, the credit rating agency. In compiling the lending list, other factors such as legal rating and individual rating, which Fitch also provide, have been taken into consideration. The lending list is regularly reviewed to ensure that the organisations included maintain their credit ratings at the required level.

Investments will be made for terms of up to 364 days. The Authority will consider its cash flow requirements, prevailing market conditions and advice from its Treasury Advisers when determining exact terms for each investment, in order to ensure that it is both favourable and prudent. At the time of writing, interest rates are at a low point.

### **Non-Specified Investments:**

These are any other investments that do not meet the criteria above for Specified Investments.

The Authority has no investments other than the short-term investment of surplus cash through the money market. Under previous regulations the investment of surplus cash was restricted to periods not exceeding 364 days. Under the new regulations that restriction is removed, however investments that do exceed 364 days are classified as non-specified investments because of the greater degree of risk they carry.

The Authority's cash flow profile makes it unlikely that investments in excess of 364 days would be considered and consequently no non-specified investments are anticipated.

**SPECIFIED INVESTMENTS:** (All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable.)

	<b>* Minimum 'High' Credit Criteria</b>	<b>Use</b>
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies **	Green	In-house

**\*\* Countries included on Lending List:**

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.K.
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar

AA-

- Belgium

## Term deposits with nationalised banks and banks and building societies

	Minimum Credit Criteria	Use	Max % Limit	Max. maturity period
UK banks	Orange	In-house	25%	1 year
UK banks and Building Societies	Red	In-house	25%	6 months
UK banks and Building Societies	Green	In-house	25%	100 days
UK banks and Building Societies	No Colour	In-house	Not to be used	
UK part nationalised banks	Blue	In-house	90%	1 year
DMADF	AAA	In-house	Unlimited	6 months
Local Authorities	n/a	In-house	25%	5 years
Money Market Funds	MMF rating	In-house and Fund Managers		1 year
Enhanced Money Market Funds with a credit score of 1.25	MMF / bond fund rating	In-house and Fund Managers		1 year
Enhanced Money Market Funds with a credit score of 1.5	MMF / bond fund rating	In-house and Fund Managers		1 year

**Accounting treatment of investments.** The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Authority. To ensure that the Authority 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.

### NON-SPECIFIED INVESTMENTS

No non-specified investments will be made.

## **TMP 2 PERFORMANCE MEASUREMENT**

### **1. Evaluation and Review of Treasury Management Decisions**

The Authority has a number of approaches to evaluating treasury management decisions:

- a. quarterly reviews carried out by the Treasury Management Team,
- b. reviews with our treasury management consultants,
- c. annual review after the end of the year as reported to full FRA,
- d. half yearly/quarterly/other monitoring reports to Corporate Services Policy and Challenge Group and FRA,
- e. comparative reviews,
- f. strategic, scrutiny and efficiency value for money reviews.

### **2. Periodic Reviews during the Financial Year**

The Head of Finance and Treasurer holds a treasury management review meeting with the Treasury Management Team every quarter to review actual activity against the Treasury Management Strategy Statement and cash flow forecasts.

This will include:

- a. Total debt (both on-and off balance sheet) including average rate and maturity profile.
- b. Total investments including average rate and maturity profile and changes to the above from the previous review and against the TMSS.

### **3. Reviews with Our Treasury Management Consultants**

The Treasury Management Team holds reviews with our consultants every six months to review the performance of the investment and debt portfolios. Our consultants also provide a monthly Investment portfolio.

### **4. Annual Review after the End of the Financial Year**

An Annual Treasury Report is submitted to the Corporate Services Policy and Challenge Group prior to the Fire and Rescue Authority each year after the close of the financial year. The report details the performance of the debt/investment portfolios. This report contains the following:

- a. total debt and investments at the beginning and close of the financial year and average interest rates,
- b. borrowing strategy for the year compared to actual strategy,
- c. investment strategy for the year compared to actual strategy,
- d. explanations for variance between original strategies and actual,
- e. debt rescheduling done in the year,
- f. actual borrowing and investment rates available through the year,
- g. comparison of return on investments to the investment benchmark,
- h. compliance with Prudential and Treasury Indicators,
- i. other.



## 5. **Comparative Reviews**

When data becomes available, comparative reviews are undertaken to see how the performance of the Authority on debt and investments compares to other Authorities with similar size portfolios (but allowing for the fact that Prudential and Treasury Indicators are locally set). Data used will be sourced from:

- CIPFA Treasury Management statistics published each year for the last complete financial year.
- Reviews from Treasury Advisers (Capita).

## 6. **Benchmarks and Calculation Methodology**

### 6.1 **Debt Management**

- Average rate on all external debt.
- Average period to maturity of external debt.
- Average period to maturity of new loans in previous year.

### 6.2 **Investment**

The performance of investment earnings will be measured against the following benchmarks:

7 day LIBID uncompounded

## 7. **Consultants'/Advisers' Services**

This Authority's policy is to appoint full-time professional treasury management consultants and separate leasing advisory consultants.

## 8. **Policy on External Managers (Other Than Relating to Superannuation Funds)**

The Authority's policy is not to appoint external investment fund managers.

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

### **1. Funding, Borrowing, Lending, and New Instruments/Techniques**

#### **1.1 Records to Be Kept**

The Treasury Section has a paper treasury management system backed up by electronic records in which all investment and loan transactions are recorded.

Full details of the system are covered in the user manual. The following records will be retained:

Daily cash balance forecasts

Money market rates obtained by email from brokers/banks

Dealing slips for all money market transactions

Brokers' confirmations for investment and temporary borrowing transactions

Confirmations from borrowing/lending institutions where deals are done directly

PWLB loan confirmations

PWLB debt portfolio schedules.

#### **1.2 Processes to Be Pursued**

Cash flow analysis

Debt and investment maturity analysis

Ledger reconciliation

Review of opportunities for debt restructuring

Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money)

Performance information (eg monitoring of actuals against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns etc.)

#### **1.3 Issues to Be Addressed**

1.3.1 *In respect of every treasury management decision made the Authority will:*

- a. above all be clear about the nature and extent of the risks to which the Authority may become exposed;
- b. be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained;
- c. be content that the documentation is adequate both to deliver the Authority's objectives and protect the Authority's interests, and to deliver good housekeeping;
- d. ensure that third parties are judged satisfactory in the context of the Authority's creditworthiness policies, and that limits have not been exceeded;
- e. be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

1.3.2 *In respect of borrowing and other funding decisions, the Authority will:*

- a. consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets;
- b. evaluate the economic and market factors that might influence the manner and timing of any decision to fund;
- c. consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships;
- d. consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

1.3.3 *In respect of investment decisions, the Authority will:*

- a. consider the optimum period, in the light of cash flow availability and prevailing market conditions;
- b. Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Authority to changes in the value of its capital.

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

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

Borrowing

Lending

Debt repayment and rescheduling

Consideration, approval and use of new financial instruments and treasury management techniques

Managing the underlying risk associated with the Authority's capital financing and surplus funds activities

Managing cash flow

Banking activities

Leasing

### **2. Approved Instruments for Investments**

The Authority must approve an Annual Investment Strategy in compliance with Government Guidance on Local Government Investments issued under Section 15 (1) (a) of the Local Government Act 2003. This sets out the Authority's policies for managing its investments and for giving priority to the security and liquidity of those investments.

### **3. Approved Techniques**

The strategy deals with the credit ratings defined for each category of investments ensuring security and liquidity of investments.

### **4. Approved Methods and Sources of Raising Capital Finance**

Finance will only be raised in accordance with the Local Government Act 2003 and within this limit the Authority has a number of approved methods and sources of raising capital finance. These are:

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	●	●
Internal (capital receipts and revenue balances)	●	●
Leasing (not operating leases)	●	●
<b>Other Methods of Financing</b>		
Government and EC Capital Grants		
Operating leases		

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The responsible officer has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

5. **Investment Limits**

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

6. **Borrowing Limits**

See the Treasury Management Strategy Statement and Prudential and Treasury Indicators.

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

### **1. Allocation of Responsibilities**

#### **1.1 Corporate Services Policy and Challenge Group**

- Receiving and reviewing reports on treasury management policies, practices and activities.
- Recommending approval of annual strategy.
- Recommending to the FRA, commenting as appropriate.

#### **1.2 Fire and Rescue Authority**

- Approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
- Budget consideration and approval.
- Approval of the division of responsibilities.
- Receiving and reviewing regular monitoring reports and acting on recommendations (via Corporate Services Policy and Challenge Group).
- Approving the selection of external service providers and agreeing terms of appointment.

#### **1.3 Head of Finance and Treasurer**

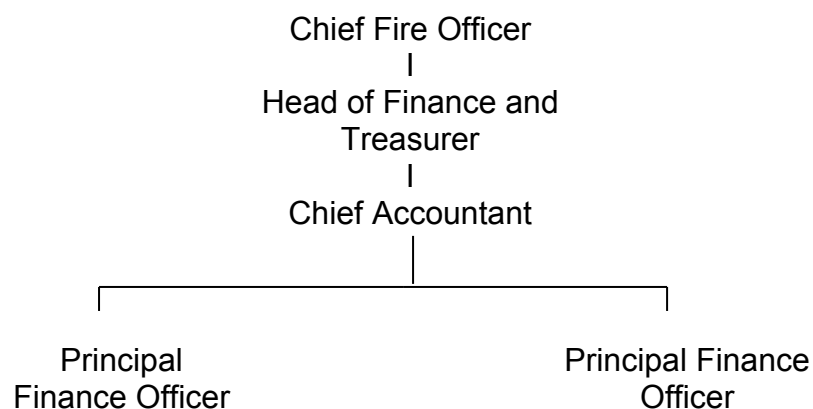
- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.

### **2. Principles and Practices Concerning Segregation of Duties**

The following duties must be undertaken by separate officers:

Dealing	Negotiation and approval of deal. Receipt and checking of brokers confirmation note against loans diary. Reconciliation of cash control account. Bank reconciliation.
Accounting Entry	Production of transfer note. Processing of accounting entry.
Authorisation/Payment of Deal	Entry onto system. Approval and payment.

### 3. **Treasury Management Organisation Chart**



### 4. **Statement of the Treasury Management Duties/Responsibilities of each Treasury Post**

#### 4.1 **The Responsible Officer (The Head of Finance and Asset Management/Treasurer)**

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Authority is the Treasurer.

This person will carry out the following duties:

- a. recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- b. submitting regular treasury management policy reports;
- c. submitting budgets and budget variations;
- d. receiving and reviewing management information reports;
- e. reviewing the performance of the treasury management function;
- f. ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- g. ensuring the adequacy of internal audit, and liaising with external audit;
- h. recommending the appointment of external service providers;
- i. the responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments;
- j. the responsible officer may delegate his power to borrow and invest to members of his staff. The Chief Accountant and the Treasury Management Team must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave/sickness. All transactions must be authorised by at least two of the named officers above;

- k. the responsible officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible;
- l. prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Authority's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Authority's Financial Regulations;
- m. it is also the responsibility of the responsible officer to ensure that the Authority complies with the requirements of The Non-Investment Products Code (formerly known as the London Code of Conduct) for principals and broking firms in the wholesale markets.

#### **4.2 The Chief Accountant**

The responsibilities of this post will be:

- a. adherence to agreed policies and practices on a day-to-day basis,
- b. supervising Treasury Management staff,
- c. monitoring performance on a day-to-day basis,
- d. submitting management information reports to the responsible officer,
- e. identifying and recommending, opportunities for improved practices.

#### **4.3 The Chief Fire Officer**

The responsibilities of this post will be:

- a. Ensuring that the system is specified and implemented.
- b. Ensuring that the responsible officer reports regularly to the Corporate Services Policy and Challenge Group on treasury policy, activity and performance.

#### **4.4 The Principal Finance Officers**

The responsibilities of this post will be:

- a. Monitoring the daily cashflow and day-to-day transactions.
- b. Execution of transactions.
- c. Maintaining relationships with counterparties and external service providers.
- d. Monitoring investments and loans with regards to maturing and repayment dates.
- e. Monthly bank reconciliations.
- f. Ensuring all paperwork for raising loans and investments is recorded correctly and is in accordance with the Treasury Management Strategy.



#### **4.5 Internal Audit**

The responsibilities of Internal Audit will be:

- a. Reviewing segregation with approved policy and treasury management practices.
- b. Reviewing segregation of duties and operational practice.
- c. Assessing value for money from treasury activities.
- d. Undertaking probity audit of treasury function.

#### **4.6 Absence Cover Arrangements**

Both Principal Finance Officers have access, passwords and smartcards to enable them to use the on-line banking service for all day-to-day transactions.

#### **4.7 Dealing Limits**

There are no dealing limits for individual posts.

#### **4.8 Settlement Transmission Procedures**

A formal form/letter signed by two agreed cheque signatories setting out each transaction is completed where preliminary instructions have been given by telephone. For payments a transfer will be made through the Banks on-line system to be completed by 2.00 pm on the same day.

#### **4.9 Documentation Requirements**

For each deal undertaken a record is prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker (if one used).

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

### **1. Annual Programme of Reporting**

- a. Annual reporting requirements before the start of the year:
  - i. review of the organisation's approved clauses, Treasury Management Policy Statement and practices;
  - ii. strategy report on proposed treasury management activities for the year comprising of the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement.
- b. Mid-year review.
- c. Annual review report after the end of the year.

### **2. Annual Treasury Management Strategy Statement**

- 2.1 The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Corporate Services Policy and Challenge Group for review and scrutiny prior to the FRA for approval before the commencement of each financial year.
- 2.2 The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this Authority may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.
- 2.3 The Treasury Management Strategy Statement is concerned with the following elements:
  - a. Prudential and Treasury Indicators
  - b. current Treasury portfolio position
  - c. borrowing requirement
  - d. prospects for interest rates
  - e. borrowing strategy
  - f. policy on borrowing in advance of need
  - g. debt rescheduling
  - h. investment strategy
  - i. creditworthiness policy
  - j. policy on the use of external service providers
  - k. any extraordinary treasury issue
  - l. the MRP strategy
- 2.4 The Treasury Management Strategy Statement 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.

### **3. The Annual Investment Strategy Statement**

At the same time as the Members receive the Treasury Management Strategy Statement they will also receive a report on the Annual Investment Strategy which will set out the following:

- a. The Authority's risk appetite in respect of security, liquidity and optimum performance.
- b. The definition of high credit quality to determine what are specified investments as distinct from non specified investments.
- c. Which specified and non specified instruments the Authority will use.
- d. Whether they will be used by the in house team, external managers or both (if applicable).
- e. The Authority's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list.
- f. Which credit rating agencies the Authority will use.
- g. How the Authority will deal with changes in ratings, rating watches and rating outlooks.
- h. Limits for individual counterparties and group limits.
- i. Country limits.
- j. Levels of cash balances.
- k. Interest rate outlook.
- l. Budget for investment earnings.
- m. Policy on the use of external service providers.

### **4. The Annual Minimum Revenue Provision**

This statement will set out how the Authority will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

### **5. Policy on Prudential and Treasury Indicators**

- 5.1 The Authority approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
- 5.2 The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the FRA.

## **6. Mid Year Review**

The Authority will review its treasury management activities and strategy on a six monthly basis. This review will consider the following:

- a. activities undertaken,
- b. variations (if any) from agreed policies/practices,
- c. interim performance report,
- d. regular monitoring,
- e. monitoring of treasury management indicators for local authorities.

## **7. Annual Review Report on Treasury Management Activity**

An annual report will be presented to the Corporate Services Policy and Challenge Group and the FRA at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following:

- a. transactions executed and their revenue (current) effects,
- b. report on risk implications of decisions taken and transactions executed,
- c. compliance report on agreed policies and practices, and on statutory/regulatory requirements,
- d. performance report,
- e. report on compliance with CIPFA Code recommendations,
- f. monitoring of treasury management indicators

## **8. Management Information Reports**

Management information reports will be prepared at least twice a year by the Head of Finance and Treasurer and will be presented to the Corporate Services Policy and Challenge Group and the FRA.

These reports will contain the following information:

- a. a summary of transactions executed (may want to add brokers used and fees paid) and their revenue (current effects);
- b. measurements of performance including effect on loan charges/investment income;
- c. degree of compliance with original strategy and explanation of variances;
- d. any non compliance with Prudential limits or other treasury management limits.

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

### **1. Statutory/Regulatory Requirements**

The Accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices. The Authority has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Authority's treasury management activities.

### **2. Accounting Practices and Standards**

Due regard is given to the Statements of Recommended Practice and Accounting Standards (SORP's) as they apply to Local Authorities in Great Britain.

### **3. Sample Budgets/Accounts/Prudential and Treasury Indicators**

The Finance and Treasurer will prepare a four year medium term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Head of Finance and Treasurer will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators, and will report upon and recommend any changes required in accordance with TMP6.

### **4. List of Information Requirements of External Auditors**

- Reconciliation of loans outstanding in the financial ledger to treasury management records.
- Maturity analysis of loans outstanding.
- Certificates for new long term loans taken out in the year.
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type.
- Calculation of loans fund interest and debt management expenses.
- Calculation of interest on working balances.
- Interest accrual calculation.
- Principal and interest charges records.
- Analysis of any deferred charges.
- Calculation of loans fund creditors.
- Annual Treasury Report.
- Treasury Management Strategy Statement and Prudential and Treasury Indicators.

- Review of observance of limits set by Prudential and Treasury Indicators.
- Calculation of the Minimum Revenue Provision.
- Treasury Management consultants valuations including investment.
- Income schedules and movement in capital values.

5. **Monthly Budget Monitoring Report**

Monthly electronic Budget Monitoring reports are produced for the CMT and go out monthly. Whilst a written budget monitoring report goes to CMT monthly. The report is intended to highlight any variances between budgets and spend in order that the Authority can assess its financial position. Details of treasury management activities are included within this report.

## **TMP 8 CASH AND CASHFLOW MANAGEMENT**

### **1. Arrangements for Preparing/Submitting Cash Flow Statements**

Cash flow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

### **2. Bank Statements Procedures**

The Authority receives weekly bank statements and a daily download of data from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc.

A formal bank reconciliation is undertaken on a monthly basis by a Principal Finance Officer (PFO).

### **3. Payment Scheduling and Agreed Terms of Trade With Creditors**

Our policy is to pay creditors within 30 days of the invoice date and this effectively schedules the payments.

### **4. Arrangements for Monitoring Debtors/Creditors Levels**

The Head of Finance and Treasurer is responsible for monitoring the levels of debtors and creditors. A monthly Debtors and Creditors reconciliation is carried out monthly by a PFO.

### **5. Procedures for Banking of Funds**

All money received by an officer on behalf of the Authority will without unreasonable delay be passed to the Finance Admin Assistants (FAA), to deposit in the Authority's banking accounts. The FAA will notify a PFO each week of cash and cheques being banked the next day so that the figures can be taken into account in the daily cash flow.

## **TMP 9 MONEY LAUNDERING**

This Authority 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:

### **1. Background Legislation**

There are several Acts of Parliament and the FSA (Financial Services and Markets Act 2000) has also made provisions relating to money laundering, with the main legislation being contained in the Criminal Act 1993 (which contains the provision to implement the EU Money Laundering Directive).

Detailed money laundering regulations came into effect on 1 March 2004 under SI 2003 No 3075, and this Statutory Instrument, along with the Acts listed below, cover the main compliance requirements.

The key requirements of this legislation cover an area wider than the fairly narrow Treasury Management function, including possessing, or in any way dealing with, or concealing, the proceeds of crime.

Whilst the Authority is not directly required to implement the requirements of the Money Laundering Regulations 2003 (except through this TMP), the implications of the Terrorism Act 2000, the Anti-Terrorism, Crime and Security Act 2001 and The Proceeds of Crime Act 2002 place an onus of responsibility on individuals associated with treasury process to consider its implications.

### **2. Outline of the Requirements of the Regulations and Statutes**

Every Officer should in the course of Authority business implement:

#### **2.1 Identification Procedures**

(SI 2003/3075 Money Laundering Regulations, 4 & 5). This regulation applies if:

- a. You are forming a business relationship; or
- b. considering undertaking a one-off transaction; and
  - i. suspect a transaction involves money laundering,
  - ii. a payment is to be made for Euro 15,000 or more (approximately £10,000).
- c. In respect of two or more one-off transactions that the transactions are linked and involve Euro 15,000 or more.



## **2.2 In these instances you should:**

- a. Set up and maintain identification procedures to ensure the counterparty produces satisfactory evidence of his identity.
- b. Follow the procedures to ensure the counterparty provides satisfactory evidence.

## **2.3 These procedures should reflect:**

- a. The greater potential for money laundering if the counterparty is not physically present when being identified.
- b. If satisfactory evidence is not obtained the relationship or transaction does not proceed.
- c. If the counterparty acts, or appears to act, for another person, reasonable measures must be taken for the purpose of identifying that person.

2.4 The primary exception to this requirement is if the counterparty carries on FSA regulated business in the UK (or comparable or by overseas regulatory authority) it is not required that you obtain evidence. In this case most treasury transactions will be undertaken with or via relevant businesses, although there may be isolated exceptions such as the Post Office.

## **2.5 Record Keeping Procedures (Money Laundering Regulation 6)**

The Authority should maintain procedures covering the retention of records. To ensure compliance, records are required to be kept for 5 years after the end of the transaction or relationship.

## **2.6 Internal Reporting Procedures (Money Laundering Regulation 7)**

The Authority maintains internal reporting procedures which document:

- a. the “nominated officer”, the Head of Finance and Treasurer is the Money Laundering Reporting Officer (MLRO) who will receive nominations under this regulation;
- b. any other person in the organisation to whom information may arise which may result in them knowing or suspecting reasonable grounds for knowing or suspecting money laundering, fraud or use of the proceeds of crime;
- c. if the MLRO receives a disclosure they should consider, in the light of all information, whether it gives rise to such knowledge or suspicion; and
- d. if the MLRO determines that the information or matters should be disclosed they should do so to the National Criminal Intelligence Service (see 8. below).

## **2.7 Other Procedures (Money Laundering Regulation 3(b))**

The Authority should establish other procedures of internal control and communication as may be appropriate for the purpose of forestalling and preventing money laundering.

## 2.8 Training (Money Laundering Regulation 3(c))

The Authority should take appropriate measures to ensure that relevant employees are:

- a. Made aware of the provisions of these regulations, Part 7 of the Proceeds of Crime Act 2002, Section 117 of the Anti-Terrorism, Crime and Security Act 2001 and sections 18 and 21A of the Terrorism Act 2000 (these deal with the offences and are available from [www.legislation.hmsso.gov.uk](http://www.legislation.hmsso.gov.uk))
- b. Given training in how to recognise and deal with transactions which may be related to money laundering.
- c. National Crime Intelligence Service – In the event of an offence or a possible offence you should contact: NCIS Law enforcement personnel: Contact NCIS initially through 020 7238 8000.

2.9 In order to address these requirements the Authority has set up the following procedures:

### 2.9.1 *For Treasury Management Purposes:*

1. **Training** – Through this document and specific training, Treasury staff will be kept aware of developments in money laundering regulations. The Head of Finance and Treasurer will keep abreast of money laundering issues through publications and internet. The Head of Finance and Treasurer will, if required, arrange appropriate training for Treasury Management staff to ensure that they are kept up-to-date with treasury management issues including money laundering.
2. **Material and regular deposits or borrowing** – For all investment or borrowing counterparties, the HFAM and Treasury Officer will ensure that the counterparty has been suitably identified. This will take the form of:

2.9.2 *Investment Counterparties* - All investment counterparties which are maintained on the Authority's lending list will be a deposit taker authorised by a regulatory body such as the FSA. Those counterparties not authorised as a deposit taker though the FSA are institutions such as the Bank of England or Post Office and are not required to be the subject of stringent identification procedures, but Treasury staff will review these on a case by case basis.

2.9.3 *Borrowing Counterparties* – All borrowing counterparties are dealt with through either the following routes:

- i. **Via Money brokers** – In this instance Money Laundering Regulations 5(2) applies in as much as the combination of the use of brokers and reasonable grounds that the counterparty carried on authorised business in the UK.
- ii. **Direct dealing** – In this instance the Authority uses only recognised names, ones with credit ratings and to which the Authority has reasonable grounds to expect that the counterparty carries on regulated business in the UK. For a few notable exceptions such as Bank of England or Post Office, the nature of their business does not require stringent identification procedures, but the Authority will undertake procedures to 'know the counterparty'.

2.9.4 If any Treasury investment counterparties are not known to the Authority the Treasury Officer will ensure identification of the counterparty by checking the credit rating of the organisation via the Authority's treasury advisers, Sector. This would normally be undertaken during the compilation of the counterparty list. If the counterparty is neither credit rated, nor known to be carrying on regulated business (eg FSA), the Authority will not deal with that organisation.

2.9.5 *Small or Irregular Treasury Deposits* – The Authority does not accept deposits from local institutions of individuals.

## 2.10 **Non-Treasury Management Transactions**

2.10.1 **Regular cash and other receipts** – The Authority will in the normal operation of its services accept cash payments from individuals or organisations in relation to rents, sundry debtors etc. However the de minimus limit of Euro 15,000 applied in the regulations will mean that the requirements of the regulations do not apply to the majority of the Authority's customers, unless the Authority employee would have reasonable grounds to suspect money laundering activities of crime or is simply suspicious.

2.10.2 Significant cash receipts should be properly evaluated, evidence gathered and if not supported, refused. Any bank payments from unknown or overseas banks should be subject to similar scrutiny.

2.10.3 **Occasional receipts from infrequent customers** – The main receipts accepted by the Authority will be related to capital receipts from the sale of assets, although any other receipts in excess of Euro 15,000 will be reviewed.

2.10.4. **Payments** – The majority of the payments by the Authority will be via the payroll directly to bank accounts. Similarly the majority of creditor payments will be paid via BACS directly to domestic bank accounts or by crossed cheques and so the same controls will apply. In these cases the relevant bank will be required to comply with the money laundering regulations for their clients.

2.10.5 **Cash Payments** – The Authority does not make cash payments.

2.10.6 **Refunds** – A significant overpayment which results in a repayment will be properly investigated and authorised before payment.

2.10.7 **Fraud** – The Authority will regularly review risk areas, materiality and probability of loss.

## 2.11 Reporting

The Money Laundering Reporting Officer for this Authority is the Head of Finance and Treasurer. Any concern of a transaction possibly being linked to either money laundering of the proceeds of crime must be referred to the MLRO for consideration and if the concerns are validated the NCIS must be notified.

## 2.12 Proceeds of Crime Act 2002

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

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

These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

## 2.13 Terrorism Act 2000

This Act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment.

## 2.14 The Money Laundering Regulations 2007

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FSA) are required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions. In December 2007 the UK Government published the Money Laundering Regulations 2007, which replaced the Money Laundering Regulations 2003.

## **2.15 Local Authorities**

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and may commit most of the principal offences under the POCA, but are not legally obliged to apply the provisions of the Money Laundering Regulations 2007. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly this Authority will do the following:

- a. evaluate the prospect of laundered monies being handled by them;
- b. determine the appropriate safeguards to be put in place;
- c. require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness;
- d. make all its staff aware of their responsibilities under POCA;
- e. appoint a member of staff to whom they can report any suspicions. This person is the Head of Finance and Treasurer.

## **2.16 Procedures for Establishing Identity/Authenticity of Lenders**

It is not a requirement under POCA for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, there is a need for due diligence and this will be affected by following the procedures below:

The Authority does not accept loans from individuals.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FSA website on [www.fsa.gov.uk](http://www.fsa.gov.uk).

When repaying loans, the procedures in 2.17 will be followed to check the bank details of the recipient.

## **2.17 Methodologies for Identifying Deposit Takers**

In the course of its Treasury activities, the Authority will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FSA register can be accessed through their website on [www.fsa.gov.uk](http://www.fsa.gov.uk).

All transactions will be carried out by BACS/CHAPS for making deposits or repaying loans.

## **TMP 10 TRAINING AND QUALIFICATIONS**

The Authority recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals:

- a. Treasury management staff employed by the Authority,
- b. Members charged with governance of the Treasury Management function.

All Treasury Management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Authority uses the Consultancy services of Capita Asset Services Ltd to provide training for individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the Head of Finance and Treasurer to ensure that all staff under his/her authority receive the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences from the Treasury Management Team.

### **1. Details of Approved Training Courses**

Treasury Management staff and Members will go on courses provided by our treasury management consultants, Capita Asset Services Ltd, or on approved treasury management courses by providers such as CIPFA.

### **2. Records of Training Received by Treasury Staff**

The Head of Finance and Treasurer will maintain records on all staff and the training they receive.

### **3. Approved Qualifications for Treasury Staff**

#### **Chief Financial Officer**

Title: Head of Finance and Treasurer  
Professional Qualifications: CPFA

#### **Officer responsible for TM under HFT**

Title: Chief Accountant  
Professional Qualifications: CIMA

#### **Treasury Manager on a daily basis**

Title: Principal Finance Officer  
Professional Qualification: AAT

#### **Other TM Team Members**

Titles: Principal Finance Officers  
Professional Qualifications: AAT

4. **Record of Secondment of Senior Management**

Records will be kept of senior management who are seconded into the Treasury Management Section in order to gain first hand experience of treasury management operations.

5. **Statement of Professional Practice (SOPP)**

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.
2. Other staff involved in treasury management activities who are members of Consultative Committee of Accounting Bodies (CCAB) must also comply with the SOPP.

6. **Member Training Records**

Records will be kept of all training in treasury management provided to Members.

7. **Members Charged With Governance**

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

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

### **1. Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers**

This Authority will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

It will also ensure that the skills of the in-house Treasury Management Team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Treasury Management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press.
- Market data.
- Information on Government support for banks.
- The credit ratings of that Government support.

### **2. Banking Services**

#### **NatWest**

- a. Name of supplier of service is the NatWest Bank.
- b. Regulatory status – banking institution authorised to undertake banking activities by the FSA.
- c. The branch address is:  
High Street, Bedford  
Corporate Service Team Tel No: 0845 308 8969
- d. Cost of service is variable depending on schedule of tariffs and volumes.
- e. Payments due monthly.
- f. Annual review with the Bank to discuss, agree and sign the Advice of Borrowing Terms and Conditions.

#### **Barclays**

- a. Name of second supplier of service is the Barclays Bank.
- b. Regulatory status – banking institution authorised to undertake banking activities by the FSA.
- c. The branch address is:  
16/18 St. Peters Street, St. Albans AL3 4DZ  
Corporate Service Team Tel No: 0845 878 7052
- d. Cost of service is variable depending on schedule of tariffs and volumes.
- e. Payments due monthly.
- f. Annual review with the Bank to discuss, agree and sign the Advice of Borrowing Terms and Conditions.



### 3. **Consultants'/Advisers' Services**

#### 3.1 **Treasury Consultancy Services**

The Authority will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its approved lending list etc.

The performance of consultants will be reviewed by the Head of Finance and Treasurer every 6 months to check whether performance has met expectations.

Name and address of supplier of service is:

Capita Asset Services Limited (formerly Sector)  
17 Rochester Row  
London  
SW1P 1QT  
Tel: 0871 664 6800

- a. Regulatory status: investment adviser authorised by the FSA.
- b. Contract commenced 1 June 2015 and runs for three years to 31 May 2018.
- c. Cost of service is £5,625 + VAT (increasing by 2.1% each year).
- d. Payments due on 30 June 2015, 30 June 2016 and 30 June 2017.

#### 3.2 **Credit Rating Agency**

The Authority receives a credit rating service through its treasury management consultants, the costs of which is included in the consultant's annual fee.

## **TMP 12 CORPORATE GOVERNANCE**

### **List of Documents to be Made Available for Public Inspection**

The Authority is committed to the principle of openness and transparency in its treasury management function and in all of its functions.

It has adopted the CIPFA Code of Practice on Treasury management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

The following documents are available for public inspection:

Treasury Management Policy Statement

Treasury Management Strategy Statement

Annual Investment Strategy

Minimum Revenue Provision Policy Statement

Annual Treasury Review Report

Treasury Management monitoring reports (eg half yearly, quarterly)

Annual Accounts and Financial Instruments Disclosure Notes

Annual Budget

Four Year Capital Programme

Minutes of Committee Meetings