

APPENDIX D

TEES VALLEY COMBINED AUTHORITY TREASURY MANAGEMENT PRACTICES

The “**Treasury Management in the Public Services: Code of Practice and cross sectoral guidance notes**” (the Code) identifies twelve areas where statements of Treasury Management Practices (TMP’s) should be developed to implement the full requirements of the Code.

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TMP1 TREASURY RISK MANAGEMENT

The responsible officer 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 out in the schedule to this document.

[1] Credit and counter party risk management

The 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 robust due diligence procedures cover all external investment. It will limit its investment activities to the instruments, methods and techniques referred to in *TMP4 Approved Instruments, methods and techniques* and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counter party policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivate arrangements.

[2] Liquidity risk management

The 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 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, where it is under borrowed or to finance future debt maturities.

[3] Interest rate risk management

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

It will achieve this by the prudent use of its approved 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.

[4] Exchange rate risk management

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

[5] Refinancing risk management

The 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 counter parties 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."

[6] Legal and regulatory risk management

The 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 counter party policy under *TMP1.4 Credit and counter party risk management*, it will ensure that there is evidence of counter parties' 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.

The 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."

[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.

[8] Price risk management

The 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.

[9] Inflation risk

The Authority will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

TMP2 BEST VALUE AND PERFORMANCE MEASUREMENT

The Authority is committed to the pursuit of best value in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document."

TMP3 DECISION MAKING AND ANALYSIS

The Authority will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document."

TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

The Authority will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in *TMP1 Risk management*.

The Authority has reviewed its classification with financial institutions under MIFID II and has registered as a professional client with relevant organisations.

TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

The Authority considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, and for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principles on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when The Authority intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with *TMP6 Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. The present arrangements are detailed in the schedule to this document.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegations to the responsible officer in respect of treasury management are set out in the schedule to this document. The responsible officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on treasury management.

TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

The Authority will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum:

The Authority (i.e. full Board) will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- a mid-year review
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

The board will receive regular monitoring reports on treasury management activities and risks.

The body responsible for scrutiny, such an audit or scrutiny committee, will have responsibility for the scrutiny of treasury management policies and practices.

The authority should report the treasury management indicators as detailed in their sector specific guidance notes.

TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The responsible officer will prepare, and The Authority will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matter to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with *TMP1 Risk management, TMP2 Best value and performance measurement, and TMP4 Approved instruments, methods and techniques*. The form which The Authority's budget will take is set out in the schedule to this document. The responsible officer will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with *TMP6 Reporting requirements and management information arrangements*.

The Authority will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of The Authority's accounts is set out in the schedule to this document.

The Authority will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed in the schedule to this document.

TMP8 CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of The Authority will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with *TMP1[2] Liquidity risk management*. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

TMP9 MONEY LAUNDERING

The 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 counter parties 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 in the schedule to this document.

TMP10 STAFF TRAINING AND QUALIFICATIONS

The Authority 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 responsible officer will recommend and implement the necessary arrangements.

The responsible officer will ensure that board 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.

TMP11 USE OF EXTERNAL SERVICE PROVIDERS

The Authority recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review, and it will ensure, where feasible and necessary, that a spread of service providers is used to avoid over-reliance on one or a small number of companies.

Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer, and details of the current arrangements are set out in the schedule to this document.

The Authority has a formal contract with Arlingclose Ltd, to provide a range of technical advice and information covering the treasury business.

TMP12 CORPORATE GOVERNANCE

The Authority is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honest, integrity and accountability.

The Authority had adopted and has implemented the key recommendations of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

TREASURY MANAGEMENT PRACTICES - SCHEDULES

This section contains the schedules which set out the details of how the Treasury Management Practices (TMPs) are put into effect by The Authority.

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TMP1 RISK MANAGEMENT

1.1 LIQUIDITY

1.1.1 Cash Flow

The treasury management section will maintain, on a daily basis, a cash flow projection showing;

- all known income and expenditure
- all anticipated income and expenditure.

This record will be maintained for a minimum period of 12 months ahead of current date.

1.1.2 Amounts of approved minimum cash balances and short-term investments

The Treasury Management section shall seek to ensure that funds held in the Authority's main bank account at the close of each working day are only those required for cash flow purposes, in order to minimise the amount of bank overdraft interest payable, and maximise the amount of credit interest receivable. Borrowing or lending shall be arranged in order to achieve this aim. However detailed contingency plans are also available to allow overdraft facilities of up to £0.25m. .

1.2 INTEREST RATE

1.2.1 Interest Estimates

- The treasury management section will maintain detailed forward projections showing estimates of the amount of interest to be received (from approved instruments) and of interest paid (from long term borrowings).
- Interest rate estimates shall be arrived at using market intelligence, derived from reputable city institutions, together with practical experience and knowledge of treasury management staff.

1.2.2 Maximum proportion of variable rate debt/interest

The requirement to set out a series of Prudential Indicators includes a requirement to set upper limits for exposure to fixed interest rates and variable interest rates. Details can be located in the annual Treasury Management Strategy.

Policies concerning the use of financial derivatives for interest rate management

Stockton Council is not permitted to use financial derivatives for interest rate management.

1.3 EXCHANGE RATE

1.3.1 Approved criteria for managing changes in exchange rate levels

- a) As a result of the nature of the Organisation's business, the Organisation may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling. The Organisation will adopt a full hedging strategy to control and add certainty to the sterling value of these transactions. This will mean that the Organisation will eliminate all foreign exchange exposures as soon as they are identified.
- b) Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange transactions will be considered, with professional advice, to comply with this full cover hedging policy. Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity unless the Organisation has a contractual obligation to make a payment in the same currency at a date in the future. In this instance, the currency will be held on deposit to meet this expenditure commitment.
- c) Stockton Council has no exposure to currencies other than sterling.
- d) Stockton Council is not permitted to use financial derivatives in exchange rate risk management.

1.4 CREDIT AND COUNTERPARTY POLICIES

1.4.1 Criteria to be used for creating/managing approved counter party lists/limits

1. The Director of Finance will formulate suitable criteria for assessing and monitoring the credit risk of investment counter parties and shall construct a lending list comprising time, type, sector and specific counter party limits.
2. Treasury management staff will add or delete counter parties to/from the approved counter party list in line with the policy on criteria for selection of counter parties. This will be one on the approval of the Director of Finance. The complete list of approved counter parties will be included in the Treasury Management Strategy, Mid Term Report and Annual Report.
3. The primary criteria used in the selection of counter parties is their credit worthiness. However the authority will also monitor latest market information and reduce the limits imposed on third parties where appropriate.

4. The Authority's Treasury Management Advisors provide a regular update of all the ratings relevant to the authority as well as any changes to the counterparty credit ratings. This information is also available via their website.
5. Credit ratings will be used as supplied from one or more of the following credit rating agencies:-

Fitch
Standard & Poor's
Moody's Investors Services
6. Limits will be as set within the annual Treasury Management Strategy reported to the Board.

1.4.2 Approved methodology for changing limits and adding/removing counter parties

Credit ratings for individual counter parties can change at any time. The Director of Finance is responsible for applying the stated credit rating criteria in the Treasury Management Strategy for selecting approved counter parties, and will add or delete counter parties as appropriate to/from the approved counter party list when there is a change in the credit ratings of individual counter parties or in banking structures e.g. on mergers or takeovers.

The Director of Finance will also adjust lending limits and periods when there is a change in the credit ratings of individual counter parties or in banking structures e.g. on mergers or takeovers in accordance with the criteria in 1.4.1.

1.5 REFINANCING

The Prudential Code requires that:

“In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Authority should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next three financial years”.

To that end the Authority will set annual prudential indicators and then proceed to operate within those boundaries, thus showing that all decisions taken adhere to the above.

Other Considerations;

- A maturity profile should be prepared and maintained covering all the authority's long-term borrowings.

- All refinancing of loans should be at the discretion of the Director of Finance.
- Any premature repayment or refinancing of existing loans may have a premium attached, which may have a revenue impact. Any such transactions will be at the discretion of the Director of Finance.

1.6 LEGAL AND REGULATORY

1.6.1 References to relevant statutes and regulations

The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Authority.

1.6.2 Procedures for evidencing the organisation's powers/authorities to counter parties

The Council will prepare, adopt, and maintain, as the cornerstone for effective treasury management:-

- a) A Treasury Management Strategy, stating the overriding principles and objectives of its treasury management activities; and
- b) The Annual Investment Strategy.

1.6.3 Required information from counter parties concerning their powers/authorities

The authority will contract with 3rd parties who are approved institutions under the Local Government and Housing Act 1989.

Approved brokers will need to be regulated by the Financial Services Authority under the provisions of the Financial Services and Markets Act 2000, under which Local Authorities are classified as market counterparties.

Building Societies are members of Building Society Association and are governed by Building Society Act 1986.

Banks are regulated by the Financial Conduct Authority under the provisions of the Financial Services and Markets Act 2000.

1.6.4 Statement on the organisation's political legislative or regulatory risks

The Authority recognises that future political, 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 authority.

1.7 FRAUD, ERROR AND CORRUPTION

1.7.1 Details of systems and procedures to be followed

The processes involved in the treasury management functions should be clearly documented as set out in *TMP3 Decision making and analysis* and in *TMP 5 Organisation, clarity and segregation of responsibilities and dealing arrangements*.

1.7.2 Emergency and contingency planning arrangements

The authority will follow the manual system to place funds in the event of an electronic system failure.

1.7.3 Insurance cover details

The officers concerned in the treasury management function are covered by appropriate fidelity guarantee insurance.

1.7.4 List of authorised officers

The treasury manager shall maintain a list of officers authorised to deal on behalf of Tees Valley Combined Authority in respect of investing short-term cash balances.

1.7.5 Chaps transactions

The purchasing, payments and income manager shall authorise officers to have access to the Nat West Web Banking System and shall determine which functions each officer can carry out. Only those officers so authorised can transmit money via the Chaps system, using unique passwords.

1.8 MARKET RISK MANAGEMENT

The 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 sum it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP2 BEST VALUE AND PERFORMANCE MEASUREMENT

2.1 METHODOLOGY TO BE APPLIED FOR EVALUATING THE IMPACT OF TREASURY MANAGEMENT DECISIONS

In evaluating treasury management options, the average interest rate for both borrowing and investments is considered.

2.2 POLICY CONCERNING METHODS FOR TESTING BEST VALUE IN TREASURY MANAGEMENT CONTRACTS

2.2.1 Banking services

Banking services will be retendered or renegotiated every 5 years to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends.

2.2.2 Money-broking services

- The Authority will use money-broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them.

2.2.3 Consultants'/advisers' services

- The Authority's policy is to use the advice provided by appointed full-time professional treasury management consultants, to the authority.
- Consultancy services are retendered or renegotiated every 3 years.

2.3 METHODS TO BE EMPLOYED FOR MEASURING THE PERFORMANCE OF THE ORGANISATION'S TREASURY MANAGEMENT ACTIVITIES

Benchmarking tests are detailed below are used in the performance evaluation.

2.4 BENCHMARK AND CALCULATION METHODOLOGY

Performance measured against Annual Treasury Management Strategy targets.

2.4.1 Debt management

Average rate on all external debt
Average maturity of external debt

2.4.2 Investment

The performance of in house investment earnings will be measured against 7 day LIBID, (London Inter-Bank Bid Rate)

TMP3 DECISION-MAKING AND ANALYSIS

3.1 FUNDING, BORROWING, LENDING AND NEW INSTRUMENTS/TECHNIQUES

3.1.1 Records to be kept

The following records will be kept and maintained for audit scrutiny:

- a) Third party confirmation and brokers confirmation of deposits and borrowings.
- b) Copy of electronic submission of payments, manually signed as checked for accuracy and authorised.
- c) Cash flow transaction records
- d) Borrowing Analysis
- e) Year-end reconciliation of all borrowing and lending.

3.1.2 Processes to be pursued

- a) Cash flow analysis.
- b) Maturity analysis.
- c) Ledger reconciliations
- d) Review of borrowing requirement.
- e) Comparison with prudential indicators.
- f) Monitoring of projected loan charges and interest and expenses costs.
- g) Review of opportunities for debt rescheduling.

3.1.3 Issues to be addressed

3.1.3.1 *In respect of every decision made the organisation will:*

- a) Above all be clear about the nature and extent of the risks to which the organisation 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 organisation's objectives and protect the organisation's interests and to deliver good housekeeping.
- d) Ensure that third parties are judged satisfactory in the context of the organisation'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.

3.1.3.2 *In respect of borrowing and other funding decisions, the organisation will:*

- a) Evaluate the economic and market factors that might influence the manner and timing of any decision to fund.

- b) Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships.
- c) Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.
- d) Consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets.

In respect of investment decisions, the organisation 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 organisation to changes in the value of its capital.

TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 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 organisation's capital financing and surplus funds activities;
- managing cash flow;
- banking activities;
- leasing;
- the use of external fund managers;
- managing the underlying exchange rate risk associated with the organisation's business activities.

4.2 APPROVED INSTRUMENTS FOR INVESTMENT

Instruments approved under The Local Authority (Capital Finance) (Approved Investments) Regulations 1990 and subsequent amendments, the most commonly used being:

- Deposits with banks and building Societies or local authorities up to 365 days
- Non-specified deposits with banks and building societies or local authorities.
- Pooled Funds (including Triple A rated Money Market Funds both with a constant and variable net asset value).
- Registered Provides (including providers of social housing).
- Deposits with Government (including HM Treasury, Debt Management Office and Local Authorities).

4.3 APPROVED METHODS AND SOURCES OR RAISING CAPITAL FINANCE

Finance will only be raised in accordance with the Local Government and Housing Act 1989, and within this limit the council has a number of approved methods and sources of raising capital finance.

Borrowing will only be undertaken in keeping with the contents of the Prudential Code and within the limits determined through the approved Prudential Indicators and Treasury Management Strategy and, in respect of any long term borrowings, following consultation with the Director of Finance.

All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Director of Finance has

delegated powers through this policy and the strategy to take the most appropriate form of borrowing from the approved sources.

4.4 INVESTMENTS THAT ARE NOT PART OF THE TREASURY MANAGEMENT ACTIVITY

Where, in addition to treasury management investment activity, organisations invest in other financial assets and property primarily for financial return, these investments should be proportional to the level of resources available to the organisation and the organisation should ensure that the same robust procedures for the consideration of risk and return are applied to these decisions.

The Authority recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Authority will ensure that all the organisation's investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS

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5.1 LIMITS TO RESPONSIBILITIES/DISCRETION AT COMMITTEE/EXECUTIVE LEVELS

5.1.1 Delegation of Powers

- a) Board
 - The limits required by Housing & Finance Act 1989
 - Approval of Treasury Management Policy Statement
 - Approval of Treasury Management Strategy
 - Approval of Annual and Mid Term Reports

- b) Stockton Council
 - Stockton Council (SBC) is authorised under delegated powers to undertake Treasury Management Functions on behalf of Tees Valley Combined Authority.
 - Segregation of duties detailed below are as per SBC processes

5.2 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES

The Director of Finance will ensure there is always adequate segregation of duties in all transactions, with a minimum of 2 officers required to make payments and appropriate senior officers to release payments.

5.3 TREASURY MANAGEMENT ORGANISATION CHART

Director of Finance (TVCA)

Senior Finance Managers

Finance Manager - Corporate / Senior Accountant - Corporate
(Deputy)

Senior Finance Technicians

5.4 STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST

5.4.1 Director of Finance

1. Director of Finance:
 - a) Recommend clauses, treasury management policy/practices for approval, reviewing the same regularly and monitor compliance
 - b) Submit reports as and when required by the Board
 - c) Authorise and maintain TMPs and Schedules
 - d) Set submit and monitor budgets
 - e) Review the performance of the treasury management function and promote best value reviews

- f) Ensure the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function
 - g) Ensure the adequacy of internal audit and liaise with external audit
 - h) Recommend the appointment of external service providers where appropriate.
 - i) Approve and authorise investment deals (within dealing limits – see 5.6)
 - j) Determine and approve short term borrowing up to a period of 6 months and to a limit of £5m
2. The Director of Finance has delegated powers to take the most appropriate form of borrowing from the approved sources and to take the most appropriate form of investments in approved instruments.
 3. Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Director of Finance to be satisfied, by reference to Legal and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Authority's Financial Regulations.
 4. Director of Finance may delegate power to borrow and invest to members of staff to conduct all dealing transactions. All transactions must be authorised by at least two specified named officers. Alternatively staff can be authorised to act as temporary cover for leave/sickness.

5.4.2 Senior Finance Managers (SBC).

1. Approve and authorise investment deals (within dealing limits – see 5.6)
2. Release Chaps payments

5.4.3 Finance Manager - Corporate / Senior Accountant - Corporate (Deputy)

The treasury responsibilities of this post will be:-

- To assist Director of Finance in the formation of the Treasury Strategy.
- Identify and recommend opportunities for improved practices
- Supervise Treasury Management staff
- Monitor performance
- Review the performance of treasury management functions and promote best value reviews
- Implement Treasury Management Strategy
- Approve and authorise investment deals (within dealing limits – see 5.6)
- Release CHAPS payments
- Check interest calculations
- Arrange rescheduling or premature repayment of existing borrowings.

5.4.4 Senior Finance Technician (SBC)

Responsibilities:-

- Calculate daily cash balances
- Enter transmission of monies via Nat West Web Banking system
- Select Brokers from approved list
- Adhere to agreed policies and practices on a day to day basis
- Submit management information reports
- Maintain cash flow projections
- Third party loan confirmation
- Ensure counter party limits are not exceeded
- Ensure there is a clear segregation between officers for negotiating/ approving and closing deals.

5.5 ABSENCE COVER ARRANGEMENTS

The authority will ensure that there is adequate cover for all absences.

5.6 DEALING LIMITS

Dealings can be carried out providing that transactions are within limits determined by the Authority and the Director OF Finance as detailed in the table below;

Investment Dealing Limits	
Director of Finance (TVCA)	As per limits set within the treasury management strategy
Senior Finance Mangers (SBC)	Monetary Limits set within TMS / 365 days and under investment horizon
Finance Manager - Corporate / Senior Accountant - Corporate (Deputy)	Up to £5m / 6 months and under investment horizon.

5.7 LIST OF APPROVED BROKERS/ONLINE BROKER

Prebon Brokers (UK) plc
BGC International Brokers Ltd
ICAP Brokers Ltd
Tradition Brokers
Martin Brokers
I Deal Trade (Arlingclose Trading Platform)

5.8 POLICY ON BROKERS' SERVICES

The authority will use brokers for its temporary transactions. The Treasury Manager will evaluate the services provided by Brokers.

5.9 POLICY ON TAPING OF CONVERSATIONS

The authority will not tape telephone conversations

5.10 DIRECT DEALING PRACTICES

All deals are carried out with brokers / I trade Platform with the exception of Bank of England and Nat West overnight deposit account.

5.11 SETTLEMENT TRANSMISSION PROCEDURES

All payments and repayments resulting from the treasury management function will be made via the authority's bank account using the electronic payment facility (with Nat West Web Banking system). Only authorised officers can transmit, approve or release payments, protected by appropriate passwords and card operated pin number. A manual back up facility will be in place to cover system failure.

5.12 DOCUMENTATION REQUIREMENTS

Cash Dealing sheet
Cashflow summary
Loan Record
Dealing sheet
Brokers confirmation
Counter party confirmation
Invoice signed/coded to budget
Nat West Bankline confirmation sheet

5.13 ARRANGEMENTS CONCERNING THE MANAGEMENT OF THIRD-PARTY FUNDS

The authority does not manage funds on behalf of any third parties.

TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

6.1 ANNUAL TREASURY MANAGEMENT STRATEGY STATEMENT

1. The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This Strategy will be submitted to the Board before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates.
3. The Treasury Management Strategy is concerned with the following elements:
 - the prospects for interest rates;
 - the limits placed by The Authority on treasury activities
 - the expected borrowing strategy;
 - the expected temporary investment strategy;
 - the expectations for debt rescheduling;
 - any extraordinary treasury issue.
4. The Treasury Management Strategy will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

6.2 POLICY ON INTEREST RATE EXPOSURE

1. As required by section 45 of The Local Government and Housing Act 1989, the council must approve before the beginning of each financial year the following treasury limits:
 - The overall borrowing limit
 - The amount of the overall borrowing limit which may be outstanding by way of short-term borrowing
 - The maximum proportion of interest on borrowing, which is subject to variable rate interest.
2. The Corporate Director of Resources is responsible for incorporating these limits into the annual Treasury Management Strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Corporate Director of Resources shall submit the changes to Cabinet for recommendation to Council.

6.3 ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY

An annual report will be completed after the end of the financial year. This report will include the following:-

- a) details of the previous year's treasury management activities
- b) the outcome against agreed measures of performance
- c) report on compliance with CIPFA code
- d) explanation of future actions.

6.4 MANAGEMENT INFORMATION REPORTS

- a) A mid-year review of the strategy statement
- b) Any variations to the agreed Treasury Management policies and practices will be reported to the Cabinet at the earliest practicable meeting.

TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 STATUTORY/REGULATORY REQUIREMENTS

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in England and Wales that is recognised by statute as representing proper accounting practices.

7.2 ACCOUNTING PRACTICES AND STANDARDS

Due regard is given to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in England and Wales. The Council adopts in full the principles set out in CIPFA's 'Code of Best Practice and Guide for Treasury Management in the Public Services' (the 'CIPFA Code and Guide'), together with those of its specific recommendations that are relevant to this organisation's treasury management activities.

7.3 AUDIT ARRANGEMENTS

TVCA will ensure that its audits and those charged with regulatory review have access to all information and papers supporting the activities of the treasury management function.

TMP8 CASH AND CASH FLOW MANAGEMENT

8.1 ARRANGEMENTS FOR PREPARING/SUBMITTING CASH FLOW STATEMENTS, CONTENT AND FREQUENCY

The authority will monitor and complete daily cashflow forecasts for major items of income and expenditure. Additionally, a strategic cashflow forecast will be prepared annually and updated as necessary.

8.2 BANK STATEMENTS PROCEDURE

The authority will aim to monitor and reconcile the bank statements on a daily basis, with a monthly formal reconciliation completed and authorised by two officers.

8.3 PROCEDURES FOR BANKING OF FUNDS

All money received by an officer on behalf of the Authority will without unreasonable delay be paid into the Authority's bank account. Regular security collection rounds will bank all funds.

TMP9 MONEY LAUNDERING

9.1 PROCEDURES FOR ESTABLISHING IDENTITY/AUTHENTICITY OF LENDERS

The Authority will only accept loans from individuals, where the funds are transferred via another bank account, which is domiciled in the UK, either electronically, or through cheque. All other loans are obtained from the PWLB or from authorised institutions under the Banking Act 1987. The Financial Conduct Authority (FCA) is responsible for maintaining a register of authorised institutions. This register can be accessed through their website on (www.fca.org.uk).

9.2 METHODOLOGY FOR IDENTIFYING SOURCES OF DEPOSIT

All deposits are reconciled and identified on a daily basis. The source of each deposit is investigated in order to credit the appropriate funds within the main accounting system.

TMP10 STAFF TRAINING AND QUALIFICATIONS

10.1 DETAILS OF APPROVED TRAINING COURSES

Staff employed in the treasury management function will be qualified to the level that is appropriate to their post (as per the job description). All staff are required to undertake basic training prior to undertaking day to day treasury business and will, in addition, be expected to undertake continuous training as appropriate to enable them to keep up to date with all aspects of treasury management within their responsibility.

Training courses run by CIPFA and other training providers such as our Treasury Advisors will form the major basis of ongoing staff training. Records will be kept of all courses and seminars attended by staff as part of their annual appraisal. The authority will take all reasonable steps to ensure that staff are adequately trained.

CIPFA members are required to abide by CIPFA's Ethics Standard on Professional Practice (SOPP) which includes a section in relation to treasury management.

TMP11 USE OF EXTERNAL SERVICE PROVIDERS

11.1 DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS AND ADVISERS

11.1.1 Banking services

- a) Name of supplier of service is Nat West. The branch address is High Street Stockton
- b) Contract commenced June 2015 and runs for a period of 5 years
- c) Cost of service – a schedule of charges is agreed at the beginning of the contract

11.1.2 Money-broking services

Name of supplier of service:

- Prebon Brokers (UK) plc
- BGC International Brokers Ltd
- ICAP Brokers Ltd
- Tradition Brokers
- Martin Brokers
- I Deal Trade (Arlingclose Trading Platform)

11.1.3 Consultants'/advisers' services

The authority has a formal contract with Arlingclose Ltd, to provide a range of technical advice and information covering the treasury business. This contract commenced on the 1st January 2017 and will run for a period of 3 years with an option to extend for a further 2 years.

11.2 PROCEDURES AND FREQUENCY FOR TENDERING SERVICES

See TMP2

TMP12 CORPORATE GOVERNANCE

12.1 LIST OF DOCUMENTS TO BE MADE AVAILABLE FOR PUBLIC INSPECTION

In furtherance of a robust corporate governance policy, the following documents are available for public inspections:

1. Treasury Management Strategy
2. Treasury Management Practices
3. Annual Treasury Management Report
4. Annual Statement of Accounts
5. Annual Budget