

Appendix A – Treasury Management Policy Statement for 2015/16, 2016/17 and 2017/18

1. Introduction

In accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) *Treasury Management in the Public Services: Code of Practice (2011 Edition)*, this Council defines the policies and objectives of its treasury management activities as follows:

- 1.1 Treasury management is:
'The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'
- 1.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.
- 1.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its Medium Term Financial Plan (MTFP). It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.
- 1.4 The Chief Finance Officer will maintain suitable Treasury Management Practices (TMPs), setting out the manner in which this Council will seek to achieve its treasury management policies and objectives and how it will manage and control those activities.
- 1.5 The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.
- 1.6 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Council's investments followed by the yield earned on investments remain important but are secondary considerations.

2. Objectives

2.1 The principal objectives of this Treasury Management Policy Statement are to provide a framework within which:

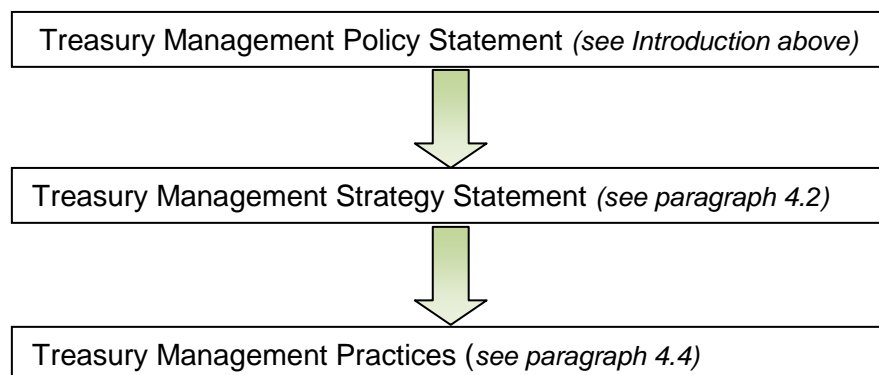
- i) risks which might affect the Council's ability to fulfil its responsibilities or which might jeopardise its financial security, can be identified and managed
- ii) borrowing costs can be minimised whilst ensuring the long term security and stability of the Council's financial position
- iii) investment returns can be safely maximised and capital values maintained.

3. Review Period

3.1 It is the Council's responsibility to approve a Treasury Management Policy Statement on a periodic basis. This Policy will be reviewed every three years or whenever legislative, regulatory or best practice changes materially impact the effectiveness of the current Policy. In the absence of changes, the next scheduled date for review is therefore January 2018.

4. Documentation

4.1 This document forms part of a suite of treasury documents intended to govern and regulate treasury management activity. The hierarchy of documents is set out below and the role of each is explained.



4.2 The annual Treasury Management Strategy Statement integrates with the Prudential Indicators set and will include the following:

- links to capital financing and treasury management Prudential Indicators for the current and forthcoming financial year
- a strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next year and for the restructuring of debt
- an Investment Strategy for the forthcoming year (*see paragraph 4.3*)
- the interest rate outlook against which the treasury activities are likely to be undertaken
- a policy on the use of financial derivatives
- a policy on apportioning interest to the Housing Revenue Account (HRA).

4.3 Based on the Department for Communities and Local Government (CLG) Guidance on Investments, the Council will produce as part of its annual Treasury Management Strategy Statement (TMSS), an Investment Strategy that sets out:

- the objectives, policies and strategy for managing its investments
- the determination of which Specified and Non Specified Investments the Council will utilise during the forthcoming financial year based on the Council's economic and investment outlook and the expected level of investment balances
- the limits for the use of Non-Specified Investments.

4.4 The Treasury Management Practices set out the detailed procedures behind the Treasury Management Policy including the manner in which the Council will seek to achieve the policy objectives, describing how it will manage and control the activities listed below:

- risk management
- performance measurement
- decision-making and analysis
- approved instruments, methods and techniques
- organisation, clarity and segregation of responsibilities, and dealing arrangements
- reporting requirements and management information arrangements
- budgeting, accounting and audit arrangements
- cash and cash flow management
- anti money laundering procedures
- staff training and qualifications
- use of external service providers
- corporate governance.

5. Basis of Policy

5.1 The Council will adhere to the regulatory framework set out in the following documents:

- a) CIPFA - Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2011 Edition)
- b) CIPFA - The Prudential Code for Capital Finance in Local Authorities (2011 Edition)
- c) the Council's Constitution, Code of Financial Governance and the Scheme of Officer Delegations.

- 5.2 Copies of the documents listed above are available from the Chief Finance Officer, if required. The Council will be bound by the requirements of any successor documents to those listed above unless a subsequent review of this Policy deems them no longer to be appropriate.
- 5.3 In arriving at treasury management decisions, due cognisance will be taken of written and verbal advice provided by the Council's treasury advisers, Arlingclose Ltd, but neither the Council nor its officers will be bound by such advice.
- 5.4 The Chief Finance Officer will only transact with brokers, funders and counterparties who have accepted the principles set out in the current Bank of England's 'Non Investment Products Code (NIPS Code)' (<http://www.bankofengland.co.uk/markets/forex/fxjsc/nipscode.pdf>).

6. Reporting of Treasury Management Activities

- 6.1 The CIPFA Code of Practice requires the Chief Finance Officer to produce for adoption by Council:
- an annual TMSS which will set out the borrowing and investment strategy to be pursued in the coming year, along with the associated Prudential Indicators in compliance with the CIPFA *Prudential Code for Capital Finance in Local Authorities (2011 Edition)*
 - a mid-year review
 - an annual report on the performance of the treasury management function. This will cover the effects of the decisions taken and the transactions executed in the past year, and any circumstances of non-compliance with the Council's Treasury Management Policy Statement and Treasury Management Practices (TMPs).
- 6.2 Annually, the Corporate Resources Overview & Scrutiny Committee considers the proposed TMSS and receives quarterly treasury management performance information as part of the budget monitoring process.