

## **APPENDIX A: Treasury Management Practice (TMP1) – Credit and counterparty risk management**

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

**NON-SPECIFIED INVESTMENTS:** These are any investments which do not meet the specified investment criteria and are therefore of greater potential risk. The Council will consider using this category only for investments that would come under Specified, except that the maturities are greater than 1 year.

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

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

	<b>Minimum credit criteria / colour band</b>	<b>£ Limit per institution</b>	<b>Max maturity period</b>
Debt Management Account Deposit Facilities - <b>UK Government</b>	yellow	Unlimited	6 months
UK Government Gilts	yellow	£1m	5 year
UK Government Treasury Bills	yellow	£2m	1 year
Bonds issued by multilateral development banks	yellow	£1m	5 years
Money Market Funds CNAV	AAA	£3m	Liquid
Money Market Funds LNAV	AAA	£3m	Liquid
Money Market Funds VNAV	AAA	£3m	Liquid
Local Authorities	yellow	£2m	1 year
Term deposit with Banks and Building Societies	Purple + Blue & Orange Green & Red	£1m £4m £3.5m	2 years 1 year 6 months
CDs or corporate bonds with banks and building societies	Green +	£2m	1 year
Gilt funds	UK sovereign rating	£2m	1 year
Ultra-Short Dated Bond funds with a credit score of 1.25	AAA	£1m	Liquid

Ultra-Short Dated Bond funds with a credit score of 1.5	AAA	£1m	Liquid
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(+) Above the minimum colour band given. The colour band will place its own maturity limit on the investment so only the maximum maturity period is given.

No limit will be set on placing funds with the Council's own bank due to the volatility / fluctuations in day to day cash flows.

## **TMP1 [2] Policy on environmental, social and governance (ESG) considerations**

This Council will maintain a cautious approach to ESG investments and will work with our external Treasury Advisors to help understand and evaluate the risk involved.

The Council will consider approved Counterparties that provide an ESG alternative i.e. sustainable deposits, which help to support sustainable and environmentally friendly services and products, whilst delivering Security, Liquidity and Yield requirements. This approach complies with the current Secretary of State Investment Guidance and ensures no greater risk is taken to achieve ESG/Sustainable investment objectives. We will regularly review and update this TMP to address ESG risk management in respect of our treasury management activities.

The following are examples of ESG factors that are considered by Credit Rating Agencies, such as Fitch, Moody's and Standard & Poor's when assigning credit ratings to counterparties. The credit ratings provided by these agencies are also used as the basis for selecting suitable counterparties by Councils.

- **Environmental:** Emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact.
- **Social:** Human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impacts.
- **Governance:** Management structure, governance structure, group structure, financial transparency.

This Council is supportive of the Principles for Responsible Investment ([www.unpri.org](http://www.unpri.org)) and will review the need to bring ESG (environmental, social and governance) factors into the decision-making process for investments.

For short term investments with counterparties, this Council utilises the ratings provided by Fitch, Moody's and Standard & Poor's to assess creditworthiness, which do include analysis of ESG factors when assigning ratings. The Council will continue to evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment process and will update accordingly.

## **TMP5 – ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS**

### **Allocation of responsibilities**

#### **(i) Full council**

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual treasury management strategy.
- approval of capital strategy

#### **(ii) Strategy and Resources Committee**

- 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

- approving the selection of external service providers and agreeing terms of appointment.

**(iii) Policy Development Committee**

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

**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
2 <sup>nd</sup> Authorisation/Payment of Deal	Entry onto system. Approval and payment.

## **Treasury Management Organisation Structure**

Chief Finance Officer (Director of Resources & Deputy Chief Executive)

Head of Governance

### **Statement of the treasury management duties/responsibilities of each treasury post**

#### **The Chief Finance Officer**

The Chief Finance Officer is the person charged with professional responsibility for the treasury management function. 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 Chief Finance 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 Chief Finance Officer may delegate his power to borrow and invest to members of his staff. Approved dealing Officers will conduct all dealing transactions, or staff authorised by the Chief Finance 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 Chief Finance 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 Chief Finance Officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations
- m) It is also the responsibility of the Chief Finance Officer to ensure that the Council complies with the requirements of The UK Money Markets Code (formally known as the Non-Investment Products Code) for principals and broking firms in the wholesale markets.
- n) Preparation of a capital strategy to include capital expenditure, capital financing and treasury management, with a long term timeframe
- o) Ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- p) supervising treasury management staff

- q) monitoring overall treasury performance

### **Head of Governance**

The responsibilities of this post will be:

- a) execution of transactions
- b) adherence to agreed policies and practices on a day-to-day basis
- c) maintaining relationships with counterparties and external service providers
- d) submitting management information reports to the Chief Finance Officer
- e) identifying and recommending opportunities for improved practices
- f) monitoring performance on a day-to-day basis

### **The Head of the Paid Service – the Chief Executive**

The responsibilities of this post will be: -

- a) ensuring that the system is specified and implemented
- b) ensuring that the Chief Finance Officer reports regularly to the full Council / Strategy and Resources / Policy Development committee on treasury policy, activity and performance.

### **The Monitoring Officer –**

The responsibilities of this post will be: -

- a) ensuring compliance by the Chief Finance Officer with the treasury management policy statement and treasury management practices and that they comply with the law.
- b) being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- c) giving advice to the Chief Finance Officer when advice is sought.

### **Internal Audit**

The responsibilities of Internal Audit will be: -

- a) reviewing compliance with approved policy and treasury management practices.
- b) reviewing division of duties and operational practice.
- c) assessing value for money from treasury activities.
- d) undertaking probity audit of treasury function.

### **Absence Cover Arrangements**

The Chief Finance Officer may delegate his power to borrow and invest to members of his staff to act as temporary cover for leave/sickness. All transactions must be authorised by at least two authorised signatories.

### **Dealing Limits**

The following posts are authorised to deal: -

- Chief Executive

- Chief Finance Officer
- Head of Governance
- Officers acting under delegated powers of Chief Finance Officer.

There are no dealing limits for individual posts

### **List of Approved Brokers**

A list of approved brokers is maintained within the Treasury Team and a record of all transactions recorded against them. See TMP 11

### **Policy on Brokers' Services**

It is this Council's policy to rotate business between brokers.

### **Policy on Taping of Conversations**

It is not this Council's policy to tape brokers conversations

### **Direct Dealing Practices**

The Council will consider dealing direct with counterparties if it is appropriate and the Council believes that better terms will be available. There are certain types of accounts and facilities, however, where direct dealing is required, as follows;

- Business Reserve Accounts:
- Call Accounts:
- Money Market Funds.

### **Settlement Transmission Procedures**

Settlement will be made via CHAPS requiring approval by two authorised signatories. These payment will be made through the NatWest Bank-line system and must be completed by 3.00 pm on the same day.

### **Documentation Requirements**

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

## **TMP10 –TRAINING & QUALIFICATIONS**

This organisation 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



Chief Finance Officer will recommend and implement the necessary arrangements, including the specification of the expertise, knowledge and skills required by each role or member of staff.

The Chief Finance 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.

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates an appraisal review system which identifies the training requirements of 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 Chief Finance Officer 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.

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

The Chief Finance Officer will maintain records on all staff and the training they receive. Treasury management staff and members will go on courses provided by our treasury management consultants, CIPFA, money brokers etc.

### **Record of Secondment of Senior Management**

Records will be kept of senior management who are seconded into the treasury management section.

### **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 CIPFA must also comply with the SOPP.

### **Member training records**

Records will be kept of all training in treasury management provided to members. Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.